

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

There has been a proliferation of challenges that comprise the economic backdrop for UK businesses. Added to the impact of covid-19 and the immediate effects of the emerging trading relationship with Europe, we have experienced further supply chain disruptions, difficulties in logistics and increased staff shortages in a wide range of industries. We seek out and invest in areas which target medium-to-longer term growth trends. Whilst this does not provide immunity from the impact of these disruptions it can, hopefully, cushion or deaden that impact. Our own bias towards business-to-business services in enterprise solutions and software leads to a focus on sectors which derive benefit from changing trends and behaviours, such as 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, with impact on how goods are bought, sold and supplied. The recent resilient performance of the portfolio can in part be attributed to this focus. This performance is manifested not just in the financial results, but also in seeing underlying employment growth and an increasing bias towards exports as a proportion of total activity. Please watch out for more detail in future Updates.

For now I hope that you find this Update useful, and as ever do let us have any feedback or comments on other things you might like to see.

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 then £7.2 million of assets (principally Business Collaborator and RMS, as previously announced) have been realised, generating proceeds of £9.8 million, a value uplift of £2.6 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 15 months to £86.4 million at 30 June 2021; growth of 42.0 per cent over the whole 18 month period.

£000	31 Dec 2019	31 Mar 2020	31 Mar 2021	30 Jun 2021	18 months	% change	Additions	Part-realised	30 Jun 2021
Data & Analytics	17,190	14,738	26,702	41,564	24,374	141.8%	2,926	(180)	44,310
Software Applications	13,950	12,232	18,068	20,770	6,820	48.9%	3,685	-	24,455
New Media	6,496	5,299	7,218	7,771	1,275	19.6%	3,501	-	11,272
Business Services	14,958	11,703	11,637	11,089	(3,869)	(25.9%)	2,250	(2,897)	10,442
Retail & Brands	5,107	1,903	2,458	3,035	(2,072)	(40.6%)	-	-	3,035
Advanced Manufacturing	1,891	685	925	896	(995)	(52.6%)	150	-	1,046
Other	1,266	1,259	1,265	1,280	14	1.1%	(442)	-	838
Ongoing portfolio	60,858	47,819	68,273	86,405	25,547	42.0%	12,070	(3,077)	95,398
Realised	7,179	8,040	9,776	9,785	2,606	-	-	3,077	12,862
Opening portfolio	68,037	55,859	78,049	96,190	28,153	41.4%	12,070	-	108,260
Additions	-	109	8,709	12,070	12,070	-	(12,070)	-	-
Total value	68,037	55,968	86,758	108,260	40,223	-	-	-	108,260

The three largest sectors, Data & Analytics, Software Applications and New Media, which together make up 83.9 per cent of the portfolio value at 30 June 2021, have proved most resilient during the period, with significant increases from Matillion (Data & Analytics) and Deep Secure (Software Applications, subsequently realised in July 2021).

A small number of portfolio companies in other sectors have been most directly impacted by the covid-19 pandemic. However the impact on trading and valuations was predominantly confined to the first quarter, with the latter 15 months seeing a more resilient performance reflecting in relative stability thereafter, with overall growth over that period. There is still some uncertainty over how quickly the travel sector in particular will fully recover.

Investment Activity & Dealflow

During the quarter to 30 June 2021 your Company invested £3.4 million; with follow-on investments into Wooshii, SharpCloud, Sipsynergy, Ncam and Biz2Mobile. The follow-on investments into Wooshii, Sipsynergy and Biz2Mobile are all in support of product extensions which either add to an existing product or widen the range of products offered. In the cases of SharpCloud and Ncam the funding is primarily to further accelerate growth.

Subsequent to the quarter end £2.1 million has also been invested in a new investment, Vuelta, with a further £0.4 million of follow-on investments into Arraco (repositioning the company post-Brexit), Ncam and Biz2Mobile. Vuelta delivers scenario planning and forecasting solutions for supply chain, finance and operations and we will support the company to continue their global expansion strategy and product development.

After the hiatus experienced in early 2020, enquiry levels and conversion into completed investments have both picked up and then been maintained.

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Realisations

BSC completed the sale of its shareholding in Deep Secure in July. The exit (which was realised at the value held at 30 June 2021) generated capital proceeds of £6.6 million, delivering a profit of £5.6 million above cost, and an uplift of £2.4 million on the carrying value at the beginning of the financial year. Including income, the total return from this investment was £7.7 million over an 11.6 year holding period, producing an internal rate of return of 23 per cent and a multiple of 7.7x cost.

On 27 August 2021, the Company also announced that contracts had been exchanged for the partial sale of its holding in Matillion, and the transaction completed at the beginning of October. The impact following this partial realisation is an additional increase on the 30 June 2021 Net Asset Value of 1.8 pence per ordinary share, (equivalent to 2.0 per cent).

The Company has announced a second interim dividend of 5.0 pence per ordinary share which will be paid on 16 November 2021 to those shareholders on the Company's register at the close of business on 15 October 2021.

Fundraising

BSC launched a full prospectus fundraising alongside British Smaller Companies VCT2 plc on 22 September 2021, seeking to raise in aggregate £40 million, with an over-allotment facility of £20 million. This has been well received with over £45 million raised at the date of this Update.

Investor Workshop

Please see page 3 for details of this year's Investor Workshop and how to register.



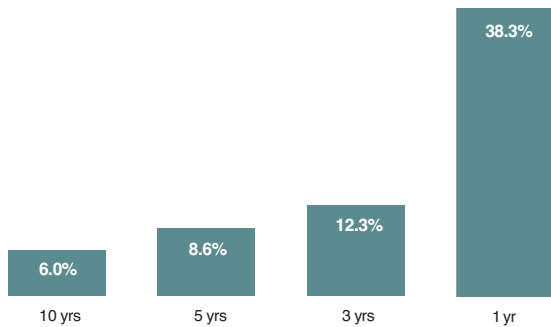
Thank you again for your continued support of BSC.

David Hall
Managing Director, YFM Equity Partners

i 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.

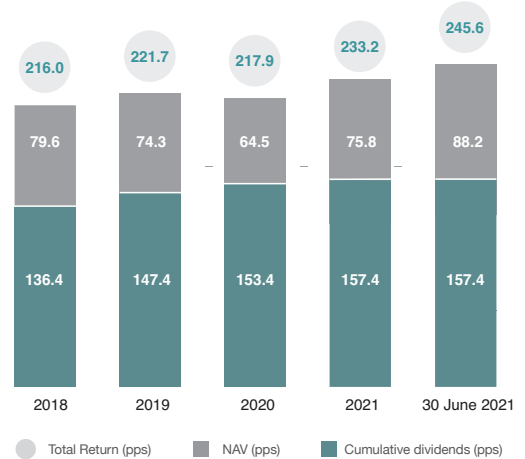
BSC Investment Rate Of Return

BSC average investment rate of return per annum over 10, 5, 3 and 1 years to 30 June 2021.



Excluding DRIS and benefits of all tax reliefs

BSC Total Shareholder Return



Business: New product intelligence SaaS platform
Location: Manchester
Transaction: Growth Capital
Investment size: £2.5 million
Investment date: 2021

“Having known the YFM team for some time, we were confident that they would be able to support us as we invest in a first class team to take the business forward, turning a strong product in a nascent market into a global leader in its field. For a deal of this size and space in the market, they are the right partner, particularly given their regional coverage. I know a number of businesses in which YFM have invested and I rate the team very highly.”



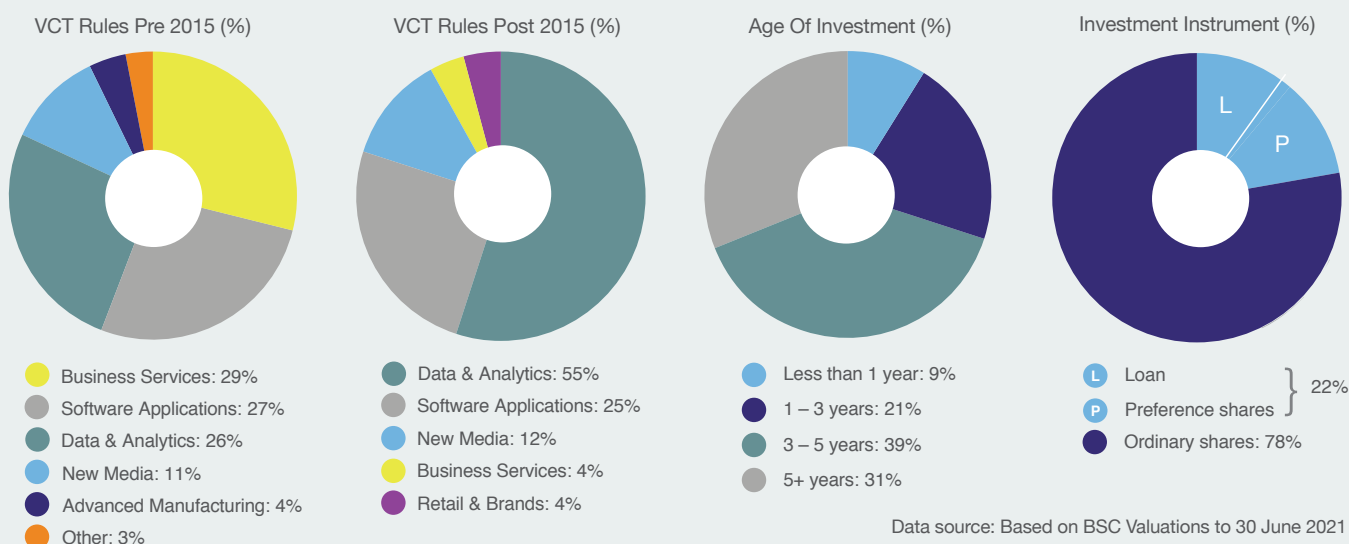
RICHARD LAW, CHAIR OF VYPR

Portfolio Update

In the quarter to June the aggregate investment portfolio delivered an unrealised gain of £18.1 million (after netting off additions and proceeds). The Top 10 investments generated a value gain in the quarter of £18.0 million, of which £14.5 million came from the investment in Matillion, with a further £2.4 million from Deep Secure, which was realised at its 30 June 2021 valuation in July 2021.

Company	Website	Unaudited investment valuation at 31 Mar 2021 £000	Proceeds £000	Additions £000	Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 30 Jun 2021 £000	% of net asset value of £127.8m
Matillion Limited	matillion.com	15,658	–	–	↑ 14,513	30,171	23.6%
Deep-Secure Ltd	deep-secure.com	4,121	–	–	↑ 2,430	6,551	5.1%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	intelligentofficeuk.com	4,698	–	–	↓ (113)	4,585	3.6%
Wooshii Limited	wooshii.com	2,617	–	1,500	↑ 160	4,277	3.4%
Springboard Research Holdings Limited	spring-board.info	4,180	–	–	↑ 77	4,257	3.3%
Unbiased EC1 Limited	unbiased.co.uk	4,026	–	–	↑ 1	4,027	3.2%
SharpCloud Software Limited	sharpcloud.com	2,720	–	1,217	↑ 70	4,007	3.1%
Elucidat Ltd	elucidat.com	3,587	–	–	↑ 383	3,970	3.1%
Force24 Ltd	force24.co.uk	2,902	–	–	↑ 507	3,409	2.7%
ACC Aviation Group Limited	accaviation.com	3,298	–	–	↑ 17	3,315	2.6%
Top 10 total		47,807	–	2,717	↑ 18,045	68,569	53.7%
Remainder of unquoted portfolio		26,098	–	643	↑ 88	26,829	21.0%
Total portfolio		73,905	–	3,360	↑ 18,133	95,398	74.7%

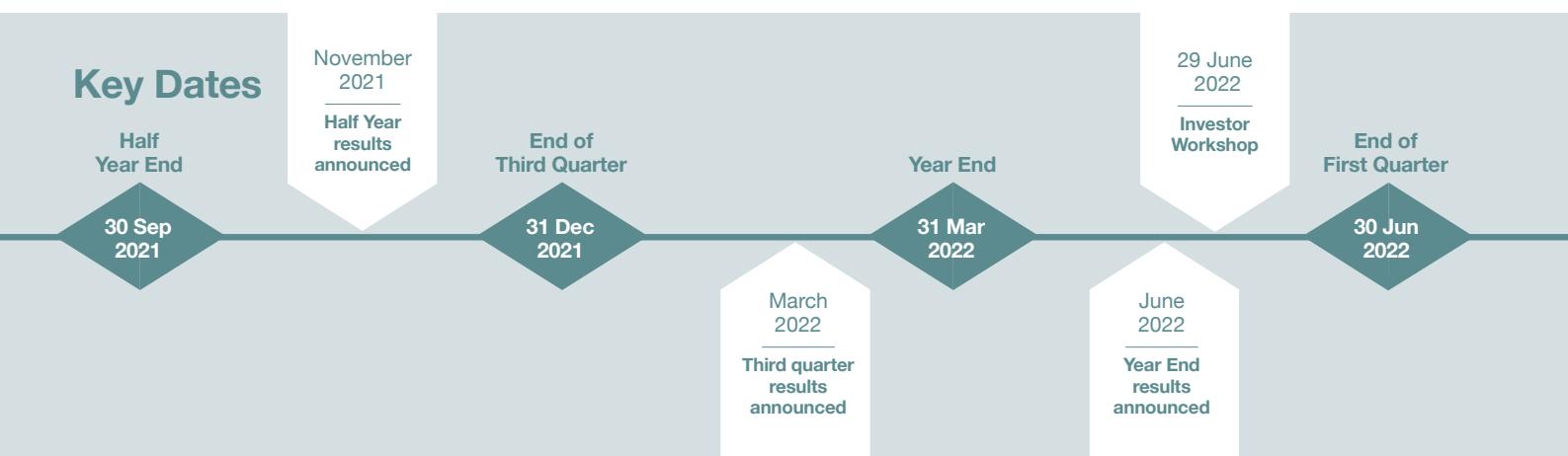
Portfolio at a Glance



Investor Workshop : 9 December 2021

We are planning to hold another Investor Workshop webinar on Thursday 9 December 2021 at 2.30pm.

Please email Tracey Nice – tracey.nice@ymep.com and she will send you the link so that you can register for this event.



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
Cumulative to 31 March 2012	79.20
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
Cumulative to 30 June 2021	157.45
23 July 2021	2.00
16 November 2021	5.00

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 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 Shareholder Workshop.

- Dividends
- Shareholder Workshop
- General

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