

British Smaller Companies VCT2 plc (“the Company”)

Interim Management Statement

British Smaller Companies VCT2 plc presents its interim management statement for the period from 1 January 2012 to the date of this announcement. This constitutes the Company’s first interim management statement for the financial year ending 31 December 2012, 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.

The total return at 31 March 2012, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, is 99.2 pence per Ordinary share. This represents an increase of 0.7 pence per Ordinary share in the quarter, which is substantially a result from an overall increase in the value of the investment portfolio.

The unaudited net asset value per Ordinary share as at 31 March 2012 was 69.2p (31 December 2011: 68.5p).

The number of Ordinary shares in issue at 31 March 2012 was 33,233,622 (31 December 2011: 23,330,802). In addition at 31 March 2012 the Company held 929,122 Ordinary shares in Treasury (31 December 2011: 929,122).

During the quarter the Company, in connection with the offer for subscription launched in October 2011 (“Offer”), allotted 9,902,820 new Ordinary shares at a price of 70.5 pence per share, for gross proceeds of £6.98 million;

Following the quarter end the Company opted to extend the Offer beyond its original £10m limit in order to allot a further 5,080,416 new Ordinary shares. In total the Company raised gross proceeds of £10.6 million under the Offer.

Net assets at 31 March 2012 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,428	41.0
Quoted investments at bid price	2,085	9.1
Gilt investments	917	4.0
Total investments	12,430	54.1
Cash and cash equivalents	10,406	45.2
Other net current assets	161	0.7
Net assets	22,997	100.0

The ten largest investments by valuation at 31 March 2012 were as follows:

	£000	% of net assets
Digital Healthcare Limited	1,278	5.6
Primal Pictures Limited	1,272	5.5
Deep-Secure Ltd	1,149	5.0
Sirigen Group Limited	917	4.0
Displayplan Holdings Limited	700	3.0
Immunobiology Limited	615	2.7
Bluebell Telecom Group Limited	608	2.6
PowerOasis Limited	500	2.2
Bagel Nash Limited	407	1.8
Harvey Jones Holdings Limited	392	1.7
Top ten investments	7,838	34.1
Other investments	3,675	16.0
Gilt investments	917	4.0
Total investments	12,430	54.1

During the three months ended 31 March 2012 the Company invested a total of £1.2 million. In January 2012 £0.7 million was invested as part of the management buyout of the retail display group Displayplan Holdings Limited. In February 2012 a further £0.06 million was invested into portfolio business Sirigen Group Limited as part of a £1 million internal growth capital round, supporting the further commercialisation of its innovative technology. In March 2012 £0.3 million was invested as part of the £2 million buyout of Selima Limited, a supplier of

payroll and expenses software predominately to public sector customers. In addition £0.15 million was invested into shares in existing portfolio company EKF Diagnostics Plc, an AIM-listed international diagnostics group.

During the quarter further deferred cash proceeds of £64,000 have been recognised in respect of the Company's investment in DxS Limited. This takes total proceeds to £2.65 million representing a 16.3x cash return on the original investment. Also during the quarter the Company received £164,000 of proceeds following the sale of its holding in Patsystems plc via a trade sale to ION Group plc in January 2012, representing a small uplift on the December 2011 valuation; £17,000 of proceeds from the partial sale of shares in AiM quoted Tikit Group plc and £140,000 on the early redemption of the remaining loan from RMS Group Holdings Limited.

Performance

Your Company's portfolio valuation has stood up well this quarter, showing an increase overall of 0.7p per Ordinary share as several investee businesses recorded positive results. The total return, calculated by reference to the net asset value plus cumulative dividends paid and proposed has increased by 0.7 pence to 99.2 pence per Ordinary share, with the cumulative dividend now representing 30.0 pence per Ordinary share.

Dividend Re-investment scheme

The Company continues to operate a dividend re-investment scheme which allows Shareholders the opportunity to build further capital value by electing to receive ordinary shares in the Company, credited as fully paid, instead of receiving dividends in cash.

Investor Workshops

The Company remains committed to enhancing Shareholder communications and has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The most recent event held on 9 February 2012 at the Royal College of Surgeons welcomed over 150 Shareholders.

Outlook

In spite of the ongoing economic uncertainty in the markets significant progress continues to be made across the portfolio. There is also evidence of increasing new investment opportunities as businesses take advantage of changing market conditions and vendors look for equity solutions. The proposed changes to the rules defining eligible VCT investments are also expected to lead to an increased level of investment opportunities. Your Board expects an increased level of attractive investment opportunities over the short and medium term. Following the successful fundraising offer that closed on 5 April 2012 the Company is in a strong position to take full advantage of this market opportunity.

11 May 2012

For further information please contact:

David Hall YFM Private Equity Limited
Claes Spang Singer Capital Markets Limited

Tel: 0113 294 5055

Tel: 0203 205 7500