

British Smaller Companies VCT plc (BSC)

INVESTOR UPDATE Winter 2015/16



Dear Shareholder

I'd like to welcome you to the Winter 2015/16 edition of the BSC Investor Update.

Overview

I'm delighted to report that portfolio performance has remained strong which has helped to maintain the overall momentum in total return and dividends. Your Company has maintained its strong dividend performance; total dividends paid in the year to date stand at 9.0 pence per share, representing a yield of 9.1 per cent of the opening net asset value. This takes cumulative dividends paid to 107.7 pence per share and total return past the landmark of 200.0 pence – to 207.8 pence per share. Additionally, a further special dividend of 1.0 pence per share was announced on 2 February which will be paid to shareholders on the register at 12 February. Please note that shares issued under the terms of the current offer will not be eligible to receive this dividend.

The hiatus that was caused by the changes to the VCT rules which were announced in November 2015 has impacted the conversion of our pipeline of new investments over the last six months. We are now entering the final phases of the implementation of the new rules and we are hopeful that as the guidelines are further clarified that investment activity will begin to increase from the second quarter of 2016.

and ii) where the investment is material to the company (subject to a turnover test) and where the business is investing in new products/markets.

The other major change is that VCT investment may not be used as replacement capital which precludes investment to purchase existing shares through a buy-out or buy-in; although the VCT can provide funds for growth where such an ownership change has taken place. As a result there will need to be an increased emphasis on growth capital in companies less than seven years old. We have a good track record in this type of investment, including notable past successes with Cozart, Sarian and Primal Pictures. It is currently difficult to be precise about where the new normalised investment rate will settle. For now, the short-term fundraising will be much scaled back from previous levels, with this year the Board only seeking a small non-prospectus top-up of €5m, and it will keep any future fundraisings under close review.

HIGHLIGHTS In the Quarter

- Total return increases to 207.8 pence
- Portfolio comprised 38 investments at the end of the quarter
- Top 10 investments comprised 58 per cent of the portfolio

Communications and awards

We have refreshed the Company's website with the emphasis on providing a comprehensive level of information and a more user-friendly format. As always we welcome your feedback.

The recent move to electronic communications has been well received, with the vast majority of shareholders electing to receive reports issued by BSC electronically. For those of you who may not have returned your forms, please let Tracey Nice know if you wish to receive documents by email. Tracey's details can be found on the back page.

This year's Investor Workshop will be held on Tuesday 17 May 2016 at the British Library Conference Centre when we hope to see as many of you as possible attending.

Finally your VCT was voted "Best VCT 2015" by readers of Investors Chronicle and FT in November 2015. We were delighted to be recognised for this award particularly as it was the inaugural year for the VCT category.

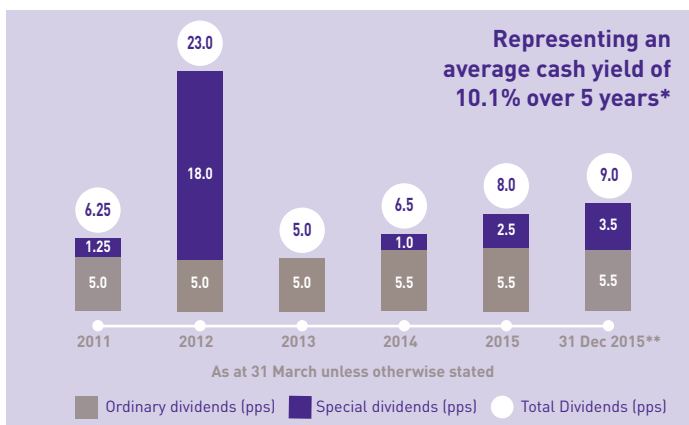
Thank you again for your continued support for BSC.

David Hall, Managing Director, YFM Equity Partners

VCT rule changes

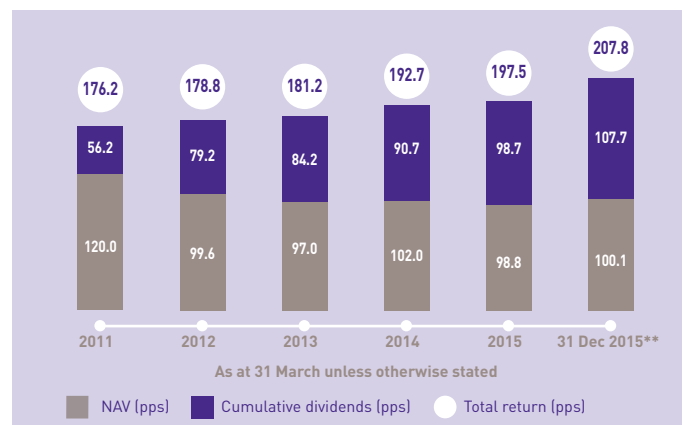
There has been some short term disruption to our investment rates as the VCT rule changes have been introduced. Firstly it has become clear that, with certain exceptions, businesses older than 7 years (10 years if they are "knowledge intensive"), will no longer be open to VCT investment. The two exceptions to this age restriction are i) where the business has previously received state aided investment e.g. EIS

DIVIDENDS PAID



* Based on the average dividend paid over 5 years to 31 December 2015 expressed as a percentage of the last reported NAV (31 December 2015)

TOTAL RETURN



** Adjusted for the 2.0 pence dividend paid on 15 January 2016 but excluding the 1.0 pence special dividend payable on 11 March 2016

INVESTOR WORKSHOP 2016

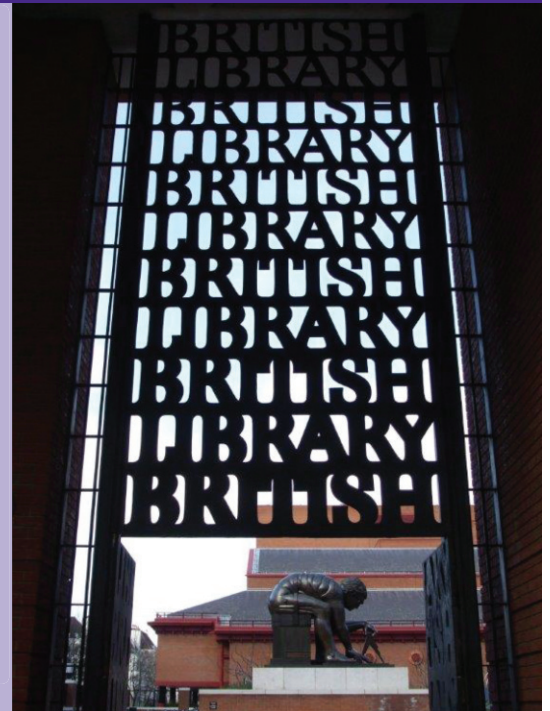
The British Library Conference Centre

We are delighted to announce that the next Investor Workshop will take place at the British Library Conference Centre, 96 Euston Rd, London NW1 2DB on Tuesday 17 May 2016.

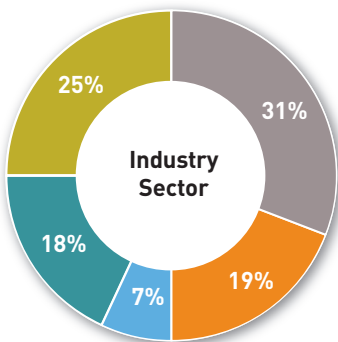
The British Library is the largest public building constructed in the UK in the 20th Century. In August 2015 the building was awarded grade I listed status.

The Library holds over 150 million items in its collection, including treasures such as the Magna Carta, Leonardo da Vinci's Notebook, Lindisfarne Gospels, Beatles manuscripts, the recording of Nelson Mandela's Rivonia trial speech and The Times first edition from 18 March 1788.

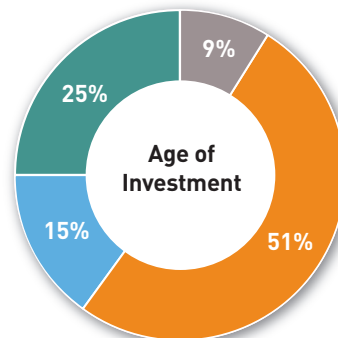
Further details will be posted out in the next few weeks, but in the meantime if you would like to attend, please contact Tracey Nice by email tracey.nice@yfmp.com or phone 0113 261 6478.



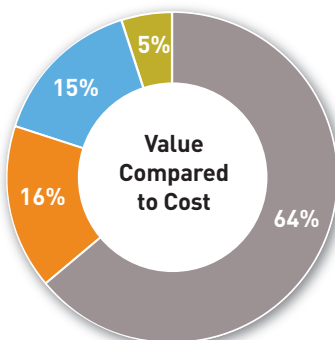
PORTFOLIO AT A GLANCE



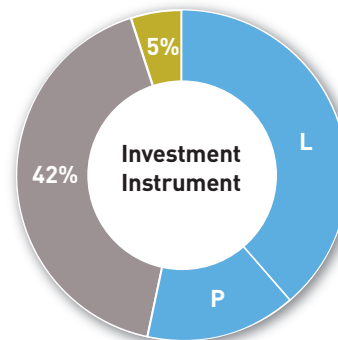
- Business Services
- Software, IT and Telecommunications
- Manufacturing and Industrial
- Retail and Brands
- Healthcare



- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years



- Value above cost
- Value below cost
- At cost
- Quoted companies



- L Loan
- P Preference shares } 53%
- Ordinary shares
- Quoted companies

PORTFOLIO UPDATE

In the three months to 31 December 2015 the investment portfolio has seen a value gain of £3.3 million (after netting off additions and disposals in the period), representing a 6.0 per cent increase on the opening portfolio value.

The unquoted portfolio, which comprises 95 per cent of the total portfolio, saw a value gain of £2.9 million comprising gains across several portfolio businesses as a result of improving profit levels. There was one significant realisation in the period of Insider Technology in October which delivered proceeds of £1.2 million, in line with the September value but a realised gain of £0.4 million compared to its March 2015 value. The quoted portfolio showed a return of £0.4 million in the quarter, led by the strong trading performance of AB Dynamics.

Company	Website	Investment valuation at 30 Sep 2015 (£000)	Proceeds (£000)	Additions (£000)	Valuation gains including profits on disposal (£000)	Investment valuation at 31 Dec 2015 (£000)	% of Net asset value of £93.3m
GO Outdoors TopCo Limited	gooutdoors.co.uk	7,906	-	-	715	8,621	9.2%
Intelligent Office (via IO Outsourcing Limited)	intelligentofficeuk.com	4,588	-	-	437	5,025	5.4%
Mangar Health Limited	mangar.co.uk	3,038	-	-	263	3,301	3.5%
DisplayPlan Holdings Limited	displayplan.com	3,455	(535)	-	335	3,255	3.5%
ACC Aviation (via New Acc (2014) Limited)	flyacc.com	2,068	-	-	630	2,698	2.9%
Springboard Research Holdings Limited	spring-board.info	1,862	-	607	-	2,469	2.6%
Gill Marine Holdings Limited	gillmarine.com	2,358	-	-	19	2,377	2.6%
GTK (Holdco) Limited	gtk.co.uk	2,236	-	-	137	2,373	2.6%
Business Collaborator Limited	groupbc.com	2,010	-	-	65	2,075	2.2%
KeTech Enterprises Limited	ketech.com	-	-	2,000	-	2,000	2.1%
Top 10 total		29,521	(535)	2,607	2,601	34,194	36.6%
Remainder of unquoted portfolio		23,149	(1,720)	397	299	22,125	23.7%
Total unquoted portfolio		52,670	(2,255)	3,004	2,900	56,319	60.3%
Quoted portfolio		2,569	(192)	1	399	2,777	3.0%
Total portfolio		55,239	(2,447)	3,005	3,299	59,096	63.3%

INVESTEE COMPANY FOCUS

KETECH



"YFM are known for growing UK manufacturing and technology businesses. We look forward to working with Richard Moon and the YFM team as we cement our UK growth and push for larger international contracts."

Steve Berg, CEO

The business

Specialises in intelligent communication systems and detection products

Product range includes train safety and passenger information systems for London Underground and mainline train operators

Supplies state-of-the-art scanning equipment to airports and other infrastructure operators

Employs 65 staff in Nottingham and Preston

Key investment attractions

Strong business which has delivered turnover and profit growth

Secured a number of high profile rail and defence contracts

Positive market dynamics with growing investment in UK rail network and global threats from terrorism continuing to drive security spend

Niche player with a strong reputation for delivering on time and to spec

The strategy

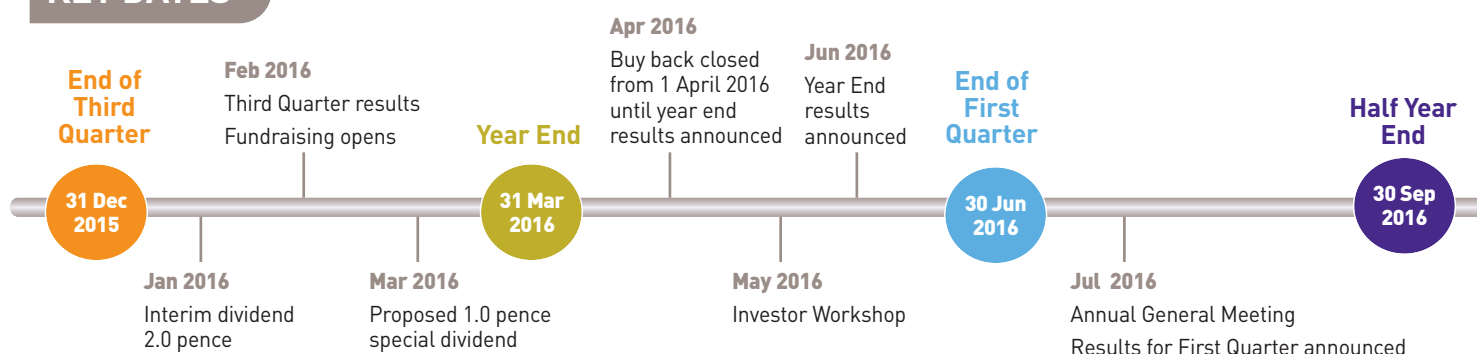
Back a proven business model

Introduce Richard Moon, an experienced independent chairman known to YFM with considerable expertise in KeTech's markets

Invest in infrastructure to provide a platform for future growth

Maximise opportunities from a pipeline of new products in both the UK and overseas markets

KEY DATES



FOR YOUR RECORDS – DIVIDENDS PAID AND DATE

The table below displays the dates when BSC dividends have been paid and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share	Date paid	Pence per share	Date paid	Pence per share
Cumulative to 31 March 2005	26.75	7 January 2010	2.00	1 August 2014	3.50
5 August 2005	2.20	28 September 2010	4.25	7 January 2015	2.00
10 January 2006	1.50	7 January 2011	2.00	3 March 2015	2.50
11 August 2006	3.00	22 August 2011	18.00	4 August 2015	3.50
6 November 2006	1.50	22 August 2011	3.00	7 September 2015	3.50
8 August 2007	3.00	20 January 2012	2.00	Cumulative at	
16 November 2007	2.00	17 August 2012	3.00	31 December 2015	105.70
8 August 2008	3.00	14 January 2013	2.00	15 January 2016	2.00
11 February 2009	2.00	13 August 2013	4.50		
13 August 2009	3.00	21 March 2014	2.00		

IMPORTANT NOTICE

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc ("the Company") 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 the Company as a higher risk, long term investment. The Company 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 the Company in the future and the share price may not reflect the underlying net asset value.

Tax rules and regulations can change over time and the tax reliefs available are dependent on the Company maintaining HM Revenue & Customs approval, on individual circumstances and on investors retaining their shares for a five year period. We recommend that you seek independent financial advice from an appropriately authorised

independent financial adviser as to whether an investment in the Company is suitable for you, as well as your personal entitlement to tax reliefs associated with any share offer by the Company.

This Investor Update is not an offer to invest in the Company and may not be relied upon in connection therewith. It does not constitute an investment memorandum, prospectus or agreement.

This Investor Update 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 Conduct Authority (FRN: 122120). YFM is the Investment Adviser to the Company.

YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: 0C384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

CONTACT US

For further information, including how to register for email communications please call or email.

Tracey Nice
Investment Services Manager

T: 0113 261 6478
E: tracey.nice@yfmeq.com
W: bscfunds.com

