

**British Smaller Companies VCT2 plc**  
**Interim Management Statement**  
**For the quarter ended 31 March 2016**

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2016. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at [www.bscfunds.com](http://www.bscfunds.com).

**Overview**

The Company has continued to make good progress in the quarter with total return rising to 111.6 pence per ordinary share. This is an increase of 0.7 pence per ordinary share in the first three months of the year; equivalent to 1.6% of the portfolio’s value at 1 January 2016.

Improved profitability in a number of investments contributed to a £0.6 million return from the portfolio in the quarter, delivering a £0.8 million increase in NAV in the period including the net income surplus of £0.2 million.

The new rules governing VCT investments came into force on 18 November 2015 and the Company is only pursuing those investments that meet the new, more restrictive criteria. The publication of guidance from HMRC is still awaited. In addition advanced assurance for new investments is considerably slower than previously experienced which in the short term is depressing the rate of conversion of the pipeline into completed investments. It is hoped that this is just a temporary situation as HMRC becomes familiar with the working of the new rules.

**Performance**

	<b>31 March 2016</b>	<b>Movement</b>	<b>31 December 2015</b>
<b>Net Assets (£m)</b>	<b>59.1</b>	<b>4.2</b>	<b>54.9</b>
<b>NAV per share (PPS)</b>	<b>63.6</b>	<b>0.7</b>	<b>62.9</b>
<b>Cumulative dividends paid (PPS)</b>	<b>48.0</b>	<b>-</b>	<b>48.0</b>
<b>Total Return (PPS)</b>	<b>111.6</b>	<b>0.7</b>	<b>110.9</b>
<b>Shares in issue</b>	<b>92,871,920</b>	<b>5,609,345</b>	<b>87,262,575</b>

The total return at 31 March 2016, calculated by reference to the NAV per ordinary share and the cumulative dividends paid per ordinary share, was 111.6 pence per ordinary share compared to 110.9 pence per ordinary share at 31 December 2015. Cumulative dividends paid were unchanged at 48.0 pence per ordinary share (31 December 2015: 48.0 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2016 was 63.6 pence per ordinary share (31 December 2015: 62.9 pence per ordinary share) representing an increase of 0.7 pence per ordinary share. The increase in NAV per ordinary share is due to the net upward movement in the overall portfolio valuation.

### Dividends and shares in issue

The number of ordinary shares in issue at 31 March 2016 was 92,871,920 (31 December 2015: 87,262,575). In addition, at 31 March 2016 the Company held 2,202,367 ordinary shares in treasury (31 December 2015: 2,128,003).

On 14 January 2016 the Company issued 5,683,709 ordinary shares of 10p each at offer prices of 63.00 pence and 64.50 pence per ordinary share in relation to the Offer for Subscription dated 8 December 2015, raising net proceeds of £3.5 million.

On 24 March 2016 the Company purchased 74,364 ordinary shares of 10p each at a price of 56.86 pence per ordinary share. These shares were placed in treasury.

### Net assets

Net assets at 31 March 2016 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	33,534	56.8
Quoted investments at bid price	2,451	4.1
<b>Total investments</b>	<b>35,985</b>	60.9
Cash and cash equivalents	21,923	37.1
Other net current assets	1,169	2.0
<b>Net assets</b>	<b>59,077</b>	100.0

The investment portfolio at 31 March 2016 was comprised as follows:

	Valuation £000	Valuation as a % of net assets
Intelligent Office	3,327	5.6
Mangar Health Limited	2,190	3.7
ACC Aviation	2,015	3.4
KeTech Enterprises Limited	2,000	3.4
DisplayPlan Holdings Limited	1,786	3.0
GTK (Holdco) Limited	1,754	3.0
Gill Marine Holdings Limited	1,749	3.0
Springboard Research Holdings Limited	1,646	2.8
Immunobiology Limited	1,486	2.5
Business Collaborator Limited	1,352	2.3
	<b>19,305</b>	32.7
Other investments	16,680	28.2
<b>Total investments</b>	<b>35,985</b>	60.9

During the quarter to 31 March 2016 the Company made one follow-on investment of £0.2 million into Immunobiology Limited.

In the quarter to 31 March 2016 the realisation and repayment of investments generated cash proceeds of £1.3 million, including the realisation of the investment in Callstream for £0.7 million in line with its 31 December 2015 carrying value.

### **Portfolio Performance**

Over the quarter to 31 March 2016 aggregate unrealised portfolio valuations have increased by £0.5 million.

The Board continues to follow its policy of maintaining a diversified portfolio. At 31 March 2016, only one investment represented more than 5 per cent of the Company's NAV.

### **Investor Workshop**

The next Investor Workshop will take place on 17 May 2016 and is being held at the Conference Centre, The British Library, near Kings Cross Station.

### **Outlook**

The investment pipeline now contains a number of attractive opportunities, and discussions are well advanced in a number of cases. The Board expects the level of investment to build gradually over the rest of the year as the impact of the operation of the new rules becomes clearer.

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### **For further information please contact:**

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