

British Smaller Companies VCT plc (“the Company”)

Interim Management Statement

For the quarter ended 31 December 2011

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 31 December 2011. The statement also includes relevant financial information between the end of the quarter and the date of this statement. This statement constitutes the Company's second interim management statement for the financial year ending 31 March 2012, 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.yfmep.com.

The Total Return at 31 December 2011, calculated by reference to the Net Asset Value (NAV) per ordinary share and the cumulative dividends paid, was 174.2p per share compared to 183.7p per share at 30 September 2011. Cumulative dividends represent 79.2 pence per share (30 September 2011: 77.2 pence per share).

The unaudited NAV per ordinary share as at 31 December 2011 is 95.0p (30 September 2011: 106.5p per share) stated after taking account of the interim dividend of 2.0p per share in respect of the period to 30 September 2011 which was paid on 20 January 2012. After taking account of the interim dividend, the remaining 9.5p per share decrease in NAV primarily comprises a 3.8p per share accrual relating to the incentive scheme payment to the Fund Manager likely to be made in respect of the year ended 31 March 2012 and a 5.8p per share net downward movement in valuations which represents a reduction of 8.0% in the value of the Company's portfolio. (Part of this movement is as a result of volatility in stock market price/earnings multiples used in the valuations).

The number of ordinary shares in issue at 31 December 2011 was 36,800,550. In addition, the Company held 2,360,485 shares in Treasury.

During the quarter 153,180 ordinary shares were repurchased by the Company at a price of 90.75p per share. These shares were placed in Treasury. There were no ordinary shares issued by the Company during the quarter. Subsequent to the quarter end the Company has issued 152,398 ordinary shares at a price of 99.27p per share pursuant to its dividend reinvestment scheme.

Net assets at 31 December 2011 comprised the following:

| | £000 | % of net assets |
|--|----------------|------------------------|
| Unquoted investments at fair value | 21,284 | 60.9% |
| Quoted investment at bid price | 3,425 | 9.8% |
| Total venture capital investments | 24,709 | 70.7% |
| Fixed income securities | 2,514 | 7.2% |
| Total investments | 27,223 | 77.9% |
| Cash and cash equivalents | 9,902 | 28.3% |
| Other net current assets (liabilities) | (2,174) | (6.2)% |
| Net assets | 34,951 | 100.00% |

The ten largest investments by valuation and other investments at 31 December 2011 were: -

| | £000 | % of net assets |
|-------------------------------------|---------------|------------------------|
| GO Outdoors Limited | 4,737 | 13.6% |
| President Engineering Group Limited | 2,288 | 6.5% |
| Deep-Secure Ltd | 2,206 | 6.3% |
| Adex Bridge Investments Limited | 1,750 | 5.0% |
| Waterfall Services Limited | 1,561 | 4.5% |
| North Western Investments Limited | 1,000 | 2.9% |
| 4G Capital Limited | 1,000 | 2.9% |
| Fishawack Limited | 909 | 2.6% |
| Harvey Jones Holdings Limited | 781 | 2.2% |
| Hargreaves Services plc | 679 | 1.9% |
| Top ten investments | 16,911 | 48.4% |
| Other investments | 7,798 | 22.3% |
| Total venture capital investments | 24,709 | 70.7% |

Investment Portfolio

The Company has continued to see the rate of investment opportunities increase and during the three months ended 31 December 2011 the Company made two new investments totalling £750,000. The first investment of £375,000 was into PowerOasis Limited, an established supplier of power management solutions to wireless network providers. The second investment of £375,000 was made into TeraView Limited, which develops instrumentation and testing equipment based on its terahertz technology. Shortly after the quarter end the Company completed an investment of £1,300,000 into Displayplan Holdings Limited, providing retailers and manufacturers with point-of-sale display fixtures, through its acquisition vehicle North Western Investments Limited.

The Company realised 23% of its holding in coal services group Hargreaves Services Plc generating proceeds of £237,000 which represents an uplift of £132,000 on original cost and £25,000 on the September 2011 valuation.

Quoted investments are carried at bid price with a liquidity discount applied where appropriate. Unquoted investments are carried at fair value as determined by the directors.

Performance

Over the 3 months to 31 December 2011 the portfolio saw an overall fall in unrealised valuations of £2.1 million equating to an 8.0% reduction in the opening value and representing a decrease in NAV of 5.8 pence per share. This comprised a decrease in the value GO Outdoors, in part due to a decline in the quoted retail sector pricing/earnings multiples compounded by more difficult trading caused by heavy discounting at struggling competitor Blacks Leisure. In spite of this short term value reduction the prospects for value growth still remain strong for this investment. This reduction was partially offset by resilient performance across the Company's portfolio with eleven of the twenty unquoted investments delivering increased valuations and four others unchanged.

The potential incentive payment due to the Fund Manager relating to the special dividend paid earlier in the year has now been fully reflected in the Company's accounts.

Dividend Re-investment scheme

The Company continues to operate a dividend re-investment scheme which allows Shareholders the opportunity to build further capital value by electing to receive ordinary shares in the Company, credited as fully paid, instead of receiving dividends in cash. The proportion of Shareholders currently opting to reinvest their dividends has continued to increase with 22.9% re-investing the dividend paid on 20 January 2012.

Investor Workshops

The Company remains committed to enhancing Shareholder communications and has undertaken annual investor workshops for a number of years which have proved very popular with Shareholders. The next investor workshop will be held in London at The Royal College of Surgeons at 10:30 am on 9 February 2012.

Outlook

Good progress continues to be made within the Company's portfolio in adjusting to changing market opportunities and growing shareholder value. There continue to be signs of renewed demand for equity finance for growth and for management buy-outs and against this background the board will continue to review the level and adequacy of funds available for investment.

03 February 2012

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