

British Smaller Companies VCT plc

6 March 2012

Dear Shareholder

British Smaller Companies VCT plc – Fundraising Offer to raise £3.78 million

The Opportunity

As the top performing Venture Capital Trust over 10 years[‡] I am delighted to be able to give you the opportunity of investing again in British Smaller Companies VCT plc (BSC) by a “top-up” offer (the ‘Offer’).

The Offer is only being made available to existing BSC Shareholders in the first instance.

BSC is seeking to raise additional funds of up to £3.78 million to allow further expansion and continued diversification of its portfolio at an attractive point in its investment cycle. The portfolio has grown, diversified and matured over time and the average annual dividend has increased. The Board believes that this fundraising will help to further diversify the portfolio and support the track record of strong and consistent dividend performance.

	Cumulative dividends paid or declared per Ordinary Share	Average annual dividend paid or declared per Ordinary Share	Yield* per Ordinary Share
	Pence	Pence	%
3 years ending 31.12.11	36.25	12.08	27.07
5 years ending 31.12.11	44.25	8.85	19.83
10 years ending 31.12.11	61.60	6.16	13.81
Since first dividend paid	79.20	5.27	11.81

*For a higher rate taxpayer assuming a top rate of income tax of 36.1%. This is based on the estimated Offer Price of 99.75 pence per Offer Share adjusted for 30% upfront income tax relief.

Benchmarked Performance

According to research carried out by the Association of Investment Companies (AIC) six of the AIC’s top ten performing members last year were VCTs.

Matthew Woodbridge of Chelsea Financial Services says “Star performers included British Smaller Companies VCT, which was up 33% last year (to end November 2011) and an impressive 267% over 10 years”.

The Offer

Features of the Offer are:

By investing in BSC compared to a new VCT you gain access to an established investment portfolio that is generating dividends

An impressive 5.27 pence per Ordinary Share average annual dividend since BSC commenced dividend payments

8.85 pence per Ordinary Share average dividend paid for the five years to 31 December 2011

Equivalent to 19.83% average tax free yield per annum*

Immediate access to the Company’s dividend stream

* For a higher rate taxpayer assuming a top rate of income tax of 36.1%. This is based on the estimated Offer Price of 99.75 pence per Offer Share adjusted for 30% upfront income tax relief.

‡ Association of Investment Companies as at 31 December 2011



Next Steps

Included with this letter is the Document which contains the application form. If you wish to apply for Shares under the Offer please return the application form to City Partnership in the envelope provided.

An investment in BSC provides the opportunity to invest in an established VCT with a mature and diversified portfolio of mainly unlisted smaller UK companies and a track record of strong and consistent dividend performance.

The Offer closes at 11.00 a.m. on 5 April 2012, or earlier if fully subscribed.

If you have any queries please contact your own Independent Financial Adviser or you can speak to Tracey Nice on **0113 294 5055, or email tracey.nice@yfmeep.com.**

Yours faithfully



Helen Sinclair

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Important Notice

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc may go down as well as up and you may not get back the full amount invested. An investment in a VCT is higher risk than investing in other securities listed on the London Stock Exchange official list. You should regard an investment in BSC as a long term investment. BSC invests in mostly unquoted companies which are small and which by their nature carry a heightened level of risk. In the past there has been limited liquidity in VCT shares listed on the London Stock Exchange. It may therefore be difficult to realise shares in BSC in the future and the share price may not reflect the underlying net asset value.

For a full list of risk factors, please see “Risk Factors” on page 31 of the Document which accompanies this letter.

This letter has been issued and approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by YFM Private Equity Limited ('YFM'), which is authorised and regulated by the Financial Services Authority (FRN: 122120). YFM is the fund manager to BSC and British Smaller Companies VCT2 plc. This letter does not constitute an offer to subscribe for shares in BSC. You should only invest on the basis of information contained in the prospectus. The tax reliefs available are dependent on individual circumstances, on investors retaining their shares for a 5 year period and on BSC maintaining HM Revenue & Customs approval. Please refer to the HM Revenue & Customs website for further guidance on the tax relief available on VCT investments. We recommend that you seek independent financial advice from an appropriately authorised independent financial adviser as to whether this investment is suitable for you, as well as your personal entitlement to tax reliefs associated with BSC's share offer.

British Smaller Companies VCT plc

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