

## British Smaller Companies VCT2 plc (“the Company”)

### Realisation of Investment

The Company is pleased to announce the sale of its investment on 22 December 2014 in Waterfall Services Limited (“Waterfall Services”), a leading independent mid-sized contract caterer.

The Company will receive cash proceeds of £0.96 million compared to a cost of £0.03 million. The carrying value which was incorporated within the net asset value of the Company at 30 September 2014 was £0.95 million. Consequently the effect of this transaction had it been incorporated into the accounts at 30 September 2014 would have had no material impact on the net asset value per share.

The realisation will result in total cash proceeds (equity, preference shares, loans, interest & dividends) of £1.33 million which represents 5.3x the Company’s original investment of £0.25 million.

Waterfall is one of the UK’s leading independent contract catering companies, with particularly strong positions in the education and care and welfare markets. It has made a virtue of an individual and dedicated approach to clients, contributing to a fivefold increase in turnover since 2008.

For further information, please contact:

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Gillian Martin	Nplus 1 Singer Advisory LLP	Tel: 0207 496 3000

## British Smaller Companies VCT2 plc (“the Company”)

### Completion of a new investment

The Company announces it completed an investment on 15 December 2014 of £0.72 million to support the management buy-out of Wakefield Acoustics Limited (“Wakefield Acoustics”), a leader in the design, manufacture and installation of a wide range of bespoke industrial and environmental noise control solutions throughout the world. Wakefield Acoustics has recorded consistent growth over recent years establishing a strong market position with leading blue chip engineering companies supplying globally into sectors such as power, oil & gas, water, waste and general manufacturing. The funding will support Wakefield Acoustics’ ambitious growth plans which include consolidation of its existing manufacturing facilities into one facility in 2015. The new company created to acquire Wakefield Acoustics is called Malvar Engineering Limited. For more information on the business please see [www.wakefieldacoustics.co.uk](http://www.wakefieldacoustics.co.uk).

This brings the aggregate investment during the first twelve months of the current financial year into both new and existing companies to £13.57 million.

18 December 2014

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## British Smaller Companies VCT2 plc (“the Company”)

### Purchase of Own Securities and Total Voting Rights

The Company announces that on 8 December 2014 it purchased 69,104 ordinary shares of 10 pence each at a price of 55.75 pence per share. These shares will be held in treasury.

If these shares had been purchased prior to the quarter ended 30 September 2014, and on the assumption that there were no other alterations, the unaudited net asset value per ordinary share of the Company at that date would have been unaltered at 63.3 pence per ordinary share.

The Company's issued share capital now consists of 62,556,876 ordinary shares of 10 pence each with voting rights. In addition, the Company now holds 1,910,022 ordinary shares of 10 pence each in treasury.

The above figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

8 December 2014

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# British Smaller Companies VCT2 plc

## Result of General Meeting

British Smaller Companies VCT2 plc (“the Company”) announces that the ordinary and special resolutions put to the shareholders of the Company (“Resolutions”) at its general meeting held today on 3 December 2014 (“General Meeting”) were duly passed.

The full text of the Resolutions are included in the notice of General Meeting dated 20 October 2014, contained within the circular of the same date issued to shareholders, in connection with the Company’s current joint fundraising with British Smaller Companies VCT plc, which is available for on-line viewing by the public either at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) or on the website [www.bscfunds.com](http://www.bscfunds.com). This website also contains details of the proxy votes received for the Resolutions in advance of the General Meeting.

In accordance with the Company’s obligations under Listing Rule 9.6.2, a copy of the Resolutions passed at the General Meeting has been submitted to the National Storage Mechanism and is available for viewing at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

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## **BRITISH SMALLER COMPANIES VCT2 PLC**

General Meeting held on 03 December 2014

Note of Proxies Received

### ORDINARY RESOLUTIONS

#### Resolution 1 – Increase in the authorised share capital

The proxy votes received on this resolution were: 5,442,177 in favour, 45,721 against, 96,254 at the Chairman's discretion and 21,350 votes were withheld.

#### Resolution 2 – Authority to allot shares in connection with the Offers, rights issue and generally

The proxy votes received on this resolution were: 5,470,762 in favour, 45,721 against, 89,019 at the Chairman's discretion and no votes were withheld.

#### Resolution 3 – Authority to allot shares in connection with the dividend re-investment scheme

The proxy votes received on this resolution were: 5,470,762 in favour, 45,721 against, 89,019 at the Chairman's discretion and no votes were withheld.

#### Resolution 4 – Approval of the Offer Agreement

The proxy votes received on this resolution were: 5,465,437 in favour, 51,046 against, 89,019 at the Chairman's discretion and no votes were withheld.

### SPECIAL RESOLUTIONS

#### Resolution 5 – Disapplication of Section 561(1) of the Companies Act 2006 in respect of the allotment of shares pursuant to the Offers, rights issue and generally

The proxy votes received on this resolution were: 5,435,633 in favour, 65,134 against, 96,254 at the Chairman's discretion and 8,481 votes were withheld.

#### Resolution 6 – Disapplication of Section 561(1) of the Companies Act 2006 in respect of the allotment of shares pursuant to the dividend re-investment scheme

The proxy votes received on this resolution were: 5,455,046 in favour, 45,721 against, 96,254 at the Chairman's discretion and 8,481 votes were withheld.

Resolution 7 – Amendment of Article 195 of the Company's Articles of Association

The proxy votes received on this resolution were: 5,449,350 in favour, 45,721 against, 110,431 at the Chairman's discretion and no votes were withheld.

Resolution 8 – Cancellation, subject to the sanction of the High Court, of the Company's share premium account

The proxy votes received on this resolution were: 5,502,382 in favour, 6,866 against, 96,254 at the Chairman's discretion and no votes were withheld.

**Note:** The 'Vote Withheld' option is provided to enable shareholders to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

## British Smaller Companies VCT2 plc (“the Company”)

### Completion of two new investments

The Company announces that it has recently completed investments totalling £2.72 million to support the management buy-out of two businesses; ACC Aviation & Business Collaborator Limited.

ACC Aviation is a market leader in the provision of broking services on short term aircraft leases around the world. Business Collaborator is a well-established collaboration software provider (primarily for the construction industry).

This brings the aggregate investment during the first eleven months of the current financial year into both new and existing companies to £12.85 million.

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British Smaller Companies VCT2 plc  
Interim Management Statement  
For the quarter ended 30 September 2014  
& Change of Company Secretary

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 30 September 2014. The statement also includes relevant financial information between the end of the quarter and the date of this statement. This constitutes the Company’s second interim management statement for the financial year ending 31 December 2014. A copy of this interim management statement can be found at [www.bscfunds.com](http://www.bscfunds.com).

**Performance**

The total return at 30 September 2014, calculated by reference to the net asset value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 104.8 pence per ordinary share compared to 104.7 pence per ordinary share at 30 June 2014. Cumulative dividends represent 41.5 pence per ordinary share (30 June 2014: 41.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 30 September 2014 was 63.3 pence (30 June 2014: 63.2 pence per ordinary share) representing an increase of 0.1 pence per ordinary share. The increase in NAV per ordinary share is principally due to the net upward movement in the overall portfolio valuation.

The number of ordinary shares in issue at 30 September 2014 was 62,269,837 (30 June 2014: 62,269,837). In addition, at 30 September 2014, the Company held 1,840,918 ordinary shares in treasury (30 June 2014: 1,840,918).

On 7 October 2014 the Company paid an interim dividend of 2.0 pence per ordinary share. Pursuant to its dividend re-investment scheme and on the same date the Company issued 356,143 ordinary shares at a price of 58.14 pence per ordinary share.

Net assets at 30 September 2014 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	20,362	51.69
Quoted investments at bid price	2,217	5.63
Gilt investments	-	-
<b>Total investments</b>	<b>22,579</b>	<b>57.32</b>
Cash and cash equivalents	16,460	41.79
Cash on fixed term deposit	-	-
Other net current assets	350	0.89

**Net assets**

**39,389**

**100.00**

The investment portfolio at 30 September 2014 was comprised as follows:

	<b>Valuation</b>	<b>Valuation</b>
	<b>£000</b>	<b>as a % of</b>
		<b>net assets</b>
DisplayPlan Holdings Limited	<b>2,053</b>	5.21
Intelligent Office Holdings Limited	<b>1,956</b>	4.97
Mangar Health Limited	<b>1,843</b>	4.68
Gill Marine Holdings Limited	<b>1,705</b>	4.33
Harvey Jones Holdings Limited	<b>1,276</b>	3.24
The Heritage Windows Company Holdco Limited	<b>1,268</b>	3.22
GTK (UK) Limited	<b>1,262</b>	3.20
Immunobiology Limited	<b>987</b>	2.51
Waterfall Services Limited	<b>948</b>	2.40
Seven Technologies Holdings Limited	<b>935</b>	2.37
	<b>14,233</b>	36.13
Other investments	<b>8,346</b>	21.19
<b>Total investments</b>	<b>22,579</b>	57.32

During the quarter to 30 September 2014 the Company made two investments totalling £2.07 million: one new investment of £1.27 million into The Heritage Windows Company Holdco Limited (a specialist manufacturer and supplier of slim line Aluminium windows) and £0.8 million of follow-on investment into Harvey Jones Limited.

Investment rates have continued to increase and since the end of the quarter the Company has completed three new investments totalling £2.6 million:

- £0.2 million into Gamma Communications plc - provider of integrated voice, data and mobile telecommunication services and applications to businesses across the UK;
- £1.2 million into Cambrian Park & Leisure Homes Ltd (via the holding company DWFCO 8 Limited) - manufacturer of timber holiday lodges for the UK holiday park market; and
- £1.2 million into Springboard Research Holdings Limited - a leading provider of retail performance monitoring.

In addition a further four investments have been approved but not yet completed, totalling £3.7 million taking the likely investment activity in the final quarter of the year to £6.3 million.

- In the quarter to 30 September 2014 the realisation and repayment of investments generated cash proceeds of £0.54 million

## **Portfolio Performance**

Over the quarter to 30 September 2014 aggregate unrealised portfolio valuations have remained stable.

The Board continues to follow its policy of maintaining a diversified portfolio. At 30 September 2014, only one investment represented more than 5 per cent of the Company's NAV.

## **Regulatory Changes**

The EU State Aid Risk Capital Guidelines were updated in May 2014, and the UK Government will need to apply for renewal of State Aid approval of the VCT scheme. Whilst it is expected that approval will be renewed, the Board is closely watching developments to ensure that the Company is adequately prepared for any potential changes to the rules.

## **Fundraising**

In the light of the continued strong demand for investment from UK businesses the Company is seeking to increase its investment capacity through the prospectus offers which were launched on 20 October 2014 alongside British Smaller Companies VCT plc, to raise up to £30 million in aggregate. Early applications from existing shareholders (or their spouses or civil partners) accepted on or before 31 December 2014 will receive additional shares equivalent to 1.00 per cent of the amount subscribed, whilst those received on or before 28 March 2015 will receive 0.75 per cent. New investors will receive 0.50 per cent for applications received on or before 28 March 2015.

## **Change of Company Secretary**

The City Partnership (UK) Limited has been appointed as Company Secretary to the Company with effect from 1 December 2014

## **Outlook**

The Board believes that the current economic climate continues to create investment opportunities to support management teams with growth strategies or looking to lead management buy-outs. Good progress continues to be delivered across the portfolio to position businesses for growth and realise shareholder value. We continue to see high levels of attractive investment opportunities from across the UK regions, with £10.1 million invested since 31 December 2013 resulting in an increasingly diversified portfolio. Funds raised under the recently announced prospectus offers will ensure your Company continues to take advantage of these new opportunities.

20 November 2014

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**British Smaller Companies VCT2 plc (“the Company”)**

**Completion of two new investments**

The Company announces that it has recently completed investments totalling £2.39 million to support the management buyout of two businesses; Cambrian Park & Leisure Homes Limited and Springboard Research Ltd.

This brings the aggregate portfolio investment during the first ten months of the current financial year into both new and existing companies to £10.13 million.

For further information please contact:

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**British Smaller Companies VCT plc and British Smaller Companies VCT2 plc  
(together “the Companies”)**

**Publication of Prospectus and Circular re: offers**

The Companies today announce that they are planning to raise, in aggregate, up to £30 million, with an over allotment facility of up to a further £10 million in aggregate, by way of prospectus offers of new ordinary shares for subscription (“the Offers”) in order to increase their investment capacity.

On 20 October 2014, the Companies issued a prospectus (which is comprised of a securities note, a registration document and a summary document) and a circular relating to the Offers. The proceeds will be allocated between the Companies in accordance with the terms set out in the prospectus.

Applications will be considered on a first come first served basis subject to the directors’ discretion. Investors will be permitted to make applications for new shares in either or both of the 2014/15 and 2015/16 tax years and to invest in either or both of the two Companies. The Offers in relation to the 2014/15 tax year will close at 11:00 am on 4 April 2015 (11:00 am on 1 April 2015 for investors subscribing through CREST) and the Offers in relation to the 2015/16 tax year will close at 11:00 am on 30 April 2015, unless fully subscribed at an earlier date and subject to the directors’ right to close the Offers at any time on or before 19 October 2015.

The issue of shares under the Offers will be subject to the approval of the Companies’ shareholders of resolutions relating to the Offers at a general meeting and those shareholders will receive a circular explaining the details of the Offers and giving notice of those general meetings in due course.

For further information please contact:

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## British Smaller Companies VCT2 plc (the “Company”)

### New Directorship for the Chairman

Mr Richard Last, Chairman and Non-executive director of the Company, was appointed as Chairman and Non-executive director of Gamma Communications plc (formerly Gamma Communications Limited) (“Gamma”), a UK based provider of communication services, with effect from 17 June 2014. On 10 October 2014, the ordinary shares of Gamma were admitted to trading on AIM.

The Company announces in accordance with Listing Rule 9.6.14(2) that Mr Richard Last remains as Chairman and a non-executive director of Gamma, now a publicly quoted company.

As part of the placing of Gamma’s ordinary shares, Mr Richard Last and the Company have each invested £100,000 and £168,418 respectively in Gamma.

10 October 2014

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## British Smaller Companies VCT2 plc

### Payment of Interim Dividend and Allotment of Shares

British Smaller Companies VCT2 plc (the “Company”) announces that on 7 October 2014 it paid an interim dividend of 2.0 pence per ordinary share to shareholders on the register of members of the Company as at the record date of 5 September 2014 (“Interim Dividend”).

The Company further announces that on 7 October 2014 it allotted 356,143 ordinary shares of 10 pence each pursuant to its dividend re-investment scheme (“DRIS”) at a price of 58.14 pence per share to shareholders of the Company who elected to receive shares instead of the Interim Dividend. As a result 16.6% of the Interim Dividend paid by the Company was re-invested in shares in the Company via the DRIS.

Under this allotment the employees of the fund manager, YFM Private Equity Limited, have been allotted 482 ordinary shares of 10 pence each in the Company bringing their aggregate total holding to 119,446 ordinary shares.

Application is now being made for the ordinary shares allotted as set out above to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and dealings are expected to commence on or around 21 October 2014.

Following such allotment the Company’s issued share capital consists of 62,625,980 ordinary shares of 10 pence each with voting rights (“Voting Capital”) and 1,840,918 ordinary shares of 10 pence each held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA’s Disclosure and Transparency Rules.

7 October 2014

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**British Smaller Companies VCT2 plc**  
**Unaudited interim Results and Interim Management Report**  
**For the 6 months ended 30 June 2014**

British Smaller Companies VCT2 plc (“the Company”) today announces its unaudited interim results for the six months to 30 June 2014.

### **Chairman’s Statement**

Investment rates continue to climb as the improved economic climate increases confidence amongst business owners. Your Company has made seven new unquoted investments in the last year, including four in the six months to 30 June 2014.

I am pleased to report a strong six months of investment activity, with £5.5 million invested in the period and a total of £10.0 million in the 12 months to 30 June 2014. Your Company continues to focus on investing in established businesses with strong potential for growth located in the UK regions. Of the seven investments completed, three were in the midlands; two were in the South East and one each in Wales and Scotland.

As at 30 June 2014 your board had approved a further £2.0 million of investment and since the period end has approved another £2.1 million. These investments, totalling £4.1 million, are expected to complete in the near future.

I am delighted to report the success of our recent share offers which closed on 29 May 2014 and raised new funds of £10.2 million, which is approximately the same amount the Company invested in the last twelve months. Demand for investment continues to increase and the pipeline of new investments is extremely encouraging.

### **Financial Results and Dividends**

In the six months to 30 June 2014 the Company’s total return increased by 0.1 pence per ordinary share from 104.6 pence per ordinary share at 31 December 2013.

Significant progress has been made by many of the portfolio companies however, due to timing delays in the closure of new sales, provisions totalling £0.74 million were made against two of our investments. These were offset by gains elsewhere across the portfolio and both investments continue to be held above cost.

During the period a final dividend of 2.5 pence per ordinary share was paid, bringing cumulative dividends paid to date to 41.5 pence per ordinary share. For the period to 30 June 2014 the Board has proposed an interim dividend of 2.0 pence per ordinary share, making a total of 4.5 pence per ordinary share over the last year. It is intended that of the total interim dividend 0.27 pence per ordinary share will be paid from revenue reserves and 1.73 pence per ordinary share from capital reserves. The interim dividend will be paid on 7 October 2014 to shareholders on the register at 5 September 2014.

### **Shareholder Relations**

Following the success of the 19th Shareholder workshop in February 2014, the Company is pleased to announce that its next workshop will be held at Freemasons Hall, London on 4 February 2015. Details will be circulated nearer the time.

### **Regulatory Changes**

The EU Alternative Investment Fund Managers Directive (AIFMD) became part of UK law in July 2013, with a 12 month transitional period to July 2014. The Directive regulates the management of alternative investment funds, including venture capital funds such as VCTs. The Board is pleased to announce that the Financial Conduct Authority approved the Company’s application to become a Small Registered UK Alternative Investment Fund Manager on 21 July 2014. YFM Private Equity Limited continues to provide investment advisory and administrative services to the Company.

As expected, the 2014 Finance Bill, which received Royal Assent on 17 July 2014, included measures to prevent “enhanced” share buy-backs, where a VCT offers to buy back shares from investors on condition that the proceeds are applied in subscribing for a fresh issue of shares. Income tax relief for subscriptions of shares in a VCT is also restricted where an investor disposes of shares in the same VCT within six months of the subscription. Furthermore, where new VCT shares are allotted on or after 6 April 2014, VCTs will be prevented for a specified period from paying dividends to shareholders out of share capital or distributable reserves created by cancelling the share premium account arising on the allotment of such shares. The Company’s balance sheet already has ample distributable reserves amounting to £13.43 million and we do not expect the new rules to have any impact on future dividend streams.

## **Outlook**

Good progress continues to be made across the portfolio to position businesses to grow and realise shareholder value. At the same time our Company continues to see strong demand for investment in the UK regions, with £10 million deployed in the last twelve months which has significantly increased the diversity of the portfolio.

The Company continues to see an increase in new investment opportunities. In order for the Company to continue to take advantage of these new opportunities the Board will be seeking to raise further funds, details of which will follow in due course.

## **Strategic Report**

### **Investment Review**

The Company currently has an increasingly diversified portfolio which at 30 June 2014 had a value of £20.66 million consisting of £18.26 million (88.4 per cent) unquoted investments and £2.40 million (11.6 per cent) quoted investments. The high level of current investment rates has significantly increased the portfolio diversity with the largest single investment representing just 5.2 per cent of the net asset value.

Over the six months to 30 June 2014 the portfolio saw a small underlying value gain of £0.01 million and good progress has been made across the portfolio to position businesses to grow and realise shareholder value. This has been displayed in a mixture of strong profit growth from some businesses as well as some strategic and organisational restructuring of others to maximise profits in the year ahead. The most significant movements in valuations in the period were:

- Waterfall Services Limited (increase of £0.30 million) saw strong profit growth from new contracts last year and expects to also benefit from the imminent introduction of free primary school meals.
- Pressure Technologies plc (increase of £0.26 million) reported significantly improved profits from its core pressure container production and successful diversification into the biogas sector.
- Sirigen Limited (increased by £0.26 million) delivered many key milestones to achieve additional deferred consideration following its trade sale in 2012.
- DisplayPlan Holdings Limited (increase of £0.15 million) saw continued strong cash generation.
- Seven Technologies Holdings Limited (reduction of £0.47 million) suffered public sector budgetary constraints in its core US and UK markets last year which are now showing signs of easing.
- Deep-Secure Ltd (decrease of £0.27 million) experienced some public sector contract slippage and a delay in the launch of a product through a significant new strategic partnership.

## New Investments

In the six months to 30 June 2014 the Company has completed four new investments totalling £5.19 million.

Name of Company	Business	Date of Investment	Amount invested (£m)
Mangar Health Limited	Healthcare Equipment	January 2014	1.64
The management buyout of Mangar International, a world leader in inflatable lifting & handling and bathing equipment for the elderly, disabled and emergency services markets. Headquartered in Presteigne, Wales Mangar distributes its products to care providers, local authorities, ambulance services and care homes, and has a growing international presence.			
Intelligent Office UK Ltd	Support Services	May 2014	1.96
The management buyout of Intelligent Office, a leading provider of business process outsourcing solutions to the UK legal sector. Its Managed Services division works within firms' own premises to help them transform and manage key administrative functions of print and mail, reception, document production and secretarial services. Its Transcription Services division provides document production services from a secure shared services centre.			
Macro Art Holdings Limited	Digital Printer	June 2014	0.84
The management buyout and growth capital funding for Macro Art Limited, a specialist wide-format digital printer which has printed building wraps for Selfridges and Harrods London stores and holds the Guinness World Record for the largest printed movie poster. In recent years the business has invested in specialist UV and dye sublimation print technology and expanded into the profitable exhibitions and high-end retail sectors.			
Intamac Systems Limited	IT & Software	June 2014	0.75
The provision of growth capital funding to Intamac Limited which develops technology to connect physical products via the internet so they can be monitored and controlled using smart mobile phones and computers. The cloud-based software platform is used by several blue chip companies including, Scottish Power, Securitas, TDC and Belgacom. The strategy is to partner with established hardware suppliers and embed software into their next generation products to become a key enabler of the Internet of Things. Applications range from alarms, cameras, heating controls, safety equipment, healthcare monitoring and white goods.			

The Company has made follow-on investments into AiM listed EKF Diagnostics plc and AB Dynamics plc totalling £0.32 million.

As at 30 June 2014 the Company had approved £2.0 million of investment by way of follow-on and new investment. Since that date it has approved another two new investments of £2.1 million in aggregate.

## Realisation of Investments

During the six months to 30 June 2014 the Company received proceeds from disposals of investments of £1.11 million. This resulted in a gain on disposal of investments of £0.35 million and an uplift of £0.60 million compared to the original cost of the investments.. Of this £0.49 million of proceeds were realised from the sale of shares in the quoted portfolio, namely Iomart plc, Optos plc, Pressure Technologies plc and Vianet Group plc, representing a £0.27 million uplift on original cost. The remainder was due to the repayment of loans generating proceeds of £0.36 million with premiums on redemption totalling £0.07 million.

£1.37 million was received in June 2014 from the sale of the Company's remaining gilt portfolio at the original investment cost.

## Investment Portfolio

Sector	Name of Company	Date of initial Investment	Current cost	Realised proceeds to Date	Investment Valuation At 30 June 2014	Valuation plus proceeds to Date
			£000	£000	£000	£000
Bus. Services	DisplayPlan Holdings Limited	Jan 12	525	228	2,062	2,290
Bus. Services	Intelligent Office UK Limited	May 14	1,956	-	1,956	1,956
Retail	Gill Marine Holdings Limited	Sep 13	1,870	-	1,870	1,870
Healthcare	Mangar Health Limited	Jan 14	1,640	-	1,640	1,640
Software & IT	Seven Technologies Holdings Limited	Apr 12	1,238	762	1,238	2,000
Manufacturing	GTK (UK) Limited	Oct 13	1,084	66	1,084	1,150
Healthcare	Immunobiology Limited	Jun 03	1,932	-	987	987
Manufacturing	Leengate Holdings Limited	Dec 13	934	-	934	934
Bus. Services	Macro Art Holdings Limited	Jun 14	840	-	840	840
Bus. Services	Waterfall Services Limited	Feb 07	26	458	792	1,250
Top 10 Unquoted Investments			12,045	1,514	13,403	14,917
Remaining unquoted portfolio						
Telecoms	Callstream Group Limited	Sep 10	415	131	771	902
Internet	Intamac Systems Limited	June 14	750	-	750	750
Software	Deep-Secure Ltd	Dec 09	500	-	644	644
Retail & Manufacture	Bagel Nash Group Limited	Jul 11	771	53	613	666
Software	Insider Technologies (Holdings) Limited	Aug 12	780	-	587	587
Retail	Harvey Jones Holdings Limited	May 07	389	-	451	451
Industrial	RMS Group Holdings Limited	July 07	70	349	398	747
Software	Selima Limited	Mar 12	300	-	300	300
Software	PowerOasis Limited	Nov 11	567	-	284	284
	Other investments < £0.1 million		2,104		60	60
Total Unquoted portfolio			<b>18,691</b>	<b>2,047</b>	<b>18,261</b>	<b>20,308</b>
Quoted portfolio						
Manufacturing	Pressure Technologies plc	Jun 07	121	493	583	1,076
Medical	EKF Diagnostics Holdings plc	Jul 11	437	-	407	407
Manufacturing	AB Dynamics plc	May 13	253	-	376	376
Manufacturing	Hargreaves Services plc	Aug 12	325	-	314	314
Internet	Iomart Group plc	May 11	119	209	247	456
Software	Brady plc	Dec 10	134	163	171	334
Bus. Services	Vianet Group plc	Oct 06	181	45	132	177
Healthcare	Cambridge Cognition Holdings plc	May 02	240	-	102	102
Healthcare	Allergy Therapeutics plc	Oct 04	350	-	70	70
Total quoted portfolio			<b>2,160</b>	<b>910</b>	<b>2,402</b>	<b>3,312</b>
<b>Total portfolio</b>			<b>20,851</b>	<b>2,957</b>	<b>20,663</b>	<b>23,620</b>
Full disposals to date			13,502	20,679	-	20,679
<b>Total</b>			<b>34,353</b>	<b>23,636</b>	<b>20,663</b>	<b>44,299</b>

## **Principal Risks and Uncertainties**

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 31 December 2013. The Board acknowledges that there is regulatory risk and continues to manage the company's affairs in such a manner as to comply with section 274 income Tax Act 2007.

In summary, the principal risks are:

- Economic;
- Investment and strategic;
- Loss of approval as a Venture Capital Trust;
- Regulatory;
- Reputational;
- Operational;
- Financial;
- Market/liquidity risk.

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2013 on pages 29 and 30, a copy of which is available at [www.yfmep.com](http://www.yfmep.com)

## **Responsibility Statement of the Directors**

The directors of British Smaller Companies VCT2 plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU, and give a fair view of the assets, liabilities, financial position and profit or loss of British Smaller Companies VCT2 plc, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of British Smaller Companies VCT2 plc are listed in Note 9 of the interim financial statements.

Richard Last

Chairman

15 August 2014

# Unaudited Statement of Comprehensive Income

For the six months ended 30 June 2014

	Notes	Unaudited 6 months ending 30 June 2014			Unaudited 6 months ending 30 June 2013		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	347	347	-	9	9
(Losses) gains on investments held at fair value		-	(336)	(336)	-	1,097	1,097
Income	2	543	-	543	365	-	365
Administrative expenses:							
Investment adviser's fee		(75)	(225)	(300)	(68)	(204)	(272)
Other expenses		(196)	-	(196)	(168)	-	(168)
		(271)	(225)	(496)	(236)	(204)	(440)
<b>Profit before taxation</b>		<b>272</b>	<b>(214)</b>	<b>58</b>	129	902	1,031
Taxation	3	(1)	1	-	-	-	-
<b>Profit for the period</b>		<b>271</b>	<b>(213)</b>	<b>58</b>	129	902	1,031
<b>Total comprehensive income (expense) for the period attributable to equity hareholders</b>		<b>271</b>	<b>(213)</b>	<b>58</b>	129	902	1,031
<b>Basic and diluted earnings (loss) per ordinary share</b>	5	<b>0.51p</b>	<b>(0.40p)</b>	<b>0.11p</b>	0.30p	2.06p	2.36p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2009 published by the Association of Investment Companies.

# Unaudited Balance Sheet

As at 30 June 2013

		Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 31 Dec 2013
	Notes	£000	£000	£000
<b>Assets</b>				
<b>Non-current assets</b>				
Investments		20,663	12,377	16,255
Fixed income government securities		-	901	890
Financial assets at fair value through profit or loss	6	20,663	13,278	17,145
Trade and other receivables		297	108	132
		<b>20,960</b>	13,386	17,277
<b>Current assets</b>				
Trade and other receivables		572	114	123
Cash on fixed term deposit		4,500	3,500	4,500
Cash and cash equivalents		13,415	13,393	8,680
		<b>18,487</b>	17,007	13,303
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(117)	(135)	(122)
<b>Net current assets</b>		<b>18,370</b>	16,872	13,181
<b>Net assets</b>		<b>39,330</b>	30,258	30,458
<b>Shareholders' equity</b>				
Share capital		6,411	4,800	4,822
Share premium account		13,736	4,835	4,926
Capital redemption reserve		88	88	88
Merger reserve		5,525	5,525	5,525
Other reserve		2	2	2
Capital reserve		13,377	17,028	14,568
Investment holding (losses) gains - net		(158)	(2,149)	448
Revenue reserve		349	129	79
<b>Total shareholders' equity</b>		<b>39,330</b>	30,258	30,458
<b>Net asset value per ordinary share</b>	7	<b>63.2p</b>	65.3p	65.6p

Signed on behalf of the Board

Richard Last

Chairman

15 August 2014

# Unaudited Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital	Share premium	Other reserves*	Merger reserve	Capital reserve	Investment holding gains (losses) reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2012</b>	<b>4,271</b>	<b>14,806</b>	<b>90</b>	<b>5,525</b>	<b>7,225</b>	<b>(4,919)</b>	<b>154</b>	<b>27,152</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	129	129
<i>Capital expenses</i>	-	-	-	-	(204)	-	-	(204)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,097	-	1,097
<i>Realisation of investments in the period</i>	-	-	-	-	9	-	-	9
Total comprehensive income for the period	-	-	-	-	(195)	1,097	129	1,031
<i>Issue of share capital</i>	504	2,964	-	-	-	-	-	3,468
<i>Issue of Shares - DRIS</i>	25	130	-	-	-	-	-	155
<i>Issue costs</i>	-	(160)	-	-	-	-	-	(160)
<i>Purchase of own shares</i>	-	-	-	-	(224)	-	-	(224)
<i>Dividends</i>	-	-	-	-	(1,001)	-	(154)	(1,155)
<i>Cancellation of Share Premium</i>	-	(12,905)	-	-	12,896	-	-	(9)
Total transactions with shareholders	529	(9,971)	-	-	11,671	-	(154)	2,075
Realisation of prior year investment holding losses	-	-	-	-	(1,673)	1,673	-	-
<b>At 30 June 2013</b>	<b>4,800</b>	<b>4,835</b>	<b>90</b>	<b>5,525</b>	<b>17,028</b>	<b>(2,149)</b>	<b>129</b>	<b>30,258</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	79	79
<i>Capital expenses</i>	-	-	-	-	(217)	-	-	(217)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	651	-	651
<i>Gain on disposal of investments in the period</i>	-	-	-	-	587	-	-	587
Total comprehensive income for the period	-	-	-	-	370	651	79	1,100
<i>Issue of Shares - DRIS</i>	22	109	-	-	-	-	-	131
<i>Issue costs</i>	-	(18)	-	-	-	-	-	(18)
<i>Purchase of own shares</i>	-	-	-	-	(85)	-	-	(85)
<i>Dividends</i>	-	-	-	-	(799)	-	(129)	(928)
Total transactions with shareholders	22	91	-	-	(884)	-	(129)	(900)
Realisation of prior year investment holding gains	-	-	-	-	(2,123)	2,123	-	-
Realisation of negative goodwill	-	-	-	-	177	(177)	-	-
<b>At 31 December 2013</b>	<b>4,822</b>	<b>4,926</b>	<b>90</b>	<b>5,525</b>	<b>14,568</b>	<b>448</b>	<b>79</b>	<b>30,458</b>

	Share capital	Share premium	Other reserves*	Merger reserve	Capital reserve	Investment holding gains (losses) reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2013</b>	<b>4,822</b>	<b>4,926</b>	<b>90</b>	<b>5,525</b>	<b>14,568</b>	<b>448</b>	<b>79</b>	<b>30,458</b>
<i>Revenue profit for the period</i>	-	-	-	-	-	-	271	271
<i>Capital expenses</i>	-	-	-	-	(224)	-	-	(224)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	(336)	-	(336)
<i>Gain on disposal of investments in the period</i>	-	-	-	-	347	-	-	347
Total comprehensive income for the period	-	-	-	-	123	(336)	271	58
<i>Issue of ordinary Share capital</i>	1,551	9,200	-	-	-	-	-	10,751
<i>Issue of Shares - DRIS</i>	38	191	-	-	-	-	-	229
<i>Issue costs of Ordinary shares</i>	-	(581)	-	-	-	-	-	(581)
<i>Purchase of own shares</i>	-	-	-	-	(36)	-	-	(36)
<i>Dividends</i>	-	-	-	-	(1,548)	-	(1)	(1,549)
Total transactions with shareholders	1,589	8,810	-	-	(1,584)	-	(1)	8,814
Realisation of prior year investment holding losses	-	-	-	-	257	(257)	-	-
Realisation of negative goodwill	-	-	-	-	13	(13)	-	-
<b>At 30 June 2014</b>	<b>6,411</b>	<b>13,736</b>	<b>90</b>	<b>5,525</b>	<b>13,377</b>	<b>(158)</b>	<b>349</b>	<b>39,330</b>

\* Other reserves include the capital redemption reserve and other reserve which are non-distributable.

The capital reserve includes £115,000 (2013: £nil) of deferred proceeds receivable in 2016. The revenue reserve includes £182,000 (2013: £nil) of interest receivable in 2018 and 2019. These amounts should be excluded in the calculation of the Company's distributable reserves at 30 June 2014.

# Unaudited Statement of Cash Flows

For the six months ended 30 June 2014

	<b>Unaudited 6 months ended 30 June 2014 £000</b>	Unaudited 6 months ended 30 June 2013 £000	Audited year ended 31 December 2013 £000
<b>Net cash (outflow) inflow from operating activities</b>	<b>(262)</b>	90	(79)
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss	<b>(5,978)</b>	(954)	(5,499)
Proceeds from sale of financial assets at fair value through profit or loss	<b>2,114</b>	1,062	2,926
Cash placed on fixed term deposit	-	-	(4,500)
Cash received back from fixed term deposit	-	3,548	7,048
Deferred consideration	-	90	125
<b>Net cash (outflow) inflow from investing activities</b>	<b>(3,864)</b>	3,746	100
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	<b>10,509</b>	3,412	3,412
Cost of ordinary shares	<b>(328)</b>	(106)	(122)
Purchase of own shares	-	(224)	(309)
Dividends paid	<b>(1,320)</b>	(1,000)	(1,797)
Share premium cancellation costs	-	(9)	(9)
<b>Net cash inflow from financing activities</b>	<b>8,861</b>	2,073	1,175
<b>Net increase in cash and cash equivalents</b>	<b>4,735</b>	5,909	1,196
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,680</b>	7,484	7,484
<b>Cash and cash equivalents at the end of the period</b>	<b>13,415</b>	13,393	8,680

# Notes to the Unaudited Financial Statements

## 1. General information, basis of preparation and principal accounting policies

These half year statements have been approved by the directors whose names appear at note 9, each of whom has confirmed that to the best of his knowledge:

- The Interim Management Report includes a fair review of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.
- The half year statements have been prepared in accordance with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2013 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2013. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2013.

The financial statements for the year ended 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include amendments to IFRS 9, IFRS 10, IFRS 11 and IFRS 12, and amendments to IAS24, IAS 27, IAS28, IAS32 and IAS 36. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

Going Concern: The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least twelve months from the date these half year statements were approved. As at 30 June 2014 the Company held cash balances and fixed term deposits with a combined value of £17,915,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

## 2. Income

<b>Unaudited</b>	Unaudited
<b>6 months ended</b>	6 months ended
<b>30 June</b>	30 June

	<b>2014</b>	2013
	<b>£000</b>	£000
Income from investments		
- Dividends from unquoted companies	24	28
- Dividends from AIM quoted companies	19	22
	<b>43</b>	50
- Interest on loans to unquoted companies	421	187
- Fixed interest Government securities	7	10
Income from investments held at fair value through profit or loss	<b>471</b>	247
Interest on bank deposits	72	118
	<b>543</b>	365

### 3. Taxation

	Unaudited 6 months ended			Unaudited 6 months ended 30		
	30 June 2014			June 2013		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit before taxation	272	(214)	58	129	902	1,031
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2013: 20%)	54	(43)	11	26	180	206
<b>Effect of:</b>						
UK dividends received	(8)	-	(8)	(10)	-	(10)
Non taxable profits on investments	-	(2)	(2)	-	(221)	(221)
Excess management expenses	(45)	44	(1)	(16)	41	25
Tax charge (credit)	1	(1)	-	-	-	-

The Company has no provided, or unprovided, deferred tax liability in either year.

Deferred tax assets in respect of losses have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

### 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited			Unaudited			Audited		
	6 months ended			6 months ended			Year ended		
	30 June 2014			30 June 2013			31 December 2013		
	Rev	Cap	Total	Rev	Cap	Total	Rev	Cap	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Final dividend for the year ended 31 December 2013 of 2.5p (2012 year end 2.5p) per ordinary share	1	1,548	1,549	154	1,001	1,155	154	1,001	1,155

Interim dividend for the year ended 31 December 2013 of 2.0p per ordinary share	-	-	-	-	-	-	129	799	928
	<b>1</b>	<b>1,548</b>	<b>1,549</b>	154	1,001	1,155	283	1,800	2,083

An interim dividend of 2.0 pence per ordinary share, amounting to £1,245,000 is proposed. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

## 5. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity shareholders of £58,000 (30 June 2013: profit of £1,031,000) and 53,185,770 (30 June 2013: 43,683,333) ordinary shares being the weighted average number of Ordinary shares in issue during the period.

The basic and diluted revenue return per ordinary share is based on the revenue profit attributable to equity shareholders of £271,000 (30 June 2013: £129,000) and 53,185,770 (30 June 2013: 43,683,333) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital loss per ordinary share is based on the capital loss attributable to equity shareholders of £213,000 (30 June 2013: capital return based on a profit of £902,000) and 53,185,770 (30 June 2013: 43,683,833) ordinary shares being the weighted average number of Ordinary shares in issue during the period.

During the period the Company allotted 377,855 new ordinary shares in respect of its dividend re-investment scheme and 15,511,615 new ordinary shares under the joint offer for subscription with British Smaller Companies VCT plc".

The Company has repurchased 63,196 of its own shares in the period and these shares are held in the capital reserve. The total of 1,840,918 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary Share are the same.

## 6. Financial Assets at Fair Value through Profit or Loss

IFRS 7 and IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise AIM quoted investments or government securities and other fixed income securities classified as held at fair value through profit or loss.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the

instrument is included in Level 2. The Company held no such instruments in the current or prior year.

- Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There has been no transfers between these classifications in the period (2013: one). The change in fair value for the current and previous year is recognised through profit or loss.

All items held at fair value through profit or loss were designated as such upon initial recognition and are subject to reoccurring valuations on at least a quarterly basis.

### Valuation of Investments

*Initial Measurement.* Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

*Subsequent Measurement.* The International Private Equity and Venture Capital (IPEVC) Valuation Guidelines (“the Guidelines”) identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Full details of the methods used by the Company were set out on page 27 of the financial statements for the year ended 31 December 2013, a copy of which can be found at [www.yfmep.com](http://www.yfmep.com). Where investments are in quoted stocks, fair value is set at the market price.

The primary methods used for valuing non-quoted investments, and the key assumptions relating to them are:

**Price of Recent investment, reviewed for changes in fair value:** the cost of the investment, adjusted for background factors specific to the investment, is taken as a reasonable assessment of the fair value for a period of up to one year. During this period performance is monitored for evidence of changes to this initial fair value. Valuations may be re-based following substantial investment by a third party when this offers evidence that there has been a change to fair value.

**Earnings multiple:** The appropriate sector FTSE<sup>R</sup> multiples are used as a market-based indication of the enterprise value of an investment company. A discount is applied to the multiple based on perceived market interest in that company or sector and on any benefit that may be observed by holding a significant shareholding or superior rights.

Movements in investments at fair value through profit or loss during the six months to 30 June 2014 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Total	Level 1	Total
	Unquoted Investments	Quoted Equity Investments		Fixed Income Securities	
	£000	£000	£000	£000	£000
Opening cost	13,792	2,061	15,853	888	16,741
Opening valuation (loss) gain	(4)	406	402	2	404

<b>Opening fair value at 1 January 2014</b>	<b>13,788</b>	<b>2,467</b>	<b>16,255</b>	<b>890</b>	<b>17,145</b>
Additions at cost	5,185	318	5,503	475	5,978
Capitalised interest	8	-	8	-	8
Disposal proceeds	(359)	(492)	(851)	(1,365)	(2,216)
Net profit on disposal*	34	50	84	-	84
Change in fair value	(395)	59	(336)	-	(336)
Closing fair value at 30 June 2014	18,261	2,402	20,663	-	20,663
Closing cost	18,691	2,160	20,851	-	20,851
Closing valuation (loss) gain **	(430)	242	(188)	-	(188)
Closing fair value at 30 June 2014	18,261	2,402	20,663	-	20,663

*\*The net profit on disposal in the table above is £84,000 whereas that shown in Statement of Comprehensive Income is £347,000. The difference comprises deferred proceeds of £263,000 in respect of assets which have been disposed and are not included within the investment portfolio at the period end.*

*\*\*Following the merger between the Company and British Smaller Technology Companies VCT plc, a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of investments acquired. The relevant amount per investment is released at the point of disposal to the capital reserve. At 30 June 2014, a total of £30,000 was held on investments yet to be realised in the investment holding gains and losses reserve.*

Level 3 valuations include assumptions based on non-observable data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples.

IFRS13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. The portfolio has been reviewed and both downside and upside alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternative the value of the unquoted investments would be £1,480,000 (X8.1 per cent) lower. Using the upside alternative the value would be increased by £2,200,000 (12.0 per cent).

Of the Company's equity investments, 11.6 per cent are quoted on AIM (31 December 2013: 15.2 per cent). A five per cent increase in stock prices as at 30 September 2013 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £120,000 (31 December 2013: £123,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the period by an equal amount.

Of the Company's equity investments 88.4 per cent are in unquoted companies held at fair value (December 2013: 84.8 per cent). The valuation methodology for these investments includes the application of externally produced FTSE<sup>R</sup> multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using and earnings multiple methodology include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £550,000 (4.6 per cent of net assets). A change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit for the period by the same amount.

The total of fair value adjustments below cost made against investments at 30 June 2014 amounted to £275,000 (31 December 2013: £524,000).

There have been no individual fair value adjustments downwards during the period that exceeded five per cent of the total assets of the Company (31 December 2013: none).

Fixed income securities comprise UK Government stocks and are classified as financial assets through profit or loss. Their use is as temporary holdings until capital investment opportunities arise.

The following disposals took place during the period (all companies are unquoted unless otherwise stated).

	Net proceeds from Sale £000	Cost £000	Opening carrying value as at 1 January 2014 £000	Gain over opening carrying value £000	Profit (loss) on original cost £000
<b>Loan repayments</b>					
Displayplan Holdings Limited	228	175	191	37	53
GTK (UK) Limited	56	56	56	-	-
Bagel Nash Group Limited	40	40	40	-	-
Callstream Group Limited	35	23	38	(3)	12
	<b>359</b>	<b>294</b>	<b>325</b>	<b>34</b>	<b>65</b>
<b>Equity disposals</b>					
Pressure Technologies plc*	200	47	148	52	153
Iomart Group plc*	97	30	90	7	67
Vianet Group plc*	45	61	42	3	(16)
Optos plc*	150	80	162	(12)	70
	<b>492</b>	<b>218</b>	<b>442</b>	<b>50</b>	<b>274</b>
<b>Total disposals</b>	<b>851</b>	<b>512</b>	<b>767</b>	<b>84</b>	<b>339</b>
<i>Deferred Proceeds</i>					
Sirigen Group Limited (included in receivables)	263	-	-	263	263
<b>Total proceeds from quoted and unquoted investments</b>	<b>1,114</b>	<b>512</b>	<b>767</b>	<b>347</b>	<b>602</b>
Fixed Income Securities	1,365	1,365	1,365	-	-
<b>Total</b>	<b>2,479</b>	<b>1,877</b>	<b>2,132</b>	<b>347</b>	<b>602</b>

\*Designates AIM quoted investments

## 7. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £39,330,000 (30 June 2013 and 31 December 2013: £30,258,000 and £30,458,000 respectively) and 62,269,837 (30 June 2013 and 31 December 2013: 46,371,537 and 46,443,563 respectively) ordinary shares in issue at 30 June 2014.

The 1,840,918 (30 June 2013: 1,632,722 and 31 December 2013: 1,777,722) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2014. The Company has

no securities that would have a dilutive effect and hence basic and diluted net asset value per ordinary share are the same.

## 8. Total Return

Total return per share is calculated on cumulative dividends paid of 41.5 pence per ordinary share (30 June 2013: 37.0 pence per ordinary share and 31 December 2013: 39.0 pence per ordinary share) plus the net asset value as calculated in note 7.

## 9. Directors

The directors of the Company are: Mr R Last, Mr R M Pettigrew, and Mr P C Waller.

## 10. Other Information

Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from [www.bscfunds.com](http://www.bscfunds.com).

## 11. Interim Dividend for the six months ended 30 June 2014

Further to the announcement of its interim results for the 6 months to 30 June 2013, the Company confirms that an interim dividend of 2.0 pence per ordinary share ("Interim Dividend") will be paid on 7 October 2014 to those shareholders on the Company's register at the close of business on 5 September 2014. The ex-dividend date for the Interim Dividend will be 3 September 2014.

## 12. Dividend Re-investment Scheme ("DRIS")

The Company operates a dividend reinvestment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Interim Dividend is the close of business on 22 September 2014.

For further information, please contact:

David Hall

YFM Equity Partners Limited

Tel: 0113 294 5039

Gillian Martin

Nplus 1 Singer Advisory LLP

Tel: 0207 496 3000

The following replaces the announcement made by the Company on the 30 June 2014 at 18.16 under RNS number 9621K and restates the date on which dealings are expected to commence in the 377,855 ordinary shares as on or around 25 July 2014 . The full amended text appears below.

All other details remain unchanged.

## British Smaller Companies VCT2 plc

### Payment of Final Dividend and Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") announces that on 30 June 2014 it paid a gross final dividend of 2.5 pence per ordinary share to shareholders on the register of members of the Company as at the record date of 30 May 2014 ("Final Dividend").

The Company further announces that on 30 June 2014 it allotted 377,855 ordinary shares of 10 pence each pursuant to its dividend reinvestment scheme ("Dividend Reinvestment Scheme") at a price of 60.61 pence per share to shareholders of the Company who elected to receive shares instead of the Final Dividend. As a result 14.8% of the Final Dividend paid by the Company was reinvested in shares in the Company via the Dividend Reinvestment Scheme.

Of the 377,855 ordinary shares allotted on 30 June 2014 pursuant to the Dividend Reinvestment Scheme, the employees of the fund manager, YFM Private Equity Limited, have been allotted 554 ordinary shares of 10 pence each in the Company bringing their aggregate total holding to 64,839 ordinary shares of 10 pence in the Company.

Application is now being made for the ordinary shares which were allotted on 30 June 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, and dealings are expected to commence on or around 25 July 2014.

Following such allotment the Company's issued share capital consists of 62,269,837 ordinary shares of 10 pence each with voting rights ("Voting Capital") and 1,840,918 ordinary shares of 10 pence each held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

In addition, in accordance with DTR5.6, during the month of June 2014 the total number of voting rights and capital and the number of shares held in Treasury has changed. As at 30 June 2014, the total number of voting rights and number of shares held in Treasury are as stated in this

announcement and the total issued share capital of the Company as at that same date (including shares held in Treasury) is 64,110,755 ordinary shares of 10 pence each.

18 July 2014

For further information, please contact:

David Hall

YFM Private Equity Limited

Tel: 0113 294 5039

Gillian Martin

Nplus1 Singer Advisory LLP

Tel: 020 7496 3000

## British Smaller Companies VCT2 plc

### Payment of Final Dividend and Allotment of Shares

British Smaller Companies VCT2 plc (the “Company”) announces that on 30 June 2014 it paid a gross final dividend of 2.5 pence per ordinary share to shareholders on the register of members of the Company as at the record date of 30 May 2014 (“Final Dividend”).

The Company further announces that on 30 June 2014 it allotted 377,855 ordinary shares of 10 pence each pursuant to its dividend reinvestment scheme (“Dividend Reinvestment Scheme”) at a price of 60.61 pence per share to shareholders of the Company who elected to receive shares instead of the Final Dividend. As a result 14.8% of the Final Dividend paid by the Company was reinvested in shares in the Company via the Dividend Reinvestment Scheme.

Of the 377,855 ordinary shares allotted on 30 June 2014 pursuant to the Dividend Reinvestment Scheme, the employees of the fund manager, YFM Private Equity Limited, have been allotted 554 ordinary shares of 10 pence each in the Company bringing their aggregate total holding to 64,839 ordinary shares of 10 pence in the Company.

Application is now being made for the ordinary shares which were allotted on 30 June 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and dealings are expected to commence on or around 5 July 2014.

Following such allotment the Company’s issued share capital consists of 62,269,837 ordinary shares of 10 pence each with voting rights (“Voting Capital”) and 1,840,918 ordinary shares of 10 pence each held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA’s Disclosure and Transparency Rules.

In addition, in accordance with DTR5.6, during the month of June 2014 the total number of voting rights and capital and the number of shares held in Treasury has changed. As at 30 June 2014, the total number of voting rights and number of shares held in Treasury are as stated in this announcement and the total issued share capital of the Company as at that same date (including shares held in Treasury) is 64,110,755 ordinary shares of 10 pence each.

30 June 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5039
Gillian Martin	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

## British Smaller Companies VCT2 plc (“the Company”)

### Purchase of Own Securities and Total Voting Rights

The Company announces that on 27 June 2014 it purchased 63,196 ordinary shares of 10 pence each at a price of 57.67 pence per share. These shares will be held in Treasury.

If these shares had been purchased prior to the quarter ended 31 March 2014, and on the assumption that there were no other alterations, the unaudited Net Asset Value per ordinary share of the Company at that date would have been unaltered at 66.3 pence per ordinary share.

The Company's issued share capital now consists of 61,891,982 ordinary shares of 10 pence each with voting rights. In addition, the Company now holds 1,840,918 ordinary shares of 10 pence each in Treasury.

The above figure may be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

In addition, in accordance with DTR5.6, during the month of June 2014 the Company has only repurchased the shares detailed in this announcement. Therefore, the total number of voting rights and number of shares held in Treasury as at 27 June 2014 are as stated in this announcement.

27 June 2014

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 294 5039
Gillian Martin	Nplus1 Singer Advisory LLP	Tel: 0207 496 3000

## British Smaller Companies VCT2 plc

### Offers for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the “Company”) and British Smaller Companies VCT plc launched joint offers for subscription (“Offers”) on 14 January 2014. Full details of the Offers are contained in a prospectus issued by the Company and British Smaller Companies VCT plc on that date (the “Prospectus”).

The Offers in relation to the tax year 2014/15 were intended to close on 30 April 2014 unless fully subscribed by an earlier date. However, in view of the ambiguity regarding proposed changes to regulations (contained in the Finance Bill 2014 published on 27 March 2014), which would have applied to VCT shares issued on or after 6 April 2014, the Company announced on 29 April 2014 that, in the interest of its shareholders, the Directors were postponing the allotment of new ordinary shares under the Offers pending resolution of these issues.

As a result of clarification from HM Revenue & Customs of the operation of these proposed changes to regulations the Company is satisfied that any potential for ambiguity has been removed. The Company therefore announces that on 29 May 2014 it made the fourth issue of ordinary shares pursuant to these Offers by allotting an aggregate of 2,414,375 ordinary shares of 10 pence each, raising gross proceeds of £1.7 million. This allotment was made in respect of the tax year 2014/2015 and is the final allotment to be made pursuant to the Offers, which are now closed. In accordance with the pricing formula set out in the Prospectus the new ordinary shares were allotted at offer prices of between 68.00 to 71.22 pence per ordinary share depending on the adviser charge (if applicable) and the number of shares issued pertaining to each application.

Together the Company and British Smaller Companies VCT plc have in total to date raised gross proceeds of £26.9 million and, after taking into consideration the costs of the Offers, this gives net total proceeds of approximately £25.5 million. The Company has raised net proceeds of approximately £10.2 million and British Smaller Companies VCT plc has raised net proceeds of approximately £15.3 million. The new funds will be used to support the strong levels of demand for investment that have been evident since early 2013.

In this allotment Peter Waller, non-executive Director of the Company, has been allotted 8,823 ordinary shares of 10 pence in the Company which takes his total shareholding to 25,979 ordinary shares in the Company.

Employees of the fund manager, YFM Private Equity Limited, have to date subscribed £0.21 million under the Offers for 240,128 ordinary shares in both the Company and British Smaller Companies VCT2 plc.

Applications are now being made by the Company for the ordinary shares allotted on 29 May 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on

the London Stock Exchange's main market for listed securities, and dealings are expected to commence on or around 12 June 2014.

Following the allotment of 2,414,375 ordinary shares, the Company's issued share capital consists of 61,955,178 ordinary shares with voting rights ("Voting Capital") and 1,777,722 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

30 May 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Gillian Martin	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

## British Smaller Companies VCT2 plc (“the Company”)

### Payment of Dividend

Following the announcement made on 29 April 2014 the Company is pleased to confirm that its 2.5 pence per ordinary share final dividend in respect of the year to 31 December 2013 will be paid on 30 June 2014, with the associated Ex-Dividend and Record Dates being 28 May 2014 and 30 May 2014 respectively.

28 May 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

**British Smaller Companies VCT2 plc**  
**Interim Management Statement**  
**For the quarter ended 31 March 2014**

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2014. The statement also includes relevant financial information between the end of the quarter and the date of this statement. This constitutes the Company’s first interim management statement for the financial year ending 31 December 2014, 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](http://www.yfmep.com).

**Performance**

The total return at 31 March 2014, calculated by reference to the Net Asset Value (NAV) per ordinary share and the cumulative dividends paid per ordinary share, was 105.3 pence per ordinary share compared to 104.6 pence per ordinary share at 31 December 2013. Cumulative dividends represent 39.0 pence per ordinary share (31 December 2013: 39.0 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2014 was 66.3 pence (31 December 2013: 65.6 pence per ordinary share) representing an increase of 0.7 pence per ordinary share. The increase in NAV per ordinary share is principally due to the net upward movement, in both the AIM quoted and unquoted portfolio valuations.

The number of ordinary shares in issue at 31 March 2014 was 57,923,961 (31 December 2013: 46,443,563). In addition, at 31 March 2014, the Company held 1,777,722 ordinary shares in treasury (31 December 2013: 1,777,722).

**Share Issues**

During the period the Company has issued 11,480,398 ordinary shares between 68.00 to 71.19 pence per share, pursuant to the Company’s joint offer for Subscription with British Smaller Companies VCT plc.

Net assets at 31 March 2014 comprised the following:

	<b>£000</b>	<b>% of net assets</b>
Unquoted investments at fair value	<b>15,084</b>	39.29
Quoted investments at bid price	<b>2,575</b>	6.71
Gilt investments	<b>890</b>	2.31
<b>Total investments</b>	<b>18,549</b>	48.31
Cash and cash equivalents	<b>15,349</b>	39.98
Cash on fixed term deposit	<b>4,500</b>	11.72
Other net current assets	<b>(4)</b>	(0.01)
<b>Net assets</b>	<b>38,394</b>	100.00

The investment portfolio at 31 March 2014 was comprised as follows:

	<b>Valuation</b>	<b>Valuation</b>
	<b>£000</b>	<b>as a % of</b>
		<b>net assets</b>
DisplayPlan Holdings Limited	2,075	5.40
Gill Marine Holdings Limited	1,870	4.87
Mangar Health Limited	1,640	4.27
Seven Technologies Holdings Limited	1,628	4.24
GTK (UK) Limited	1,113	2.90
Immunobiology Limited	987	2.57
Leengate Holdings Limited	934	2.43
Deep-Secure Ltd	875	2.28
Callstream Group Limited	751	1.96
Pressure Technologies plc	682	1.78
	<b>12,555</b>	<b>32.70</b>
Other investments	<b>5,104</b>	13.29
Gilt investments	<b>890</b>	2.32
<b>Total investments</b>	<b>18,549</b>	<b>48.31</b>

During the three months ended 31 March 2014 the Company made two investments totalling £1.70 million. These comprised one new investment of £1.64 million into Mangar Health Limited, a world leader in inflatable lifting, handling and bathing equipment for the elderly, disabled and emergency services markets, and £0.06 million of follow-on investment into EKF Diagnostics plc.

In the 3 months to 31 March 2014 cash proceeds of £0.31 million were received relating to the repayment of capital from the Company's loan portfolio, including £0.05 million of redemption premiums following the early repayment of capital by DisplayPlan Holdings Limited. In addition the Company received £0.35 million from the sale of shares from its AIM quoted investment portfolio. In total these disposals generated a profit on the previous quarter's carrying value of £0.05 million.

Since the end of the quarter the Company has completed one further investment of £1.96 million into Intelligent Office Limited, a global provider and manufacturer of electronic solutions. In addition it has approved, but not yet completed, a further two investments totalling £1.55 million.

### **Portfolio Performance**

Over the 3 months to 31 March 2014 the portfolio saw an overall increase in unrealised valuations of £0.30 million. This comprised an increase in the value of a number of portfolio companies following strong trading results including Pressure Technologies plc (up £0.25 million), DisplayPlan Holdings Limited (up £0.16 million), and Callstream Group Limited (up £0.11 million) together with resilient performances across much of the Company's remaining unquoted and AIM portfolio.

The Board continues to follow a policy of maintaining a diversified portfolio: as at 31 March 2014 there was only one investment representing more than 5 per cent each of the NAV of the Company.

### **Outlook**

The Board believes that the current economic climate continues to create investment opportunities in the short to medium term in well managed UK businesses that need capital to expand. Following the increase in the investment limit applying to venture capital trusts to £5 million per investment in any one year there has been an increase in the number of investment opportunities presented to the Company. Since the period end the Company has completed and approved investments of £3.51 million..

19 May 2014

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

David Hall            YFM Private Equity Limited  
Matt Thomas        N+1 Singer

Tel: 0113 294 5039  
Tel: 0207 496 3000

**BRITISH SMALLER COMPANIES VCT2 PLC**  
**RESULT OF ANNUAL GENERAL MEETING**

British Smaller Companies VCT2 plc ("the Company") announces that at the Annual General Meeting of the Company held on 19 May 2014 all the resolutions proposed at the meeting ("Resolutions") were duly passed.

The full text of the Resolutions was included in the notice of the Annual General Meeting contained within the Company's Annual Report for the year ended 31 December 2013, a copy of which is available on the website of the Company's Fund Manager at [www.yfmep.com](http://www.yfmep.com). Details of the proxy votes lodged in advance of the Annual General Meeting are also available on the Fund Manager's website.

In accordance with the Company's obligations under Listing Rule 9.6.2, copies of the Resolutions passed at the Annual General Meeting have been submitted to the National Storage Mechanism and will shortly be available for viewing at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

19 May 2014

**For further information, please contact:**

David Hall  
Matthew Thomas

YFM Private Equity  
NPlus1 Singer Advisory LLP

Tel: 0113 294 5055  
Tel: 020 7496 3000

## **BRITISH SMALLER COMPANIES VCT2 PLC ("the Company")**

Annual General Meeting held on 19 May 2014

Note of Proxies Received

The Company announces that all the resolutions put to the shareholders of the Company ('Resolutions') at its Annual General Meeting held on 19 May 2014 were duly passed.

The full text of the Resolutions were and are contained in the notice of the Annual General Meeting dated 28 March 2014, a copy of which is also available on this website (please see pages 70-72 of the Company's Annual Report and Accounts for the year ended 31 December 2013).

### **ORDINARY RESOLUTIONS**

#### Resolution 1

6,764,228 proxy votes were received on this resolution: 6,412,386 in favour, none against, 336,941 at the Chairman's discretion and 14,901 votes withheld.

#### Resolution 2

6,764,228 proxy votes were received on this resolution: 6,416,256 in favour, 11,031 against, 336,941 at the Chairman's discretion and none withheld.

#### Resolution 3

6,764,228 proxy votes were received on this resolution: 6,274,063 in favour, 39,934 against, 336,941 at the Chairman's discretion and 113,290 withheld.

#### Resolution 4

6,764,228 proxy votes were received on this resolution: 6,248,789 in favour, 39,934 against, 336,941 at the Chairman's discretion and 138,564 withheld.

#### Resolution 5

6,764,228 proxy votes were received on this resolution: 6,397,599 in favour, none against, 348,314 at the Chairman's discretion and 18,315 withheld.

#### Resolution 6

6,764,228 proxy votes were received on this resolution: 6,390,117 in favour, 7,482 against, 348,314 at the Chairman's discretion and 18,315 withheld.

#### Resolution 7

6,764,228 proxy votes were received on this resolution: 6,394,564 in favour, none against, 348,314 at the Chairman's discretion and 21,350 withheld.

#### Resolution 8

6,764,228 proxy votes were received on this resolution: 6,340,760 in favour, 43,537 against, 336,941 at the Chairman's discretion and 42,990 withheld.

#### Resolution 9

6,764,228 proxy votes were received on this resolution: 6,347,384 in favour, 45,810 against, 336,941 at the Chairman's discretion and 34,093 withheld.

### **SPECIAL RESOLUTIONS**

#### Resolution 10

6,764,228 proxy votes were received on this resolution 6,191,218 in favour, 168,418 against, 364,144 at the Chairman's discretion and 40,448 withheld.

#### Resolution 11

6,764,228 proxy votes were received on this resolution: 5,640,207 in favour, 792,832 against, 327,963 at the Chairman's discretion and 3,226 withheld.

**Note:** The 'Vote Withheld' option is provided to enable shareholders to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and is not counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

## **British Smaller Companies VCT2 plc (“the Company”)**

### **Postponement of Dividend and Postponement of Issue of Equity under the Joint Offers for Subscription and Extension of Closing Date of the Joint Offers for Subscription**

On 27 March 2014, the Government published the Finance Bill 2014. Following the publication of the 2014 Finance Bill on 27 March 2014 we have been advised that there is some ambiguity around the drafting of certain of the provisions relating to VCTs which, depending on interpretation, could have an adverse effect on VCT investors’ tax reliefs for allotments taking place after 5 April 2014. To remove this ambiguity certain amendments to the legislation are being discussed with HM Revenue & Customs, and our current expectation is that this issue will be satisfactorily resolved by the end of May 2014. In the meantime we are therefore taking the following actions:

1. Postponement of allotment of shares

On 14 January 2014, the Company and British Smaller Companies VCT plc issued a prospectus (which is comprised of a securities note, a registration document and a summary document, together “the Prospectus”) and circulars relating to joint offers for subscription to raise up to £30 million in aggregate (“the Offers”). While we await clarification from HM Revenue & Customs, our advisers have suggested that it would be sensible to postpone the allotment of the tax year 2014/15 shares applied for under the Offers from the closing date of 30 April 2014 as stated in the Prospectus. We expect this situation will be resolved in May 2014, and hope the allotment can take place around the end of that month, unless further advised. The closing date of the Offers is hereby extended accordingly.

2. Postponement of the Company’s 2.5 pence per ordinary share final dividend payment

The 2.5 pence per ordinary share final dividend was announced on 28 March 2014 with a Record and Payment Date of 9 May 2014 and 9 June 2014 respectively. However, because of the share allotment delay, to ensure the Company’s new shareholders receive this dividend (as anticipated on page 15 of the securities note of the Prospectus), we are proposing moving the Record Date to 30 May 2014, with the payment made at the end of June 2014.

Further announcements will be made should it become necessary to revise the above proposals.

**For further information please contact:**

David Hall	YFM Private Equity Limited	Tel: 0113 294 5039
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 0207 496 3000

## British Smaller Companies VCT2 plc (“the Company”)

### Joint Offers for Subscription - Supplementary Prospectus

The Company announces that it has today published a supplementary prospectus with British Smaller Companies VCT plc in respect of the joint offers for subscription of up to, in aggregate, £30 million (the “Supplementary Prospectus”).

The Supplementary Prospectus is required as a consequence of the Company having published on 28 March 2014 its annual report and accounts for the year ended 31 December 2013.

The Supplementary Prospectus has been approved by the UK Listing Authority and will shortly be available to view at the online viewing facility of the National Storage Mechanism at the following website address: <http://www.morningstar.co.uk/uk/NSM>.

A copy of the Prospectus and Supplementary Prospectus is available, free of charge, from the registered office of the Company at:

St Martins House  
210-212 Chapeltown Road  
Leeds  
LS7 4HZ

or from the website of the Company at [www.bscfunds.com](http://www.bscfunds.com) .

or from the Company’s Sponsors, Howard Kennedy Corporate Services LLP, from its offices which are situated at:

19 Cavendish Square  
London W1A 2AW.

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

David Hall	YFM Private Equity Limited	Tel: 0113 294 5039
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 0207 496 3000

## British Smaller Companies VCT2 plc

### Offers for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the “Company”) and British Smaller Companies VCT plc are seeking to raise up to a maximum of £30 million in aggregate by way of joint offers for subscription (“Offers”). Full details of the Offers are contained in a prospectus issued by the Company and British Smaller Companies VCT plc on 14 January 2014 (the “Prospectus”).

The Company announces that on 5 April 2014 it made the third issue of ordinary shares pursuant to these Offers by allotting an aggregate of 349,378 ordinary shares of 10 pence each raising gross proceeds of £0.2 million. These allotments were made in respect of valid subscriptions received received by 11:00 am on 5 April 2014, for the tax year 2013/2014 pursuant to the Offers. In accordance with the pricing formula set out in the Prospectus the new ordinary shares were allotted at offer prices of between 68.00 to 71.58 depending on the adviser charge (if applicable) and the number of shares issued pertaining to each application

Together the Company and British Smaller Companies VCT plc have in total to date raised gross proceeds of £22.8 million and, after taking into consideration the costs of the Offers, this gives net total proceeds of approximately £21.8 million. The Company has raised net proceeds of approximately £8.7 million and British Smaller Companies VCT plc has raised net proceeds of approximately £13.1 million.

Employees of the fund manager, YFM Private Equity Limited, have subscribed £0.21 million under the Offers for 234,196 ordinary shares in both the Company and British Smaller Companies VCT plc. Currently the employees of YFM Private Equity hold 359,656 shares across both VCTs.

Applications are now being made by the Company for the ordinary shares which were allotted on 4 April 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and dealings are expected to commence on or around 21 April 2014.

Following the allotment of 349,378 ordinary shares, the Company’s issued share capital consists of 59,540,803 ordinary shares with voting rights (“Voting Capital”) and 1,777,722 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA’s Disclosure and Transparency Rules.

The Offers remain open. A copy of the Prospectus was submitted to the National Storage Mechanism and is available to the public for viewing online at the following web-site address:

<http://www.hemscott.com/nsm.do>. It can also be viewed on the Company's website  
<http://www.yfmep.com>.

7 April 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

## British Smaller Companies VCT2 plc

### Offers for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") and British Smaller Companies VCT plc are seeking to raise up to a maximum of £30 million in aggregate by way of joint offers for subscription ("Offers"). Full details of the Offers are contained in a prospectus issued by the Company and British Smaller Companies VCT plc on 14 January 2014 (the "Prospectus").

The Company announces that on 4 April 2014 it made the second issue of ordinary shares pursuant to these Offers by allotting an aggregate of 1,267,464 ordinary shares of 10 pence each raising gross proceeds of £0.9 million. These allotments were made in respect of valid subscriptions received on or before 3 April 2014, for the tax year 2013/2014 pursuant to the Offers. In accordance with the pricing formula set out in the Prospectus the new ordinary shares were allotted at offer prices of between 68.00 to 72.06 depending on the adviser charge (if applicable) and the number of shares issued pertaining to each application

Together the Company and British Smaller Companies VCT plc have in total to date raised gross proceeds of £22.1 million and, after taking into consideration the costs of the Offers, this gives net total proceeds of approximately £21.1 million. The Company has raised net proceeds of approximately £8.4 million and British Smaller Companies VCT plc has raised net proceeds of approximately £12.7 million.

Employees of the fund manager, YFM Private Equity Limited, have subscribed £0.21 million under the Offers for 234,196 ordinary shares in both the Company and British Smaller Companies VCT plc. Currently the employees of YFM Private Equity hold 359,656 shares across both VCTs.

Applications are now being made by the Company for the ordinary shares which were allotted on 4 April 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, and dealings are expected to commence on or around 18 April 2014.

Following the allotment of 1,267,464 ordinary shares, the Company's issued share capital consists of 59,191,425 ordinary shares with voting rights ("Voting Capital") and 1,777,722 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

The Offers remain open. A copy of the Prospectus was submitted to the National Storage Mechanism and is available to the public for viewing online at the following web-site address:

<http://www.hemscott.com/nsm.do>. It can also be viewed on the Company's website  
<http://www.yfmep.com>.

7 April 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

## British Smaller Companies VCT2 plc

### Offers for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the “Company”) and British Smaller Companies VCT plc are seeking to raise up to a maximum of £30 million in aggregate by way of joint offers for subscription (“Offers”). Full details of the Offers are contained in a prospectus issued by the Company and British Smaller Companies VCT plc on 14 January 2014 (the “Prospectus”).

The Company announces that on 31 March 2014 it made the first issue of ordinary shares pursuant to these Offers by allotting an aggregate of 11,480,398 ordinary shares of 10 pence each raising gross proceeds of £8.0 million. These allotments were made in respect of valid subscriptions received on or before 28 March 2014, for the tax year 2013/2014 pursuant to the Offers. In accordance with the pricing formula set out in the Prospectus the new ordinary shares were allotted at offer prices of between 68.00 to 71.19 depending on the adviser charge (if applicable) and the number of shares issued pertaining to each application

Together the Company and British Smaller Companies VCT plc have in total raised gross proceeds of £19.9 million in this first allotment and, after taking into consideration the costs of the Offers, this gives net total proceeds of approximately £19.0 million. The Company has raised net proceeds of approximately £7.6 million and British Smaller Companies VCT plc has raised net proceeds of approximately £11.4 million.

Richard Last, non-executive Director of the Company, has been allotted 5,970 ordinary shares of 10 pence in the Company which takes his total shareholding to 126,882 ordinary shares in the Company.

Robert Pettigrew, non-executive Director of the Company, has been allotted 4,467 ordinary shares of 10 pence in the Company which takes his total shareholding to 58,759 ordinary shares in the Company.

Employees of the fund manager, YFM Private Equity Limited, have subscribed £0.21 million under the Offers for 234,196 ordinary shares in both the Company and British Smaller Companies VCT plc. Following this allotment the employees of YFM Private Equity hold 359,656 shares across both VCTs.

Applications are now being made by the Company for the ordinary shares which were allotted on 31 March 2014 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and dealings are expected to commence on or around 14 April 2014.

Following the allotment of 11,480,398 ordinary shares, the Company’s issued share capital consists of 57,923,961 ordinary shares with voting rights (“Voting Capital”) and 1,777,722 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

The Offers remain open. A copy of the Prospectus was submitted to the National Storage Mechanism and is available to the public for viewing online at the following web-site address: <http://www.hemscott.com/nsm.do>. It can also be viewed on the Company's website <http://www.yfmep.com>.

1 April 2014

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

# BRITISH SMALLER COMPANIES VCT2 PLC

## Annual Financial Report Announcement for

### the Year to 31 December 2013

British Smaller Companies VCT2 plc (“the Company”) today announces its audited results for the year to 31 December 2013.

#### **Summary Financial Highlights**

- An increase in Total Return of 4.6 per cent to 104.6 pence per ordinary share
- An increase in Net Asset Value of 4.6 pence per ordinary share prior to the payment of dividends, representing a 7.0 per cent increase on the opening Net Asset Value
- Total dividends paid in the year of 4.5 pence per ordinary share
- Total cumulative dividends paid since inception of 39.0 pence per ordinary share

#### **Chairman’s Statement**

I am pleased to report an increase in Net Asset Value per ordinary share of 4.6 pence in the year to December 2013 prior to the payment of dividends totalling 4.5 pence per ordinary share. This is another solid performance as we have continued to build and diversify the investment portfolio and represents a 7.0 per cent increase on the opening Net Asset Value for the year.

The Total Return as at 31 December 2013 increased by 4.6 per cent to 104.6 pence per ordinary share.

## Financial Results

The Net Asset Value increase is summarised as follows:

	Pence per ordinary share	£000	£000
31 December 2012	65.5		27,152
Net underlying increase in portfolio	5.1	2,345	
Net expenses	(0.5)	(221)	
Buy-back of shares	-	(309)	
Issue of new shares	-	3,576	
Ordinary dividends paid	4.6 (4.5)	5,389 (2,083)	
	0.1		3,306
31 December 2013	65.6		30,458

Considerable progress has been made by many of the portfolio businesses during the year with an overall value gain from the investment and fixed income securities portfolio of £2.35 million, an increase of 20.6 per cent on the opening 1 January 2013 portfolio value. This return is made up of a gain on realisation of investments in the year of £0.60 million and a profit on revaluation of the ongoing portfolio of £1.75 million.

During the year to 31 December 2013 the Company has paid total dividends of 4.5 pence per ordinary share, bringing the total cumulative dividends paid since inception to 39.0 pence per ordinary share.

The Total Return, (being Net Asset Value plus cumulative dividends) has increased by 4.6 per cent from 100.0 pence to 104.6 pence per ordinary share.

## Shareholder Relations

### Dividends

Your Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time.

Dividends paid during the year comprise a final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2012 and an interim dividend of 2.0 pence per ordinary share in respect of the financial year just ended, totalling 4.5 pence per ordinary share. This represents 7.0 per cent of the opening Net Asset Value per ordinary share and brings the cumulative dividends paid to 39.0 pence per ordinary share.

The Board is pleased to propose a final dividend of 2.5 pence per ordinary share. This final dividend is subject to approval by Shareholders at the Annual General Meeting and if approved will then be paid on 9 June 2014 to Shareholders on the register at 9 May 2014.

### Dividend Re-investment Scheme (DRIS)

The Company operates a DRIS, which gives Shareholders the opportunity to re-invest any cash dividends. The DRIS is open to all Shareholders, including those who have invested under the recent joint offer.

### Fundraising

During the year the Company raised £3.58 million net of costs, £3.29 million from the issue of new shares following a linked offer with British Smaller Companies VCT plc which closed in April 2013 and £0.29 million via the DRIS.

As a result of a strong investment rate, coupled with the increasing pipeline of prospective investments, the Company recently launched another joint fundraising offer with British Smaller Companies VCT plc to raise £30 million, in aggregate.

### **Shareholder Relations**

Your Board remains committed to enhancing Shareholder communications and continues to hold Shareholder workshops where investors are invited to meet members of the Board, representatives from YFM Private Equity Limited (the Company's Fund Manager) and the CEOs of one or more of our investee companies. Our 19th Shareholder workshop was held at Central Hall Westminster on 12 February 2014 and achieved the highest ever attendance with approaching 200 Shareholders attending. Presentations at the workshop were made by David Hall on behalf of YFM Private Equity Limited, Mark Henley (Managing Director of President Engineering Limited) and Angela Lane (former chairman of Fishawack Communications). After lunch David Hall, David Bell and Paul Cannings, all of YFM Private Equity Limited, hosted a Question and Answer Session which was attended by over 70 Shareholders.

The Annual General Meeting of the Company will be held at 12.00 noon on 19 May 2014 at 33 St James Square, London, SW1Y 4JS.

### **Regulatory**

The Board has submitted an application to the Financial Conduct Authority for approval to become a Self-managed Alternative Investment Fund as defined under the new Alternative Investment Fund Manager's Directive following the implementation of the EU's directive on self-managed investment funds.

The Company has complied with the new reporting regulations throughout this Annual Report. The Board hopes these changes will help Shareholders gain a greater understanding of the Company's performance and strategy.

### **Subsequent Events**

Following the period end a significant investment of £1.64 million has been made to fund the management buyout of Mangar International Limited, a world leader in inflatable lifting and handling bathing equipment for the elderly, disabled and emergency services market. Further to this in March 2013 the Company invested a further £0.07 million into existing quoted portfolio company EKF Diagnostics plc to support further acquisitions to be undertaken by the company.

Subsequent to the year end the Company has made a number of disposals from the quoted portfolio. In January 2014 the Company disposed of its full investment holding in Optos plc generating proceeds of £150,000, as well as the realisation of 35,000 shares in Iomart Group plc which generated an additional £97,000 of proceeds. Whilst in February the Company disposed of 17,000 shares in Pressure Technologies plc generating proceeds of £99,500 and a profit on the 31 December 2013 carrying value of £18,500.

In the three months since the year end the Company has also received £320,000 of monthly capital loan repayments from investee companies. The most significant of these was £228,000 received in January 2014 from Displayplan Holdings Limited as part of an early loan repayment agreed with the company.

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## **Outlook**

The UK economy has begun to see some growth again this year but uncertainties remain regarding the medium term sustainability and most economists assume an extended period of low growth. Our portfolio companies are on the whole well-funded and have focused strategies to maximise the new market opportunities now open to them. The Company remains well placed to continue to support the portfolio businesses in the year ahead.

The Company's new investment activity is focused on small UK businesses with clearly differentiated business models, whether through an established brand, a niche position in a growing market, or an innovative application of services and products. The significant investments made during 2013 have further increased the diversification of the portfolio, with the largest investment representing just 7 per cent of Net Asset Value.

The improved economic conditions together with VCT rule changes which allow up to £5 million of investment in any one investee company have already led to an increase in investment rates which is expected to continue throughout 2014. The Board remains of the opinion that this investment strategy can provide good returns throughout the economic cycles and it was with this in mind that we have sought to further increase the investment capacity of the Company this year.

**Richard Last**  
**Chairman**  
**28 March 2014**

## Fund Manager's Review

### Introduction

The improving economic outlook, hesitant approach from the banks and changes in EU restrictions on qualifying VCT investments are all leading to an increase in the volume and scale of investment opportunities. To fulfil the pipeline of potential investments currently being reviewed and those expected to be made over the coming months, the Company is seeking to increase its investment capacity by way of a joint fundraising with British Smaller Companies VCT plc aimed at raising a combined total of £30 million of new investment funds.

There has been considerable further progress made by many of the businesses in the Company's portfolio during the year. The overall value gain from the investment and fixed income securities portfolio was £2.35 million, an increase of 20.6 per cent on the opening 31 December 2012 portfolio value, which comprises profits on disposals during the year of £0.54 million, deferred consideration gains of £0.06 million and an increase in the residual portfolio value of £1.75 million.

### Investment Portfolio

The Company saw an effective net value gain of £2.37 million (20.8%) on the opening investment portfolio valuation at 31 December 2012, excluding movements due to investments and realisations. This increase includes deferred proceeds but excludes a £0.02 million value decrease on the gilt portfolio. This can be broken down into an unrealised value gain of £1.77 million (£1.36 million from the unquoted portfolio and £0.41 million from the AIM quoted portfolio) and £0.60 million of realised gains of which £0.54 million related to new disposals and £0.06 million related to deferred proceeds from disposals in previous periods. This is broken down in the table below:

	£000 2013		%
<i>Unquoted value gain</i>	1,356		57.3
<i>Quoted value gain</i>	414		17.5
<i>Profit on disposal</i>	537		22.7
	<b>2,307</b>		<b>97.5</b>
<i>Deferred proceeds</i>	59		2.5
<b>Total Value Movement</b>	<b>2,366</b>		100.0

### Significant Investment Movements

The £1.36 million value gain from the unquoted portfolio is a result of good progress by a number of businesses which have seen profits grow despite the continuing economic uncertainty. The key movements were:

- Retail display business, DisplayPlan Holdings Limited, saw a value increase of £0.64 million following strong trading results since the buyout in January 2012.
- Specialist provider of communication solutions in remote locations, Seven Technologies Holdings Limited, saw a value increase of £0.47 million following a solid first year of trading and the strategic acquisition of Datong plc in June 2013.
- Contract catering provider, Waterfall Services Limited, saw an increase of £0.27 million following strong trading results and several new contract wins.
- Supplier of value-add SME telecom services, Callstream Group Limited (formerly Bluebell Telecoms Group Limited), saw a value increase of £0.25 million after delivering cost synergies following previous acquisitions and disposing of non-core contracts in August 2013.

- PowerOasis Limited, provider of software to monitor and control remote hybrid power solutions, saw a fall in value of £0.14 million following a disappointing year where several promising trials have yet to convert into significant commercial contracts.

The £0.41 million increase from the AIM quoted portfolio resulted from the following key movements:

- Manufacturer of high pressure containers for the oil and gas industry, Pressure Technologies plc, accounted for a value increase of £0.35 million following improved trading results and a successful diversification strategy.
- Supplier of advanced automotive testing equipment, AB Dynamics plc, had a strong year following its initial public offering in May 2013 with a value gain of £0.14 million.
- Provider of managed IT hosting services, Iomart Group plc, saw a value gain of £0.10 million as it continued to roll out services and consolidate acquisitions.
- Cambridge Cognition Holdings plc, which produces psychometric tests to diagnose mental health conditions, began the year as an unquoted investment but saw a value fall of £0.10 million following its initial public offer in April 2013 as the market awaits news of commercial progress.

## New Investments

2013 has been an active year for investments with the Company completing eight investments totalling £5.51 million (£4.44 million in 2012). This comprised four new investments and four follow-on investments into existing portfolio companies and is broken down in the table below:

<i>New Investments</i>	£ million
Gill Marine Holdings Limited	1.87
GTK (UK) Limited	1.15
Leengate Holdings Limited	0.93
AB Dynamics plc	0.15
<i>Follow-on Investments</i>	
Seven Technologies Holdings Limited	0.74
Bagel Nash Group Limited	0.39
Hargreaves Services plc	0.20
PowerOasis Limited	0.07
<b>Total Investments</b>	<b>5.50</b>
<i>Capitalised Interest</i>	
Bagel Nash Group Limited	0.01
<b>Total invested</b>	<b>5.51</b>

The new investments during the year totalled £4.10 million.

- In May 2013 the Company invested £0.15 million as part of a £5.0 million AIM placing to support the expansion of AB Dynamics plc, a designer, manufacturer and supplier of advanced testing products to the global automotive industry.
- In September 2013 the Company invested £1.87 million as part of the management buyout of Gill Marine Holdings Limited, the market leading manufacturer of branded sailing clothing and accessories.
- In October 2013 the Company invested £1.15 million to support the management buyout of GTK (UK) Limited, a global manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers.

- In December 2013 the Company invested £0.93 million into Leengate Holdings Limited, a wholesaler, stockist and distributor of industrial valves to fund the management buyout from the Linde Group.

Following the period end a significant investment of £1.64 million has been made to fund the management buyout of Mangar International Limited, a world leader in inflatable lifting and handling and bathing equipment for the elderly, disabled and emergency services markets.

The four investments into the existing portfolio during the year totalled £1.40 million.

- In June 2013 a significant follow-on investment of £0.74 million was provided to Seven Technologies Holdings Limited, a manufacturer of specialist electronic and communication equipment, as part of the funding package for its £7.0 million acquisition of Datong plc, a manufacturer and international supplier of specialist communications products.
- In July 2013 a further £0.39 million was invested into Bagel Nash Group Limited to support the expansion of its bakery and retail roll out strategy.
- In August 2013 a further £0.20 million of shares were acquired in AIM quoted Hargreaves Services plc, a UK producer and distributor of solid fuels with a long term growth strategy.
- In March 2013 £0.07 million was invested into PowerOasis Limited, a provider of power management solutions for wireless networks, as part of a \$5 million funding round led by a strategic investor.

## Disposal of Investments

During the year to 31 December 2013 the Company received proceeds from disposals, repayments of loans and deferred consideration of £3.07 million which resulted in a value gain on disposal of investments of £0.60 million. This is broken down in the table below:

	Net proceeds from sales of investments	Cost of investment	Opening value 1 January 2013	Gain on opening value
	£000	£000	£000	£000
Sale of portfolio investments	2,926	5,532	2,389	537
Deferred proceeds received	125	-	88	37
Deferred proceeds accrued	22	-	-	22
<b>Total Proceeds</b>	<b>3,073</b>	<b>5,532</b>	<b>2,477</b>	<b>596</b>

The most significant proceeds related to:

- In January 2013 £0.27 million was received on the purchase of AIM quoted Tikit Group plc by a trade buyer. The value increase was minimal as the gain had already been taken in the 31 December 2012 valuation but this represented an uplift on cost of £0.09 million.
- In June 2013 £0.70 million of non-qualifying loans to Seven Technologies Holdings Limited were repaid as part of the refinancing package ahead of its purchase of Datong plc.

- In August 2013 the Company realised its investment in healthcare software provider Digital Healthcare Limited via a trade sale to Emis Group plc for proceeds of £1.29 million and an increase over the 31 December 2012 valuation of £0.37 million. This crystallised a loss on cost of £1.79 million due to the failed original strategy to rollout services to the US market which had to be abandoned due to market downturn and changes to reimbursement codes.
- During the year the Company sold 45 per cent of its holding in Pressure Technologies plc for £0.29 million realising a gain on cost of £0.15 million.
- In November 2013 the £0.17 million investor loan to Waterfall Services Limited was repaid following a period of strong trading.

The £125,000 of deferred proceeds relates to further cash payments from the sale of DxS Limited in 2009 and from the sale of Primal Pictures Limited in August 2012, which resulted in a value gain of £37,000. The expected future payments which have been included in the net assets total £132,000, comprising £120,000 relating to Sirigen Group Limited and £12,000 relating to Primal Pictures Limited, an uplift of £22,000 versus the previous carrying values.

## Outlook

The year has seen a continuation of recent uncertain market conditions and although there appears to be some early signs of economic recovery this situation remains fragile. In spite of this many of the portfolio companies have delivered improved results, focusing on proven brands, niche growth sectors or rolling out new technology. We hope to see economic conditions gradually improve but continue to plan for low growth and back business models which will still succeed. The increasing diversification of the portfolio should also help to reduce the volatility of returns.

We have seen a marked increase in new investment enquiries and believe the Company is well-placed to take advantage and select the best of these. The improving economic outlook, hesitant approach from the banks and changes in EU restrictions on qualifying VCT investments are all leading to an increase in the volume and scale of investment opportunities.

With this in mind the Company launched a joint fundraising with British Smaller Companies VCT plc in January 2014 with the aim of raising £30.0 million across the two Companies. This will enable the Company to take advantage of these new investment opportunities and to continue to support our successful portfolio businesses.

We believe there are also several good exit prospects over the next few years, which should allow the Board to achieve its aim of a constant dividend stream whilst preserving and if possible enhancing the underlying Net Asset Value.

David Hall  
YFM Private Equity Limited  
28 March 2014

## Principal Risks

The Board carries out a regular review of the risk environment in which the Company operates. The principle risks and uncertainties identified by the Board and techniques used to mitigate these risks are as follows:

**Economic Risk** - events such as recession and interest rate fluctuations could affect smaller investee companies' performance and valuations.

*Mitigation* - As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy and a diversified portfolio operating in a range of sectors. The Fund Manager actively monitors investee performance which provides quality information for the monthly review of the portfolio.

**Investment and Strategic Risk** – Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to underperformance and poor returns to Shareholders. The quality of enquiries, investments, investee company management teams monitoring, and the risk of not identifying investee company underperformance of the Company might also lead to underperformance and poor returns to Shareholders.

*Mitigation* - The Board reviews strategy annually. At each of the (at least) quarterly Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. The Fund Manager carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible a non-executive director will be appointed to the board of the investee company.

**Loss of Approval as a VCT** - the Company must comply with Chapter 3 Part 6 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

*Mitigation* - one of the Key Performance Indicators monitored by the Company is the compliance with legislative tests. Details of how the Company manages these requirements can be found under the heading "Compliance with VCT Legislative Tests" in the financial statements.

**Regulatory Risk** – the Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and International Financial Reporting Standards as adopted by the European Union. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

*Mitigation* - The Fund Manager has procedures in place to ensure recurring Listing Rules requirements are met and actively consults with brokers, solicitors and external compliance advisors as appropriate. The key controls around the compliance are explained in the financial statements.

**Reputational Risk** – inadequate or failed controls might result in breaches of regulations or loss of Shareholder trust.

*Mitigation* - The Board is comprised of directors with suitable experience and qualifications who report annually to the Shareholders on their independence. The Fund Manager is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation rules relating to co-investments with other funds managed by the Fund Manager have been agreed between the Fund Manager and the Company. Advice is sought from external advisors where required. Both the Company and the Fund Manager maintain appropriate insurances.

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**Operational Risk** - failure of the Fund Manager's and administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

*Mitigation* - The Fund Manager has a documented disaster recovery plan.

**Financial Risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

*Mitigation* - The key controls around financial reporting are described in the financial statements.

**Market/Liquidity Risk** – lack of liquidity in both the venture capital and public markets. Investment in AIM quoted and unquoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

*Mitigation* - overall liquidity risks are monitored on an ongoing basis by the Fund Manager and on a quarterly basis by the Board. Sufficient investments in cash and fixed income securities are maintained to pay expenses as they fall due.

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## Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS").

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Company's financial statements are published on the YFM Equity Partners Limited ("YFM") website, [www.yfmep.com](http://www.yfmep.com). The maintenance and integrity of this website is the responsibility of YFM and not of the Company. The audit work carried out by Grant Thornton UK LLP as independent auditor of the Company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Visitors to the website should be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy; and

- 
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

This statement was approved by the Board and signed on its behalf on 28 March 2014.

Richard Last

Chairman

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## Statement of Comprehensive Income for the year to 31 December 2013

	Notes	2013			2012		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on realisation of investments		-	596	596	-	1,662	1,662
Gains (losses) on investments held at fair value		-	1,748	1,748	-	(622)	(622)
Income	2	689	-	689	594	-	594
Administrative expenses:							
Fund management fee		(141)	(421)	(562)	(116)	(346)	(462)
Other expenses		(340)	-	(340)	(320)	-	(320)
		(481)	(421)	(902)	(436)	(346)	(782)
<b>Profit before taxation</b>		<b>208</b>	<b>1,923</b>	<b>2,131</b>	158	694	852
Taxation	3	-	-	-	(4)	4	-
<b>Profit for the year</b>		<b>208</b>	<b>1,923</b>	<b>2,131</b>	154	698	852
<b>Total comprehensive income for the year</b>		<b>208</b>	<b>1,923</b>	<b>2,131</b>	154	698	852
<b>Basic and diluted earnings per ordinary share</b>	5	<b>0.46p</b>	<b>4.27p</b>	<b>4.73p</b>	0.43p	1.96p	2.39p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2009 published by the Association of Investment Companies.

## Balance Sheet at 31 December 2013

	2013 £000	2012 £000
<b>Assets</b>		
<b>Non-current assets</b>		
Investments	16,255	11,363
Fixed income securities	890	912
Financial assets at fair value through profit or loss	17,145	12,275
Trade and other receivables	132	198
	<b>17,277</b>	<b>12,473</b>
<b>Current assets</b>		
Trade and other receivables	123	423
Cash on fixed term deposit	4,500	7,048
Cash and cash equivalents	8,680	7,484
	<b>13,303</b>	<b>14,955</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(122)	(276)
<b>Net current assets</b>	<b>13,181</b>	<b>14,679</b>
<b>Net assets</b>	<b>30,458</b>	<b>27,152</b>
<b>Shareholders' equity</b>		
Share capital	4,822	4,271
Share premium account	4,926	14,806
Capital redemption reserve	88	88
Other reserve	2	2
Merger reserve	5,525	5,525
Capital reserve	14,568	7,225
Investment holding gains and losses	448	(4,919)
Revenue reserve	79	154
<b>Total Shareholders' equity</b>	<b>30,458</b>	<b>27,152</b>
<b>Net Asset Value per ordinary share</b>	<b>65.6p</b>	<b>65.5p</b>

## Statement of Changes in Equity for the year to 31 December 2013

	Share capital	Share premium account	*Other reserves	Merger reserve	Capital reserve	Investment holding gains losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>90</b>	<b>5,525</b>	<b>6,885</b>	<b>(3,665)</b>	<b>294</b>	<b>15,982</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	154	154
<i>Capital expenses</i>	-	-	-	-	(342)	-	-	(342)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	(622)	-	(622)
<i>Realisation of investments in the year</i>	-	-	-	-	1,662	-	-	1,662
Total comprehensive income for the year	-	-	-	-	1,320	(622)	154	852
<i>Issue of share capital</i>	1,828	11,015	-	-	-	-	-	12,843
<i>Issue costs**</i>	-	(726)	-	-	-	-	-	(726)
<i>Purchase of own shares</i>	-	-	-	-	(184)	-	-	(184)
<i>Issue of shares – DRIS</i>	17	90	-	-	-	-	-	107
<i>Dividends</i>	-	-	-	-	(1,428)	-	(294)	(1,722)
Total transactions with owners	1,845	10,379	-	-	(1,612)	-	(294)	10,318
Realisation of negative goodwill	-	-	-	-	106	(106)	-	-
Realisation of prior year investment holding gains	-	-	-	-	526	(526)	-	-
<b>Balance at 31 December 2012</b>	<b>4,271</b>	<b>14,806</b>	<b>90</b>	<b>5,525</b>	<b>7,225</b>	<b>(4,919)</b>	<b>154</b>	<b>27,152</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	208	208
<i>Capital expenses</i>	-	-	-	-	(421)	-	-	(421)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,748	-	1,748
<i>Realisation of investments in the year</i>	-	-	-	-	596	-	-	596
Total comprehensive income for the year	-	-	-	-	175	1,748	208	2,131
<i>Issue of share capital</i>	504	2,964	-	-	-	-	-	3,468
<i>Issue costs **</i>	-	(178)	-	-	-	-	-	(178)
<i>Purchase of own shares</i>	-	-	-	-	(309)	-	-	(309)
<i>Issue of shares – DRIS</i>	47	239	-	-	-	-	-	286
<i>Dividends</i>	-	-	-	-	(1,800)	-	(283)	(2,083)
<i>Cancellation of share premium account net of costs</i>	-	(12,905)	-	-	12,896	-	-	(9)
Total transactions with owners	551	(9,880)	-	-	10,787	-	(283)	1,175
Realisation of negative goodwill	-	-	-	-	177	(177)	-	-
Realisation of prior year investment holding losses	-	-	-	-	(3,796)	3,796	-	-
<b>Balance at 31 December 2013</b>	<b>4,822</b>	<b>4,926</b>	<b>90</b>	<b>5,525</b>	<b>14,568</b>	<b>448</b>	<b>79</b>	<b>30,458</b>

\*Other reserves include the capital redemption reserve and other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants and the capital redemption reserve was created for the purchase and cancellation of own shares.

\*\* Issue costs include both fundraising costs and costs incurred from the Company's dividend re-investment scheme.

The merger reserve was created to account for the difference between the nominal and fair value of shares issued as consideration for the acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc. The reserve was created after meeting the criteria under section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

The special reserve (now included within the capital reserve – please see below) was initially created following the approval of the Court and a resolution of the Shareholders to cancel the Company's share premium account and is available for other corporate purposes of the Company. In addition to this, on 16 March 2013, the amount standing to the credit of the share premium account as at 5 April 2012 was cancelled pursuant to an order of Court following the passing of a special resolution. The credit arising of £12,905,041, less legal costs of £9,247, has been transferred to a special reserve, which shall be applied in any manner in which the Company's profits available for distribution are able to be applied.

The capital reserve includes gains and losses compared to cost on the realisation of investments, capital expenses, together with the related taxation effect, capital dividends paid to Shareholders and the cost of any share buybacks made by the Company. This is a distributable reserve. The investment holding gains and losses reserve includes increases and decreases in the valuation of investment held at fair value. This is a non-distributable reserve.

The Capital reserve and revenue reserve are both distributable reserves. These reserves total £14,647,000 (2012: £7,379,000) representing an increase of £7,268,000 (2012: £200,000 increase) during the year. This change arises from the revenue profit in the year of £208,000 (2012: £154,000 profit), movements in the capital reserve relating to the realisation of investments and capital expenses of £175,000 profit (2012: £1,846,000 profit), dividends of £2,083,000 (2012: £1,722,000), purchase of shares of £309,000 (2012: £184,000) the realisation of negative goodwill of £177,000 (2012: £106,000), the cancellation of the Company's share premium account of £12,896,000 (2012: nil) and the realisation of prior year investment holding losses of £3,796,000. The directors also take into account the level of the investment holding gains and losses reserve when determining the level of dividend payments.

During the year a presentational adjustment has been made to the Statement of Changes in Equity, such that the special reserve and capital reserve are now shown in total. This has been done to allow for a clearer understanding of the movements during the period.

## Statement of Cash Flows for the year ended 31 December 2013

	2013 £000	2012 £000
<b>Net cash outflow from operating activities</b>	<b>(79)</b>	<b>(354)</b>
<b>Cash flows from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	(5,499)	(4,867)
Proceeds from sale of financial assets at fair value through profit or loss	2,926	5,239
Deferred consideration	125	99
Cash placed on fixed term deposit	(4,500)	(7,048)
Cash maturing from fixed term deposits	7,048	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>100</b>	<b>(6,577)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	3,412	12,743
Issue costs	(122)	(605)
Purchase of own shares	(309)	(184)
Dividends paid	(1,797)	(1,615)
Share premium cancellation cost	(9)	-
<b>Net cash inflow from financing activities</b>	<b>1,175</b>	<b>10,339</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,196</b>	<b>3,408</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,484</b>	<b>4,076</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8,680</b>	<b>7,484</b>

## Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

	2013 £000	2012 £000
Profit before taxation	2,131	852
(Decrease) increase in trade and other payables	(154)	26
Decrease (increase) in trade and other receivables	300	(181)
Gains on disposal of investments in the year	(596)	(1,662)
(Profit) losses on investments held at fair value	(1,748)	622
Capitalised interest	(12)	(11)
<b>Net cash outflow from operating activities</b>	<b>(79)</b>	<b>(354)</b>

## Notes to the Financial Statements for the year to 31 December 2013

### 1. Basis of Preparation

The accounts have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SoRP) issued by the Association of Investment Companies in January 2009 to the extent that they do not conflict with IFRSs as adopted by the European Union.

The financial statements are prepared in accordance with the IFRSs and interpretations in force at the reporting date. The only new standard effective for the year ended 31 December 2013 which has had a material impact on the financial statements is IFRS 13 "Fair Value Measurement". Note 7 of the financial statements includes investments disclosed in the fair value hierarchy classification under IFRS 13 and includes the relevant fair value disclosures as required by IFRS 13. There has been no material change to the measurement of fair values of investments from the implementation of IFRS 13.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include amendments to IFRS 9, IFRS 10, IFRS 11 and IFRS 12, and amendments to IAS 27 and IAS 28. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

### 2. Income

	<b>2013</b>	2012
	<b>£000</b>	£000
Dividends from unquoted companies	<b>40</b>	8
Dividends from AIM quoted companies	<b>44</b>	44
Interest on loans to unquoted companies	<b>384</b>	339
Fixed income Government securities	<b>18</b>	20
Income from investments held at fair value through profit or loss	<b>486</b>	411
Interest on bank deposits	<b>203</b>	183
	<b>689</b>	594

The above is stated net of £57,000 (2012: £52,000) of income in relation to loan interest, which has been fully provided for.

### 3. Taxation

	2013			2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Corporation tax at 20% (2012: 20%)	-	-	-	-	-	-
Profit before taxation	<b>208</b>	<b>1,923</b>	<b>2,131</b>	158	694	852
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2012: 20%)	<b>42</b>	<b>385</b>	<b>427</b>	32	139	171
<b>Effect of:</b>						
UK dividends received	<b>(17)</b>	-	<b>(17)</b>	(10)	-	(10)
Non taxable profits on investments	-	<b>(469)</b>	<b>(469)</b>	-	(208)	(208)
Excess management expenses	<b>(25)</b>	<b>84</b>	<b>59</b>	(18)	65	47
Tax charge (credit)	-	-	-	4	(4)	-

The Company has no provided or unprovided deferred tax liability in either year.

Deferred tax assets of £559,000 calculated at 20 per cent (2012: £500,000 calculated at 20 per cent) in respect of unrelieved management expenses (£2.797 million as at 31 December 2013 and £2.502 million as at 31 December 2012) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

#### 4. Dividends

Amounts recognised as distributions to equity holders in the period:	2013			2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 December 2012 of 2.5p (2011 year end: 2.0p) per ordinary share	154	1,001	1,155	294	472	766
Interim dividend for the year ended 31 December 2013 of 2.0p (2012: 2.0p) per ordinary share	129	799	928	-	765	765
Special dividend of 0.5 pence per ordinary share	-	-	-	-	191	191
	<b>283</b>	<b>1,800</b>	<b>2,083</b>	294	1,428	1,722
Shares issued under DRIS			<b>(286)</b>			<b>(107)</b>
Dividends paid in Statement of Cash Flows			<b>1,797</b>			<b>1,615</b>

The final year-end dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2012 was paid on 5 June 2013 to Shareholders on the register at 3 May 2013.

The interim dividend of 2.0 pence per ordinary share was paid on 27 September 2013 to Shareholders on the register as at 30 August 2013.

A final dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2013 is proposed. This dividend has not been recognised in the year ended 31 December 2013 as the obligation did not exist at the balance sheet date.

#### 5. Basic and Diluted Earnings (Loss) per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to Shareholders of £2,131,000 (2012: £852,000 profit) and 45,070,587 (2012: 35,591,107) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the profit for the year attributable to Shareholders of £208,000 (2012: £154,000) and 45,070,587 (2012: 35,591,107) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to Shareholders of £1,923,000 (2012: £698,000) and 45,070,587 (2012: 35,591,107) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 5,510,680 ordinary shares. The Company has also repurchased 524,961 of its own shares which are held in treasury. The treasury shares have been excluded in calculating the weighted average number of ordinary shares for the period that they were treasury shares.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the investment management agreement. No such shares have been issued or are currently expected to be issued. There are, therefore, considered to be no potentially dilutive shares in issue at 31 December 2013 or

31 December 2012. Consequently, basic and diluted earnings per ordinary share, basic and diluted revenue return per ordinary share and basic and diluted capital return per ordinary share are the same for the years ended 31 December 2013 and 31 December 2012.

## **6. Basic and Diluted Net Asset Value per Ordinary Share**

The basic and diluted Net Asset Value per ordinary share is calculated on attributable assets of £30,458,000 (2012: £27,152,000) and 46,443,563 (2012: 41,457,844) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 December 2013.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the investment management agreement. No such shares have been issued or are currently expected to be issued. There are therefore considered to be no potentially dilutive shares in issue at 31 December 2013 or 31 December 2012. Consequently, basic and diluted Net Asset Value per ordinary share is the same for the year ended 31 December 2013 and 31 December 2012.

## **7. Total Return per Ordinary Share**

The Total Return per ordinary share is calculated on cumulative dividends paid of 39.0 pence per ordinary share (2012: 34.5 pence per ordinary share) plus the Net Asset Value as calculated per note 6.

## **8. Events after the Balance Sheet Date**

Following the period end a significant investment of £1.64 million has been made to fund the management buyout of Mangar International Limited, a world leader in inflatable lifting and handling bathing equipment for the elderly, disabled and emergency services market. Further to this in March 2013 the Company invested a further £0.07 million into existing quoted portfolio company EKF Diagnostics plc to support further acquisitions to be undertaken by the company.

Subsequent to the year end the Company has made a number of disposals from the quoted portfolio. In January 2014 the Company disposed of its full investment holding in Optos plc generating proceeds of £150,000, as well as the realisation of 35,000 shares in Iomart Group plc which generated an additional £97,000 of proceeds. Whilst in February the Company disposed of 17,000 shares in Pressure Technologies plc generating proceeds of £99,500 and a profit on the 31 December 2013 carrying value of £18,500.

In the three months since the year end the Company has also received £320,000 of monthly capital loan repayments from investee companies. The most significant of these was £228,000 received in January 2014 from Displayplan Holdings Limited as part of an early loan repayment agreed with the company.

## **9. Financial Information**

The financial information set out in this announcement for the year ended 31 December 2013 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006 but has been extracted from the Company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 19 May 2014. Those accounts have been reported upon without qualification by the Company's independent auditor and did not contain a statement under Section

498(2) or (3) of the Companies Act 2006.

## **10. Annual Report and Accounts**

Copies of the statutory accounts for the year ended 31 December 2013 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at [www.hemscott.com/msn/do](http://www.hemscott.com/msn/do). They can also shortly be viewed on the Fund Manager's website at [www.yfmep.com](http://www.yfmep.com). Hard copies of the statutory accounts for the year ended 31 December 2013 will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

## **11. Directors**

The directors of the Company are Mr R Last, Mr R Pettigrew, and Mr P Waller.

## **12. Annual General Meeting**

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS on 19 May 2014 at 12.00 noon.

## **13. Final Dividend for the year ended 31 December 2013**

Further to the announcement of its final results for the year ended 31 December 2013, the Company confirms that, subject to its approval by Shareholders at the forthcoming Annual General Meeting to be held on 19 May 2014, the final dividend of 2.5 pence per ordinary share ("Final Dividend") will be paid on 9 June 2014 to those Shareholders on the Company's register at the close of business on 9 May 2014.

## **14. Dividend re-investment scheme ("DRIS")**

The Company operates a dividend reinvestment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Final Dividend is the close of business on 23 May 2014.

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 294 5039
Matthew Thomas	Nplus 1 Singer Advisory LLP	Tel: 0207 496 3000

# British Smaller Companies VCT2 plc

## Result of General Meeting

British Smaller Companies VCT2 plc (“the Company”) announces that the ordinary and special resolutions put to the shareholders of the Company (“Resolutions”) at its general meeting held today on 18 February 2014 (“General Meeting”) were duly passed.

The full text of the Resolutions are included in the notice of General Meeting dated 14 January 2014, contained within the circular of the same date issued to shareholders, in connection with the Company’s current joint fundraising with British Smaller Companies VCT plc, which is available for on-line viewing by the public either at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) or on the website of the Company’s fund manager at [www.yfmep.com](http://www.yfmep.com).

Details of the proxy votes received for the Resolutions in advance of the General Meeting are also available on the website of the Company’s fund manager at [www.yfmep.com](http://www.yfmep.com).

In accordance with the Company’s obligations under Listing Rule 9.6.2, a copy of the Resolutions passed at the General Meeting has been submitted to the National Storage Mechanism and is available for viewing at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 294 5039
Matthew Thomas	Nplus1 Singer Advisory LLP	Tel: 020 7496 3000

## **BRITISH SMALLER COMPANIES VCT2 PLC**

General Meeting on 18 February 2014

Note of Proxies Received

The Company announces that all the resolutions put to the shareholders of the Company ('Resolutions') at a General Meeting held on 18 February 2014 were duly passed.

The full text of the Resolutions were contained in the notice of the General Meeting dated 14 January 2014, a copy of which is also available on this website.

### **ORDINARY RESOLUTIONS**

**Resolution 1** – To authorise the Directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the Offers, rights issue and generally

The total proxy votes received on this resolution were 3,343,519: 3,306,874 in favour (including votes at the Chairman's discretion), 36,645 against, and none withheld.

**Resolution 2** – To authorise the Directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the dividend re-investment scheme

The total proxy votes received on this resolution were 3,343,519: 3,324,775 in favour (including votes at the Chairman's discretion), 7,535 against, and 11,209 withheld.

### **SPECIAL RESOLUTIONS**

**Resolution 3** – To dis-apply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the Offer, rights issue and generally

The total proxy votes received on this resolution were 3,343,519: 3,261,523 in favour (including votes at the Chairman's discretion), 62,847 against, and 19,149 withheld.

**Resolution 4** – To dis-apply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the dividend re-investment scheme

The total proxy votes received on this resolution were 3,343,519: 3,279,424 in favour (including votes at the Chairman's discretion), 44,946 against, and 19,149 withheld.

**Resolution 5** – To amend article 195 of the Company's articles of association with respect to the Company's status as a VCT

The total proxy votes received on this resolution were 3,343,519: 3,275,732 in favour (including votes at the Chairman's discretion), 59,847 against, and 7,940 withheld.

**Resolution 6** – To cancel, subject to the sanction of the High Court, the share premium account

The total proxy votes received on this resolution were 3,343,519: 3,340,519 in favour (including votes at the Chairman's discretion), none against, and 3,000 withheld.

**Note:** The 'Vote Withheld' option is provided to enable shareholders to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your shares in British Smaller Companies VCT2 plc, please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

### **British Smaller Companies VCT2 plc**

(Registered in England and Wales with registered number 04084003)

**Recommended proposals in connection with a joint offer for subscription relating to the authorities to allot Ordinary Shares, the amendment of the articles of association and the cancellation of the share premium account**

Your attention is drawn to the letter from the chairman of the Company set out on pages 3 to 5 which contains a recommendation to vote in favour of the Resolutions to be proposed at the General Meeting.

You will find set out at the end of this document a notice of the General Meeting to be held on 18 February 2014 at 11:30 am (or as soon as practicable thereafter as the BSC General Meeting has concluded or adjourned) to approve the Resolutions. The General Meeting will be held at The Berkeley Room, First Floor, Regus Lounge, 17 Bruton Street, London W1J 6QB.

To be valid, the form of proxy accompanying this document for the meeting should be returned not less than 48 hours (excluding weekends and public holidays) before the General Meeting, either by post or by hand to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU.

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# Part I: Letter from the Chairman

## British Smaller Companies VCT2 plc

Saint Martins House  
210-212 Chapeltown Road  
Leeds  
West Yorkshire LS7 4HZ

14 January 2014

Dear Shareholder

### **Recommended proposals in connection with a joint offer for subscription relating to the authorities to allot Ordinary Shares, the amendment of the articles of association and the cancellation of the share premium account.**

#### **The Offers**

The Company and British Smaller Companies VCT plc (BSC) are seeking to raise additional funds by way of joint offers of up to £30 million in aggregate, with an over allotment facility of up to £10 million in aggregate, to allow further expansion of their diverse investment portfolios.

The Fund Manager receives a high level of investment opportunities from its national network of offices and the Offers, helped by the perceived reluctance of UK banks to lend to small and medium-sized businesses, should enable the Companies to capitalise on these opportunities.

The Offers will enable new and existing Shareholders to invest in a mature and diversified portfolio of businesses that will be supplemented with new investments in line with the Companies' investment strategy. Recent investments by the Company include technical clothing specialist Douglas Gill International Limited (£1.9 million in September 2013), specialist electronic components manufacturer GTK (UK) Limited (£1.2 million in October 2013) and valves wholesaler Leengate Valves Limited (through its holding company HLWKH 556 Limited) (£0.9 million in December 2013).

Subject to a maximum of £24 million being raised by the Company, investors will have the option to invest in either of the Companies or a combination of the two and if no preference is stated, each investor's subscription will be allocated 60% to BSC and 40% to the Company, broadly reflecting the relative sizes of each fund. If £24 million is raised by the Company, an announcement will be made to that effect by the Companies and subscription monies that would have otherwise been allocated to the Company will be returned to the applicant or, subject to the consent of the applicant, be allocated to BSC.

The objectives of both Companies are to provide investors with an attractive long-term tax free dividend yield while maintaining the capital value of their investment and their venture capital trust status. An increase in the size of each of the Companies will enable the fixed element of each of the Companies' running costs to be spread over a wider capital base.

The net proceeds of the Offers will be invested by the Companies in accordance with their stated investment policies. Prior to the investment of funds in suitable Qualifying Investments, those funds will be invested in a portfolio of Government stocks or other similar fixed interest securities, including fixed term bank deposits.

The Offer Shares will be issued on a fully paid up basis in registered form and evidence of title will be through possession of a share certificate in the Shareholder's name. Alternatively, the Offer Shares may be held in an account through the CREST system. An application has been made to the UK Listing Authority and will be made to the London Stock Exchange for the Offer Shares to be admitted to the premium segment of the Official List of the UKLA and to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective and that dealings in the Offer Shares will commence within ten business days of their allotment. The Company will apply for the Offer Shares to be admitted to CREST and it is expected that the Offer Shares will be so admitted, and accordingly enabled for settlement in CREST. Offer Shares will be allotted and issued on 31 March 2014 and 5 April 2014 in respect of valid applications received in respect of the 2013/2014 Offers and on 30 April 2014 for all valid applications received in respect of the 2014/2015 Offers. At the Directors' discretion, they may make earlier allotments should it be deemed appropriate or extend the closing date of the Offers to a date not later than 13 January 2015.

## Expected Timetable

Offers open	
Offers open	14 January 2014
First allotment	31 March 2014*
Dealings commence	10 business days following allotment
Share and Tax certificates issued	within 10 business days of allotment
Offers close**	
2013/2014 Offers	11.00 am on 5 April 2014
2014/2015 Offers	11.00 am on 30 April 2014***

\* At the Directors' discretion, they may make earlier allotments should it be deemed appropriate.

\*\* In the event that the maximum subscription is reached before either closing date the Offers will be individually or jointly closed early.

\*\*\* The Directors reserve the right to extend the closing date of the 2014/2015 Offers (to a date not later than 13 January 2015).

The Directors reserve the right to increase the size of the Offers at their discretion to £40 million, in aggregate.

Shareholder approval is required under the Companies Act 2006 in respect of the Resolutions. The issue of Offer Shares by the Company under the Offers is conditional upon the passing of Resolutions 1, 3 and 5 at the General Meeting.

## Ordinary Resolutions

Resolution 1 will, if passed, give the Board authority to allot Shares in connection with the Offers up to an aggregate nominal amount of £3,000,000, a rights issue and an additional 10 per cent of the issued share capital of the Company immediately following the final closing of the Offers.

This authority will expire on the later of (i) the Company's next annual general meeting and (ii) 15 months from the passing of the Resolution.

Resolution 2 will, if passed, give the Board authority to allot Shares in connection with the Company's dividend re-investment scheme up to an aggregate nominal amount of £650,209, representing approximately 14 per cent of the share capital in issue as at 13 January 2014 (excluding treasury shares) during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution.

## Special Resolutions

Resolution 3 will, if passed, give the Board authority to allot the Shares referred to in Resolution 1 whilst disapplying the statutory pre-emption rights. This authority will expire on the later of (i) the Company's next annual general meeting or (ii) 15 months from the passing of this Resolution.

Resolution 4 will, if passed, give the Board authority to allot the Shares referred to in Resolution 2 whilst disapplying the statutory pre-emption rights. This authority will expire on the fifth anniversary of this Resolution.

Resolution 5 will, if passed, amend article 195 of the Company's articles of association which refers to the duration of the Company. This article provides that at the annual general meeting of the Company held in 2018 and, if the Company has not then been wound-up or reconstructed or re-organised, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being a venture capital trust.

Resolution 6 will, if passed, approve, subject to the sanction of the High Court, the cancellation of the amount standing to the credit of the share premium account of the Company immediately after the final closing date of the Offers. The Directors consider it appropriate to obtain the approval of Shareholders at the General Meeting to cancel the share premium account (subject to the sanction of the High Court) to create further distributable reserves to fund distributions to Shareholders and Share buy-backs, to set off or write off losses and for other corporate purposes of the Company. Application to court will be made if and when the Board feels this is appropriate. This authority is being taken now to provide flexibility to the Board in the future without a further general meeting having to be convened.

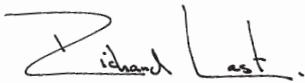
## Action to be Taken

Shareholders will find a form of proxy at the rear of this document for the General Meeting. Whether or not you propose to attend the General Meeting, you are requested to complete and return the form of proxy so as to be received not less than 48 hours before the time appointed for holding the General Meeting. Completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the General Meeting should a Shareholder wish to do so.

## Recommendation

The Board considers that the Resolutions are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the Resolutions. The Directors intend voting in favour of the Resolutions in respect of their own beneficial shareholdings in the Company which, at the date of this Circular, total 192,360 Shares (representing approximately 0.41% of the issued Shares).

Yours sincerely

A handwritten signature in black ink that reads "Richard Last". The signature is written in a cursive style with a large initial 'R' and a distinct 'L'.

**Richard Last**  
**Chairman**

# Part II: Additional Information

## 1. Responsibility and Registered Office

The Company, and the Directors whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Richard Last (Chairman)  
Robert Pettigrew  
Peter Waller

The registered office of the Company is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ.

## 2. Authorised and Issued Share Capital

- 2.1 As at 30 June 2013 (being the end of the last financial period of the Company for which unaudited interim financial information has been published) there were 75,000,000 authorised and 46,371,537 issued Ordinary Shares, each ranking pari passu. All of the Ordinary Shares are listed on the Official List of the UK Listing Authority. The Company held an additional 1,632,722 Shares in the treasury account at 30 June 2013.
- 2.2 Immediately following the close of the Offers, assuming £30,000,000 is raised in aggregate under the Offers, that the price per Offer Share for the Company is 68.0p and that Offer Shares are allocated 60 per cent to BSC and 40 per cent to the Company with 17,647,059 Shares being allotted by the Company under the Offers, the issued share capital of the Company, fully paid or credited as fully paid, will be £6,586,834 divided into 65,868,344 Ordinary Shares (of which 1,777,772 Ordinary Shares will be held in treasury), and there will remain authorised but un-issued a minimum of £913,166 of share capital divided into 9,131,656 Ordinary Shares.

## 3. Directors' and Other Interests

- 3.1 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at 13 January 2014 (being the latest practicable date before publication of this Circular) were:

Director	Ordinary Shares
Richard Last	120,912
Robert Pettigrew	54,292
Peter Waller	17,156

- 3.2 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at the close of the Offers (assuming £30,000,000 is raised in aggregate under the Offers, that the price per Offer Share for the Company is 68.0p, that Offer Shares are allocated 60 per cent to BSC and 40 per cent to the Company and that the Directors are issued Loyalty Bonus Shares) will be:

Director	Ordinary Shares
Richard Last	125,887
Robert Pettigrew	57,277
Peter Waller	20,141

- 3.3 Save as disclosed above, no Director nor (so far as is known to the relevant Director) any person connected with a Director has any interest in the share capital of the Company.

## 4. Significant Shareholdings

As at 13 January 2014 (being the latest practicable date prior to the publication of this Circular) the Directors were not aware of any holdings of 3 per cent or more of the Company's issued share capital or of any person who, directly or indirectly, jointly or severally, exercises control over the Company.

## 5. Material Contracts

5.1 The Company has entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Circular or under which the Company has any obligation or entitlement which is material to it as at the date of this Circular:

5.1.1 An offer agreement dated 14 January 2014 ("the Offer Agreement") between the Companies (1), the Directors (2) and the Fund Manager (3) under which, the Fund Manager has undertaken, as agent of the Companies, to use its reasonable endeavours to procure subscribers under the Offers. As is usual in contracts of this type, the Fund Manager agreed to indemnify the Companies against the costs of the Offers exceeding the Offer Costs Percentage, excluding VAT and trail commission and will receive a percentage of the value of the gross proceeds relating to each applicant under the Offers that is equal to the Offer Costs Percentage relating to that applicant's subscription. Under the Offer Agreement, warranties have been given by each Company, the Directors and the Fund Manager, subject to certain limitations, which are in the usual form for a contract of this type.

5.1.2 An agreement between the Companies and Howard Kennedy dated 12 November 2013 under which Howard Kennedy agreed to act as sponsor to the Offers. The Companies agreed to indemnify Howard Kennedy in respect of losses incurred by Howard Kennedy and which arise, directly or indirectly, from its role as sponsor.

5.1.3 An offer agreement dated 26 October 2011 ("the 2011 Offer Agreement") between the Company (1), the Directors (2), Howard Kennedy (3) and YFM Private Equity (4) under which Howard Kennedy agreed to act as sponsor to the offer for subscription that was launched by the Company in October 2011. As is usual in contracts of this type, YFM Private Equity agreed to indemnify the Company against the costs of that offer exceeding 5.5 per cent of the aggregate value of accepted applications for ordinary shares received under that offer and received a commission of 5.5 per cent of the aggregate value of the gross proceeds received by the Company under that offer, less the upfront commission paid by the Company to recognised intermediaries in respect of accepted applications under the prospectus for that offer. Under the 2011 Offer Agreement YFM Private Equity, the Company and the Directors gave certain warranties which were subject to certain limitations. The Company agreed to indemnify Howard Kennedy in respect of its role as sponsor.

5.1.4 YFM Private Equity provides investment management, administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011 and 16 November 2012. This agreement may be terminated by not less than twelve months' notice given by either party at any time. The key features of the agreement are: YFM Private Equity receives a fund management fee, payable quarterly in advance, at the rate of 2.5 per cent of net assets, calculated at half-yearly intervals as at 30 June and 31 December. Pursuant to a deed of variation dated 26 October 2011 the management fee will be reduced to 1.25 per cent per annum in respect of any net asset value of the Company in excess of £16 million and up to £26.667 million and to 2.0 per cent in respect of any net asset value of the Company in excess of £26.667 million. Pursuant to the deed of variation dated 16 November 2012, YFM Private Equity shall bear the annual operating costs of the Company (including the management fee set out above but excluding any payment of the performance incentive fee details of which are set out at paragraph 5.1.5 below and excluding VAT and trail commissions) to the extent that those costs exceed 3.25 per cent of the Net Asset Values of the Company, a reduction from the previous level of 3.5 per cent. Under the Investment Management Agreement YFM Private Equity also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index (currently £58,489). The total remuneration payable to YFM Private Equity in the period to 31 December 2012 was £519,000.

5.1.5 Under the Subscription Rights Agreement dated 23 November 2001 between the Company (1), YFM Private Equity (2) and Chord Capital Limited (formerly Generics Asset Management Limited) ("Chord") (3), as amended by an agreement between those parties dated 31 October 2005, YFM Private Equity and Chord have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue by BSC2 of Ordinary Shares) equivalent to 20 per cent of the amount by which the cumulative cash dividends paid as at the last business day in December in any year plus the average of the middle market quotation per Ordinary Share exceeds 120.0 pence per Ordinary Share on that same day multiplied by the number of Ordinary Shares in issue and the Shares under option (if any). The subscription rights are exercisable in the ratio 59:41 between YFM Private Equity and Chord. No Shares have been issued under this agreement. By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity subscription right was assigned to YFM Private Equity Limited Carried Interest Trust (the "Trust"), an employee benefit trust formed for the benefit of certain employees of YFM Private Equity and associated companies. Mr Cammerman, as a former employee of YFM Private Equity, is one of the beneficiaries of that Trust.

Pursuant to a deed of variation dated 16 November 2012 between the Company (1), the trustees of the Trust (2) and Chord (3), the Subscription Rights Agreement was varied so that the subscription rights will be exercisable in the ratio of 95:5 between the trustees of the Trust and Chord.

Following the issue of this document, arrangements will be put in place in order that the benefit of the subscription rights are extended to include all of the Company's issued Shares.

5.1.6 Under an agreement dated 28 November 2000 between the Company and Brewin Dolphin Limited ("Brewin"), Brewin agreed to act as investment manager to the Company in relation to its portfolio of short-term Government securities and to produce monthly portfolio valuations. In return for such services Brewin is entitled to receive a management fee based on an ad valorem charge of 0.2 per cent per annum (plus VAT) of funds under management, payable quarterly subject to a maximum annual fee of £25,000 (plus VAT). This cost is borne by the Fund Manager.

5.1.7 By a deed of novation dated 6 November 2012 (to the agreement dated 3 September 2004 as novated 1 April 2009) between the Company (1) and Nplus1 Singer Advisory LLP ("Singer") (2), Singer agreed to act as brokers to BSC2, and, inter alia, to act as a market maker in the Shares of the Company and to carry out share purchases on the Company's behalf. Singer is entitled to receive an annual fee of £10,000, plus VAT if applicable, payable quarterly in arrears on 30 September, 31 December, 31 March and 30 June. Under the terms of the novated agreement the Company indemnifies Singer against losses arising out of Singer's appointment except where such losses arise from Singer's breach of agreement, negligence or wilful default.

## 6. Directors' Service Contracts and Remuneration

None of the Directors has a service contract with the Company and the services of the Directors are provided to the Company pursuant to letters of appointment, under which they are required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their role as a non-executive director.

The Directors are each currently entitled to receive the following annual fees:

Director	£
Richard Last	31,500
Robert Pettigrew	18,000
Peter Waller	18,000
	<b>67,500</b>

## 7. Significant Changes

Since 30 June 2013 (being the end of the last financial period of the Company for which unaudited interim financial information has been published), there has been no significant change in the financial or trading position of the Company.

## **8. Documents Available for Inspection**

Copies of the following documents will be available for inspection from the date of this Circular until the conclusion of the General Meeting during normal business hours and on any weekday (Saturdays and public holidays excepted) at the registered office of the Company at Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ:

- 8.1 the audited accounts of the Company for the years ended 31 December 2010, 2011 and 2012;
- 8.2 the unaudited interim financial statements for the 6 month periods to 30 June 2012 and 30 June 2013;
- 8.3 the Company's articles of association;
- 8.4 the Directors' letters of appointments referred to in paragraph 6 above; and
- 8.5 this Circular.

14 January 2014

# Part III: Definitions

<b>"2013/2014 Offers"</b>	the offers for subscription of Ordinary Shares to a value not exceeding £40 million, in respect of the tax year 2013/2014, details of which are set out in this document;
<b>"2014/2015 Offers"</b>	the offers for subscription of Ordinary Shares to a value not exceeding £40 million, in respect of the tax year 2014/2015, details of which are set out in this document;
<b>"Board" or "Directors"</b>	Richard Last, Robert Pettigrew and Peter Waller;
<b>"BSC"</b>	British Smaller Companies VCT plc, registered with the Registrar of Companies of England and Wales with registered number 03134749 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
<b>"the Circular"</b>	this document;
<b>"the Company"</b>	British Smaller Companies VCT2 plc, registered with the Registrar of Companies of England and Wales with registered number 04084003 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
<b>"the Companies"</b>	the Company and BSC;
<b>"the Prospectus"</b>	the prospectus dated the date of this Circular relating to the Offers;
<b>"Financial Advisers"</b>	an authorised intermediary offering investment advice to his client;
<b>"Fund Manager" or "YFM Private Equity"</b>	YFM Private Equity Limited, registered number 02174994 and whose registered office is Saint Martins House, 210-212 Chapeltown Road, Leeds, West Yorkshire LS7 4HZ;
<b>"General Meeting"</b>	the general meeting of the Company to be held on 18 February 2014 (or any adjournment thereof);
<b>"Howard Kennedy"</b>	Howard Kennedy Corporate Services LLP, registered number OC354088;
<b>"Offer Costs Percentage"</b>	(i) 5.5 per cent of gross funds raised by the Companies in respect of applications received through execution only brokers and (ii) 3.5 per cent of gross funds raised by the Companies in respect of applications received through Financial Advisers or for direct applications;
<b>"Offers"</b>	the 2013/2014 Offers and the 2014/2015 Offers;
<b>"Offer Shares"</b>	Shares to be issued under the Offers;
<b>"Resolutions"</b>	the resolutions to be proposed at the General Meeting;
<b>"Shareholders"</b>	holders of Shares;
<b>"Shares" or "Ordinary Shares"</b>	ordinary shares of 10.0 pence each in the capital of the Company;
<b>"VCT"</b>	a venture capital trust as defined in Section 259 Income Taxes Act 2007.

# Part IV:

# British Smaller Companies VCT2 plc

(registered number 04084003)

## Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of British Smaller Companies VCT2 plc will be held at The Berkeley Room, First Floor, Regus Lounge, 17 Bruton Street, London W1J 6QB at 11:30 am on 18 February 2014 (or as soon as practicable thereafter as the BSC general meeting has concluded or adjourned) to consider and, if thought fit, pass the following Resolutions which will be proposed as ordinary Resolutions as to Resolutions 1 and 2 and as special Resolutions as to Resolutions 3 to 6:

### Ordinary Resolutions

(1) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Shares in the Company or to grant rights to subscribe for or to convert any security into Shares in the Company in connection with:

- (i) the Offers, up to an aggregate nominal amount of £3,000,000;
- (ii) an offer of securities by way of a rights issue;
- (iii) the allotment for cash (otherwise than pursuant to sub-paragraphs (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued Ordinary Share capital of the Company immediately following the final closing of the Offers,

during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the date hereof or the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted, or rights to subscribe for or to convert any security into Shares to be granted, after such expiry and that all previous authorities given to the Directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

(2) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Shares in the Company in connection with the dividend re-investment scheme up to an aggregate nominal amount of £650,209 representing approximately 14 per cent of the share capital in issue as at 13 January 2014 (excluding treasury Shares) during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted after such expiry and that all previous authorities given to the Directors to allot Shares in connection with the dividend re-investment scheme be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

### Special Resolutions

(3) THAT the Directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in Resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with:

- (i) the Offers;
- (ii) an offer of securities by way of rights;
- (iii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) to (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued Share capital of the Company immediately following the final closing of the Offers,

but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(2) of the Act as if in the first paragraph of this Resolution the words "pursuant to the general authority conferred upon the Directors in Resolution (1) above" were omitted;

- (4) THAT the Directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring on the fifth anniversary of this Resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in Resolution (2) above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the dividend re-investment scheme up to an aggregate nominal amount of £650,209 representing approximately 14 per cent of the share capital in issue as at 13 January 2014 (excluding treasury shares) but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;
- (5) THAT article 195 of the Company's articles of association be amended to delete the reference to "2018" in line 1 and substitute "2020" therefor;
- (6) THAT, subject to the sanction of the High Court, the amount standing to the credit of the Share premium account of the Company immediately after the final closing date of the Offers be cancelled.

**BY ORDER OF THE BOARD**

KHM Secretarial Services Limited

Secretary

Registered Office:  
Saint Martins House  
210-212 Chapeltown Road  
Leeds  
LS7 4HZ

Information regarding the General Meeting, including the information required by Section 311A of the Companies Act 2006, is available from **[www.yfmep.com](http://www.yfmep.com)**

14 January 2014

## Notes

- (a) Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under Section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy must be completed and signed and together with the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote.
- (c) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Asset Services before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the Ordinary Shares of the Company kept, a copy of the amended Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's Shares registered on the Register of Members of the Company as at 6 pm on 14 February 2014 or, in the event that the General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such Shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6 pm on 14 February 2014 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
- (g) As at 13 January 2014, the Company's issued share capital comprised 46,443,563 Ordinary Shares with a further 1,777,722 Ordinary Shares held in treasury. The total number of voting rights in the Company as at 13 January 2014 is 46,443,563. The website referred to above will include information on the number of Ordinary Shares and voting rights.
- (h) If you are a person who has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the General Meeting;
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same Share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the letter from the Chairman and proxy form), to communicate with the Company for any purposes other than those expressly stated.
- (l) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not less than 48 hours (excluding weekends and public holidays) before the time of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

# Form of Proxy

## British Smaller Companies VCT2 plc

(Registered in England and Wales with registered number 04084003)

For use at the General Meeting of the above-named Company to be held on 18 February 2014, at The Berkeley Room, First Floor, Regus Lounge, 17 Bruton Street, London W1J 6QB at 11:30 am (or as soon as practicable thereafter as the BSC general meeting has concluded or adjourned).

I/We\* \_\_\_\_\_ (in BLOCK CAPITALS please)

of \_\_\_\_\_

being a member of the above-named Company, hereby appoint the Chairman of the General Meeting (see note 2)

or \_\_\_\_\_

of \_\_\_\_\_

as my/our\* proxy to attend for me/us\* on my/our\* behalf at the General Meeting of the Company to be held at as detailed above or at any adjournment thereof.

Number of Ordinary Shares proxy is appointed over \_\_\_\_\_

Please tick here if you are appointing more than one proxy

I/ We\* desire to vote on the Resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the Resolutions are set out in the Notice of the General Meeting

	FOR	AGAINST	WITHHELD
<b>ORDINARY RESOLUTION</b>			
1. To authorise the Directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the Offers, rights issue and generally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To authorise the Directors to allot Ordinary Shares pursuant to Section 551 of the Companies Act 2006 in connection with the dividend re-investment scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>SPECIAL RESOLUTIONS</b>			
3. To disapply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the Offers, rights issue and generally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To disapply Section 561(1) of the Companies Act 2006 in respect of the allotment of Ordinary Shares pursuant to the dividend re-investment scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To amend article 195 of the Company's articles of association with respect to the Company's status as a VCT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To cancel, subject to the sanction of the High Court, the share premium account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* Delete as appropriate

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signature(s) \_\_\_\_\_ / \_\_\_\_\_



## NOTES

1. The Notice of the General Meeting is set out on pages 11 to 14 of the Circular.
2. Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the General Meeting" and insert the name and address of the person whom you wish to appoint in the space provided.
4. Any alterations to the Form of Proxy should be initialled.
5. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote.
6. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Asset Services before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note 9 below, the proxy appointment will remain valid.
7. In the case of a corporation, this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
8. In the case of joint Shareholders, any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
9. Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

# British Smaller Companies VCT2 plc

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## **British Smaller Companies VCT2 plc (“the Company”)**

Publication of Prospectus and Circular re: joint offers

On 14 January 2014, the Company and British Smaller Companies VCT plc issued a prospectus (which is comprised of a securities note, a registration document and a summary document) and circulars relating to joint offers for subscription to raise up to £30 million in aggregate (“the Offers”).

The Offers opened on 14 January 2014. The Offers in relation to the 2013/2014 tax year will close at 11:00 am on Saturday 5 April 2014 and the Offers in relation to the 2014/2015 tax year will close at 11:00 am on Wednesday 30 April 2014 (or such later date to which the Directors extend the 2014/2015 Offers) or earlier should the Offers become fully subscribed.

Copies of these documents have been submitted to the National Storage Mechanism and will be available to the public for viewing online at the following web-site address:

<http://www.hemscott.com/nsm.do>. They will also be available for viewing on the Fund Manager’s website <http://www.yfmep.com>.

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

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