

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED HALF YEAR STATEMENTS FOR

THE 6 MONTHS TO 30 SEPTEMBER 2008

British Smaller Companies VCT plc ("the Company") today announces its unaudited half year results for the six months to 30 September 2008.

CHAIRMAN'S STATEMENT

The first six months of this trading year has been characterised by increasingly challenging economic conditions. Latterly this was heightened by banking failures and further pressure on liquidity which have severely restricted the supply of capital. Whilst, following the end of our half year, a variety of largely Governmentally supported rescue plans have been implemented, the impact of the severe disruption to the supply of credit is now beginning to ripple through to demand and consequently affect the real economy.

Clearly these challenging conditions will impact upon all the companies in the portfolio. However, our approach has been to encourage companies to take appropriate levels of debt to minimise their financing risks. This will not mean that they will be immune from possible covenant breaches but more prudent levels of debt should help to protect the investments from the volatile behaviour exhibited by some banks.

On a more positive note, for an investment company these circumstances can provide real opportunity. Over recent years, British Smaller Companies VCT has taken the opportunity to both realise investments and raise money. This has enabled your Company to both deliver increasing dividend return and build its investment capacity. As at 30 September 2008, the total net assets were £29.4 million of which 57% was held in gilts, cash and net current assets and 43% was invested (of which approximately two thirds was in unquoted investments and one third in quoted investments).

The high level of liquid funds has achieved both some insulation against the current market volatility, which has seen total return reduce 2.3% over the six month period, and also allows the Company to take advantage of buying opportunities as they arise over the next 12-24 months.

As a measure of your Board's confidence in the long term position of the Company, we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 11 February 2009 to shareholders on the register at 28 November 2008.

Interim Management Report

The first and second quarter of this financial year were markedly different. Investment and divestment activity were both confined to the first quarter. Your Company completed three investments totalling £0.99 million. The first into Darwin Rhodes Limited (£0.44 million) was an all equity financing into an un-gearred business that provides recruitment services across Western and Central Europe and the Far East. These services are targeted at the financial sector, with an increasing demand seen in respect of compliance and regulatory posts. The second investment (£0.4 million) was into AiM listed K3 Technology. This business has recently expanded away from its core global retail base into supply chain management assisting businesses to deliver further efficiency and cost savings. The third investment (£0.15 million) was by way of a predominantly mezzanine loan into the existing portfolio business RMS Europe Limited.

During the period your Company also realised a further £0.16 million of its residual holding in Connaught plc compared to a cost of £0.013 million realising a profit of £0.147 million.

In the second quarter, both Caterplus Services Limited (to be known as Waterfall Services Limited in future (Waterfall)) and Ellfin Home Care Limited have pursued their acquisition strategies. Waterfall acquired the north east based Taylor Shaw, a supplier of catering services to the education sector. This acquisition will help to diversify the company's catering services offering both geographically and by sector. Shortly after the end of the period, Ellfin Home Care Limited completed its acquisition of Accrington-based Elmwood Limited. This continues its strategy of focussing on building a tightly focussed group in the community care sector.

Financial Results

The operating profit for the period was £0.33 million equivalent to 1.07 pence per share. However, after taking account of the movement in investment values, the loss for the period was £0.746 million equivalent to 2.42 pence per share. The operating results have benefited from the estimated recovery of VAT of £0.27 million. The claim has been submitted to HMRC on the Company's behalf by its fund manager, YFM Private Equity Limited, with payment anticipated in due course.

The movement in the investment values is as a result of unrealised valuation movements resulting in the main from a combination of reductions in the value of some of the quoted investments and a reduction in the earnings multiple applied to derive the valuations of unquoted investments.

The resultant net asset value per share as at 30 September 2008 was 95.8 pence per share.

Shareholder Relations

Fundraising

The period has seen the successful closing of the Company's latest share offers. These were concluded on 4 and 30 April respectively and raised a total of £5.2 million net of expenses. This was a little higher than the original target of £5 million, with the additional demand being met from a small top up issue.

Dividend Re-investment Scheme

Each year our fund manager holds Investor Workshops. This year the venue was the Tower of London and there were nearly 150 attendees - the highest ever total. One of the areas your Board has kept under review for some time is a dividend re-investment scheme. After due consideration and taking shareholder feedback in to account, the Board resolved to seek the authority of shareholders to establish a Dividend Re-investment Scheme ("the Scheme"). This authority was given by shareholders at the Annual General Meeting on 6 August 2008. Accordingly, the Board will shortly be publishing the terms and conditions of the Scheme which will enable shareholders to elect to receive dividends in the form of shares. The first dividend for which shareholders will be able to elect to receive shares instead of dividends will be in respect of the interim dividend for 2008, payment of which is expected to be made in February 2009.

Share Buy Backs

As you know, the market for your Company's shares had been made by Landsbanki Securities following its acquisition of Teather & Greenwood, the London stockbroking firm. Following the administration of Landsbanki in October 2008, there has been a short period when our broker has been unable to make a market and as a consequence there has been some downward bidding pressure on the share price. This is a fluid situation that is under review. Your Board believes that there may be a greater number of market makers for the Company's shares over the coming months.

During the six month period to 30 September 2008, your Company acquired 298,153 shares at a cost of £0.265 million. This compares to 448,445 shares at a cost of £0.389 million in the same period last year. Whilst the level of buy back is reduced, your Board continues to keep the Company's share buy back policy under review.

Your Board continues to believe that 2009-10 may offer a strong flow of good investment opportunities. However, after careful consideration your Board has determined that the Company does not need to raise further funds in the immediate future in order to take advantage of these opportunities. We will continue to review this position throughout 2009.

Outlook

There is little doubt that during this first half of the financial year, a series of events have created volatile market conditions and uncertainty in the economy. History suggests that immediately following such periods is an attractive time to make new investments as assets are cheaper. It may well be that in the short term there is more pressure on valuations as the economy deteriorates. In the medium term we should benefit from our relative liquidity as attractive investment opportunities appear.

At the end of my first Chairman's statement I would like to thank all our shareholders for their continued support.

Helen Sinclair

20 November 2008

INCOME STATEMENT

For the 6 months ended 30 September 2008

		Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
		£000	£000	£000
	Notes			
Income	2	628	489	1,035
Administrative expenses:				
Fund management fee		(364)	(299)	(610)
Estimated VAT recovery		272	-	-
Other expenses		(206)	(106)	(195)
		(298)	(405)	(805)
Operating profit		330	84	230
Gains on realisation of investments (net)		85	642	2,318
Unrealised (losses) gains on investments held at fair value (net)		(1,161)	1,162	(343)
Net movement on investments		(1,076)	1,804	1,975
(Loss) profit on ordinary activities before taxation		(746)	1,888	2,205
Taxation	3	-	-	-
(Loss) profit for the period from continuing operations		(746)	1,888	2,205
Basic and diluted (loss) earnings per share	5	(2.42) p	7.37p	8.51p

BALANCE SHEET

As at 30 September 2008

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Notes			
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	12,688	14,699	12,947
Current assets			
Trade and other receivables	709	631	1,114
Cash and cash equivalents	16,312	11,504	12,356
	17,021	12,135	13,470
Liabilities			
Current liabilities			
Trade and other payables	(235)	(155)	(219)
Net current assets	16,786	11,980	13,251
Net assets	29,474	26,679	26,198
Shareholders' equity			
Share capital	3,180	2,641	2,642
Share premium account	15,183	10,504	10,502
Capital redemption reserve	221	221	221
Treasury share reserve	(931)	(389)	(666)
Special reserve	2,408	2,408	2,408
Retained earnings	9,413	11,294	11,091
Total Shareholders' equity	29,474	26,679	26,198
Net asset value per Ordinary share	6	95.8p	102.7p
	102.1p		
Total return per Ordinary share	7	138.8p	140.7p
			142.1p

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the 6 months ended 30 September 2008

	Share Capital	Share premium account	Capital redemption reserve	Treasury reserve	Special reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2007	2,148	1,813	221	-	2,408	10,198	16,788
Issue of Ordinary shares	980	8,723	-	-	-	-	9,703
Issue costs	-	(525)	-	-	-	-	(525)
C share conversion	(487)	493	-	-	-	-	6
Purchase of own shares	-	-	-	(389)	-	-	(389)
Dividends	-	-	-	-	-	(792)	(792)
Profit for the period	-	-	-	-	-	1,888	1,888
Balance at 30 September 2007	2,641	10,504	221	(389)	2,408	11,294	26,679
Purchase of own shares	1	(2)	-	(277)	-	-	(278)
Dividends	-	-	-	-	-	(520)	(520)
Profit for the period	-	-	-	-	-	317	317
Balance at 31 March 2008	2,642	10,502	221	(666)	2,408	11,091	26,198
Issue of Ordinary shares	538	4,978	-	-	-	-	5,516
Issue costs	-	(297)	-	-	-	-	(297)
Purchase of own shares	-	-	-	(265)	-	-	(265)
Dividends	-	-	-	-	-	(932)	(932)
Loss for the period	-	-	-	-	-	(746)	(746)
Balance at 30 September 2008	3,180	15,183	221	(931)	2,408	9,413	29,474

CASH FLOW STATEMENT

For the 6 months ended 30 September 2008

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Net cash inflow (outflow) from operating activities	49	(182)	(26)
Cash flows (used in) from investing activities			
Purchase of fixed asset investments	(996)	(2,705)	(4,770)
Proceeds from sale of fixed asset investments	927	1,605	4,878
Net cash (used in) from investing activities	(69)	(1,100)	108
Cash flows from (used in) financing activities			
Cost of C share issue	-	-	-
Issue of Ordinary shares	5,436	9,703	9,784
Cost of Ordinary share issue	(244)	(520)	(579)
Purchase of own Ordinary shares	(171)	(515)	(721)
Dividends paid	(932)	(792)	(1,312)
Net cash from (used in) financing activities	4,089	7,876	7,172
Net increase (decrease) in cash and cash equivalents	4,069	6,594	7,254
Cash and cash equivalents at the beginning of the period	12,356	4,867	4,867
Effect of market value changes in cash equivalents	(113)	43	235
Cash and cash equivalents at the end of the period	16,312	11,504	12,356

NOTES TO THE FINANCIAL STATEMENTS

For the 6 months ended 30 September 2008

1. These half year statements, which have been approved by the directors whose names appear at note 8, each of whom has confirmed that to the best of his knowledge the Interim Management Report includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.

The half year statements are unaudited, nor have they been reviewed by the auditors pursuant to the Auditing Practices Board (ASB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 240 of the Companies Act 1985. The comparative figures for the year ended 31 March 2008 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2008. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2008.

The financial statements for the year ended 31 March 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 March 2008. In summary, the principal risks are:

- Investment and strategic;
- Loss of approval as a Venture Capital Trust;
- Regulatory;
- Reputational;
- Operational;
- Financial;
- Market risk, and
- Liquidity risk.

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2008 on page 21. A copy of which can be found at www.yfmgroup.co.uk.

2. Income

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Income from investments:			
Dividends from unquoted companies	-	42	53
Dividends from AIM quoted companies	34	27	51
	34	69	104
Interest on loans to unquoted companies	183	88	216
Fixed interest Government securities	385	313	643
Income from investments held at fair value through profit or loss	602	470	963
Other income	-	-	11
Interest on deposits	26	19	61
	628	489	1,035

3. Taxation

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
(Loss) profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 21% (September 2007: 19% and March 2008: 20%)	(156)	359	441
Effect of:			
UK dividends received	(7)	(13)	(21)
Non taxable profits on investments	226	(343)	(395)
Excess management expenses	(63)	(3)	(25)
Current tax charge for the period	-	-	-

The Company has no provided, or unprovided, deferred tax liability in either year.

Deferred tax assets in respect of losses have not been recognised as management currently believe that there will not be sufficient taxable profits against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 of Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

4. Dividends

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Interim - 2.0p per Ordinary share; paid 16 November 2007	-	-	520
Final - 3.0p per Ordinary share; paid 8 August 2007	-	792	792
Final - 3.0p per Ordinary share; paid 8 August 2008	932	-	-
Dividends paid	932	792	1,312

An interim dividend of 2.0p per share in respect of the period to 30 September 2008, amounting to £615,000, is proposed. This has not been recognised in the period ended 30 September 2008 as the obligation did not exist at the balance sheet date.

5. The (loss) earnings per share is based on the net loss from ordinary activities after tax attributable to shareholders of £746,000 (30 September 2007: net profit of £1,888,000 and 31 March 2008: net profit of £2,205,000) and on 30,865,000 shares (30 September 2007: 26,608,000 and 31 March 2008: 25,915,000), being the weighted average number of shares in issue during the period.

The Company has also repurchased 1,050,955 of its own shares and these shares are held in treasury. The 1,050,955 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2008 (30 September 2007: 448,445 and 31 March 2008: 752,802). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

6. The net asset value per share is calculated on attributable assets of £29,474,000 and 30,752,447 shares in issue at the period end (30 September 2007: assets of £26,679,000 and 25,975,718 shares, 31 March 2008: assets of £26,198,000 and 25,671,361 shares).

The Company has also repurchased 1,050,955 of its own shares and these shares are held in treasury. The 1,050,955 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2008 (30 September 2007: 448,445 and 31 March 2008: 752,802). The Company has no securities that would have a dilutive effect and hence basic and diluted net asset values per share are the same.

7. Total return per share is calculated on cumulative dividends paid of 43 pence per Ordinary share (30 September 2007: 38 pence per Ordinary share and 31 March 2008: 40 pence per Ordinary share plus the net asset value at those dates as calculated per note 6.

8. The directors of the Company are: H Sinclair, Mr PS Cammerman, Mr RM Pettigrew and Mr R Last.

For further information, please contact:

David Hall, YFM Private Equity Limited

Tel: 0161 819 3195