

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2019

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2019. 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.

Overview

The Company has continued to make progress in the quarter with total return rising to 118.5 pence per ordinary share. This is an increase of 0.1 pence per ordinary share.

At 31 March 2019 net asset value (“NAV”) was £59.6 million, a fall of £4.5 million, £4.3 of which arose from the payment of the interim dividend of 5.0 pence per ordinary share on 15 February 2019 (net of the shares issued under the Company’s DRIS). There were £0.4 million of share buy backs in the period, also reducing the net assets, and £0.2 million of other, positive movements.

The Company has had a strong start to the year, with investments totalling £1.7 million to date and a successful fundraising, alongside British Smaller Companies VCT plc, which raised net proceeds of £12.7 million in April 2019.

Performance

The movement in **Total Shareholder Return** in pence per ordinary share is set out in the table below:

	Pence per ordinary share	
Cumulative dividends to 31 December 2018	58.5	
Net Asset Value at 31 December 2018	59.9	
Total Shareholder Return at 31 December 2018		118.4
Net underlying increase in portfolio	0.3	
Net income after expenses / share buybacks	(0.2)	
Increase in Total Shareholder Return		0.1
Total Shareholder Return at 31 March 2019		118.5

	31 March 2019	Movement	31 December 2018
Net Assets (£m)	59.6	(4.5)	64.1
NAV per share (PPS)	55.0p	(4.9p)	59.9p
Cumulative dividends paid (PPS)	63.5p	5.0p	58.5p
Total Return (PPS)	118.5p	0.1p	118.4p
Shares in issue	108,459,010	1,440,190	107,018,820

The total return at 31 March 2019, calculated by reference to the NAV per ordinary share and the cumulative dividends paid per ordinary share, was 118.5 pence per ordinary share compared to 118.4 pence per ordinary share at 31 December 2018. Cumulative dividends paid were up 5.0 pence per ordinary share at 63.5 pence per ordinary share (31 December 2018: 58.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2019 was 55.0 pence per ordinary share (31 December 2018: 59.9 pence per ordinary share) representing an increase of 0.1 pence per ordinary share from the portfolio offset by the interim dividend of 5.0 pence per share paid on 15 February 2019.

Dividends and shares in issue

As a result of the realisations in December 2018 a special interim dividend, representing the realised gain over the original cost of the investments, of 5.0 pence per ordinary share was paid on 15 February 2019. On the same date 2,248,386 ordinary shares were issued under the Company's DRIS.

On 26 March 2019 the Company purchased 808,196 ordinary shares of 10 pence each at a price of 52.66 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 31 March 2019 was 108,459,010 (31 December 2018: 100,018,820). In addition, at 31 March 2019 the Company held 6,966,757 ordinary shares in treasury (31 December 2018: 6,158,561).

Subsequent to the quarter end the Company issued 23,205,679 ordinary shares relating to the fundraising following which the Company's issued share capital consists of 131,664,689 ordinary shares of 10 pence each with voting rights and 6,966,757 ordinary shares of 10 pence each held in treasury.

Net assets

Net assets at 31 March 2019 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	38,887	65.2
Quoted investments at bid price	1,075	1.8
Total investments	39,962	67.0
Cash and cash equivalents	18,569	31.2
Other net current assets	1,069	1.8
Net assets	59,600	100.0

The investment portfolio at 31 March 2019 was comprised as follows:

	Valuation	Valuation
	£000	as a % of
		net assets
Matillion Limited	5,489	9.2
ACC Aviation	5,440	9.1
Intelligent Office UK	3,021	5.1
Business Collaborator Limited	2,441	4.1
KeTech Enterprises Limited	2,231	3.8
Deep-Secure Ltd	2,110	3.5
Eikon Holdco Limited	2,095	3.5
Springboard Research Holdings Limited	1,687	2.8
Leengate Valves Limited	1,291	2.2
Frescobol Carioca Limited	1,200	2.0
	27,005	45.3
Other investments	12,957	21.7
Total investments	39,962	67.0

During the quarter to 31 March 2019 the Company made one new investment of £1.2 million into Frescobol Carioca Limited, the luxury men's resort wear and lifestyle brand. The Company also made follow-on investments totalling £0.5 million into four portfolio companies.

In the quarter to 31 March 2019 the realisation and repayment of investments generated cash proceeds of £0.1 million.

In April 2019 the Company realised its investment in Leengate Valves Limited generating proceeds of £1.3 million and delivering a total return of £2.2 million, a multiple of 2.3x original cost.

Investments made prior to the November 2015 Budget represented 62 per cent of the value of the unquoted portfolio at 31 March 2019 and, following the Leengate disposal, they now represent 61 per cent of the unquoted portfolio.

Portfolio Performance

Over the quarter to 31 March 2019 the aggregate unrealised portfolio valuation has increased by £0.3 million.

The Board continues to follow its policy of maintaining a diversified portfolio. At 31 March 2019, only three investments represented more than 5 per cent of the Company's NAV, the largest being 9.2 per cent, with the top ten investments representing 45.3 per cent of NAV (31 December 2018 41.0 per cent).

Fundraising

On 27 November 2018 your Company launched a new share offer with British Smaller Companies VCT plc to raise in aggregate up to £30 million, with an over-allotment facility of £5 million. I am delighted that due to strong demand the offer closed on 11 February 2019 raising total gross proceeds of £35 million. The allotment of new ordinary shares took place on 1 April

2019, subsequent to which your Company received net proceeds of £12.5 million. On the same date a further £0.2million was raised by allotting shares outside the Offers.

Board Composition

After 19 years Richard Last will step down from the Board later today at the end of this year's AGM. The Board would like to thank Richard for his significant contribution to the Company, especially its evolution from its merger with British Smaller Technologies Company VCT plc to co-investing alongside British Smaller Companies VCT plc.

Outlook

Despite the turmoil in Westminster smaller businesses continue to grow and innovate. The Company continues to invest, with one new investment in the quarter and a number of follow-on investments to support further growth and facilitate strategic change. There are a number of opportunities at the advanced stages of review and the success of the recent fundraising allows the Company to continue to take advantage of these opportunities as well as providing capacity for follow-on funding which will inevitably be required.

Undoubtedly the work done with HMRC to improve their advance assurance process by the Investment Adviser, as a member of the VCT Association, is helping to speed up the process of investments and further progress in this area remains the target.

The Company's portfolio continues to evolve, with investments since the November 2015 Budget now representing 38 per cent of the portfolio's value and the Board will continue to review its dividend policies as the more mature investments are realised. A number of investments are currently in sale processes and, as with the realisations of Gill Marine, Mangar and GTK in December 2018, the Board would hope to pay special dividends on future realisations.

Your Board remains focussed on maximising long-term Total Shareholder Return.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

7 May 2019

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