

British Smaller Companies VCT2 plc (“the Company”)

Interim Management Statement

For the quarter ended 31 March 2011

British Smaller Companies VCT2 plc presents its interim management statement for the quarter ended 31 March 2011. This constitutes the Company's first 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.co.uk.

The total return at 31 March 2011, calculated by reference to the net asset value per share and the cumulative dividends paid and proposed, is 94.9 pence per share an increase of 0.5 pence per share in the quarter.

The unaudited net asset value per Ordinary share as at 31 March 2011 was 68.9p (31 December 2010: 68.4p). The 0.5p increase this quarter is the net result of a 1.3p per share increase in the value of the investments an operating loss of 0.3p and the 0.5p dilutive impact of the issue of shares.

The number of Ordinary shares in issue at 31 March 2011 was 20,934,196 (31 December 2010: 17,278,696). In addition at 31 March 2011 the Company held 566,100 shares in Treasury (31 December 2010: 566,100)

During the quarter the company raised £2.57 million by issuing 3,655,500 Ordinary Shares at a price of 70.25p per share pursuant to its linked offer for subscription with British Smaller Companies VCT plc (“Linked Offer”).

Subsequent to the quarter end, pursuant to the Linked Offer, a further £1.35 million was raised by issuing a further 1,921,901 shares on 5 April 2011 and a final £0.47 million was raised through the issue of 690,699 shares on 4 May 2011 at a price of 70.25p per share. The Linked Offer for both the tax year 2010/2011 and 2011/2012 is now closed.

In addition, the Company purchased 191,280 Ordinary shares of 10 pence each at a price of 58.25 pence per share. These shares were placed in Treasury.

Net assets at 31 March 2011 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	5,851	40.6
Quoted investments at bid price	1,347	9.3
Gilt investments	3,957	27.4
Total investments	11,155	77.3
Cash and cash equivalents	3,047	21.1
Other net current assets (liabilities)	231	1.6
Net assets	14,433	100.0

The ten largest investments by valuation at 31 March 2011 were as follows:

	£000	% of net assets
Digital Healthcare Limited	1,128	7.8
Primal Pictures Limited	1,082	7.5
Immunobiology Limited	1,002	6.9
Deep-Secure Ltd	546	3.8
Bluebell Telecom Group Limited	500	3.5
Waterfall Services Limited	455	3.2
Pressure Technologies plc	450	3.1
Harvey Jones Limited	350	2.4
Brady plc	304	2.1
Sirigen Limited	267	1.9
Top ten investments	6,084	42.2
Other investments	1,114	7.7
Gilt investments	3,957	27.4
Total investments	11,155	77.3

Quoted investments are carried at bid price at 31 March 2011 less a discount for liquidity where necessary. Unquoted investment are carried at fair value as 31 March 2011 as determined by the directors.

There were no investments or disposals during the three months ended 31 March 2011.

Performance

In this period the Company has seen its net asset value increase by 0.5p per share. The net asset value excluding the impact of the new issue of shares increased by 1.0p per share (1.5%), with increases seen in both the unquoted and quoted portfolios.

The total return, calculated by reference to the net asset value plus cumulative dividend paid and proposed has increased by 0.5p to 94.9p per share, of which cumulative dividends represent 28.0p per share.

The net asset value currently comprises 48.8% in cash and gilts which in the short term will further increase following the share allotments and as such the Company is well placed to take advantage of selective investment opportunities as they arise enabling it to further diversify its portfolio of investments.

Dividend Re-investment scheme

The Company recently introduced a dividend re-investment scheme. Should the final dividend be approved at the AGM this will be the first dividend eligible under the scheme.

Share Buyback Policy

Prior to the Annual General Meeting held on 16 May 2011 the board of Directors withdrew the resolution proposed in the notice of the Annual General Meeting to renew the Company's authority to purchase its own shares. Although a majority of shareholders voting, including those voting by proxy, had indicated their support for the proposal, a significant minority were opposed. With this in mind the Directors withdrew the resolution prior to the meeting and intend to consult with shareholders in the coming months with a view to obtaining the necessary authority to re-introduce the share buyback policy. A further announcement will be made, as appropriate, in due course.

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 2011 at the British Museum welcomed over 150 Shareholders.

Outlook

The Company has raised a total of £4.02m from the recent Linked Offer with British Smaller Companies VCT plc which will be used to support and diversify the investment portfolio over the coming years.

There is increasing evidence of businesses searching for capital and looking to expand which your Board believes will translate into increasing investment opportunities over both the short and medium term. The Company is well placed to take advantage of these investment opportunities as well as continuing to support its existing investments.

19 May 2011

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