

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

INTERIM MANAGEMENT STATEMENT For the quarter ended 31 December 2008

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 31 December 2008. This constitutes the Company's second interim management statement for the financial year ending 31 March 2009, as required by the UK Listing Authority's Disclosure and Transparency Rule 4.3. A copy of this interim management statement can be found at www.yfmgroup.co.uk.

The unaudited net asset value per Ordinary share as at 31 December 2008 was 88.4p (30 September 2008: 95.8p). The net asset value is stated after taking account of the interim dividend of 2.0p per Ordinary share in respect of the period ended 30 September 2008, which will be paid on 11 February 2009.

The total return at 31 December 2008, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, was 133.4p per Ordinary share compared to 138.8p at 30 September 2008.

The number of Ordinary shares in issue at 31 December 2008 was 30,752,447. In addition, the Company held 1,050,955 shares in Treasury. There were no shares purchased or issued by the Company during the quarter.

Net assets at 31 December 2008 comprised the following:

| | £000 | % of net assets |
|------------------------------------|--------|-----------------|
| Unquoted investments at fair value | 6,919 | 25.4% |
| Quoted investments at bid price | 3,607 | 13.3% |
| Total venture capital investments | 10,526 | 38.7% |
| Cash and cash equivalents | 16,643 | 61.2% |
| Other net current assets | 31 | 0.1% |
| Net assets | 27,200 | 100.0% |

The ten largest investments by valuation at 31 December 2008 were as follows:

| | £000 | % of net assets |
|-----------------------------------|--------|-----------------|
| GoOutdoors Limited | 1,491 | 5.5% |
| Waterfall Services Limited | 1,272 | 4.7% |
| Connaught plc | 1,107 | 4.1% |
| Elffin Home Care Limited | 769 | 2.8% |
| Pressure Technologies plc | 680 | 2.5% |
| Sheet Piling Limited | 679 | 2.5% |
| RMS Group Holdings Limited | 678 | 2.5% |
| Mattioli Woods plc | 506 | 1.9% |
| Fishawack Limited | 500 | 1.8% |
| Harvey Jones Limited | 494 | 1.8% |
| Top ten investments | 8,176 | 30.1% |
| Other investments | 2,350 | 8.6% |
| Total venture capital investments | 10,526 | 38.7% |

Quoted investments are carried at bid price at 31 December 2008. Unquoted investment are carried at fair value as at 31 December 2008 as determined by the directors.

In general the performance of the portfolio has been relatively robust, the widely reported fall in equity markets and consequent reduction in price earnings ratios has tended to feed through to the portfolio which has had a consequential impact on the valuation of the portfolio.

During the three months ended 31 December 2008 the following significant investment transactions took place (all companies are unquoted except where otherwise indicated):

Follow-on Investments:

| Name of company: | Business activity: | Amount invested £000 |
|--------------------------|---------------------------|---------------------------------|
| Elffin Home Care Limited | Domiciliary care business | <u>119</u> |

Disposals:

| Name of company: | Sale proceeds £000 | Original cost £000 | Carrying value at 30 Sept 2008 £000 |
|----------------------------|-------------------------------|-------------------------------|--|
| RMS Group Holdings Limited | 9 | 9 | 9 |
| Denison Mayes Limited | 5 | 5 | 5 |
| | <u>14</u> | <u>14</u> | <u>14</u> |

Disposals during the quarter relate to scheduled loan repayments.

During the quarter, the movement in net asset value comprised the recognition of an interim dividend of 2.0 pence per share and an underlying decrease in its investment portfolio of 5.4 pence per share. The total return was 133.4 pence per share (30 September 2008: 138.8 pence per share), which includes cumulative dividends of 45 pence per share.

The net asset value currently comprises 61.2% in cash and gilts and as such the Company is well placed to take advantage of selective investment opportunities as they arise. It is pleasing to report a marked increase in the number of these opportunities being presented.

Shareholder Relations

Dividend Re-investment Scheme

The Company recently introduced a dividend re-investment scheme. The first dividend eligible to be re-invested is payable on 11 February. The board is pleased that approximately 10% of shareholders have taken the option to re-invest their dividends.

Share Buy Back Policy

The board of directors continually monitors the share buy back policy of the Company. Whilst there remains a need to provide support to those shareholders wishing to dispose of their shares, in these uncertain times the board have reviewed carefully the appropriate level of share buybacks to the advantage of the shareholder base as a whole. Consequently for the foreseeable future they have determined that shares will be acquired at a discount of 15% to the net asset value which is more in line with current market practice. This is effective from the date of this announcement.

Shareholder Workshop

The Company's next shareholder workshop is being held at the Imperial War Museum at 11.00 am on 29 January 2009.

20 January 2009

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