

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 30 September 2022

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 30 September 2022. 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’s Total Return at 30 September 2022 was unchanged at 139.8 pence per ordinary share. During the same period the FTSE Small Cap fell by 5.7 per cent.

Four follow-on investments were made in the period, into Vypr, Force24, Vuealta and Wooshii, totalling £2.4 million.

Following the quarter end, two new investments and two follow-on investments totalling £4.7 million have been completed, taking the total invested in the current financial year to £12.8 million, following the £6.1 million invested in the whole of the previous year.

Realisations in the period

During the period, the Company realised its investments in Springboard and Intelligent Office, generating total proceeds of £9.9 million in the period, realising a gain of £0.5 million over the opening carrying value and £4.2 million over the original cost.

The realisation of Springboard generated proceeds of £5.8 million, representing a capital profit over cost of £3.9 million, an uplift of 46.0 per cent or £1.8 million on the carrying value at the beginning of the year. Including income, the total return from this investment was £6.6 million over a near eight year holding period, producing an internal rate of return of 23 per cent and a multiple of 4.1x cost. There is the prospect of further consideration in 2023 based on performance targets; however, no value has been recognised relating to these potential payments at this time.

The sale of Intelligent Office generated proceeds of £4.1 million, representing a capital profit over cost of £2.1 million and an uplift of 29.0 per cent, or £0.9 million, on the carrying value at the beginning of the year. Including income, the total return from this investment was £5.0 million over an eight and a half year holding period, producing an internal rate of return of 14 per cent and a multiple of 2.6x cost.

Performance

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

	30 June 2022	<i>Decrease in Value</i>	<i>Buyback of shares</i>	Movement In Period	30 September 2022
Net Assets (£m)	109.6	<i>(0.1)</i>	<i>(0.3)</i>	(0.4)	109.2
NAV per share (PPS)	60.3p	-	-	-	60.3p
Cumulative dividends paid (PPS)	79.5p	-	-	-	79.5p
Total Return (PPS)	139.8p	-	-	-	139.8p
Shares in issue	181,720,724	-	<i>(556,386)</i>	(556,386)	181,164,338

The unaudited NAV per ordinary share was unchanged at 60.3 pence per share (30 June 2022: 60.3 pence per ordinary share).

The movements in NAV per ordinary share are set out in the table below:

	£m	Pence per ordinary share
NAV at 30 June 2022	109.6	60.3
Increase in portfolio value	0.3	0.2
Net operating costs	(0.4)	(0.2)
Buy-back of shares	<u>(0.3)</u>	<u>-</u>
	(0.4)	-
NAV at 30 September 2022	109.2	60.3

Following payment of the second interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2022 on 3 October 2022, the unaudited net asset value is 58.8 pence per ordinary share.

Dividends and shares in issue

On 27 September 2022, the Company purchased 556,386 ordinary shares of 10 pence each at a price of 56.36 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 30 September 2022 was 181,164,338 (30 June 2022: 181,720,724). In addition, at 30 September 2022 the Company held 18,048,870 ordinary shares in treasury (30 June 2022: 17,492,484)

Following payment of the second interim dividend for the year ending 31 December 2022 of 1.5 pence per ordinary share on 3 October 2022, the Company issued 922,314 ordinary shares under the DRIS, taking cumulative dividends paid to 81.0 pence per ordinary share and the number of ordinary shares in issue to 182,086,652 at that date.

The Board has approved a special dividend of 2.25 pence per ordinary share which will be paid on 11 January 2023 to those shareholders on the Company's register at the close of business on 18 November 2022. The payment of the special dividend follows the successful exits from the investments in Springboard and Intelligent Office noted above.

Net assets

Net assets at 30 September 2022 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	71,038	65.0
Listed investment funds	1,326	1.2
Cash and cash equivalents	32,444	29.7
Other net current assets	4,414	4.1
Net assets	109,222	100.0

Investments

The investment portfolio at 30 September 2022 comprised:

	Valuation £000	Cumulative valuation as a % of net assets
Matillion	20,721	19.0%
Outpost	5,469	24.0%
Unbiased	4,330	27.9%
Displayplan	3,967	31.6%
Wooshii	3,652	34.9%
Force24	3,188	37.8%
ACC Aviation	3,147	40.7%
Elucidat	2,699	43.2%
SharpCloud	2,668	45.6%
Vypr	2,661	48.1%
	52,502	48.1%
Other investments	18,536	65.0%
Total investments	71,038	65.0%

Shareholder relations

The online Shareholder Workshop will be held on Thursday 1 December 2022 at 11:00am.

Fundraising

On 2 August 2022, the Company announced its intention to launch a new joint offer for subscription for the tax year 2022-23 later this year, alongside British Smaller Companies VCT plc. A prospectus with full details of the proposed offer will be published on or around 30 November 2022.

Outlook

In the face of a challenging economic environment, portfolio companies are to date proving themselves to be adaptable and resilient. It is expected that in these testing times, demand for equity capital from the UK's smaller innovative businesses will increase. Such conditions often prove to be an opportune time to invest long term capital in fast growing businesses, and therefore the planned fundraising by the Company will ensure it is well placed to take advantage of new opportunities arising across the United Kingdom.

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.

25 November 2022

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