

British Smaller Companies VCT plc
Interim Management Statement
For the quarter ended 31 December 2018

British Smaller Companies VCT plc (the “Company”) presents its interim management statement for the quarter ended 31 December 2018. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at www.bscfunds.com.

Overview

The Company has continued to make progress with Total Shareholder Return rising from 219.0 pence per ordinary share to 221.5 pence per ordinary share in the quarter. This is an increase of 2.5 pence per ordinary share.

It is pleasing that at 31 December 2018 net asset value (“NAV”) increased to £87.4 million, a rise of £2.2 million, equivalent to 2.6 per cent of the opening NAV, this was driven principally from the realisation of three investments in GTK (Holdco) Limited, Mangar Health Limited and Gill Marine Holdings Limited, which were announced in December 2018. These realisations delivered an increase of £2.5 million over the 30 September 2018 valuations. There were £0.4 million of share buy backs in the period, reducing the net assets, and £0.1 million of other movements which comprised the balance of the increase in NAV.

Performance

The movement in **Total Shareholder Return** in pence per ordinary share is set out in the table below:

	Pence per ordinary share
Cumulative dividends to 30 September 2018	140.4
Net Asset Value at 30 September 2018	<u>78.6</u>
Total Shareholder Return at 1 October 2018	219.0
Net underlying increase in portfolio	2.4
Net profit after expenses / share buybacks	<u>0.1</u>
Increase in Total Shareholder Return	2.5
Total Shareholder Return at 31 December 2018	221.5p

	31 December 2018	Movement	30 September 2018
Total Shareholder Return (PPS)	221.5p	2.5p	219.0p
Net Assets (£m)	87.4	2.2	85.2
NAV per share (PPS)	81.1p	2.5p	78.6p
Cumulative dividends paid (PPS)	140.4p	-	140.4p
Shares in issue	107,831,751	(521,135)	108,352,886

The Total Shareholder Return at 31 December 2018, calculated by reference to the NAV per ordinary share and the cumulative dividends paid per ordinary share, was 221.5 pence per ordinary share compared to 219.0 pence per ordinary share at 30 September 2018. Cumulative dividends paid were unchanged at 140.4 pence per ordinary share (30 September 2018: 140.4 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 December 2018 was 81.1 pence per ordinary share (30 September 2018: 78.6 pence per ordinary share) representing an increase of 2.5 pence per ordinary share, primarily from the gains on realisations.

Subsequent to the quarter end, the Company paid a special dividend of 7.0 pence per ordinary share.

Shares in issue

On 19 December 2018 the Company purchased 521,135 shares at 75.17 pence at a cost of £0.4 million. These shares are held in treasury.

The number of ordinary shares in issue at 31 December 2018 was 107,831,751 (30 September 2018: 108,352,886). In addition, at 31 December 2018 the Company held 7,335,178 ordinary shares in treasury (30 September 2018: 6,814,043).

As a result of the realisations in December 2018 a special interim dividend, representing the realised gain over the original cost of the investments, of 7.0 pence per ordinary share was paid on 15 February 2019. On the same date 3,166,042 ordinary shares were issued under the Company's DRIS following which the Company's issued share capital consists of 110,997,793 ordinary shares of 10 pence each with voting rights and 7,335,178 ordinary shares of 10 pence each held in treasury.

Net assets

Net assets at 31 December 2018 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	52,648	60.2
Quoted investments at bid price	1,752	2.0
Total investments	54,400	62.2
Listed investment funds	2,385	2.7
Cash and cash equivalents	29,371	33.6
Other net current assets	1,281	1.5
Net assets	87,437	100.0

The investment portfolio at 31 December 2018 was comprised as follows:

	Valuation	Valuation
	£000	as a % of
		net assets
ACC Aviation	7,872	9.0
Matillion Limited	7,770	8.9
Intelligent Office UK	4,487	5.1
Deep-Secure Ltd	4,053	4.6
Business Collaborator Limited	3,427	3.9
Eikon Holdco Limited	3,120	3.6
KeTech Enterprises Limited	2,329	2.7
Springboard Research Holdings Limited	2,141	2.5
Leengate Holdings Limited	1,860	2.1
Friska Limited	1,812	2.1
	38,871	44.5
Other investments	15,529	17.7
Total investments	54,400	62.2

During the quarter to 31 December 2018 the Company made one follow-on investment of £0.2 million into Traveltek Group Holdings Limited.

Investments made prior to the November 2015 Budget now represent 65 per cent of the value of the unquoted portfolio at 31 December 2018.

In the quarter to 31 December 2018 the realisation and repayment of investments and loans generated proceeds of £16.0 million, including £13.1 million from the realisation of GTK (Holdco) Limited, Mangar Health Limited and Gill Marine Holdings Limited.

Portfolio Performance

As at 31 December 2018 the aggregate unrealised portfolio valuation stood at £54.4 million.

The Board continues to follow its policy of maintaining a diversified portfolio. At 31 December 2018, three investments represented more than five per cent of the Company's NAV, the largest being 9.0 per cent, with the top ten investments representing 44.5 per cent of NAV (30 September 2018: 48.1 per cent).

Fundraising

On 27 November 2018 your Company launched a new share offer with British Smaller Companies VCT2 plc to raise in aggregate up to £30 million, with an over-allotment facility of £5 million. I am delighted that due to strong demand the offer closed on 11 February 2019 raising total gross proceeds of £35 million. The allotment of new ordinary shares is expected to take place between 1 and 5 April 2019, subsequent to which your Company will receive net proceeds of approximately £21.5 million.

Regulatory Developments

Since the new rules were introduced in the November 2015 and November 2017 budgets equity instruments have made up 79 per cent of all investments and, due to the cash flow needs of the businesses invested in, the interest on the debt instruments is largely rolled until exit or the loan repayment date. As a result, the Company's income will reduce over time and the payment of interest will be later in an investment's lifetime.

At the time that HMRC published its consultation on improving the advance assurance process in December 2016 its major proposal was to encourage VCTs to self-assure investments where appropriate. There were some concerns that the accompanying HMRC guidance in this area was unclear, particularly with the rectification process around any inadvertent errors. Following discussions between HMRC and the Investment Adviser and other VCT advisers the guidance has been revised and, as a result, the Board has decided to self-assure on investments that, subject to professional advice, clearly meet the tests as a Qualifying Investment.

Outlook

In this financial year your Company has made two new investments and made three highly successful disposals with investments made in the past three years now making up 35 per cent of the unquoted portfolio's value. With a number of portfolio companies in realisation phase and a healthy pipeline of new investment opportunities the portfolio will increasingly comprise younger growth businesses.

Despite the uncertainty around how the UK will leave the EU there has been little impact on your Company's activities and notably the purchasers of the three businesses sold in December 2018 included a UK plc and two overseas buyers. The Board believes that, whilst there may be some direct impact from the UK's withdrawal from the EU on the portfolio, the investee businesses are seeking to take steps to manage this impact; although the portfolio is not immune from the impact that any economic downturn may cause.

The pipeline of new opportunities continues to increase and the decision to self-assure on selected new investments may well help the speed with which opportunities are converted.

The Board wishes to thank existing and new shareholders for making a success of the joint fundraising with British Smaller Companies VCT2 plc.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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