

British Smaller Companies VCT plc

Half Yearly Report for the period from
1 April 2007 to 30 September 2007

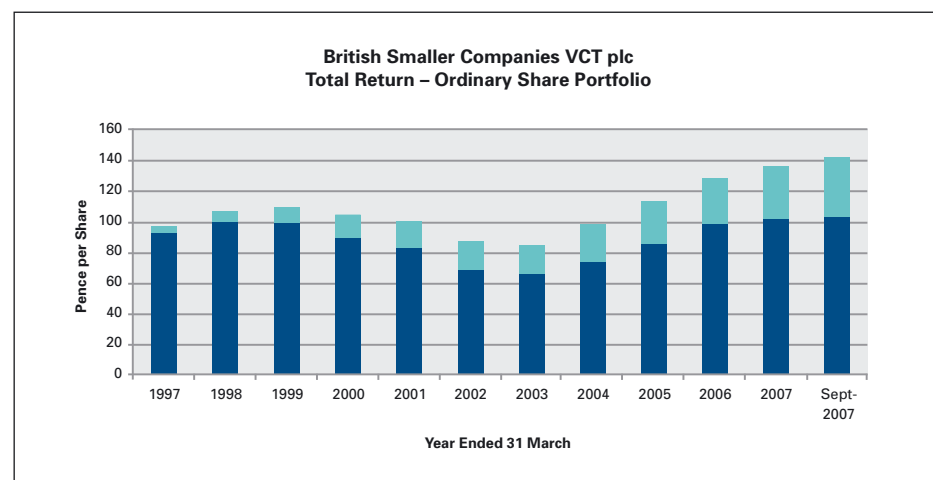


Financial Highlights

For the 6 months ended 30 September 2007

At 30 September 2007 the total return to shareholders, who invested in the first round of fundraising, is 140.7 pence per share, an increase of 6.5% over the last twelve months.

The chart below sets out the aggregate of net asset value of the Company and the cumulative dividends paid.



■ NAV Per Share ■ Cumulative Dividends Paid

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Chairman's Statement

I am pleased to present the half year results which reflect a very active six months both for new investments, our own fundraising and the portfolio, which has resulted in a period of continued growth in net asset value. For the six months to 30 September 2007, net asset value, before taking account of the interim dividend, has risen to 102.7 pence per Ordinary share, an increase of 4.2 pence per over the same period last year. This has increased total return to 140.7 pence per share, an increase of 6.5% over the same period last year.

In December 2006 the Company launched its share offers which were successfully closed during April 2007 raising a total of £9.2 million after expenses. Since those share offers opened, the Company has invested a total of £3.9 million in 6 companies, of which £2.7 million has been invested in the six months to 30 September 2007.

As a consequence of this continued performance, I am pleased to announce the interim dividend will be 2 pence per share, an increase of 33% over the previous year. The dividend will be paid on 16 November 2007 to shareholders on the register at 26 October 2007.

Interim Management Report

During the period the directors consider the following events to have been of particular importance.

Important Events in the Period

The first six months of this financial year has seen two investments realised for a total of £1.36 million compared to a cost of £0.44 million. These investments were Oasis Healthcare plc (a nationwide chain of dental practitioners – which realised a profit of £0.66 million) and JDA Limited (a north of England based advertising and marketing agency – which realised a profit of £0.26 million).

In addition, on 28 September 2007 at an EGM of Cozart plc, its shareholders voted to accept an offer of 57.5 pence per share from Concateno plc. The value of this offer to this Company is £2.2 million. Cozart plc became an investment in 2001 when it was a small unquoted company. Cozart achieved its listing on the Alternative Investment Market (AIM) in 2004 at a price of 30 pence per share. The offer for Cozart plc values the company at £64 million. Your company's residual holding in Cozart plc was acquired at a cost of £0.45 million.

This first six months of the year has also seen high levels of activity in new investment. In total, £2.7 million has been invested of which £2.28 million has been into three unquoted companies and £0.42 million into one AIM listed company.

The unquoted investments comprised £0.78 million into London-based Harvey Jones Limited (a management buy-out of a kitchen manufacturer and retailer); £0.6 million into

Chairman's Statement

Kingston-Upon-Thames-based Harris Hill Limited (a management buy-in led by a previous Chief Executive of Office Angels Limited, of a business specialising in recruitment for the not-for-profit and charity sectors); £0.9 million into Goole-based RMS Group Holdings Limited (a buy-in management buy-out of a Humber port operator and stevedoring business).

It is also pleasing to note that following the sale of Tamesis Limited to Patsystems plc in 2005 that Tamesis Limited has achieved its earnout conditions and that consequently the Company has received shares in Patsystems plc to the value of £0.2 million. Richard Last, a director of the Company is also a director and shareholder of Patsystems plc.

Financial Results and Dividend

The net asset value of the Ordinary shares at 30 September 2007, before taking account of the approved interim dividend of 2 pence per share, is 102.7 pence per share. Taking account of the dividends paid to date, the total return for eligible founder shareholders at the balance sheet date is 140.7 pence per share.

The increase in income has arisen largely as a result of the successful fundraising. This increase has more than offset the rise in the investment advisory fee which is linked directly to movements in net asset value.

The recorded pre-tax profit for Ordinary shares for the six months ended 30 September 2007 is £1.89 million after taking account of realised valuation gains of £0.64 million and unrealised valuation gains of £1.16 million.

Shareholder Relations and Fundraising

Following the success of the previous offers, and taking account of the quality and number of investment opportunities available, your Board has decided to recommend a further Issue of Ordinary shares. Your Board will be seeking to raise up to £5 million. A further fundraising will allow your Company to take advantage of the increasing proprietary investment flow arising from the national office network of YFM Private Equity and to benefit further from increasing the scale of your Company. Details of the Offer will be sent to shareholders in the near future.

The Company continues to operate a share buy back policy to enable shareholders to obtain some liquidity in what remains a relatively illiquid market where there is a need to dispose of their stock. This policy is kept under review to ensure that any decisions taken are in the best interests of shareholders as a whole. In accordance with this policy, the Company has purchased a total of 448,445 shares during the period at an average price of 86.81 pence per share and the shares have been placed in Treasury. These purchases are made with funds taken from the Special Reserve and do not adversely impact on the Company's ability to distribute tax free dividends to shareholders.

Chairman's Statement

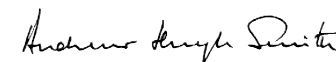
Your Company continues to undertake workshops where shareholders are invited to meet members of the Board and the Investment Adviser and have the opportunity to meet some of the management teams of your Company's investments. It is intended to hold the next workshop in February 2008.

Outlook and Risks

The directors believe that the principal risks and uncertainties facing the Company for the remaining six months of the year continue to be the identification of sufficient quality of new investment opportunities. General market conditions have provided a more volatile backdrop with some continued uncertainty over the attitude that banks will take to providing debt in support of private equity and venture capital transactions. To date there has been no evidence of any material change to the market in which venture capital trusts operate, but the Board will continue to keep the situation under close review. It also remains unclear as to what effect the recently announced changes in respect of moving to a single rate of capital gains tax of 18% will have on private investors and entrepreneurs both in the unquoted and AIM markets. Again the Board continues to keep this developing situation under close review. In addition, market and liquidity risks are greater for unquoted and AIM traded companies than investment in companies traded on the main market. The Board will continue to seek to

mitigate these risks by setting policies, reviewing performance and monitoring progress.

The recent economic climate has supported a strong corporate market enabling your Company to continue its record of successful realisations supporting the increase in dividend policy. The underlying performance of the remainder of the portfolio continues to show pleasing progress and it is a feature of the portfolio that it is not exposed to significant levels of debt finance. This investment structure has been continued through to the new investments where your Company has sought to ensure that, as a portfolio, the exposure to debt levels is not significantly increased. Your Company remains well positioned to take advantage of selective investment opportunities as they arise and your Board remains optimistic about the second half of the year.



Sir Andrew Hugh Smith
17 October 2007

Investment Portfolio

Current Investments

Name of Company	Date of Initial Investment	Industry Sector	Original Cost £000	Realised to Date £000	Investment at Valuation £000	Realised and Unrealised to Date £000
Cozart plc	May-01	Healthcare	500	183	2,240	2,423
GO Outdoors Ltd	May-98	Consumer Products	555	460	1,913	2,373
Connaught plc	Nov-98	Construction	234	328	1,392	1,720
Sheet Piling (UK) Ltd	Jun-00	Construction	500	410	1,389	1,799
Cater Plus Services Ltd	Feb-07	Support Services	1,000	-	1,000	1,000
RMS Group Holdings Ltd	Jul-07	Industrial	900	-	900	900
Harvey Jones	May-07	Consumer Products	777	-	777	777
Mattioli Woods plc	Nov-05	Support Services	326	-	691	691
Pressure Technologies plc	Jun-07	Industrial	425	-	624	624
Harris Hill Ltd	Jun-07	Support Services	600	-	600	600
Tikit plc	Jun-01	Software	225	-	588	588
Images at Work Ltd	May-99	Support Services	615	320	260	580
Straight plc	Feb-04	Industrial	341	64	431	495
Primal Pictures Ltd	May-01	Healthcare	500	-	266	266
Cardpoint plc	Jun-02	Consumer Products	320	311	239	550
Patsystems Plc	Sep-07	Software	204	-	204	204
Hexagon Human Capital plc	Feb-07	Support Services	200	-	200	200
Tekton Group Ltd	Dec-05	Software	200	-	200	200
Belgravium plc	Oct-05	Software	200	-	178	178
Brulines (Holdings) plc	Oct-06	Software	163	-	176	176
RMF Engineering Ltd	Feb-97	Industrial	300	252	171	423
Cambridge Cognition Ltd	May-02	Software	325	-	130	130
Denison Mayes Group Ltd	Aug-98	Industrial	700	225	75	300
Freshroast Coffee Co. Ltd	Jul-96	Consumer Products	158	166	34	200
Landround plc	Aug-99	Consumer Products	283	-	21	21
SBS Group plc	Mar-98	Support Services	100	-	-	-
			10,651	2,719	14,699	17,418
Realisations since September 2002			7,211	8,889	-	8,889
Realisations prior to September 2002			6,812	3,853	-	3,853
Total realised and unrealised to date			24,674	15,461	14,699	30,160

Top 15 Investments

Cozart plc

Abingdon
www.cozart.co.uk



Cozart is a medical diagnostics company specialising in the development and supply of testing devices for drugs of abuse. The portable Cozart RapiScan™ is suitable for on-site testing of motorists for evidence of use of drugs in an efficient, timely and accurate manner. The RapiScan™ product is currently used by a number of UK police forces for testing suspects charged with acquisitive crimes. The company has successfully completed a number of acquisitions in Europe expanding its geographical distribution. Cozart, in collaboration with Phillips, has launched its next generation of products. On 28 September 2007 the shareholders of Cozart plc approved an offer to acquire Cozart by Concateno plc of 57.5 pence per share. This valuation reflects that offer. The proceeds of £2.24 million were received on 19 October 2007.

GO Outdoors Limited

Sheffield
www.gooutdoors.co.uk



GO Outdoors is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buy out from its previous owner. The second investment in March 2002 was made in support of the company's first acquisition. Stores were subsequently opened or acquired in Stockport, Coventry and Oxford and the company has continued its expansion with further store openings in Wigan and Loughborough in 2007. With eight stores in total the company is planning further expansion in the coming months with other stores opening around the UK.

Connaught plc

Sidmouth
www.connaught.plc.uk



Connaught operates as a facilities management and integrated property services group, engaged in building maintenance, light refurbishment, commercial fitting-out and electrical work. It has extended its offering through the establishment of a Compliance Services Division that is expanding rapidly through both organic and acquisitive growth. The preliminary results for the year ended 31 August 2007 showed turnover up 32% to £396 million and operating profit increasing by 36% to £19.2 million. In October Connaught announced that its shareholders approved a proposed expansion of its compliance division through the acquisition of National Britannia for £91 million.

Sheet Piling (UK) Limited

Preston
www.sheetpilinguk.com



From its headquarters in Preston, Sheet Piling is one of the UK's leading driven steel piling contractors carrying out contracts throughout the UK for a variety of sectors using its 'state of the art' equipment. The original investment supported the management buy-out from Allen plc, since when it has successfully more than doubled turnover. The diversification into supplying polymer piles for use in situations where the longevity of steel piles is insufficient, such as marine environments, has increased profitability further.

Cater Plus Services Limited

Watford
www.caterplus.co.uk



Your Company invested to support the management buy-in/management buy-out of this specialist supplier of catering services to the residential and care home sector in February 2007. The company operates across the UK supplying both catering services and undertaking purchasing contracts on behalf of residential and care homes.

Top 15 Investments



RMS Group Holdings Limited

Goole
www.rms-europe.co.uk

Your Company invested to support the management buy-in/management buy-out of this group which provides a wide range of stevedoring, warehousing and distribution services. RMS operates from five sites on the Humber estuary handling in excess of 2 million tonnes of cargo a year.



Harvey Jones Holdings Limited

London
www.harveyjones.com

Harvey Jones is a fitted kitchen furniture specialist. We supported the MBO of the business from its private owner. The business has a manufacturing facility in the UK and 11 stores, mostly in London and wealthy provincial towns in the South of England. It plans to roll out the number of stores organically and build brand recognition. Trading so far this year has been in line with expectations.

Mattioli Woods

Mattioli Woods plc

Leicester
www.mattioli-woods.com

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The Group's key activities include complex pensions consultancy, the provision of self-invested personal pensions ("SIPP") and small self-administered pension schemes ("SSAS") and advice on related business affairs.



Pressure Technologies plc

Sheffield
www.pressuretechnologies.co.uk

Pressure Technologies was admitted to the Alternative Investment Market in June 2007. Whilst the first post IPO audited results are not yet due, Pressure Technologies, which manufactures and designs high pressure seamless steel gas cylinders to the global energy markets, issued two strong trading statements stating that the advisers believe that the results for the year to 30 September 2007 will exceed expectations and that this is likely also to be the case for the following financial year.



Harris Hill Limited

Kingston upon Thames
www.harrishill.co.uk

Harris Hill is the UK's leading charity and 'not-for-profit' recruitment specialist. British Smaller Companies VCT plc supported the previous CEO of Office Angels Limited in a management buy-in of Harris Hill in June 2007. The intention is to expand both organically and by acquisition creating a strong brand in this specialised recruitment sector.

Top 15 Investments

Tikit Group plc

London
www.tikit.com



Tikit Group is a provider of consultancy services and software solutions principally to the IT departments of top law firms. The company also provides a range of document and knowledge management tools to a majority of the top 50 UK legal practices. Tikit has continued to perform well with the interim unaudited results to June 2007 delivering sales growth of 16% to £13.2 million with profit before tax up 17% to £1.5 million. Tikit is evolving its business model to software as a service, giving rise to longer term contract underpinning of sales.

Images at Work Limited

Salisbury
www.iaw.co.uk



Images at Work supplies and manages corporate contracts to a range of clients throughout the UK, adding value through a clothing management programme to several of the national and regional emergency services, police and fire brigades. Images at Work continues to operate successfully in a competitive market expanding its service offering wherever possible.

Straight plc

Leeds
www.straight.co.uk



Straight plc supply container solutions predominantly manufactured from plastics for the collection, storage or transportation of source separated waste. Straight's business has continued to grow. 2006 saw production problems in supporting this growth with corrective action taken in 2007 outsourcing the distribution albeit at short term one off cost. Unaudited interim results to 30 June 2007 showed that turnover was increased by 10.7% to £13.9 million, with operating profits reduced to £1.0 million before re-organisation costs of £0.3 million. The board of Straight restated their confidence in the prospects for the company.

Primal Pictures Limited

London
www.primalpictures.com



Primal Pictures has developed a complete range of high quality anatomical CD-ROMs replicating in electronic form an authentic anatomical model of the human body, aimed at healthcare professionals. The company is forecasting further growth in 2007 as a result of increased licensing of its technology.

Cardpoint Plc

Lytham St Annes
www.cashcardservices.co.uk



Cardpoint is one of the UK's leading providers of ATMs (cashpoints) and has grown rapidly by acquisition and organically. Following its acquisition of Moneybox in 2006 and subsequent management re-organisation, the financial performance of Cardpoint has recovered. Unaudited Interim results to 31 March 2007 show underlying profit before tax of £3.9 million being delivered. In September 2007, Cardpoint announced it was in discussions with Alphyra Holdings Limited about combining the two businesses under the banner Payzone plc.

Income Statement

For the 6 months ended 30 September 2007

	Unaudited 6 months ended 30 September 2007 £000	Unaudited 6 months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
Income	489	215	368
Administrative expenses:			
Investment advisory fee	(299)	(186)	(381)
Other expenses	(106)	(131)	(234)
	(405)	(317)	(615)
Operating profit (loss)	84	(102)	(247)
Gains on realisation of investments (net)	642	194	503
Unrealised gains on investments held at fair value (net)	1,162	493	1,082
Net movement on investments	1,804	687	1,585
Profit on ordinary activities before taxation	1,888	585	1,338
Taxation	2	-	-
Profit for the period from continuing operations	1,888	585	1,338
Basic and diluted earnings per share	7.37p	3.43p	7.91p

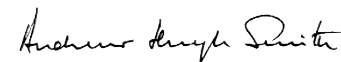
Balance Sheet

As at 30 September 2007

	Unaudited 6 months ended 30 September 2007 £000	Unaudited 6 months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	14,699	10,262	11,627
Current assets			
Trade and other receivables	631	506	512
Cash and cash equivalents	11,504	5,991	4,867
	12,135	6,497	5,379
Liabilities			
Current liabilities			
Trade and other payables	(155)	(103)	(218)
Net current assets	11,980	6,394	5,161
Net assets	26,679	16,656	16,788
Shareholders' equity			
Share capital	2,641	2,191	2,148
Share premium account	10,504	1,813	1,813
Capital redemption reserve	221	178	221
Special reserve	2,019	2,795	2,408
Retained earnings	11,294	9,679	10,198
Total Shareholders' equity	26,679	16,656	16,788
Net asset value per Ordinary share	102.7p	98.5p	101.3p
Net asset value per C share	n/a*	101.5p	110.8p

* The C shares were converted into Ordinary shares on 9 May 2007.

Signed on behalf of the Board



Sir Andrew Hugh Smith

Chairman

17 October 2007

Unaudited Statement of Changes in Shareholders' Equity

For the 6 months ended 30 September 2007

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2006	2,195	1,336	117	3,330	9,569	16,547
Purchase of own shares	(61)	–	61	(535)	–	(535)
Issue of Ordinary shares	57	477	–	–	–	534
Dividends	–	–	–	–	(475)	(475)
Profit for the period	–	–	–	–	585	585
Balance at 30 September 2006	2,191	1,813	178	2,795	9,679	16,656
Purchase of own shares	(43)	–	43	(387)	–	(387)
Dividends	–	–	–	–	(234)	(234)
Profit for the period	–	–	–	–	753	753
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	2,019	11,294	26,679

Cash Flow Statement

For the 6 months ended 30 September 2007

	Unaudited 6 months ended 30 September 2007 £000	Unaudited 6 months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
Net cash outflow from operating activities	(182)	(93)	(267)
Cash flows (used in) from investing activities			
Purchase of fixed asset investments	(2,705)	–	(1,380)
Proceeds from sale of fixed asset investments	1,605	1,230	2,198
Net cash (used in) from investing activities	(1,100)	1,230	818
Cash flows from (used in) financing activities			
Cost of C share issue	–	(2)	(3)
Issue of Ordinary shares	9,703	564	574
Cost of Ordinary share issue	(520)	(70)	(80)
Purchase of own Ordinary shares	(515)	(535)	(796)
Dividends paid	(792)	(475)	(709)
Net cash from (used in) financing activities	7,876	(518)	(1,014)
Net increase (decrease) in cash and cash equivalents	6,594	619	(463)
Cash and cash equivalents at the beginning of the period	4,867	5,395	5,395
Effect of market value changes in cash equivalents	43	(23)	(65)
Cash and cash equivalents at the end of the period	11,504	5,991	4,867

Notes to the Financial Statements

1. These half year statements have been approved by the directors whose names appear at note 6, 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 (APB) 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 2007 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2007. 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 2007.

The financial statements for the year ended 31 March 2007 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.

2. Taxation

	Unaudited 6 months ended 30 September 2007 £000	Unaudited 6 months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
Profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 20% (2006: 19%)	378	111	254
Effect of:			
UK dividends received	(14)	(16)	(21)
Non taxable profits on investments	(361)	(130)	(301)
Excess management expenses	(3)	35	68
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.

Notes to the Financial Statements

3. Dividends

	Unaudited 6 months ended 30 September 2007 £000	Unaudited 6 months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
Interim paid – 1.5p per Ordinary share; paid 6 November 2006	–	–	234
Final paid – 3.0p per Ordinary share; paid 11 August 2006	–	469	469
Final paid – 0.5p per C share; paid 11 August 2006	–	6	6
Final paid – 3.0p per Ordinary share; paid 8 August 2007	792	–	–
Dividends paid and declared	792	475	709

4. The earnings per share is based on the net profit from ordinary activities after tax attributable to shareholders of £1,888,000 (30 September 2006: £585,000 and 31 March 2007: £1,338,000) and on 25,608,000 shares (30 September 2006: 17,051,000 and 31 March 2007: 16,923,000), being the weighted average number of shares in issue during the period.

448,445 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2007 (30 September 2006 and 31 March 2007: nil). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

5. The net asset value per share is calculated on attributable assets of £26,679,000 and 25,975,718 shares in issue at the period end (30 September 2006: assets of £16,656,000 and 16,880,040 shares, 31 March 2007: assets of £16,788,000 and 16,450,040 shares).

448,445 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2007 (30 September 2006 and 31 March 2007: nil). The Company has no securities that would have a dilutive effect and hence basic and diluted net asset values per share are the same.

6. The directors of the Company are: Sir Andrew Hugh Smith; Mr PS Cammerman; Mr S Noar; Mr RM Pettigrew and Mr R Last.
7. Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

British Smaller Companies VCT plc

Saint Martins House

210 - 212 Chapeltown Road

Leeds LS7 4HZ