

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2015

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2015. The statement also includes relevant financial information between the end of the quarter and the date of this statement. This constitutes the Company’s first interim management statement for the financial year ending 31 December 2015. A copy of this interim management statement can be found at www.yfmep.com.

Performance

The total return at 31 March 2015, calculated by reference to the Net Asset Value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 107.8 pence per ordinary share compared to 106.4 pence per ordinary share at 31 December 2014. Cumulative dividends represent 43.5 pence per ordinary share (31 December 2014: 43.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2015 was 64.3 pence (31 December 2014: 62.9 pence per ordinary share) representing an increase of 1.4 pence per ordinary share. The improvement in NAV per ordinary share is principally due to the increase in the value of the unquoted portfolio.

Share Issues and buy-back

The number of ordinary shares in issue at 31 March 2015 was 85,080,271 (31 December 2014: 62,556,876). In addition, at 31 March 2015, the Company held 1,910,022 ordinary shares in treasury (31 December 2014: 1,910,022).

During the period the Company has issued 22,523,395 ordinary shares at prices ranging from 63.25 to 69.13 pence per share, pursuant to the Company’s offer for Subscription with British Smaller Companies VCT plc.

Subsequent to the quarter end, a further 1,141,754 shares were issued as the final allotment from the fundraising, at prices ranging from 64.84 to 66.29 pence per share.

The Company and British Smaller Companies VCT plc received an excellent response to the offers, which were fully subscribed on 24 March 2015 raising £40 million in aggregate, of which £15.4m was raised by the Company.

On 6 May 2015 the Company purchased 103,845 ordinary shares at a price of 56.86 pence per share. These shares were placed in treasury.

Net assets

Net assets at 31 March 2015 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	27,908	51.00
Quoted investments at bid price	2,770	5.07
Total investments	30,678	56.07
Cash and cash equivalents	23,660	43.24
Other net current assets	380	0.69
Net assets	54,718	100.00

The investment portfolio at 31 March 2015 was comprised as follows:

	Valuation £000	Valuation as a % of net assets
IO Outsourcing Limited	2,600	4.75
Mangar Health Limited	2,186	4.00
Gill Marine Holdings Limited	1,781	3.25
DisplayPlan Holdings Limited	1,770	3.23
ACC Aviation (via Newacc (2014) Limited)	1,379	2.52
GTK (Holdco) Limited	1,371	2.51
Business Collaborator Limited	1,340	2.45
The Heritage Window Company Holdco Limited	1,268	2.32
Harvey Jones Holdings Limited	1,206	2.20
Springboard Research Holdings Limited	1,186	2.17
	16,087	29.40
Other investments	14,591	26.67
Total investments	30,678	56.07

During the three months ended 31 March 2015 the Company made three investments totalling £1.66 million. These comprised one new investment of £1.00 million into Ness (Holdings) Limited, a womenswear lifestyle retail brand, £0.40 million into Gooch & Housego plc, a company specialising in the design, manufacture and supply of fibre optic solutions, and £0.26 million of follow- on investment into Brady plc.

In the 3 months to 31 March 2015 cash proceeds of £0.46 million were received relating to the repayment of capital from the Company's loan portfolio, including £0.03 million of redemption premiums following the early repayment of capital by DisplayPlan Holdings Limited. In total these disposals generated a profit on the previous quarter's carrying value of £0.03 million.

Portfolio Performance

Over the 3 months to 31 March 2015 the portfolio saw an overall increase in unrealised valuations of £1.23 million. This comprised an increase in the value of a number of portfolio companies following strong trading results including Teraview Limited (up £0.50 million) and IO Outsourcing Limited (up £0.25 million) together with resilient performances across much of the Company's remaining portfolio.

The Board continues to follow a policy of maintaining a diversified portfolio: as at 31 March 2015 no individual investment represented more than 5 per cent of the NAV of the Company, with the largest investment representing just 4.75%.

Outlook

The Board believes that the current economic climate continues to create investment opportunities in the short to medium term in well managed UK businesses that need capital to expand. Following the increase in the investment limit applying to venture capital trusts to £5 million per investment in any one year there has been an increase in the number of investment opportunities presented to the Company and after the success of the recent fundraising the Company is well placed to take advantage of these opportunities.

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