

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 30 September 2014
& Change of Company Secretary

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 30 September 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 second interim management statement for the financial year ending 31 December 2014. A copy of this interim management statement can be found at www.bscfunds.com.

Performance

The total return at 30 September 2014, calculated by reference to the net asset value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 104.8 pence per ordinary share compared to 104.7 pence per ordinary share at 30 June 2014. Cumulative dividends represent 41.5 pence per ordinary share (30 June 2014: 41.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 30 September 2014 was 63.3 pence (30 June 2014: 63.2 pence per ordinary share) representing an increase of 0.1 pence per ordinary share. The increase in NAV per ordinary share is principally due to the net upward movement in the overall portfolio valuation.

The number of ordinary shares in issue at 30 September 2014 was 62,269,837 (30 June 2014: 62,269,837). In addition, at 30 September 2014, the Company held 1,840,918 ordinary shares in treasury (30 June 2014: 1,840,918).

On 7 October 2014 the Company paid an interim dividend of 2.0 pence per ordinary share. Pursuant to its dividend re-investment scheme and on the same date the Company issued 356,143 ordinary shares at a price of 58.14 pence per ordinary share.

Net assets at 30 September 2014 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	20,362	51.69
Quoted investments at bid price	2,217	5.63
Gilt investments	-	-
Total investments	22,579	57.32
Cash and cash equivalents	16,460	41.79
Cash on fixed term deposit	-	-
Other net current assets	350	0.89

Net assets

39,389

100.00

The investment portfolio at 30 September 2014 was comprised as follows:

	Valuation	Valuation
	£000	as a % of
		net assets
DisplayPlan Holdings Limited	2,053	5.21
Intelligent Office Holdings Limited	1,956	4.97
Mangar Health Limited	1,843	4.68
Gill Marine Holdings Limited	1,705	4.33
Harvey Jones Holdings Limited	1,276	3.24
The Heritage Windows Company Holdco Limited	1,268	3.22
GTK (UK) Limited	1,262	3.20
Immunobiology Limited	987	2.51
Waterfall Services Limited	948	2.40
Seven Technologies Holdings Limited	935	2.37
	14,233	36.13
Other investments	8,346	21.19
Total investments	22,579	57.32

During the quarter to 30 September 2014 the Company made two investments totalling £2.07 million: one new investment of £1.27 million into The Heritage Windows Company Holdco Limited (a specialist manufacturer and supplier of slim line Aluminium windows) and £0.8 million of follow-on investment into Harvey Jones Limited.

Investment rates have continued to increase and since the end of the quarter the Company has completed three new investments totalling £2.6 million:

- £0.2 million into Gamma Communications plc - provider of integrated voice, data and mobile telecommunication services and applications to businesses across the UK;
- £1.2 million into Cambrian Park & Leisure Homes Ltd (via the holding company DWFCO 8 Limited) - manufacturer of timber holiday lodges for the UK holiday park market; and
- £1.2 million into Springboard Research Holdings Limited - a leading provider of retail performance monitoring.

In addition a further four investments have been approved but not yet completed, totalling £3.7 million taking the likely investment activity in the final quarter of the year to £6.3 million.

- In the quarter to 30 September 2014 the realisation and repayment of investments generated cash proceeds of £0.54 million

Portfolio Performance

Over the quarter to 30 September 2014 aggregate unrealised portfolio valuations have remained stable.

The Board continues to follow its policy of maintaining a diversified portfolio. At 30 September 2014, only one investment represented more than 5 per cent of the Company's NAV.

Regulatory Changes

The EU State Aid Risk Capital Guidelines were updated in May 2014, and the UK Government will need to apply for renewal of State Aid approval of the VCT scheme. Whilst it is expected that approval will be renewed, the Board is closely watching developments to ensure that the Company is adequately prepared for any potential changes to the rules.

Fundraising

In the light of the continued strong demand for investment from UK businesses the Company is seeking to increase its investment capacity through the prospectus offers which were launched on 20 October 2014 alongside British Smaller Companies VCT plc, to raise up to £30 million in aggregate. Early applications from existing shareholders (or their spouses or civil partners) accepted on or before 31 December 2014 will receive additional shares equivalent to 1.00 per cent of the amount subscribed, whilst those received on or before 28 March 2015 will receive 0.75 per cent. New investors will receive 0.50 per cent for applications received on or before 28 March 2015.

Change of Company Secretary

The City Partnership (UK) Limited has been appointed as Company Secretary to the Company with effect from 1 December 2014

Outlook

The Board believes that the current economic climate continues to create investment opportunities to support management teams with growth strategies or looking to lead management buy-outs. Good progress continues to be delivered across the portfolio to position businesses for growth and realise shareholder value. We continue to see high levels of attractive investment opportunities from across the UK regions, with £10.1 million invested since 31 December 2013 resulting in an increasingly diversified portfolio. Funds raised under the recently announced prospectus offers will ensure your Company continues to take advantage of these new opportunities.

20 November 2014

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