

**British Smaller Companies VCT2 plc**  
**Interim Management Statement**  
**For the quarter ended 31 March 2014**

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2014. 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 2014, as required by Rule 4.3 of the Disclosure and Transparency Rules. A copy of this interim management statement can be found at [www.yfmep.com](http://www.yfmep.com).

**Performance**

The total return at 31 March 2014, calculated by reference to the Net Asset Value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 105.3 pence per ordinary share compared to 104.6 pence per ordinary share at 31 December 2013. Cumulative dividends represent 39.0 pence per ordinary share (31 December 2013: 39.0 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2014 was 66.3 pence (31 December 2013: 65.6 pence per ordinary share) representing an increase of 0.7 pence per ordinary share. The increase in NAV per ordinary share is principally due to the net upward movement, in both the AIM quoted and unquoted portfolio valuations.

The number of ordinary shares in issue at 31 March 2014 was 57,923,961 (31 December 2013: 46,443,563). In addition, at 31 March 2014, the Company held 1,777,722 ordinary shares in treasury (31 December 2013: 1,777,722).

**Share Issues**

During the period the Company has issued 11,480,398 ordinary shares between 68.00 to 71.19 pence per share, pursuant to the Company’s joint offer for Subscription with British Smaller Companies VCT plc.

Net assets at 31 March 2014 comprised the following:

	<b>£000</b>	<b>% of net assets</b>
Unquoted investments at fair value	<b>15,084</b>	39.29
Quoted investments at bid price	<b>2,575</b>	6.71
Gilt investments	<b>890</b>	2.31
<b>Total investments</b>	<b>18,549</b>	48.31
Cash and cash equivalents	<b>15,349</b>	39.98
Cash on fixed term deposit	<b>4,500</b>	11.72
Other net current assets	<b>(4)</b>	(0.01)
<b>Net assets</b>	<b>38,394</b>	100.00

The investment portfolio at 31 March 2014 was comprised as follows:

	<b>Valuation</b>	<b>Valuation</b>
	<b>£000</b>	<b>as a % of</b>
		<b>net assets</b>
DisplayPlan Holdings Limited	2,075	5.40
Gill Marine Holdings Limited	1,870	4.87
Mangar Health Limited	1,640	4.27
Seven Technologies Holdings Limited	1,628	4.24
GTK (UK) Limited	1,113	2.90
Immunobiology Limited	987	2.57
Leengate Holdings Limited	934	2.43
Deep-Secure Ltd	875	2.28
Callstream Group Limited	751	1.96
Pressure Technologies plc	682	1.78
	<b>12,555</b>	<b>32.70</b>
Other investments	<b>5,104</b>	13.29
Gilt investments	<b>890</b>	2.32
<b>Total investments</b>	<b>18,549</b>	<b>48.31</b>

During the three months ended 31 March 2014 the Company made two investments totalling £1.70 million. These comprised one new investment of £1.64 million into Mangar Health Limited, a world leader in inflatable lifting, handling and bathing equipment for the elderly, disabled and emergency services markets, and £0.06 million of follow-on investment into EKF Diagnostics plc.

In the 3 months to 31 March 2014 cash proceeds of £0.31 million were received relating to the repayment of capital from the Company's loan portfolio, including £0.05 million of redemption premiums following the early repayment of capital by DisplayPlan Holdings Limited. In addition the Company received £0.35 million from the sale of shares from its AIM quoted investment portfolio. In total these disposals generated a profit on the previous quarter's carrying value of £0.05 million.

Since the end of the quarter the Company has completed one further investment of £1.96 million into Intelligent Office Limited, a global provider and manufacturer of electronic solutions. In addition it has approved, but not yet completed, a further two investments totalling £1.55 million.

### **Portfolio Performance**

Over the 3 months to 31 March 2014 the portfolio saw an overall increase in unrealised valuations of £0.30 million. This comprised an increase in the value of a number of portfolio companies following strong trading results including Pressure Technologies plc (up £0.25 million), DisplayPlan Holdings Limited (up £0.16 million), and Callstream Group Limited (up £0.11 million) together with resilient performances across much of the Company's remaining unquoted and AIM portfolio.

The Board continues to follow a policy of maintaining a diversified portfolio: as at 31 March 2014 there was only one investment representing more than 5 per cent each of the NAV of the Company.

### **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. Since the period end the Company has completed and approved investments of £3.51 million..

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