

The investment strategy of the Company is to invest in UK businesses across a broad range of sectors to create a portfolio that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

## Dear Shareholder

I am sure everyone is familiar with the phrase “the past is no guide to the future”. The pandemic has brought many restrictions on families and employees. It is to be hoped that some positive elements will remain, for example cultures within small businesses who have supported their staff throughout. Against this background and looking back over 2020 there might be some behaviours and business trends which have been permanently accelerated. These include the move from on-premises/people/data/information to off-premises/remote/cloud. Emphasis has changed towards the online versus physical experience; the pace of change in healthcare supply chains has accelerated as has the further drive for automation, efficiency and the way that service businesses work and with impact on how goods are bought, sold and supplied. Perhaps looking back at the last year may give some pointers for trends for the next few years.

## Performance

The valuations at 31 December 2019 have been included as they were the last ones announced prior to the impact of Covid-19. At that time, the portfolio had a valuation of £68.0 million, since when £7.2 million of assets (principally Business Collaborator and RMS, as previously announced) have been realised generating proceeds of £9.6 million, a value uplift of £2.4 million.

The value of the residual portfolio initially fell from £60.9 million to £47.8 million in March 2020, before recovering over the subsequent nine months to £64.7 million at 31 December 2020, growth of 6.4 per cent over the whole calendar year.

By far the largest element (72.4 per cent at 31 December 2020) of the portfolio is invested in the TMT sector; this was heavily impacted in the 31 March 2020 valuations, but the trading resilience

of our investee companies and the sector was reflected in the 31 December 2020 valuations which show an increase of 30.1 per cent over the full year.

The two sectors most directly impacted by the Covid-19 pandemic are travel and retail & hospitality. Whilst the travel sector as a whole has been significantly impacted, the two investments (ACC and Traveltek) that serve this sector have not been immune from that. The impact on trading and valuations was predominantly confined to the first quarter, with the latter nine months seeing a more resilient performance reflecting in relative stability thereafter. Underlying trading has been stronger in both businesses than originally forecast at the end of March 2020 and both are well funded. The travel market has begun to open up although the restrictions on in-country travel are being lifted first, with international travel likely to recover over a longer term. There are likely to be some bumps in the road, but a form of recovery in 2022 for international travel is predicted and with much reduced volatility thereafter, provided that the global vaccination programme proves effective.

The sector that continues to be most impacted is retail & hospitality, where lockdowns have a direct impact on ability to trade in two out of the three investments, Friska and Tonkotsu. Tonkotsu has proved the more resilient of the two, already having delivery and takeaway services and menus. It has also expanded its footprint through lockdown and has funding runway through 2021. Friska, being focused more on the office lunchtime ‘grab and go’ market, has a more challenging outlook particularly given the uncertainty around the rate at which its market will return even after all restrictions are lifted. Frescobol has pivoted its retail model to an online offering whilst at the same time putting more focus on the wholesale channel. As a consequence, it has managed to achieve revenues at approximately 90 per cent of 2019 levels with significantly reduced losses. With sales benefitting from hotel/travel the full benefits of the pivot may not be seen until these markets recover.

Overall, as at 31 December 2020, 72.4 per cent of the value of the portfolio is represented by the strongest performing TMT sector and only 2.1 per cent in the directly impacted retail & hospitality sector.

£000	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020	Twelve months	% change	Additions	Part-realised	31 Dec 2020
TMT *	34,865	30,356	33,907	39,151	45,369	10,504	30.1%	3,609	(180)	48,798
Travel	11,834	8,724	8,841	9,134	8,997	(2,837)	(24.0%)	-	(2,897)	6,100
Business Services	6,537	5,357	5,925	6,332	7,087	550	8.4%	2,250	-	9,337
Retail & Hospitality	5,107	1,903	922	1,304	1,395	(3,712)	(72.7%)	-	-	1,395
Manufacturing	1,249	220	236	571	648	(601)	(48.1%)	-	-	648
Other	1,266	1,259	1,219	1,233	1,249	(17)	(1.3%)	(150)	-	1,099
Ongoing portfolio	<b>60,858</b>	<b>47,819</b>	<b>51,050</b>	<b>57,725</b>	<b>64,745</b>	<b>3,887</b>	<b>6.4%</b>	<b>5,709</b>	<b>(3,077)</b>	<b>67,377</b>
Realised	7,179	8,040	9,057	9,283	9,628	2,449	-	-	3,077	12,705
Opening portfolio	<b>68,037</b>	<b>55,859</b>	<b>60,107</b>	<b>67,008</b>	<b>74,373</b>	<b>6,336</b>	<b>9.3%</b>	<b>5,709</b>	-	<b>80,082</b>
Additions	-	109	239	239	5,709	-	-	(5,709)	-	-
<b>Total value</b>	<b>68,037</b>	<b>55,968</b>	<b>60,346</b>	<b>67,247</b>	<b>80,082</b>	<b>6,036</b>	-	-	-	<b>80,082</b>

\* Technology, media and telecommunications

[cont]

## Investment Activity & Dealflow

During the quarter to 31 December 2020 your Company invested £5.5 million - with new investments in Arraco and Force24 and follow-on investments into Elucidat and Ncam. Subsequent to the quarter end £3.0 million has also been invested in two new investments, Vypr and Outpost.

After the hiatus caused in early 2020, enquiry levels and conversion into completed investments have both picked up and subsequently been maintained. At the time of writing there are two further investments totalling £4.7 million where the Company has exclusivity and further investments into the existing portfolio totalling £2.8 million, in the final stages of due diligence.

This year we have refined the sector analyses applied to the portfolio shown on page 1, in particular the segmentation of what was previously a single sector, Software, IT & Telecommunications into a number of sub-sectors. This has also seen some reclassification. The analysis into the new sectors is shown on page 3.

## Fundraising

Our recent small Top Up offer which raised net proceeds of £6.8 million, was fully subscribed by existing shareholders and closed within three weeks.

## Investor Workshop

Please see page 3 for details of this year's Investor Workshop.

Thank you again for your continued support of BSC.



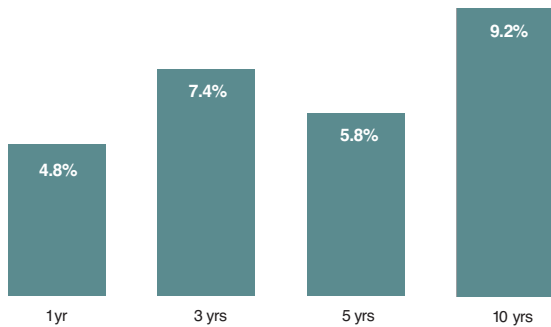
**David Hall**  
Managing Director, YFM Equity Partners



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.

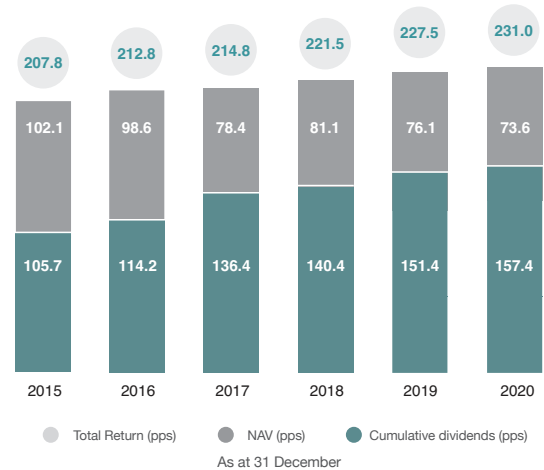
## BSC Investment Rate Of Return

BSC average investment rate of return per annum over 1, 3, 5 and 10 years to 31 December 2020.



Excluding DRIS and benefits of all tax reliefs

## BSC Total Shareholder Return



**Business:** Broker for global commodities markets  
**Location:** London  
**Transaction:** Growth Capital  
**Investment size:** £2.25 million  
 (alongside £1.5 million from BSC2)  
**Investment date:** 2020



“ARRACO is very much a people business and relationships are very important to us – as soon as we met the team at YFM, we really liked them and knew they were the right fit for us. We share a similar culture, with ESG at the core of both businesses, and we like the fact they have national coverage and understand regional businesses. We were looking for supportive investors to work alongside us as we grow the business and YFM has a great track record in the market.”

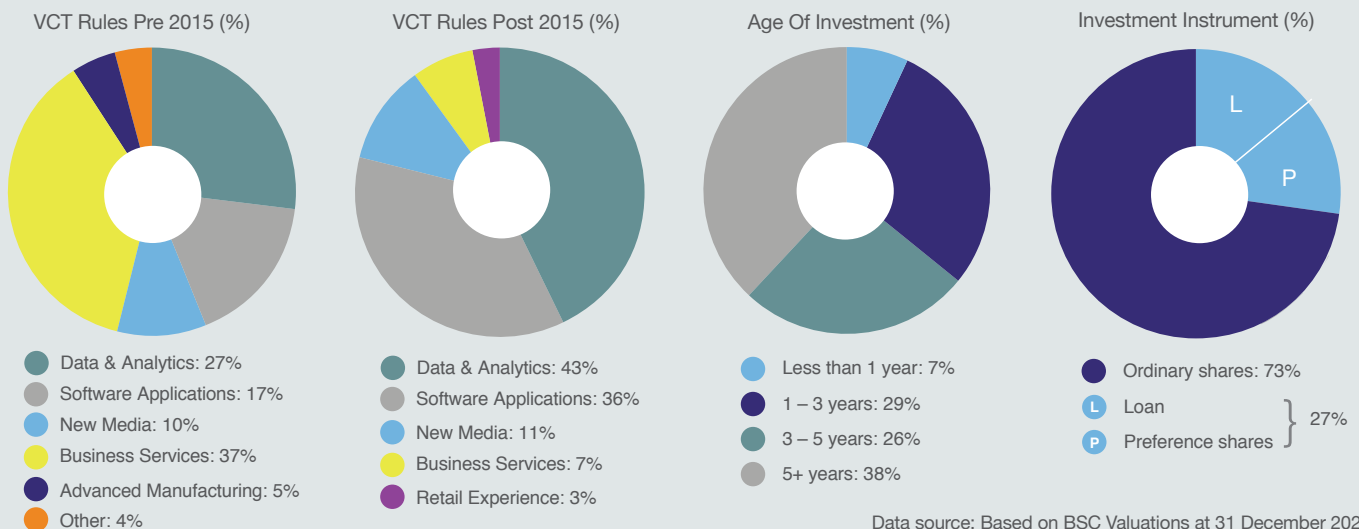
Tom Roberts CEO and co-founder of ARRACO

## Portfolio Update

The quarter saw strong value growth, reflecting the underlying resilience of the investment portfolio. In the quarter to December 2020, the investment portfolio delivered an unrealised gain of £7.1 million (after netting off additions and proceeds). The Top 10 investments generated a value gain in the quarter of £5.5 million, benefitting from the strong performance of Matillion which also raised \$100 million in January 2021 to fund its next phase of growth.

Company	Website	Unaudited investment valuation at 30 Sep 2020 £000	Proceeds £000	Additions £000	Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 31 Dec 2020 £000	% of net asset value of £101.6m
Matillion Limited	matillion.com	9,912	-	-	↑ 4,232	14,144	13.9%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	intelligentofficeuk.com	4,776	-	-	↓ (43)	4,733	4.7%
ACC Aviation Group Limited	accaviation.com	4,584	-	-	↓ (101)	4,483	4.4%
Springboard Research Holdings Limited	spring-board.info	3,635	-	-	↑ 382	4,017	3.9%
Deep-Secure Ltd	deep-secure.com	3,395	-	-	↑ 534	3,929	3.8%
Unbiased EC1 Limited	unbiased.co.uk	3,673	-	-	↑ 95	3,768	3.7%
Arcus Global Limited	arcusglobal.com	3,205	-	-	↑ 7	3,212	3.2%
Elucidat Ltd	elucidat.com	2,371	-	600	↑ 77	3,048	3.0%
KeTech Enterprises Limited	ketech.com	2,283	-	-	↑ 318	2,601	2.6%
Force24 Ltd	force24.co.uk	-	-	2,400	↔ -	2,400	2.4%
<b>Top 10 total</b>		<b>37,834</b>	<b>-</b>	<b>3,000</b>	<b>↑ 5,501</b>	<b>46,335</b>	<b>45.6%</b>
Remainder of unquoted portfolio		17,053	(99)	2,470	↑ 1,618	21,042	20.7%
<b>Total portfolio</b>		<b>54,887</b>	<b>(99)</b>	<b>5,470</b>	<b>↑ 7,119</b>	<b>67,377</b>	<b>66.3%</b>

## Portfolio at a Glance



## Investor Workshop - 25 June 2021

In the current circumstances, and due to the success of the Workshop we held by webinar in December 2020, we are planning to hold another Investor Workshop webinar on Friday 25 June 2021 at 2.00 pm.

Please email Tracey Nice ([tracey.nice@yfme.com](mailto:tracey.nice@yfme.com)) if you would like to register for this event.

## Shareholder Survey

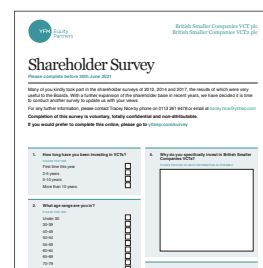
The last shareholder survey was carried out in 2017. There was a great response to this which provided some really useful data and so four years on we are repeating the exercise.

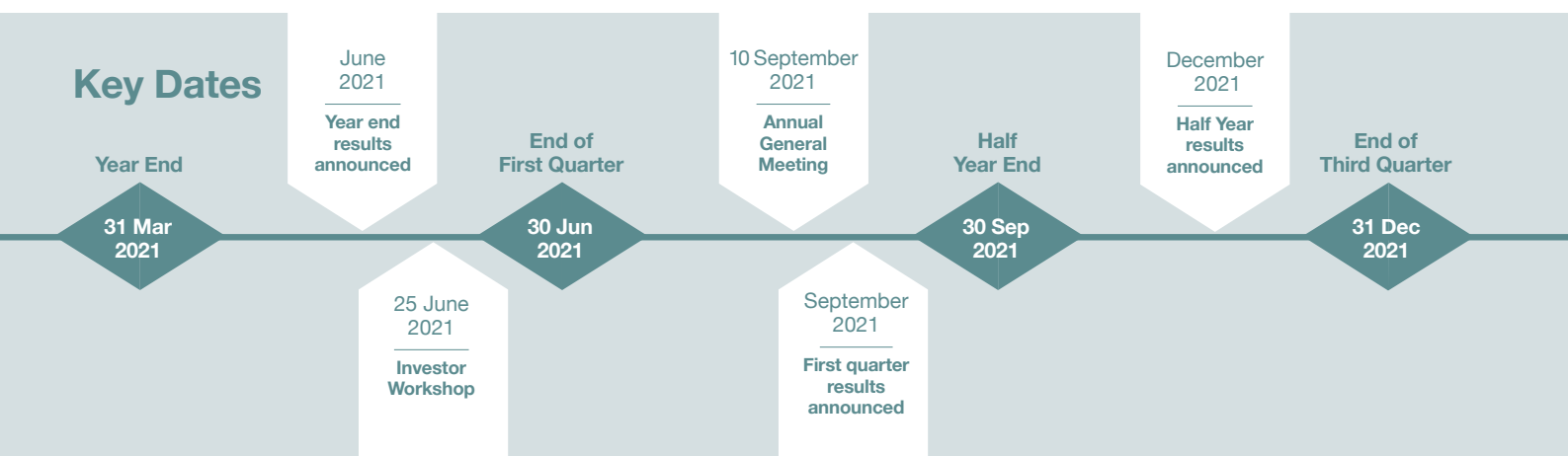
The easiest way to complete the survey is online - please go to [yfme.com/survey](http://yfme.com/survey)

Please note, if you are also a shareholder in BSC2 and have already completed the survey, you do not need to do so again.

For BSC-only shareholders preferring to complete a printed version, a copy of the survey is enclosed and can be completed and returned in the freepost envelope also enclosed, marked FREEPOST YFM.

Please do not write anything else on this envelope.





## For your Records - Dividends and Dates

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
<b>Cumulative to 31 March 2012</b>	<b>79.20</b>
17 August 2012	3.00
14 January 2013	2.00
13 August 2013	4.50
21 March 2014	2.00
1 August 2014	3.50
7 January 2015	2.00
2 March 2015	2.50

Date paid	Pence per share
4 August 2015	3.50
7 September 2015	3.50
15 January 2016	2.00
11 March 2016	1.00
5 August 2016	2.00
5 August 2016	3.50
18 January 2017	16.50
26 May 2017	5.75

Date paid	Pence per share
18 May 2018	4.00
15 February 2019	7.00
12 June 2019	4.00
20 March 2020	2.00
31 July 2020	2.00
5 October 2020	2.00
<b>Cumulative to 31 December 2020</b>	<b>157.45</b>

### Important notice

**i** 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 Fund Manager 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

Please call or email for further information on any shareholder issue, including switching to direct dividend payments, and for more details on the Annual General Meeting and Shareholder Workshop.

- Dividends
- AGM
- Shareholder Workshop
- General

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