

British Smaller Companies VCT plc (BSC)

INVESTOR UPDATE Spring 2018



Dear Shareholder

Welcome to your eleventh BSC Investor Update. We hope that you continue to find the Updates informative.

Overview

It is encouraging to be able to report that BSC has increased its total return to 214.8 pence per share. This is an increase of 1.4 pence in the quarter, equivalent to 1.8 per cent growth over the opening net asset value in the period.

Regulatory change - The Patient Capital Review

We included in our previous Update information about the Patient Capital Review, the Government consultation about the scale of investment capital available to UK SME's. It is encouraging that the Government has decided to reinforce its support for investment in UK SME's, as well as reiterating its support for venture capital trusts. The Government is keen to ensure that its policy objectives are achieved and has set some new rules designed to both further focus and increase investment by VCTs. The key changes are:

- **An increased annual investment limit** from £5 million to £10 million for knowledge-intensive companies;
- **The introduction of a principles-based test;**
- **Restrictions to the use of loan instruments;** and
- **Qualifying Investments to be increased** from 70 per cent to 80 per cent from April 2020.

Full details can be found at:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/661398/Patient_Capital_Review_Consultation_response_web.pdf

Some further important changes to the broader funding landscape for UK small businesses were also announced:

- **The intention to create a National Investment Fund** of £7.5 billion, with £2.5 billion of government funding;
- **Increasing funding for Enterprise Capital Funds** to £1.5 billion; and
- **A National Security Strategic Investment Fund** of £85 million.

Investments

For British Smaller Companies the new VCT rules are leading to more investments into earlier stage, younger, businesses than has been the case in the recent past. The existing portfolio currently comprises 83% of investments made prior to November 2015 with the balance into the newer investments. In the short term dividends will be derived mainly from the mature portfolio; although as this is realised over the next few years, future dividends will be more dependent on the earlier stage businesses. This is likely to lead to a changing dividend pattern over time with a higher degree of volatility than over the last 5-10 years. HMRC has been struggling to process applications

for advance assurance as it transitions its processes to those announced in the Budget. This has created a short-term hiatus in the conversion of the investment pipeline which we are beginning to see unwind as we move into 2018. It is to be hoped that from April 2018 onwards further improvements will be seen, although generally VCT applications are viewed as complex cases and may all take a little longer to process. Nonetheless we remain optimistic that the 20 week plus delays experienced in 2017 will not be repeated. In the meantime, in addition to the recent investment in Ncam (see below), HMRC has recently granted advance assurance in respect of two other investments and an application for a fourth is awaiting a response.

I am delighted to report that in March 2018 BSC invested £1.5 million into Ncam. Ncam provides market-leading camera tracking hardware and software which help deliver augmented reality content for TV broadcasters and films.

A follow-on investment of £0.6 million was also made into Matillion.

Shareholder Workshop

I am pleased to announce that your Company will be holding the next Shareholder Workshop, together with British Smaller Companies VCT2 plc on 16 May 2018 at the HAC - Honourable Artillery Company, Armoury House, City Road, London, EC1Y 2BQ. Shareholders wishing to attend should contact Tracey Nice on 0113 261 6478 or tracey.nice@yfmeop.com or return the invitation included with your Update.

Proxy voting

Our AGM is planned for 24 July 2018. As in previous years, we want to encourage voting which has seen a decline in recent years - perhaps due to the increased numbers of shareholders receiving electronic communication. When we mail the next Annual Report and Accounts we will include a proxy card which can be completed and returned freepost. All shareholders will of course still be able to vote online.

I hope you enjoy this eleventh edition and find it useful. As always, we value your feedback, so if you would like to see anything included, whether that be in relation to the Investor Updates, Shareholder Workshops or any other communication, please do let Tracey know. Her details are on the back page.

Thank you again for your continued support of BSC.

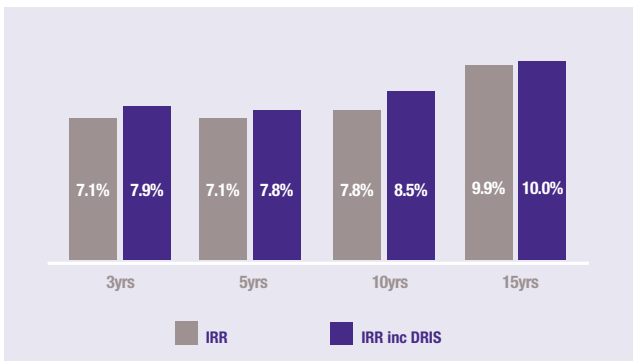
David Hall
Managing Director, YFM Equity Partners

Shareholder Workshop - note for the diary

The next Shareholder Workshop will take place on 16 May 2018 at the Honourable Artillery Company in London. Shareholders wishing to attend should contact Tracey Nice on 0113 261 6478 or tracey.nice@yfmeop.com or reply via the acceptance slip and FREEPOST YFM envelope included with this Update.

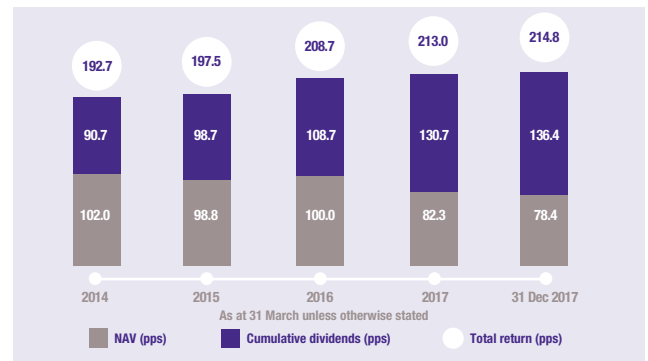


BSC INVESTMENT RATE OF RETURN

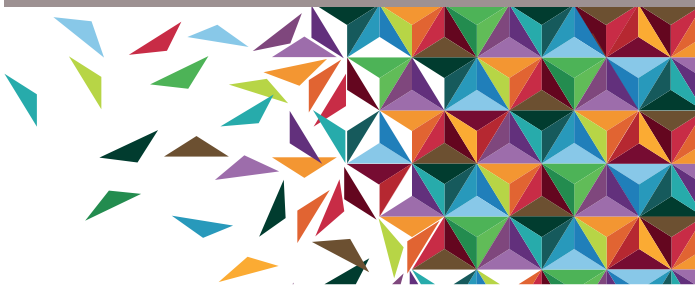


Average investment rate of return per annum of the Company over 3, 5, 10 and 15 year periods to 31 March 2017.

BSC TOTAL RETURN



DEEP-SECURE



“To have achieved both significant growth and transformation of the business in what must have been some of the most challenging years in living memory is a fantastic result for us.”

Richard Beaton, Chairman, Deep-Secure Limited

The business

High security network gateway products, specialising in Content Threat Removal

Strong underlying proprietary technology

Clients include UK government and members of the High Threat Club

The strategy

Backing a highly successful serial entrepreneur whom we had worked with before

To increase sales by investing in sales and marketing

To develop the next generation of products

The developments

Pioneered market-leading technology in Content Threat Removal

Developed technology that delivers total protection against unknown zero-day threats

Enhanced sales and marketing resource

Cyber security is a strong growth sector

NCAM TECHNOLOGIES



“Our vision is to set a benchmark of what can be achieved within real-time visual effects. Our relationship with YFM will allow us to expand our technological capabilities and keep Ncam at the forefront of augmented reality.”

Nic Hatch, Co Founder and CEO

The business

Develops augmented reality technology for the entertainment industries

At its core is a unique camera tracking solution that supports the delivery of augmented reality content and visual effects for film and broadcast TV productions

The business has grown from a standing start in 2012 to having a fully developed suite of hardware and software with sales made around the globe

The strategy

Increase the sales and marketing resource to service global demand

Deliver on a clear development roadmap to enhance the existing product set and develop new solutions to support the rapidly developing augmented reality market

Develop relationships with resellers and partners worldwide to harness the capabilities of the Ncam solution

The developments

New office to be opened in Los Angeles in 2018

Recruitment of new Chief Commercial Officer to lead expansion of sales and marketing team in the UK and overseas

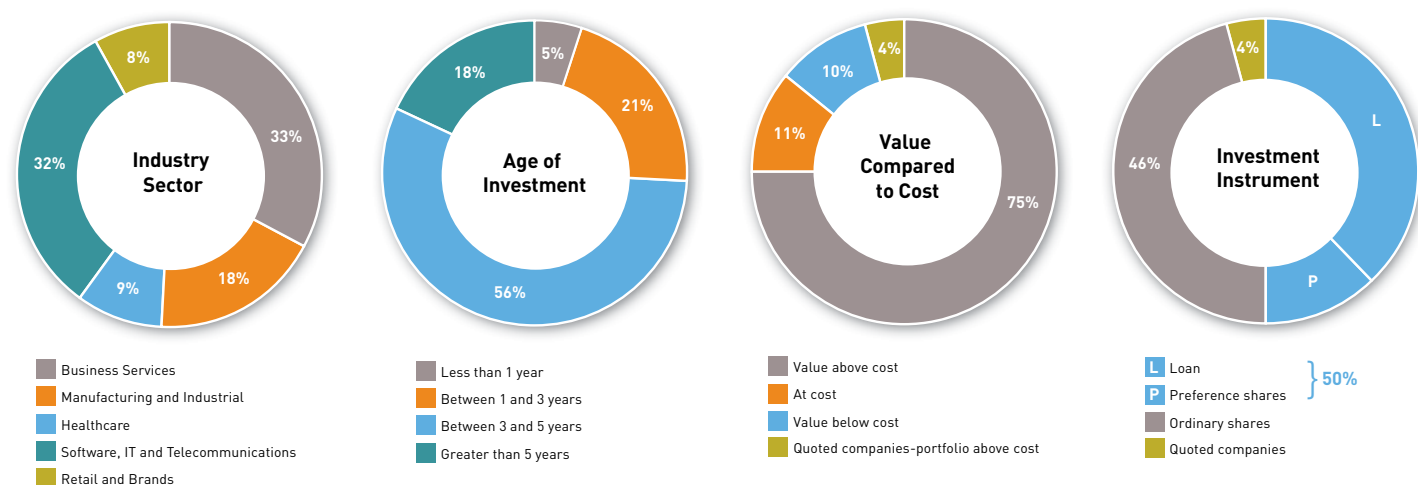
Enhanced sales and marketing resource

PORTFOLIO UPDATE

In the three months to 31 December 2017, the investment portfolio (after netting off additions and proceeds) grew in value in the quarter by £1.59 million. **The unquoted portfolio**, which comprised 96 per cent of the total portfolio, remained stable overall, with a value gain of £1.26 million after netting off additional investment of £0.09 million offset by loan repayments and realisations of £1.24 million. The Top 10 investments saw a value gain in the quarter of £1.87 million. **The quoted portfolio** saw a value gain of £0.33 million in the quarter.

Company	Website	Unaudited investment valuation at 30 Sept 2017 £000	Proceeds £000	Additions £000	Valuation gains including profits on disposal £000	Unaudited investment valuation at 31 Dec 2017 £000	% of net asset value of £85.12m
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	intelligentofficeuk.com	4,895	-	-	↑ 65	4,960	5.8%
ACC Aviation (via NewAcc (2014) Limited)	flyacc.com	5,549	(926)	-	↑ 49	4,672	5.5%
Mangar Health Limited	mangar.co.uk	3,981	-	-	↓ (19)	3,962	4.7%
GTK (Holdco) Limited	gtk.co.uk	2,722	(226)	-	↑ 468	2,964	3.5%
Springboard Research Holdings Limited	spring-board.info	2,883	-	89	↓ (76)	2,896	3.4%
Matillion Limited	matillion.com	2,354	-	-	↑ 374	2,728	3.2%
Business Collaborator Limited	groupbc.com	2,475	-	-	↑ 228	2,703	3.2%
Gill Marine Holdings Limited	gillmarine.com	2,355	-	-	↑ 214	2,569	3.0%
Deep-Secure Limited	deep-secure.com	2,194	-	-	↑ 356	2,550	3.0%
KeTech Enterprises Limited	ketech.com	2,123	-	-	↑ 213	2,336	2.7%
Top 10 total		31,531	(1,152)	89	1,872	32,340	38.0%
Remainder of unquoted portfolio		22,818	(84)	-	(615)	22,119	26.0%
Total unquoted portfolio		54,349	(1,236)	89	1,257	54,459	64.0%
Quoted portfolio		2,081	(206)	-	330	2,205	2.6%
Total portfolio		56,430	(1,442)	89	1,587	56,664	66.6%

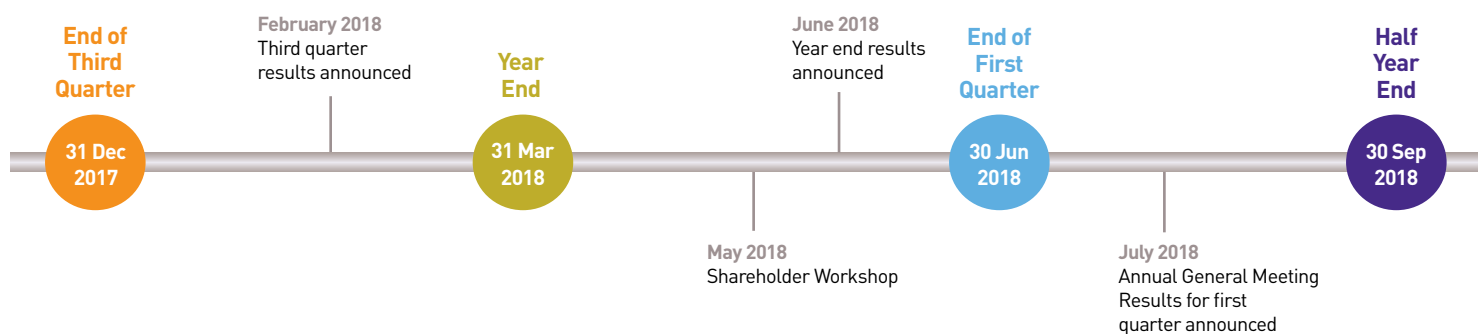
PORTFOLIO AT A GLANCE



Data source: Based on BSC Valuations at 31 December 2017

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.

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 2012	79.20	7 January 2015	2.00	5 August 2016	2.00
17 August 2012	3.00	2 March 2015	2.50	5 August 2016	3.50
14 January 2013	2.00	4 August 2015	3.50	18 January 2017	16.50
13 August 2013	4.50	7 September 2015	3.50	26 May 2017	5.75
21 March 2014	2.00	15 January 2016	2.00	Cumulative to 31 December 2017	136.45
1 August 2014	3.50	11 March 2016	1.00		

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. It is an advertisement and is not a prospectus.

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: OC384467. 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.

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