

British Smaller Companies VCT2 plc (“the Company”)

Interim Management Statement

For the quarter ended 30 September 2011

British Smaller Companies VCT2 plc presents its interim management statement for the quarter ended 30 September 2011. This constitutes the Company's second interim management statement for the financial year ending 31 December 2011, 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 30 September 2011, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, is 96.6 pence per Ordinary share. This represents an increase of 0.6 pence per Ordinary share in the quarter, which is substantially a result from an overall increase in the value of the investment portfolio. In the nine month period to 30 September the overall increase in the value of the investment portfolio is 3.3 pence per Ordinary share (8.0%).

The unaudited net asset value per Ordinary share as at 30 September 2011 was 66.6p (30 June 2011: 68.0p). The movement represented a 0.6 pence per share increase in the investment portfolio and recognised the payment of a dividend of 2.0 pence per Ordinary share.

The number of Ordinary shares in issue at 30 September 2011 was 23,415,094 (30 June 2011: 23,359,278). In addition at 30 September 2011 the Company held 844,830 Ordinary shares in Treasury (30 June 2011: 757,380).

During the quarter the Company:-

- allotted 137,931 Ordinary shares of 10 pence each at a price of 72.5 pence per share, for total proceeds of £100,000;
- allotted 5,335 Ordinary shares of 10 pence each at a price of 62.7 pence per share, pursuant to its dividend reinvestment scheme; and
- re-purchased 87,450 Ordinary shares of 10 pence each at a price of 56.0 pence per share. These shares were placed in Treasury.

Net assets at 30 September 2011 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	7,200	46.2
Quoted investments at bid price	2,148	13.8
Gilt investments	2,099	13.5
Total investments	11,447	73.5
Cash and cash equivalents	4,042	25.9
Other net current assets (liabilities)	100	0.6
Net assets	15,589	100.0

The ten largest investments by valuation at 30 September 2011 were as follows:

	£000	% of net assets
Digital Healthcare Limited	1,128	7.2
Deep-Secure Limited	1,040	6.7
Primal Pictures Limited	1,005	6.4
Immunobiology Limited	1,002	6.4
Waterfall Services Limited	700	4.5
Bluebell Telecom Group Limited	500	3.2
Bagel Nash Limited	400	2.6
Sirigen Limited	400	2.6
Harvey Jones Limited	352	2.3
Brady plc	283	1.8
Top ten investments	6,810	43.7
Other investments	2,538	16.3
Gilt investments	2,099	13.4
Total investments	11,447	73.4

During the three months ended 30 September 2011 the Company invested £400,000 into Bagel Nash, a bakery and established retail brand in the north east of England. A follow-on investment of £233,334 was also made to acquire further stock in Waterfall Services Limited, a provider of catering services to the education and care home sector.

Further cash proceeds of £275,000 have been received in the 3 months to 30 September 2011 relating to the Company's sale of DxS to Qiagen in 2009, representing a profit of £57,000 over the 30 June 2011 valuation.

Performance

This quarter has seen a significant fall in values across the quoted markets which has inevitably impacted portfolio valuations. However your Company's portfolio valuation has stood up well, showing an increase overall of 0.6p per Ordinary share as several businesses recorded positive results. The total return, calculated by reference to the net asset value plus cumulative dividends paid and proposed has increased by 0.6 pence to 96.6 pence per Ordinary share, with the cumulative dividend now representing 30.0 pence per Ordinary share.

Share Buyback Policy

The necessary authority to renew the share buyback policy was obtained at the General Meeting on 30 August 2011.

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. Your Board believes this will translate into increasing investment opportunities over both the short and medium term. To take full advantage of this market opportunity the Board is seeking to increase the investment capacity of the Company over the coming months via an offer to raise up to £10 million.

20 October 2011

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