

BRITISH SMALLER COMPANIES VCT PLC (“the Company”)

INTERIM MANAGEMENT STATEMENT For the quarter ended 31 December 2009

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 31 December 2009. This constitutes the Company's second interim management statement for the financial year ending 31 March 2010, 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 2009 was 91.7p (30 September 2009: 90.6p). 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 2009, which was paid on 7 January 2010.

The total return at 31 December 2009, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, was 141.7p per share compared to 138.6p at 30 September 2009.

The number of Ordinary shares in issue at 31 December 2009 was 30,626,423. In addition, the Company held 1,382,837 shares in Treasury.

During the quarter 190,000 shares were re-purchased by the Company at a price of 74.0p per share. These shares were placed in Treasury. There were no shares issued by the Company during the quarter. Subsequent to the quarter end 105,771 Ordinary shares were issued to shareholders of the Company at a price of 84.17p per share pursuant to its dividend reinvestment scheme.

Net assets at 31 December 2009 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,897	35.3%
Quoted investment at bid price	4,222	15.0%
Total venture capital investments	14,119	50.3%
Fixed income securities	11,657	41.5%
Total investments	25,776	91.8%
Cash and cash equivalents	2,149	7.7%
Other net current assets	148	0.5%
Net assets	28,073	100.0%

The ten largest investments by valuation at 31 December 2009 were as follows:

	£000	% of net assets
GO Outdoors Limited	4,083	14.5%
Waterfall Services Limited	1,566	5.6%
Connaught plc	1,134	4.0%
Deep-Secure Limited	1,000	3.6%
Sheet Piling Limited	798	2.8%
Fishawack Limited	717	2.6%
Pressure Technologies plc	680	2.4%
Hargreaves Services plc	645	2.3%
Mattioli Woods plc	584	2.1%
Harvey Jones Limited	460	1.7%
Top ten investments	11,667	41.6%
Other investments	2,452	8.7%

Total venture capital investments	<u>14,119</u>	<u>50.3%</u>
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Quoted investments are carried at bid price with a discount applied where appropriate. Unquoted investments are carried at fair value as determined by the directors.

During the three months ended 31 December 2009 the following significant investment transactions took place (all companies are unquoted except where otherwise indicated):

The Company invested £1 million in Deep-Secure Limited to support the management buy-in of Clearswift Specialist Products Limited. The business is a specialist provider of hardware and software high security solutions principally to an international defence industry client base. In addition a further investment of £0.12 million was completed in Fishawack Limited to support an acquisition of one of its trading partners.

During the quarter the Company realised its residual investment in Images at Work Limited for £49k (carrying value at 30 September 2009: nil).

During the quarter the movement in net asset value comprised the recognition of an interim dividend of 2.0p per share and an underlying increase in its investment portfolio of 3.1p per share. The total return, calculated by reference to the net asset value plus cumulative dividends paid and proposed, has increased by 3.1p to 141.7p per share, cumulative dividends representing 50.0p per share.

The net asset value currently comprises 7.7% in cash and cash equivalents and 41.5% in fixed Government Securities and as such the Company is well placed to take advantage of selective investment opportunities as they arise.

Shareholder Relations

Share Buy Back policy

The Company continues to offer a dividend reinvestment scheme. In January 2010 14.5% of shareholders took the opportunity to re-invest the interim dividend.

The board of directors continues to monitor the share buyback policy of the Company. The board recognises the need to provide support to those shareholders wishing to dispose of their shares. In these uncertain times the board has 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 continue to be acquired at a discount of 15% to the net asset value.

Fundraising

Your board has continued to review the Company's investment capacity and has consequently determined that it will undertake a top up offer available to all shareholders. This offer seeks to raise up to €2.5 million. Details will be circulated shortly.

Other

As part of the Company's shareholder relations strategy it will be holding an Investor Workshop at the Natural History Museum on 2 February 2010.

Outlook

In common with the first half of this financial year and against a background of economic uncertainty the investment portfolio has continued to be resilient. Whilst economic conditions remain challenging we have noted an increase in the number of businesses seeking funds for expansion and your Company has begun to take advantage of this, completing two investments in the period. With some evidence of a recovery, albeit fragile, this increased flow of investment opportunities could well be set to continue throughout 2010 and beyond.

29 January 2010

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