

**British Smaller Companies VCT2 plc**  
**Interim Management Statement**  
**For the quarter ended 30 September 2013**

British Smaller Companies VCT2 plc (the "Company") presents its interim management statement for the quarter ended 30 September 2013. 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 2013, 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 30 September 2013, calculated by reference to the Net Asset Value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 104.6 pence per ordinary share compared to 102.3 pence per ordinary share at 30 June 2013. Cumulative dividends represent 39.0 pence per ordinary share (30 June 2013: 37.0 pence per ordinary share).

The unaudited NAV per ordinary share as at 30 September 2013 was 65.6 pence (30 June 2013: 65.3 pence per ordinary share) representing an increase of 2.3 pence per ordinary share prior to the payment of the interim dividend of 2.0 pence per ordinary share on 27 September 2013. The increase in NAV per ordinary share is principally due to the net upward movement, in both the AIM quoted and unquoted portfolio valuations seen during the quarter.

The number of ordinary shares in issue at 30 September 2013 was 46,588,563 (30 June 2013: 46,371,537). In addition, at 30 September 2013, the Company held 1,632,722 ordinary shares in treasury (30 June 2013: 1,632,722).

**Share Issues**

During the period the Company has issued 217,026 ordinary shares at a price of 60.14 pence per share, pursuant to the Company's Dividend Re-investment Scheme (DRIS).

Net assets at 30 September 2013 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	12,064	39.5%
Quoted investments at bid price	2,403	7.9%
Gilt investments	898	2.9%
<b>Total investments</b>	<b>15,365</b>	<b>50.3%</b>
Cash and cash equivalents	6,926	22.6%
Cash on fixed term deposit	8,000	26.2%
Other net current assets	275	0.9%
<b>Net assets</b>	<b>30,566</b>	<b>100%</b>

The investment portfolio at 30 September 2013 was comprised as follows:

	Carrying cost	Valuation	Valuation as a % of
	£000	£000	net assets
Displayplan Holdings Limited	700	2,119	6.93%
Douglas Gill International Limited	1,870	1,870	6.12%
Seven Technologies Holdings Limited	1,238	1,548	5.06%
Deep-Secure Ltd	500	1,000	3.27%
Immunobiology Limited	1,932	987	3.23%
Insider Technologies (Holdings) Limited	780	806	2.64%
Bagel Nash Group Limited	807	757	2.48%
Bluebell Telecom Group Limited	484	721	2.36%
Waterfall Services Limited	192	587	1.92%
PowerOasis Limited	567	567	1.86%
Iomart Group plc	149	514	1.68%
Pressure Technologies plc	201	454	1.49%
Harvey Jones Holdings Limited	389	443	1.45%
Hargreaves Services plc	325	350	1.15%
RMS Group Holdings Limited	70	324	1.06%
Selima Limited	300	270	0.88%
EKF Diagnostics Holdings plc	224	248	0.81%
AB Dynamics plc	149	220	0.72%
Vianet Group plc	242	165	0.54%
Cambridge Cognition Holdings plc	240	149	0.49%
Brady Public Limited Company	134	134	0.44%
Optos Public Limited Company	80	128	0.42%
Tissuemed Limited	48	60	0.20%
Allergy Therapeutics plc	350	41	0.13%
Ellfin Home Care Limited	317	5	0.02%
TeraView Limited	375	-	0.00%
<b>Total Quoted and Unquoted</b>	<b>12,663</b>	<b>14,467</b>	<b>47.3%</b>
Gilt investments	888	<b>898</b>	2.9%
<b>Total investments</b>	<b>13,551</b>	<b>15,365</b>	<b>50.3%</b>

During the three months ended 30 September 2013 the Company made three investments totalling £2.47 million. These comprised one new investment of £1.87 million into Douglas Gill International Limited, a specialist provider of sailing clothing and equipment, and £0.6 million of follow-on investment into two existing portfolio companies, Bagel Nash Group Limited and Hargreaves Services plc.

In the 3 months to 30 September 2013 cash proceeds of £1.28 million were received relating to the sale of the Company's holding in Digital Healthcare Limited, generating a profit on the previous quarter's carrying value of £0.3 million. In addition £0.2 million of proceeds were

received from the part disposal of the Company's holding in Pressure Technologies plc which gave rise to a profit on cost of £0.09 million in the quarter

Since the end of the quarter the Company has completed one further investment of £1.15 million into GTK Limited, a global provider and manufacturer of electronic solutions.

### **Portfolio Performance**

Over the 3 months to 30 September 2013 the portfolio saw an overall increase in unrealised valuations of £0.83 million equating to a 6.7% increase. This comprised an increase in the value of a number of portfolio companies following strong trading results including Displayplan Holdings Limited (up £0.285 million), Pressure Technologies plc (up £0.27 million) and Seven Technologies Holdings Limited (up £0.17 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 30 September 2013 only three investments represented more than 5 per cent each of the NAV of the Company with the largest investment comprising 6.9 per cent.

### **Outlook**

The Board believes that the current economic climate continues to create investment opportunities in the short to medium term in well run and managed UK businesses that need capital to expand. Experience suggests that cautious investments made in the low point of the economic cycle have resulted in the highest portfolio returns. 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. As a result a number of investment opportunities are currently being assessed and the Company has recently announced its intention to increase its capacity to invest in these opportunities.

25 October 2013

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