

British Smaller Companies VCT2 plc (“the Company”)

Interim Management Statement

For the quarter ended 31 March 2013

British Smaller Companies VCT2 plc presents its interim management statement for the period from 1 January 2013 to 31 March 2013, including relevant financial information from the end of that period to 30 April 2013, being the date of this announcement. This constitutes the Company’s first 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.

The total return at 31 March 2013, calculated by reference to the net asset value per ordinary share and the cumulative dividends paid per ordinary share, was 101.3 pence per ordinary share. In the quarter there has been an increase of 1.3 pence per ordinary share in the total return to shareholders (equivalent to 1.3%) mainly as a result of the increase in valuation seen in the Company’s unquoted investment portfolio.

The unaudited net asset value per ordinary share as at 31 March 2013 was 66.8 pence representing an increase of 1.3 pence per ordinary share (equivalent to 2%) from 65.5 pence per ordinary share as at 31 December 2012. These figures are before any provision for the proposed final dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2012. This level of dividend is an increase of 0.5 pence per ordinary share on the 2011 final dividend. If the final dividend is approved at the Company’s Annual General Meeting on 20 May 2013 it will be paid on 5 June 2013 to shareholders on the register as at 3 May 2013.

The number of ordinary shares in issue at 31 March 2013 was 41,457,844 (31 December 2012: 41,457,844). In addition, at 31 March 2013, the Company held 1,252,761 ordinary shares in treasury (31 December 2012: 1,252,761).

Net assets at 31 March 2013 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,930	35.9
Quoted investments at bid price	1,669	6.0
Gilt investments	915	3.3
Total investments	12,514	45.2
Cash and cash equivalents	7,702	27.8
Cash on fixed term deposit	7,048	25.5
Other net current assets	414	1.5
Net assets	27,678	54.8

The above cash balance includes £2.1 million relating to the allotment of shares on 31 December 2012.

The ten largest investments by valuation at 31 March 2013 were as follows:

	£000	% of net assets
Displayplan Holdings Limited	1,638	5.9
Seven Technologies Holdings Limited	1,167	4.2
Digital Healthcare Limited	1,059	3.8
Immunobiology Limited	987	3.6
Deep-Secure Limited	983	3.6
Insider Technologies (Holdings) Limited	806	2.9
Bluebell Telecoms Group Limited	608	2.2
PowerOasis Limited	567	2.0
Waterfall Services Limited	434	1.6
Harvey Jones Holdings Limited	419	1.5
	8,668	31.3
Other investments	2,931	10.6
Gilt investments	915	3.3
Total investments	12,514	45.2

During the three months ended 31 March 2013 the Company made one follow-on investment of £0.07 million into existing portfolio company PowerOasis Limited, a provider of energy management solutions to telecoms infrastructure operators. This investment was part of a significant \$5 million investment round led by a strategic trade investor.

In the 3 months to 31 March 2013 aggregate cash proceeds of £0.41 million were received relating to the sale of the Company's holdings in Tikit Group plc and May Gurney Integrated Services plc generating a profit on cost of £0.07 million in the quarter.

Following the end of the quarter, on 5 April 2013 the Company issued 4,428,298 new ordinary shares as part of the linked offer with British Smaller Companies VCT plc, raising £2,907,109 million net of costs. Unquoted portfolio business Cambridge Cognition Limited has also achieved a successful listing on the AiM market raising £5m to fund sales growth of its cognitive testing software.

On 18 April 2013 the Company purchased 279,961 ordinary shares at a price of 59.20 pence per ordinary share. These shares are held in treasury.

Performance

The portfolio value increased by 1.4 pence per ordinary share in the quarter although growth in net asset value per ordinary share was slightly lower at 1.3 pence including other costs. The majority of this increase is attributed to the unquoted investments with several investee companies reporting profit growth in the period.

Outlook

The Board believes that the current economic climate will continue to create investment opportunities in the short to medium term in well run and managed UK businesses that need capital to expand but are facing a shortage of finance. History has shown us that cautious investments made in the low point of the economic cycle have resulted in the highest portfolio returns. Additionally the investment limit applying to venture capital trusts has been increased to £5 million per investment in any one year. A number of investment opportunities are currently being assessed for investment and the Company is well placed to take advantage of these following the recent new share issue.

30 April 2013

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