

# BRITISH SMALLER COMPANIES VCT2 PLC Annual Financial Report

## Announcement for the Year to 31 December 2012

British Smaller Companies VCT2 plc (“the Company”) today announces its audited results for the year to 31 December 2012.

Whilst the general economic backdrop has remained challenging the total return to Shareholders has increased by 1.5% in the year. The financial highlights are:

- An increase in the proposed final dividend to 2.5 pence per ordinary share
- An increase in Net Asset Value of 2.2 per cent prior to the payment of dividends
- The investment portfolio has increased in value by 10.3 per cent over the year
- Dividends for the year total 4.5 pence per ordinary share. This brings cumulative dividends paid to Shareholders at 31 December 2012 to 34.5 pence per ordinary share.
- Average annual dividend of 4.8 pence per ordinary share over 5 years, representing a yield of 8.2% on the share price at 31 December 2012.
- An increase in Total Return of 1.5 per cent to 100.0 pence per ordinary share

### Chairman’s Statement

I am pleased to report an increase in Net Asset Value per ordinary share of 1.5 pence in the year to December 2012 prior to the payment of dividends totalling 4.5 pence per ordinary share which includes a special dividend of 0.5 pence per ordinary share. This is another solid performance against the backdrop of ongoing economic challenges and represents a 2.2 per cent increase on the opening Net Asset Value for the year. The Total Return as at 31 December 2012 increased by 1.5 per cent to 100.0 pence per ordinary share. During the year the Company made new investments of £4.44 million.

In April 2012 the Company completed a successful offer for subscription, raising gross proceeds of over £10 million and on 16 November 2012 announced a further fundraising by way of joint offers for subscription with British Smaller Companies VCT plc. I am pleased to report that the Company has made a first allotment of 3,136,695 shares raising total gross proceeds of £2.18 million under the offers. The offer in relation to the 2012/2013 tax year remains open until 11:00 am on Friday 5 April 2013, and the offer in relation to the 2013/2014 tax year closes on 30 April 2013, but may close early in the event of full subscription.

The special dividend of 0.5 pence per ordinary share paid in October 2012 followed two profitable disposals of the investments in Primal Pictures Limited and Sirigen Group Limited, from the unquoted portfolio. The total dividends paid in the year of 4.5 pence per ordinary share brings the cumulative dividends paid since the Company’s inception to 34.5 pence per ordinary share.

## Financial Results

The movement in Net Asset Value per ordinary share and the dividends paid in the year can be summarised as follows:

	Pence/ordinary share
31 December 2011	68.5
Net increase in value	2.1
Buy-back of shares	0.1
Issue of new shares	(0.7)
Ordinary dividends paid	(4.0)
Special dividend paid	(0.5)

**31 December 2012** **65.5**

During the 12 months to 31 December 2012 the Company realised a gain on investments of £2.252 million compared to original cost and an uplift of £1.662 million on the opening value. This comprises:

	Net proceeds from sales of investments  £000	Cost of investment  £000	Opening value 1 January 2012  £000	Gain on opening value  £000	Profit on cost  £000
Sale of Quoted and Unquoted investments	4,111	2,214	2,675	1,436	1,897
Deferred Proceeds received	99			99	99
<b>Total Cash Proceeds</b>	<b>4,210</b>	<b>2,214</b>	<b>2,675</b>	<b>1,535</b>	<b>1,996</b>
Deferred Proceeds accrued	197		65	132	197
<b>Total Proceeds</b>	<b>4,407</b>	<b>2,214</b>	<b>2,740</b>	<b>1,667</b>	<b>2,193</b>
Fixed Income Securities	1,127	1,068	1,132	(5)	59
<b>Total</b>	<b>5,534</b>	<b>3,282</b>	<b>3,872</b>	<b>1,662</b>	<b>2,252</b>

The proceeds from these disposals have allowed for the payment of a capital dividend of 3.7 pence per ordinary share (£1.428 million) with the remaining dividend of 0.8 pence per ordinary share (£0.294 million) being paid from revenue.

In the 12 months since 31 December 2011 the Total Return, calculated by reference to Net Asset Value plus cumulative dividends, has increased by 1.5 per cent, and over the last 2 years it has increased by 5.9 per cent. Over the same two year period this compares to a 5.8 per cent increase in the FTSE™ Small Cap Share index and a fall of 24.3 per cent in the FTSE All Share™ index.

Cumulative dividends at 31 December 2012 amounted to 34.5 pence per ordinary share. The Net Asset Value per ordinary share as at 31 December 2012 was 65.5 pence per ordinary share.

## Investment Portfolio

Including the deferred proceeds received during the year the effective net gain on the investment portfolio was £1.05 million equivalent to 2.1 pence per ordinary share, an increase of 10.3 per cent on the opening 31 December 2011 portfolio value, which comprises profits on disposals during the year of £1.44 million, deferred consideration gains of £0.23 million and a reduction in residual portfolio value of £0.62 million.

There are currently thirty active companies in the portfolio of which nineteen are unquoted and the remaining eleven are quoted and traded on AIM on the London Stock Exchange. This compares to twenty nine companies at the end of 2011. The current value of the unquoted portfolio is £9.357 million, whilst the AIM quoted portfolio is valued at £2.006 million - these represent 82.3 per cent and 17.7 per cent of the total portfolio respectively.

During the year strong profits were generated from a number of disposals, although despite progress in many of the underlying businesses, the current carrying value of the residual portfolio has reduced by £0.62 million after allowing for the impact of investment disposals and deferred consideration payments. This figure comprises an increase of £0.17 million in the value of AIM investments, a fall in value of £0.79 million in respect of unquoted investments. The gilt portfolio has remained stable with a marginal decrease in the value of £0.01 million.

Good progress has however been made by a number of our portfolio businesses which have seen profits grow despite the challenging economic environment.

- Since the initial investment in DisplayPlan Holdings Limited in January 2012 the business has had a very strong first year of trading and the value of the Company's investment has increased by £0.80 million to £1.50 million.
- Humber-based stevedoring and logistics operator, RMS Group Holdings Limited, has delivered another year of good profits, enabling the Company's remaining debt to be repaid in full and increasing the value of the remaining investment by £0.12 million.
- Several of the Company's quoted investments also reported good results with value increases seen by Iomart Group plc (up £0.13 million), Tikit Group plc (up £0.08 million) and Brady plc (£0.65 million). Subsequent to the year end the Company realised its investment in Tikit Group plc crystallising a further gain of £0.08 million.
- The largest negative changes in valuation were seen at Immunobiology Limited (£0.51 million) due to the pricing of a new £3.0 million investment round which was led by the Company, and Digital Healthcare Limited (£0.48 million) which is now profitable and consequently valued on an earnings basis although this has resulted in a lower valuation compared to the previous valuation method which was linked to the prior investment round price.

## New Investments

2012 has been an active year for investments with the Company completing nine investments totalling £4.44 million compared to £2.78 million in 2011. This comprised four new investments in unquoted companies, one new investment into an AIM quoted company and four follow-on investments into existing portfolio companies.

The five new investments were:

- £1.26 million was invested to support the expansion plans of Seven Technologies Holdings Limited, a Northern Irish engineering business which specialises in developing bespoke electronics and communications applications for operation in inhospitable environments.
- £0.70 million was invested into DisplayPlan Holdings Limited as part of the buyout of this UK-based retail display group from its US parent company.
- £0.78 million was invested to fund the buyout of Insider Technologies (Holdings) Limited, an established provider of monitoring and scheduling software to the financial services and national security sectors.
- £0.30 million was invested into the buyout of Selima Limited, an established payroll & HR software services provider.
- £0.13 million was invested into AIM-quoted Hargreaves Services plc, the UK's largest solid fuel production and bulk haulage company.

The largest further investment into the portfolio was £0.90 million as part of a £3.0 million investment round into vaccine platform technology development business Immunobiology Limited. The Company led this round which included £1.0 million from a new external investor and this funding provides a clear path to achieve human trial results for its leading meningitis product to validate this innovative technology.

## Disposal of Investments

During the year the Company received proceeds from disposals and deferred consideration of £4.21 million with a further £0.2 million deferred consideration included in accrued income, representing a profit on cost of £2.19 million and an uplift on the opening value of £1.66 million, including a small £0.01 million loss on sales from the gilt portfolio. The two most significant disposals from the unquoted portfolio were:

- Primal Pictures Limited was sold to a UK-listed media group in August 2012, delivering total cash proceeds for the year of £2.01 million and a profit on disposal of £0.93 million. The profit on cost during the life of the investment was £1.11 million and represents a multiple on cost of 2.24x. A further £0.01 million has been included in accrued income in respect of expected deferred consideration.
- Sirigen Group Limited was sold to a US-based international healthcare group in August 2012, generating cash proceeds of £1.45 million and a profit on disposal of £0.53 million. This represents a profit on initial investment cost of £0.93 million and a multiple of 2.80x. The Company is also entitled to significant further deferred consideration payments of up to

£0.6 million but only £0.11 million has been taken as profit as at December 2012.

In the 12 months to December 2012 the Company has received £0.05 million of deferred proceeds in respect of the trade sale of DxS Limited in 2009, bringing the total amount received from this investment to £2.64 million, representing a multiple of 16.17x on capital invested.

## Shareholder Relations

### Dividends

Your Board remains committed to achieving the objective of a consistent and increasing dividend stream over time. The Company paid dividends of 4.5 pence per ordinary share in the year and your Board is pleased to propose a final dividend of 2.5 pence per ordinary share. If approved at the Annual General Meeting, the dividend will be paid on 5 June 2013 to shareholders on the register as at 3 May 2013.

### Fundraising

Following an offer for subscription published on 26 October 2011 your Board is pleased to report the offer was fully subscribed and raised a total of £10 million net of costs.

The recent changes to UK legislation implemented with effect from 6 April 2012 have increased the ability of Venture Capital Trusts to invest in growing British businesses. This together with the restricted supply of other forms of finance has combined to make this an attractive investment environment for those such as VCTs that are able to take a medium term view. In particular businesses now have the ability to receive investment of up to £5 million in any one year from Venture Capital Trusts, which is an increase of £3 million over the previous limit. The Company is therefore seeking to increase further its investment capacity by £5 million through joint offers with British Smaller Companies VCT plc. The offer in relation to the 2012/2013 tax year remains open until 11:00am on Friday 5 April 2013 and the offer in relation to the 2013/2014 tax year remains open until 11:00am on Tuesday 30 April 2013 but may close earlier in the event of full subscription.

Following an excellent response to the offers, an initial allotment of 3,136,695 new ordinary shares was made on 31 December 2012. As at the date of this report the Company has received applications of £5.96 million under the joint offers.

### Share Buy-Back Policy

Following a review of the Share buy-back policy, the Board is pleased to advise that, as of 2 April 2013, the rate of discount to Net Asset Value at which ordinary shares are bought by the Company will be reduced to no more than 10 per cent from the previously stated 15 per cent.

### 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 18th Shareholder workshop was held at Lord's Cricket Ground in London on 6 February 2013 and achieved the highest ever attendance with approaching 200 Shareholders attending. Presentations at the workshop were made by David Hall on behalf of the

Company's Fund Manager, as well as the CEOs of investee companies Selima Limited and DisplayPlan Holdings Limited and independent analyst and commentator Martin Churchill. Ten separate afternoon "Meet the Manager" sessions were attended by over 50 Shareholders.

The Annual General Meeting of the Company will be held at 12.00 noon on 20 May 2013 at 33 St James Square, London, SW1Y 4JS.

#### Subsequent Events

Since the year end the Company has disposed of its holding in AIM quoted Tikit Group plc, supplier of enterprise software to UK legal practices, on its trade sale to British Telecommunications plc which completed in January 2013. The Company received £0.27 million of cash proceeds for the sale of its shares, representing a profit on original cost of £0.08 million.

In March 2013 a further investment of £0.07 million was made into existing portfolio company PowerOasis Limited, provider of energy management solutions to telecoms infrastructure operators. This investment was part of a significant \$5 million investment round led by a strategic trade investor.

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 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. Following the cancellation, the total distributable reserves of the Company will increase to £20,284,000.

Following the acquisition of May Gurney Integrated Services plc by Costain Group plc on 26 March 2013 the Company disposed of its full shareholding of 39,000 shares for 2.42 per share raising total proceeds of £0.09 million.

#### Outlook

The uncertain economic conditions have continued throughout the year and it is clear that the UK economy is likely to continue to experience flat or very low growth for some time to come. However the portfolio companies on the whole remain well funded and have clear strategies to maximise the new market opportunities they now see. This Company remains well placed to continue to support our portfolio companies and take advantage of investment opportunities that may arise in the short term.

The Company's new investment activity is focussed on small UK businesses with clearly differentiated business models, whether through an established brand or a niche position in a growing market, or innovative application of services and products. The investments made during 2012 clearly demonstrate this approach and have further increased the diversification of the portfolio, the largest investment representing less than 6 per cent of Net Asset Value.

The Board remains of the opinion that the ongoing economic challenges will provide many good investment opportunities and that this investment strategy can provide good returns throughout the economic cycles. 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 2013

## Fund Manager's Review

### Introduction

The Company is increasing its investment capacity to take advantage of the further investment opportunities over the coming months. The increase to £5 million in the amount of investment that companies can now receive from Venture Capital Trusts may well lead to an increase in investment demand over and above that seen in 2012. As a result the Board announced in November 2012 joint offers for subscription with British Smaller Companies VCT plc to be able to take advantage of opportunities as and when they arise.

In spite of a continuation of the challenging economic environment, 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 portfolio was £1.05 million, an increase of 10.3 per cent on the opening 31 December 2011 portfolio value, which comprises profits on disposals during the year of £1.44 million, deferred consideration gains of £0.23 million and a reduction in the residual portfolio value of £0.62 million.

### Significant Investment Movements

- Following the investment in sales resource in 2011 Primal Pictures Limited was able to further meet the commercial market demand for its new educational product which was instrumental in closing the trade sale during the year.
- Sirigen Group Limited made further progress in integrating its innovative fluorescent marking technology into a number of commercial products leading to the sale during the year to one of its key customers.
- Following the buyout in January 2012 of retail display group, DisplayPlan Holdings Limited, the management team were able to deliver some significant customer gains in their first year of independence.
- After a protracted period Immunobiology Limited closed a £3.0 million investment round in August 2012 to fund clinical trials for its leading meningitis vaccine.
- Bagel Nash Group Limited has begun the retail rollout of its bagel and coffee bars based in the north of England increasing the number of outlets from 11 to 15, and is now seeking to expand its baking capacity.
- Following the acquisition of its competitor in the UK retinal screening market, Digital Healthcare Limited delivered a profitable year in spite of significant pricing pressures from the NHS body governing the national diabetic screening programme.

- TeraView Limited, a developer of innovative commercial applications utilising its leading terahertz technology, fell short of its revenue projections leading to a re-evaluation of the commercial strategy led by the company's non-executive director.
- Quoted business Iomart Group plc continued to report strong progress of its strategy to consolidate the fragmented outsourced IT hosting market.

## Summary

Investment activity levels have increased with nine investments during the year totalling £4.44 million (plus capitalised interest of £0.1 million).

The Company has made four full disposals during the year from the un-quoted portfolio and four part disposals from the quoted portfolio generating £4.11 million of cash proceeds, with a further £0.3 million of deferred consideration recognised.

Cash and gilt investments at 31 December 2012 were £15.44 million representing 56.88 per cent of net assets, which compares to £5.69 million (35.63 per cent of net assets) at 31 December 2011.

## Portfolio Overview

Overall, the quoted and unquoted portfolio increased by £1.15 million to a total of £11.36 million from £10.21 million. Netting off the additions of £4.45 million and carrying value of disposals of £2.68 million from the opening December 2011 value, the net portfolio value movement of the residual portfolio over the year was a decrease of £0.62 million.

Overall the portfolio remains well funded and positioned for value growth as economic conditions improve and current strategies are implemented to capitalise on the changing market conditions.

	Quoted and unquoted portfolio £000	Deferred proceeds £000	Total £000
1 January 2011	10,209	65	10,274
Additions	4,445	-	4,445
Valuation changes			
Unquoted	(788)	-	(788)
Quoted	173	-	173
Proceeds	(4,112)	(99)	(4,211)
Profit on disposal	1,436	231	1,667
31 December 2012	11,363	197	11,560

The £99,000 of deferred proceeds relates to further cash payments from the sale of DxS Limited to Qiagen in 2009 and from the sale of Primal Pictures Limited in August 2012. There are expected future payments which have been included in the net assets at a total of £198,000 which comprise of £70,000 in relation to DxS Limited, £18,000 relating to Primal Pictures Limited and £110,000 relating to Sirigen Group Limited. This value compares to a maximum entitlement to deferred proceeds of £741,000.

Including the deferred proceeds the effective net movement in the opening December 2011 value of the Company's portfolio was an increase of £1.05 million. This can be analysed as:

	2012	
	£000	%
Quoted	173	1.52
Unquoted	(788)	(6.93)
Profit on disposal	1,436	12.64
Deferred proceeds	231	2.03
Total Value Movement	1,052	9.26

The £788,000 reduction in value of the unquoted portfolio principally relates to three investments, Immunobiology Limited, Digital Healthcare Limited and TeraView Limited. The portfolio is now well diversified with the biggest single investment representing less than 6 per cent of the Net Asset Value and mainly consisting of investments in profitable businesses (70 per cent by number and 83 per cent by value).

The quoted portfolio increase was in line with the overall movements in the quoted markets over the same period.

The investment portfolio held at the year end can be analysed into the following categories:

<b>NON LISTED INVESTMENTS</b>	<b>£000</b>
Non Qualifying	831
Qualifying	8,526
	<b>9,357</b>
<b>AIM LISTED INVESTMENTS</b>	
Non Qualifying	1,362
Qualifying	644
	<b>2,006</b>
<b>TOTAL INVESTMENTS</b>	<b>11,363</b>

### Investment Activity

During the year the Company made a total of nine investments (£4.44 million), comprising five new investments and four follow-on investments into existing companies:

	£million
<i>New Investments</i>	
Seven Technologies Holdings Limited	1.26
Insider Technologies (Holdings) Limited	0.78
DisplayPlan Holdings Limited	0.70
Selima Limited	0.30
Hargreaves Services plc	0.13
<i>Follow-on Investments</i>	
Immunobiology Limited	0.90
Vianet Group Plc	0.16
EKF Diagnostics Holdings plc	0.15
Sirigen Group Limited	0.06
<b>Total Investments</b>	<b>4.44</b>
<i>Capitalised Interest</i>	
Bagel Nash Group Limited (Capitalised Interest)	0.01
<b>TOTAL</b>	<b>4.45</b>

- Seven Technologies Holdings Limited is a Northern Ireland based engineering business specialising in developing bespoke electronics and communications applications for use in inhospitable environments.
- Insider Technologies (Holdings) Limited is an established provider of monitoring and scheduling software to the financial services and national security sectors.
- DisplayPlan Holdings Limited is a designer and importer of permanent retail point of purchase display equipment.
- Selima Limited is an established payroll & HR software services provider with clients in both the public and private sectors.
- Hargreaves Services plc is quoted on the AIM market and is the UK's largest solid fuel producer and bulk haulage company.

In addition to the above investments the Company made four additional investments into existing portfolio companies totalling £1.27 million. The most significant of these was a £0.9 million investment into Immunobiology Limited as part of the recent £3.0 million funding round. Although the valuation of this round was heavily discounted to previous investment rounds and impacted the historic value of the Company's investment, as a significant investor in the round the Company was a beneficiary of this pricing and now holds a 23 per cent shareholding in a business which could have significant value if it can demonstrate the efficacy of its new platform vaccine technology.

## Disposals

In the last 12 months the Company has made a number of significant full and partial disposals from both the quoted AIM and unquoted investment portfolio. In total the Company has received over £4.11 million in cash proceeds this year. This has resulted in £1.44 million of realised gains over opening value in the year and profit on cost of £1.90 million resulting in an average return multiple on cost of 1.86x.

The two most significant disposals were Primal Pictures Limited and Sirigen Group Limited which achieved sale returns of 2.24 and 2.80 on cost.

**Primal Pictures Limited:** An award-winning digital e-learning company providing the world's most complete and medically accurate 3D human anatomy medical software used by educators, professionals, practitioners, and students around the world. Their 3D anatomical images of the human body are used by over 500,000 students in 77 per cent of the top 200 medical universities and educational centres of excellence world-wide.

This has been a long term investment for the Company, investing in 1999 and 2001 in a loss-making technology business seeking to achieve a stock market flotation. After the initial strategy failed, YFM worked closely with the company through a series of management changes and successfully repositioned the business as a provider of online educational products. We appointed corporate

finance advisors in 2011 who helped deliver the successful sale in August 2012 to Informa plc who recognised the potential to leverage Primal's technology within their existing products and distribution channels. On completion of the sale David Carmen, Chairman of Primal Pictures, stated "YFM has been a strong partner through a period of significant change and was ultimately instrumental in enabling us all to achieve this successful result."

**Sirigen Group Limited:** Founded in 2004, Sirigen uses Nobel-prize winning science to produce light harvesting polymers which have a wide range of applications in research, medical diagnostics and life sciences. Since its initial investment in October 2010 YFM has worked hard to strengthen the company's management team, introducing new chairman David Evans, former Chairman of DxS Limited.

Following a clear strategy of proving commercial applications for the technology, the business was ultimately acquired by one of its customers, a US based company Becton, Dickinson & Company, a leading global medical technology company. Sirigen's patented technology will enable them to develop unique dyes and antibody specificity releases over the next two years to significantly expand its life science research reagent portfolio. David commented "I have worked with YFM now on several occasions and see them as a strong partner, always taking a practical and pragmatic approach."

The holding in AIM-quoted Patsystems plc was realised via a trade sale in January 2012 to ION Group plc which realised £0.16 million of cash proceeds. Partial disposals were also achieved from four other quoted holdings; Brady plc (£0.16 million), Iomart Group plc (£0.11 million), May Gurney Integrated Services plc (£0.05 million) and Tikit Group plc (£0.02 million). A small legacy holding in Oxis Energy Limited was also disposed of for a nominal sum during a further funding round. In total these other disposals represented a value gain on disposal of £0.04 million.

## Conclusion and Outlook

The year under review has seen a continuation of some of the previous challenging market conditions. In spite of this, further value growth has been achieved in the year and the portfolio is increasingly diverse and well-funded to deliver further value gains over the coming years.

Cash reserves remain strong and will be boosted with the funds raised from the new share issue, so the Company is well placed to take advantage of the gradually increasing investment rates, to continue to support the portfolio and maintain historic dividend levels.

David Hall  
YFM Private Equity Limited  
28 March 2013

## Principal Risks, Risk Management and Regulatory Environment.

The Board believes that the principal risks faced by the Company are:

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

*Mitigation* - 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** – Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to under performance and poor returns to Shareholders. The quality of enquiries, investments, investee company management teams and monitoring and the risk of not identifying investee under performance might also lead to under performance 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.

**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.

**Regulatory** – 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.

**Reputational** – 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.

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

**Market/Liquidity** – 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. 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.

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010.

## Responsibility statements of the directors in respect of the annual financial report

The Annual Report and Accounts contains the following statements regarding responsibility for the Directors' Report and financial statements included in the Annual Report and Accounts from which the information in this Announcement has been extracted (references in the following statements are to sections of the Annual Report and Accounts).

The directors confirm, to the best of their knowledge, that:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the business review included within the Chairman's Statement, Fund Manager's Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

## Statement of Comprehensive Income

For the year to 31 December 2012

	Notes	2012			2011		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	1,662	1,662	-	225	225
(Losses) profits on investments held at fair value		-	(622)	(622)	-	1,112	1,112
Income	2	594	-	594	349	-	349
Administrative expenses:							
Fund Management fee		(116)	(346)	(462)	(86)	(259)	(345)
Other expenses		(320)	-	(320)	(301)	-	(301)
		(436)	(346)	(782)	(387)	(259)	(646)
<b>Profit (loss) before taxation</b>		<b>158</b>	<b>694</b>	<b>852</b>	(38)	1,078	1,040
Taxation	3	(4)	4	-	-	-	-
<b>Profit (loss) for the year</b>		<b>154</b>	<b>698</b>	<b>852</b>	(38)	1,078	1,040
<b>Total comprehensive income (loss) for the year</b>		<b>154</b>	<b>698</b>	<b>852</b>	(38)	1,078	1,040
<b>Basic and diluted earnings (loss) per</b>							
<b>Ordinary share</b>	5	<b>0.43p</b>	<b>1.96p</b>	<b>2.39p</b>	(0.17)p	4.92p	4.75p

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 2012

	Notes	2012	2011
		£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments		11,363	10,209
Fixed income government securities		912	1,618
Financial assets at fair value through profit or loss		12,275	11,827
Trade and other receivables		198	65
		<b>12,473</b>	<b>11,892</b>
<b>Current assets</b>			
Trade and other receivables		423	242
Cash on fixed term deposit		7,048	-
Cash and cash equivalents		7,484	4,076
		<b>14,955</b>	<b>4,318</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(276)	(228)
<b>Net current assets</b>		<b>14,679</b>	<b>4,090</b>
<b>Net assets</b>		<b>27,152</b>	<b>15,982</b>
<b>Shareholders' equity</b>			
Share capital		4,271	2,426
Share premium account		14,806	4,427
Capital redemption reserve		88	88
Other reserve		2	2
Merger reserve		5,525	5,525
Capital reserve		3,154	2,630
Investment holding losses		(4,919)	(3,665)
Special reserve		4,071	4,255
Revenue reserve		154	294
<b>Total Shareholders' equity</b>		<b>27,152</b>	<b>15,982</b>
<b>Net asset value per ordinary share</b>	<b>6</b>	<b>65.5p</b>	<b>68.5p</b>

Statement of Changes In Equity  
For the year to 31 December 2012

	Share capital	Share premium account	*Other reserves	Merger reserve	Capital reserve	Investment holding (losses) gains	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 December 2010</b>	<b>1,785</b>	<b>810</b>	<b>90</b>	<b>5,525</b>	<b>3,587</b>	<b>(4,763)</b>	<b>4,463</b>	<b>332</b>	<b>11,829</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	(38)	(38)
<i>Capital expenses</i>	-	-	-	-	(259)	-	-	-	(259)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,112	-	-	1,112
<i>Realisation of investments in the year</i>	-	-	-	-	225	-	-	-	225
<b>Total comprehensive income for the year</b>	-	-	-	-	(34)	1,112	-	(38)	1,040
<i>Issue of share capital</i>	640	3,862	-	-	-	-	-	-	4,502
<i>Issue costs</i>	-	(250)	-	-	-	-	-	-	(250)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(208)	-	(208)
<i>Issue of shares - DRIS</i>	1	5	-	-	-	-	-	-	6
<i>Dividends</i>	-	-	-	-	(937)	-	-	-	(937)
<b>Total transactions with owners</b>	<b>641</b>	<b>3,617</b>	-	-	<b>(937)</b>	-	<b>(208)</b>	-	<b>3,113</b>
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	14	(14)	-	-	-
<b>Balance at 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>90</b>	<b>5,525</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</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
<b>Total comprehensive income for the year</b>	-	-	-	-	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)
<b>Total transactions with owners</b>	<b>1,845</b>	<b>10,379</b>	-	-	<b>(1,428)</b>	-	<b>(184)</b>	<b>(294)</b>	<b>10,318</b>
<i>Realisation of Negative Goodwill</i>	-	-	-	-	106	(106)	-	-	-
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	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>3,154</b>	<b>(4,919)</b>	<b>4,071</b>	<b>154</b>	<b>27,152</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 provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

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

The special reserve, capital reserve and revenue reserve are all distributable reserves. These reserves total £7,379,000 (2011: £7,179,000) representing an increase of £200,000 (2011: £1,203,000 decrease) during the year. This change arises from the revenue profit in the year of £154,000 (2011: £38,000 loss), movements in the capital reserve relating to the realisation of investments and capital expenses of £1,846,000 profit (2011: £20,000 loss), dividends of £1,722,000 (2011: £937,000), purchase of shares of £184,000 (2011: £208,000) and the realisation of negative goodwill of £106,000 (2011:nil). The directors also take into account the level of the investment holding (losses) gains reserve when determining the level of dividend payments.

Statement of Cash Flows  
For the year ended 31 December 2012

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>Net cash outflow from operating activities</b>	<b>(354)</b>	(174)
<hr/>		
<b>Cash flows from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	<b>(4,867)</b>	(3,970)
Proceeds from sale of financial assets at fair value through profit or loss	<b>5,239</b>	4,276
Cash placed on fixed term deposit	<b>(7,048)</b>	-
Deferred consideration	<b>99</b>	322
<b>Net cash (outflow) inflow from investing activities</b>	<b>(6,577)</b>	628
<hr/>		
<b>Cash flows from financing activities</b>		
Issue of share capital	<b>12,743</b>	4,502
Issue costs	<b>(605)</b>	(250)
Purchase of own shares	<b>(184)</b>	(208)
Dividends paid	<b>(1,615)</b>	(931)
<b>Net cash inflow from financing activities</b>	<b>10,339</b>	3,113
<hr/>		
<b>Net increase in cash and cash equivalents</b>	<b>3,408</b>	3,567
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,076</b>	509
<b>Cash and cash equivalents at the end of the year</b>	<b>7,484</b>	4,076

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

	<b>2012</b>	2011
	<b>£000</b>	£000
Profit before taxation	<b>852</b>	1,040
Increase in trade and other payables	<b>26</b>	177
Increase in trade and other receivables	<b>(181)</b>	(49)
Gains on disposal of investments in the year	<b>(1,662)</b>	(225)
Losses (profits) on investments held at fair value	<b>622</b>	(1,112)
Capitalised interest	<b>(11)</b>	(5)
<b>Net cash outflow from operating activities</b>	<b>(354)</b>	(174)

## Notes

### 1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 December 2012 has been prepared using accounting policies consistent with those adopted in the full audited financial statements which 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' issued by the Association of Investment Companies in January 2009 (SORP) to the extent that they do not conflict with IFRSs as adopted by the European Union.

Segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

### 2. Income

	<b>2012</b>	2011
	<b>£000</b>	£000
Dividends from unquoted companies	<b>8</b>	11
Dividends from AIM quoted companies	<b>44</b>	37
Interest on loans to unquoted companies	<b>339</b>	146
Fixed interest Government securities	<b>20</b>	88
<hr/>		
Income from investments held at fair value through profit or loss	<b>411</b>	282
Interest on bank deposits	<b>183</b>	67
<hr/>		
	<b>594</b>	349
<hr/>		

### 3. Taxation

	2012			2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Corporation tax at 20 per cent (2011: 21 per cent)	-	-	-	-	-	-
Profit (loss) before taxation	<b>158</b>	<b>694</b>	<b>852</b>	(38)	1,078	1,040
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 20 per cent (2011: 21 per cent)	<b>32</b>	<b>139</b>	<b>171</b>	(8)	216	208
<b>Effect of:</b>						
UK dividends received	<b>(10)</b>	-	<b>(10)</b>	(10)	-	(10)
Non taxable profits on investments	-	<b>(208)</b>	<b>(208)</b>	-	(267)	(267)
Excess management expenses	<b>(18)</b>	<b>65</b>	<b>47</b>	18	51	69
Tax charge (credit)	<b>4</b>	<b>(4)</b>	-	-	-	-

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

Deferred tax assets of £500,000 calculated at 20 per cent (2011: £452,000 calculated at 20 per cent) in respect of unrelieved management expenses (£2.502 million as at 31 December 2012 and £2.226 million as at 31 December 2011) 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 realisation or disposal of investments.

## 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	2012			2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 December 2011 of 2.0p (2010 year end: 2.0p) per ordinary share	294	472	766	-	467	467
Interim dividend for the year ended 31 December 2012 of 2.0p (2011: 2.0p) per ordinary share	-	765	765	-	470	470
Special dividend of 0.5 pence per ordinary share	-	191	191	-	-	-
	<b>294</b>	<b>1,428</b>	<b>1,722</b>	-	937	937
Shares issued under DRIS			<b>(107)</b>			(6)
Dividends paid in Statement of Cash Flows			<b>1,615</b>			931

The final year-end dividend of 2.0 pence per ordinary share in respect of the year to 31 December 2011 was paid on 22 May 2012 to Shareholders on the register at 20 April 2012.

The interim dividend of 2.0 pence per ordinary share and special dividend of 0.5 pence per ordinary share were paid on 26 October 2012 to Shareholders on the register as at 28 September 2012.

A final dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2012 is proposed. This dividend has not been recognised in the year ended 31 December 2012 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 (loss) per ordinary share is based on the profit after tax attributable to Shareholders of £852,000 (2011: £1,040,000 profit) and 35,591,107 (2011: 21,906,793) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings (loss) per ordinary share is based on the profit for the year attributable to Shareholders of £154,000 (2011: £38,000 loss) and 35,591,107 (2011: 21,906,793) 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 £698,000 (2011: £1,078,000 profit) and 35,591,107 (2011: 21,906,793) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 18,450,681 ordinary shares. The Company has also repurchased 323,639 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 2012 or 31 December 2011. 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 2012 and 31 December 2011.

## 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 £27,152,000 (2011: £15,982,000) and 41,457,844 (2011: 23,330,802) 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 2012.

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 2012 or 31 December 2011. Consequently, basic and diluted Net Asset Value per ordinary share is the same for the year ended 31 December 2012 and 31 December 2011.

## 7. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 34.5 pence per ordinary share (2011: 30.0 pence per ordinary share) plus the Net Asset Value as calculated per note 6.

## 8. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 December 2012. Full details of related party transactions are shown in note 17 to the Annual Report and Accounts which can be obtained as described in note 11.

## 9. Events after the Balance Sheet Date

Since the year end the Company has disposed of its holding in AIM quoted Tikit Group plc, supplier of enterprise software to UK legal practices, on its trade sale to British Telecommunications plc which completed in January 2013. The Company received £0.27 million of cash proceeds for the sale of its shares, representing a profit on original cost of £0.08 million.

In March 2013 a further investment of £0.07 million was made into existing portfolio company PowerOasis Limited, provider of energy management solutions to telecoms infrastructure operators. This investment was part of a significant \$5 million investment round led by a strategic trade investor.

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 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. Following the cancellation, the total distributable reserves of the Company will increase to £20,284,000.

## 10. Financial Information

The financial information set out here for the year ended 31 December 2012 does not constitute full statutory financial statements as defined in section 435 of the Companies Act 2006 but has been extracted from the Company's financial statements for that period. Statutory accounts for the year ended 31 December 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 20 May 2013. Those accounts were reported upon without qualification by the independent auditor and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

## 11. Annual Report and Accounts

Copies of the Annual Report and Accounts for the year ended 31 December 2012 have been submitted to the National Storage Mechanism and will shortly 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 Annual Report and Accounts for the Year ended 31 December 2012 will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

## 12. Directors

The directors of the Company are: Mr R Last, Mr RM Pettigrew and Mr PC Waller.

## 13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 20 May 2013 at 12.00 noon.

## 14. Final Dividend for year ended 31 December 2012

Further to the announcement of its final results for the year ended 31 December 2012, British Smaller Companies VCT2 plc ("the Company") confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 20 May 2013, the final dividend of 2.5 pence per ordinary share will be paid on 5 June 2013 to those shareholders on the Company's register at the close of business on 3 May 2013 ("Final Dividend"). The ex-dividend date will be 1 May 2013.

## 15. 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 21 May 2013.

For further information, please contact:

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Matthew Thomas

YFM Equity Partners Limited  
Nplus 1 Singer Advisory LLP

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Tel: 0203 205 7500

## 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 £15 million by way of joint offers for subscription of up to 7,374,101 ordinary shares of 10 pence each in the Company and 10,485,934 ordinary shares of 10 pence each in British Smaller Companies VCT plc ("Offers for Subscription"). Full details of the Offers for Subscription are contained in a prospectus issued by the Company and British Smaller Companies VCT plc on 16 November 2012 (the "Prospectus").

The Company announces that on 31 December 2012 it allotted 3,136,695 ordinary shares of 10 pence each at the offer price of 69.50 pence per ordinary share in respect of valid subscriptions received on or before 28 December 2012 for the tax year 2012/2013 pursuant to the Offers for Subscription.

Robert Pettigrew, a non-executive Director of the Company, has been allotted 5,059 ordinary shares of 10 pence each in the Company. This takes his total shareholding to 54,292 ordinary shares in the Company.

Application is now being made by the Company for the ordinary shares which were allotted on 31 December 2012 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 8 January 2013.

Following the allotment the Company's issued share capital consists of 41,457,844 ordinary shares with voting rights ("Voting Capital") and 1,252,761 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 FSA's Disclosure and Transparency Rules.

The 2012/2013 Offers for Subscription will remain open until 11:00 am on 5 April 2013 and the 2013/14 Offers for Subscription will remain open until 11:00 am on 30 April 2013, unless maximum subscription is reached before either of the closing dates.

A copy of the Prospectus has been 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>.

31 December 2012

For further information, please contact:

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Matthew Thomas

Nplus1 Singer Advisory LLP

Tel: 0203 7496 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 December 2012 (“General Meeting”) were duly passed.

The full text of the Resolutions are included in the Notice of General Meeting dated 16 November 2012 contained within the Circular issued to shareholders of the same date, in connection with the Company’s current linked 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 held on 18 December 2012

Note of Proxies Received

### ORDINARY RESOLUTIONS

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

The proxy votes received on this resolution were 3,626,495 in favour, 26,401 against, 179,418 at the Chairman's discretion and no votes were withheld.

#### Resolution 2 – Authority to allot shares

The proxy votes received on this resolution were 3,556,050 in favour, 80,924 against, 179,418 at the Chairman's discretion and 15,922 votes were withheld.

#### Resolution 3 – Approval of the Offer Agreement

The proxy votes received on this resolution were 3,240,992 in favour, 43,513 against, 179,418 at the Chairman's discretion and 368,391 votes were withheld.

#### Resolution 4 – Approval of the Deed of Variation to the Subscription Rights Agreement

The proxy votes received on this resolution were 3,151,533 in favour, 80,924 against, 221,954 at the Chairman's discretion and 377,903 votes were withheld.

### SPECIAL RESOLUTIONS

#### Resolution 5 – Disapplication of pre-emption rights

The proxy votes received on this resolution were 3,544,791 in favour, 80,924 against, 179,418 at the Chairman's discretion and 27,181 votes were withheld.

#### Resolution 6 – Amendment to Articles of Association

The proxy votes received on this resolution were 3,549,240 in favour, 72,599 against, 179,418 at the Chairman's discretion and 31,057 votes were withheld.

Resolution 7 – Cancellation of the Company's share premium account

The proxy votes received on this resolution were 3,571,452 in favour, 27,968 against, 179,418 at the Chairman's discretion and 53,476 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”)

### Purchase of Own Securities and Total Voting Rights

The Company announces that on 21 November 2012 it purchased 74,405 Ordinary shares of 10 pence each at a price of 55.68 pence per share. These shares will be held in Treasury.

If these shares had been purchased prior to the quarter ended 30 September 2012, 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 68.0 pence per Ordinary share.

The Company’s issued share capital now consists of 38,321,149 Ordinary shares with voting rights. In addition, the Company holds 1,252,761 shares 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 FSA’s Disclosure and Transparency Rules.

22 November 2012

For further information, please contact:

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Tel: 0203 205 7500

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

Publication of Prospectus and Circulars re: Offer for Subscription

On 16 November 2012, the Company and British Smaller Companies VCT plc issued a prospectus and circulars relating to a proposed joint Offer for Subscription to raise up to £15 million in aggregate. Under this joint Offer, the Company is seeking to raise up to £5 million by way of an Offer for Subscription of up to 7,374,101 Ordinary Shares.

The Offer opened on 16 November 2012. The 2012/2013 Offers in relation to the 2012/2013 tax year will close at 11:00 am on Friday 5 April 2013 and the 2013/2014 Offers in relation to the 2013/2014 tax year will close at 11:00 am on Tuesday 30 April 2013 (or such later date to which the Directors extend the 2013/2014 Offers) or earlier should the Offers become fully subscribed.

Copies of these documents will be 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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Matthew Thomas      Nplus1 Singer Advisory LLP Tel: 020 7496 3059

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

### **Interim Management Statement**

#### **For the quarter ended 30 September 2012**

British Smaller Companies VCT2 plc presents its interim management statement for the period from 1 July to the date of this announcement, including the results for the quarter to 30 September 2012. This constitutes the Company's second interim management statement for the financial year ending 31 December 2012, 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).

The total return at 30 September 2012, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid per Ordinary share, is 100.0 pence per Ordinary share. In the quarter there has been no movement in the total return to Shareholders.

The unaudited net asset value per Ordinary share as at 30 September 2012 was 68.0p (30 June 2012: 68.0p). Not included within this value is the interim dividend of 2.0 pence per Ordinary share and a Special Dividend of 0.5 per Ordinary share which were paid on 26 October 2012.

The number of Ordinary shares in issue at 30 September 2012 was 38,243,718 (30 June 2012: 38,243,718). In addition, at 30 September 2012, the Company held 1,178,356 Ordinary shares in Treasury (30 June 2012: 1,178,356).

Net assets at 30 September 2012 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,421	36.2
Quoted investments at bid price	2,124	8.2
Gilt investments	919	3.5
<b>Total investments</b>	<b>12,464</b>	<b>47.9</b>
Cash and cash equivalents	12,955	49.8
Other net current assets	583	2.3
<b>Net assets</b>	<b>26,002</b>	<b>100.0</b>

The ten largest investments by valuation at 30 September 2012 were as follows:

	£000	% of net assets
Seven Technologies Limited	1,262	4.8
Displayplan Holdings Limited	1,244	4.8
Deep-Secure Ltd	1,055	4.1
Immunobiology Limited	987	3.8
Digital Healthcare Limited	921	3.6
Bluebell Telecom Group Limited	545	2.1
Power Oasis Limited	500	2.0
Iomart Group plc	416	1.6
Bagel Nash Limited	400	1.5
Harvey Jones Limited	400	1.5
Top ten investments	<b>7,730</b>	<b>29.8</b>
Other investments	3,815	14.6
Gilt investments	919	3.5
<b>Total investments</b>	<b>12,464</b>	<b>47.9</b>

During the three months ended 30 September 2012 the Company made a total of 4 investments, two into new portfolio companies and two follow-on investments into existing portfolio companies.

In August the Company invested £0.78 million into Insider Technologies Limited, an established provider of monitoring and scheduling software to the financial services and

national security sectors, as well as £0.125 million into Hargreaves Services plc, Britain's largest bulk haulage company.

In addition, during the period, the Company made two additional follow-on investments into existing portfolio companies. In July the Company invested £0.16 million into Vianet Group plc (formerly Brulines Group plc.) a leading provider of monitoring dispense protection systems for draught alcoholic drinks in the UK licensed on-trade. Whilst in August the Company invested £0.9 million into Immunobiology Limited, a company involved in the development of high efficacy vaccines for infectious diseases including influenza, tuberculosis, meningitis and hepatitis.

In the 3 months to September 2012 cash proceeds of £3.74 million have been received relating to the sale of the Company's holdings in Primal Pictures Limited and Sirigen Group Limited as well as from its part disposal of shares held in May Gurney Integrated Services plc, in total representing a profit of £1.82 million on original cost.

Following the end of the period the Company has made part disposals of two AIM listed investments, Brady Plc and Iomart Plc. This raised cash proceeds of £190,000 compared to a carrying value at 30 September 2012 of 178,000 giving rise to a return on cost of 2.02 times.

### **Performance**

Valuations have remained stable this quarter. The total return, calculated by reference to the net asset value plus cumulative dividends, has remained constant at 100.0 pence per Ordinary share, with cumulative dividends now representing 32.0 pence per Ordinary share. The Company has also paid an interim and special dividend totalling 2.5 pence per Ordinary share on 26 October 2012.

### **Outlook**

The Board believes that the current economic climate will continue to create investment opportunities in the short to medium term in well run and managed UK businesses that need capital to expand but are facing a shortage of finance. History has shown us that cautious investments made in the low point of the economic cycle have resulted in the highest portfolio returns. Additionally the investment limit applying to venture capital trusts has been increased to £5 million per investment in any one year. To take full advantage of this market opportunity the Board is seeking to increase the investment capacity of the Company over the coming months via a joint fund raising offer with British Smaller Companies VCT to raise in aggregate up to £15 million in gross proceeds.

13 November 2012

**For further information please contact:**

David Hall  
Matt Thomas

YFM Private Equity Limited  
N+1 Singer

Tel: 0113 294 5039  
Tel: 0203 205 7500

## British Smaller Companies VCT2 plc

### Dividends Paid and Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") announces that on 26 October 2012 it paid gross dividends totalling 2.5 pence per ordinary share to Shareholders on the register of members of the Company as of the record date of 28 September 2012. This total comprises an interim and special dividend of 2.0 pence and 0.5 pence per ordinary share respectively.

The Company further announces that on 26 October 2012 it allotted 151,836 new ordinary shares pursuant to its dividend reinvestment scheme ("Dividend Reinvestment Scheme") at a price of 62.225 pence per ordinary share to Shareholders of the Company who elected to receive shares instead of the interim cash dividend of 2.0 pence per ordinary share paid by the Company for the six months ended 30 June 2012 and the special dividend of 0.5 pence per ordinary share approved by the directors on 25 July 2012.

Application is now being made for the 151,836 new ordinary shares 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 2 November 2012.

Following such allotment the Company's issued share capital consists of 38,395,554 ordinary shares with voting rights ("Voting Capital") and 1,178,356 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 FSA's Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5039
Matt Thomas	Singer Capital Markets	Tel: 0203 205 7500

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

**Statement re: proposed joint fundraising**

The Companies today announce that they are planning to raise up to £15 million in aggregate in order to increase their investment capacity taking advantage of the increased investment limits that now apply to venture capital trusts. It is intended British Smaller Companies VCT plc will raise up to £10 million and British Smaller Companies VCT2 plc will raise up to £5 million.

The full terms of the offer will be set out in a detailed prospectus to be approved by the UK Listing authority. The offer will be subject to the approval of the shareholders of British Smaller Companies VCT plc and British Smaller Companies VCT2 plc who will receive a circular explaining the details of the offer in due course.

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Matthew Thomas	Singer Capital Markets Limited	Tel: 0203 205 7500

# British Smaller Companies VCT 2 plc

## Unaudited Interim Results and Interim Management Statement

For the 6 months ended 30 June 2012

British Smaller Companies VCT 2 plc ("the Company") today announces its unaudited interim results for the six months to 30 June 2012.

### Chairman's Statement

I am pleased to report another very strong trading period for your Company in the six months to 30 June 2012 with further portfolio value growth of 8.6% and £10.1 million of new funds raised through a new share subscription.

On 13 August 2012 we reported the successful trade sale of Primal Pictures to an undisclosed buyer which delivered a value uplift of £0.95 million since 31 December 2011 and an overall cash return of 2.2 times original investment cost.

I am pleased to follow this with news of another successful exit from the portfolio, with Sirigen Group Limited completing a trade sale to Becton, Dickinson & Company on 24 August 2012, which has resulted in crystallised additional value growth of £0.66 million since the start of the year and an overall cash return of 2.8 times original investment cost. These results are particularly pleasing in light of the challenging economic times and prove that it is still possible to make strong returns by backing small businesses with a competitive advantage in their niche market.

The recent Offer for Subscription which closed on 5 April 2012 raised a total of £10.1 million net of costs, consequently the Company remains well placed to take advantage of the growing investment activity levels

The Total Return to Shareholders as at 30 June 2012 is 100.0 pence per Ordinary share, representing a year to date increase of 1.5 pence from the 98.5 pence per Ordinary share at 31 December 2011 and an increase of 4.1 pence over the 12 month period since 30 June 2011. Total Return to Shareholders includes cumulative dividends paid which now stands at 32.0 pence per Ordinary share.

The Net Asset Value at 30 June 2012 is 68.0 pence per Ordinary share (68.5 pence per Ordinary share at 31 December 2011), which reflects an increase in the portfolio value of 2.3 pence per Ordinary share and gains on disposals of 0.2 pence per Ordinary share offset by the payment of a 2.0 pence per Ordinary share final dividend paid in May 2012 and the dilutive impact of new shares issued.

## Interim Management Report

Over the six month period to 30 June 2012 the Company has seen an increase in investment levels with a total of £2.5 million invested (compared to £1.2 million in the 6 months to 30 June 2011), £2.3 million into 3 new opportunities and £0.21 million into 2 existing portfolio companies. The first of the new opportunities was £0.70 million invested in January 2012 as part of the management buyout of the retail display group Displayplan Holdings Limited from its US parent company. In March 2012 £0.3 million was invested as part of the £2 million buyout of Selima Limited, a supplier of payroll and expenses software predominantly to public sector customers. Finally in April 2012 £1.26 million was invested into Seven Technologies holdings Limited, a Northern Irish engineering business that specialises in developing and manufacturing bespoke electronics and communications applications for operation in inhospitable environments.

The first follow-on deal was a £0.06 million investment into the fluorescent labelling technology group, Sirigen Group Limited, as part of a £1 million internal growth round in February 2012. Secondly, £0.15 million was invested into AIM-listed EKF Diagnostics Holdings plc in March 2012, which reported strong progress towards building a profitable international diagnostics group.

Investment rates have continued to increase following the period end, with an additional £1.97 million having been invested to date. A follow-on investment of £0.9 million has been made into Immunobiology Limited, as part of a £3.0 million round, including new external investors, to take its innovative vaccine programme into human clinical trials. An additional £0.16 million has been invested into Vianet Group plc which has made good progress in diversifying its remote monitoring solutions for the brewing, fuel solution and remote vending sectors. A new investment of £0.13 million has been made into Hargreaves Services plc which is involved in sourcing and supply of solid fuel for the UK power industry. A new investment of £0.78 million has been made into Insider Technologies Limited to fund the buyout of the company, which provides monitoring and scheduling software for the financial service and security sectors.

Against the backdrop of on-going economic challenges, the Company remains focused on building a strong and diversified portfolio, whilst also looking to improve levels of portfolio income. Significant positive steps have been made in this regard. Excluding the new investments and a slight decrease in the value of gilts, the underlying value of the opening portfolio has grown by £0.93 million (8.6%) over the six months to 30 June 2012.

Whilst there were no significant realisations from the portfolio in the year, the Company has received £0.54 million of proceeds following the full and partial disposal of investments in 5 portfolio companies and an additional £0.05 million of deferred consideration in relation to the sale of DXS Limited in 2009. Following the period end the Company has however completed two significant realisation through the trade sales of Primal Pictures Limited and Sirigen Group Limited. Primal Pictures Limited, a supplier of 3D human anatomical images and training materials, has been sold to an undisclosed international publishing group. This has resulted in £1.82 million, at completion, of cash proceeds to the Company, a profit of £0.95 million over the 31 December 2011 valuation and resulting in a cash multiple of 2.2 on cost over the life of the investment. Sirigen Group Limited, a supplier of innovative fluorescent marking technology, has been sold to the US-based diagnostics group Becton, Dickinson & Company. At completion this delivered £1.45 million of cash proceeds, an increase of £0.66 million on the 31 December 2011 value and a cash multiple of 2.8x cost, with further deferred consideration anticipated.

Other portfolio companies have made good progress. Digital Healthcare Limited has made positive progress in integrating its 2011 acquisition of retinal screening supplier, Orion Imaging Limited, and has started to deliver the expected synergy benefits. Port operator RMS Group Holdings Limited has completed the refinancing of all remaining

institutional loans ahead of schedule. Strong progress has been made for the Company's two retail rollout investments with branded kitchen manufacturer Harvey Jones Limited increasing to 25 stores and coffee bar operator Bagel Nash Limited completing a profitable first year and highlighting locations for its first new shops. The £3.0 million further funding round into Immunobiology Limited is a significant positive step in commercialising its vaccine technology although the low pricing of this round (from which the Company has also benefited through its recent investment) has resulted in a value fall of £0.51 million for the existing holding.

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 December 2011. In summary, the principal risks are:

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

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2011 on page 24, a copy of which can be found at [www.yfmep.com](http://www.yfmep.com)

## Financial Results

The result for the six months ended 30 June 2012 produced a revenue profit before tax of £47,000 and a capital profit before tax of £802,000 (2011: profit of £2,000 and profit of £473,000 respectively). It is pleasing to see a strong improvement in the aggregate value of investments over the six months to 30 June 2012 of £881,000. The income from the portfolio of £258,000 also represents an increase of £80,000 on the same period in 2011 and the Fund Manager will continue to make investments to gradually improve the income generation from the portfolio.

The movement in Net Asset Value per Ordinary share is as follows:

	Pence/Ordinary share
31 December 2011	68.5
Dividends paid in period	(2.0)
Net Increase in value	1.5
30 June 2012	68.0

Following the new funds raised this year, cash and investment in gilts at 30 June 2012 totalled £13.0 million (June 2011: £6.85 million), representing 50% (June 2011: 43%) of Net Asset Value before taking account of any interim dividend. The Board considers that in the short term this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities.

## Shareholder Relations

The last six months has seen the Company's investment capacity increase through the issue of 14,983,236 shares pursuant to the recently closed "Offer for Subscription", raising £10.1 million net of costs. In addition the Company issued 20,611 shares as part of the dividend reinvestment scheme on 22 May 2012. The Board believes that the coming 12-24 months will see increasing investment opportunities and will continue to consider the opportunity to raise further funding in the months ahead to enable the Company to take advantage of this and continue to build a strong, balanced portfolio.

The Board remains committed to the objective of achieving a consistent dividend stream. Following the 2011 year end a dividend of 2.0 pence per Ordinary share was paid on 22 May 2012, this commitment has been continued in these interim results with your Board determining that an interim dividend of 2.5 pence per Ordinary share will be paid on 26 October 2012 to Shareholders on the register as at 28 September 2012.

## Regulatory and Other Matters

Following the issue of the Draft Finance Bill 2012 on 29 March 2012 investments undertaken by the Company will be subject to new legislation.

Following EU approval and the Finance Bill gaining Royal Assent, changes have been made to the "qualifying company" limits effective from 6 April 2012. These are summarised as follows:

- the employee limit will increase from 50 to 250 for investee companies;
  - an increase in the size threshold of gross assets to £15 million before investment from £7 million;
- and

- that the maximum amount that an investee company can receive from VCTs and other State Aid sources will now be £5 million.

Funds raised by VCTs after 5 April 2012 may not be used to finance buy-outs or otherwise to acquire existing shares.

The Company does not currently have any funds to which the buy-outs rule applies.

Overall the Board believes these changes are a positive step and are expected to significantly increase the level and scale of investment opportunities available to the Company over the coming years.

## Outlook

The last six months have seen a continuation of the difficult market conditions of recent years and it is likely that the UK economy will experience a sustained period of very low growth. In spite of this many of the portfolio companies have delivered improved results and have been able to take advantage of changes in their markets. We hope to see this trend continue as economic conditions gradually improve.

Whilst the year ahead will continue to present challenges we are optimistic about the Company's ability to take advantage of the upcoming opportunities. The hesitant approach from the banks and changes in EU restrictions on qualifying investments should both lead to an increase in the volume and scale of investment opportunities in the future.

The Board remains of the opinion that the forthcoming period will see many good investment opportunities, both for the portfolio businesses and for new investments. It was with this in mind that we increased the investment capacity of the Company and we will consider the opportunity to further increase funds in the coming months.

Richard Last

29 August 2011

# Statement of Comprehensive Income

For the 6 months ended 30 June 2012

	Notes	Unaudited			Unaudited		
		6 months ending 30 June 2012			6 months ending 30 June 2011		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	76	76	-	7	7
Gains on investments held at fair value		-	876	876	-	576	576
Income	2	258	-	258	178	-	178
Administrative expenses:							
Fund Management fee		(50)	(150)	(200)	(36)	(110)	(146)
Other expenses		(161)	-	(161)	(140)	-	(140)
		(211)	(150)	(361)	(176)	(110)	(286)
<b>Profit before taxation</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
Taxation	3	-	-	-	-	-	-
<b>Profit for the period attributable to equity Shareholders</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
<b>Total comprehensive income for the period attributable to equity Shareholders</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
<b>Basic and diluted earnings per Ordinary share</b>	5	<b>0.13p</b>	<b>2.24p</b>	<b>2.37p</b>	0.01p	2.32p	2.33p

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 ('IFRSs'). 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

As at 30 June 2012

	Unaudited 6 months ended 30 June 2012	Unaudited 6 months ended 30 June 2011	Audited year ended 31 December 2011
	£000	£000	£000
Notes			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	13,044	8,684	10,209
Fixed income government securities	918	2,839	1,618
Financial assets at fair value through profit or loss	13,962	11,523	11,827
Trade and other receivables	68	281	65
	<b>14,030</b>	11,804	11,892
<b>Current assets</b>			
Trade and other receivables	315	173	242
Cash and cash equivalents	12,085	4,009	4,076
	<b>12,400</b>	4,182	4,318
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(426)	(98)	(228)
<b>Net current assets</b>	<b>11,974</b>	4,084	4,090
<b>Net assets</b>	<b>26,004</b>	15,888	15,982
<b>Shareholders' equity</b>			
Share capital	3,942	2,412	2,426
Share premium	12,993	4,346	4,427
Capital redemption reserve	88	88	88
Merger reserve	5,525	5,525	2
Other reserve	2	2	5,525
Capital reserve	2,120	2,964	2,630
Investment holding losses	(2,778)	(4,135)	(3,665)
Special reserve	4,112	4,352	4,255
Revenue reserve	-	334	294
<b>Total Shareholders' equity</b>	<b>26,004</b>	15,888	15,982
<b>Net Asset Value per Ordinary share</b>	6	68.0p	68.5p

Signed on behalf of the Board

Richard Last

Chairman

29 August 2012

# Unaudited Statement of Changes in Equity

## For the 6 months ended 30 June 2012

	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2010</b>	<b>1,785</b>	<b>810</b>	<b>5,525</b>	<b>90</b>	<b>3,587</b>	<b>(4,763)</b>	<b>4,463</b>	<b>332</b>	<b>11,829</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	2	2
<i>Capital expenses</i>	-	-	-	-	(110)	-	-	-	(110)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	576	-	-	576
<i>Realisation of investments in the period</i>	-	-	-	-	7	-	-	-	7
Total comprehensive income for the period	-	-	-	-	(103)	576	-	2	475
<i>Issue of share capital</i>	627	3,582	-	-	-	-	-	-	4,209
<i>Issue costs</i>	-	(46)	-	-	-	-	-	-	(46)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(111)	-	(111)
<i>Dividends</i>	-	-	-	-	(468)	-	-	-	(468)
Total transactions with shareholders	627	3,536	-	-	(468)	-	(111)	-	3,584
Realisation of prior year investment holding losses	-	-	-	-	(52)	52	-	-	-
<b>At 30 June 2011</b>	<b>2,412</b>	<b>4,346</b>	<b>5,525</b>	<b>90</b>	<b>2,964</b>	<b>(4,135)</b>	<b>4,352</b>	<b>334</b>	<b>15,888</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	(40)	(40)
<i>Capital expenses</i>	-	-	-	-	(149)	-	-	-	(149)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	536	-	-	536
<i>Gain on disposal of investments in the period</i>	-	-	-	-	218	-	-	-	218
Total comprehensive income for the period	-	-	-	-	69	536	-	(40)	565
<i>Issue of share capital</i>	13	280	-	-	-	-	-	-	293
<i>Issue costs</i>	-	(204)	-	-	-	-	-	-	(204)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(97)	-	(97)
<i>Issue of Shares - DRIS</i>	1	5	-	-	-	-	-	-	6
<i>Dividends</i>	-	-	-	-	(469)	-	-	-	(469)
Total transactions with shareholders	14	81	-	-	(469)	-	(97)	-	(471)
Realisation of prior year investment holding gains	-	-	-	-	66	(66)	-	-	-
<b>At 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>5,525</b>	<b>90</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>

## Unaudited Statement of Changes in Equity

For the 6 months ended 30 June 2012

	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>5,525</b>	<b>90</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>
<i>Revenue profit for the period</i>	-	-	-	-	-	-	-	47	47
<i>Capital expenses</i>	-	-	-	-	(150)	-	-	-	(150)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	876	-	-	876
<i>Gain on disposal of investments in the period</i>	-	-	-	-	76	-	-	-	76
Total comprehensive income for the period	-	-	-	-	(74)	876	-	47	849
<i>Issue of ordinary Share capital</i>	1,514	9,149	-	-	-	-	-	-	10,663
<i>Issue of Shares - DRIS</i>	2	11	-	-	-	-	-	-	13
<i>Issue costs of Ordinary shares</i>	-	(594)	-	-	-	-	-	-	(594)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(143)	-	(143)
<i>Dividends</i>	-	-	-	-	(425)	-	-	(341)	(766)
Total transactions with Shareholders	1,516	8,566	-	-	(425)	-	(143)	(341)	9,173
Realisation of prior year investment holding losses	-	-	-	-	(11)	11	-	-	-
<b>At 30 June 2012</b>	<b>3,942</b>	<b>12,993</b>	<b>5,525</b>	<b>90</b>	<b>2,120</b>	<b>(2,778)</b>	<b>4,112</b>	<b>-</b>	<b>26,004</b>

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

Statement of Cash Flows  
For the 6 months ended 30 June 2012

	<b>Unaudited 6 months ended 30 June 2012  £000</b>	Unaudited 6 months ended 30 June 2011  £000	Audited year ended 31 December 2011  £000
<b>Net cash inflow (outflow) from operating activities</b>	<b>17</b>	(40)	(174)
<hr/>			
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss	<b>(2,467)</b>	(2,352)	(3,970)
Proceeds from sale of financial assets at fair value through profit or loss	<b>1,238</b>	2,307	4,276
Deferred consideration	<b>48</b>	-	322
<b>Net cash (used in) from investing activities</b>	<b>(1,181)</b>	(45)	628
<hr/>			
<b>Cash flows from financing activities</b>			
Issue of Ordinary shares	<b>10,663</b>	4,210	4,502
Cost of Ordinary shares	<b>(594)</b>	(46)	(250)
Purchase of own shares	<b>(143)</b>	(111)	(208)
Dividends paid	<b>(753)</b>	(468)	(931)
<b>Net cash from financing activities</b>	<b>9,173</b>	3,585	3,113
<hr/>			
<b>Net increase in cash and cash equivalents</b>	<b>8,009</b>	3,500	3,567
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,076</b>	509	509
<b>Cash and cash equivalents at the end of the period</b>	<b>12,085</b>	4,009	4,076

## 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 8, 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 comply 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 2011 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2011. 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 2011, except as noted below.

The financial statements for the year ended 31 December 2011 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 IFRS9, IFRS10, IFRS11, IFRS12, IFRS13, and IFRIC20. 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.

## Notes to the Unaudited Financial Statements

### 2. Income

	<b>Unaudited 6 months ended 30 June 2012  £000</b>	Unaudited 6 months ended 30 June 2011  £000
Income from investments		
- Dividends from unquoted companies	<b>3</b>	3
- Dividends from AIM quoted companies	<b>22</b>	20
	<b>25</b>	23
- Interest on loans to unquoted companies	<b>147</b>	77
- Fixed interest Government securities	<b>11</b>	69
	<b>183</b>	169
Income from investments held at fair value through profit or loss	<b>183</b>	169
Interest on bank deposits	<b>75</b>	9
	<b>258</b>	178

## Notes to the Unaudited Financial Statements

### 3. Taxation

	Unaudited 6 months ended 30 June 2012			Unaudited 6 months ended 30 June 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	47	802	849	2	473	475
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2010: 20%)	9	160	169	-	95	95
<b>Effect of:</b>						
UK dividends received	(5)	-	(5)	(5)	-	(5)
Non taxable profits on investments	-	(200)	(200)	-	(117)	(117)
Excess management expenses	(4)	40	36	5	22	27
Tax (credit)/ charge	-	-	-	-	-	-

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 management 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.

## Notes to the Unaudited Financial Statements

### 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	<b>Unaudited</b>			Unaudited			Audited		
	<b>6 months ended</b>			6 months ended			Year ended		
	<b>30 June 2012</b>			30 June 2011			31 December 2011		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total	Revenue	Capital	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000	£000	£000	£000
Final paid – 2.0p per share paid 22 May 2012	<b>341</b>	<b>425</b>	<b>766</b>	-	-	-	-	-	-
Final paid - 2.0p per share paid 10 June 2011	-	-	-	-	468	468	-	468	468
Interim paid – 2.0p per share paid 30 September 2011	-	-	-	-	-	-	-	469	469
	<b>341</b>	<b>425</b>	<b>766</b>	-	468	468	-	937	937

An interim dividend of 2.5 pence per Ordinary Share, amounting to £956,093, 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 £849,000 (30 June 2011: profit of £475,000) and 35,885,606 (30 June 2011: 20,367,889) 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 £47,000 (30 June 2011: £2,000) and 35,885,606 (30 June 2011: 20,367,889) Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

The basic and diluted capital return per Ordinary Share is based on the capital profit attributable to equity Shareholders of £802,000 (30 June 2011: profit of £473,000) and 35,885,606 (30 June 2011: 20,367,889) Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

During the period the Company allotted 20,611 new Ordinary shares in respect of its dividend reinvestment scheme and 5,080,416 new Ordinary shares under the “Offer for Subscription”. A further 158,303 new Ordinary shares were allotted to an existing individual Shareholder.

The Company has repurchased 249,234 of its own shares in the period and these shares are held in treasury. The total of 1,178,356 treasury shares has been excluded in calculating the weighted average number of Ordinary shares during the year. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per Ordinary Share are the same.

## 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 £26,004,000 (30 June 2011 and 31 December 2011: £15,888,000 and £15,982,000 respectively) and 38,243,718 (30 June 2011 and 31 December 2011: 23,359,278 and 23,330,802 respectively) Ordinary shares in issue at the year end.

The 1,178,356 (30 June 2011: 757,380) treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 June 2012. 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.

## 7. Total Return

Total Return per share is calculated on cumulative dividends paid of 32.0 pence per Ordinary Share (30 June 2011: 28.0 pence per Ordinary share and 31 December 2011: 30.0 pence per Ordinary share) plus the Net Asset Value as calculated in note 6.

## 8. Directors

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

## 9. 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 the fund manager's website: [www.yfmep.com](http://www.yfmep.com).

## Advisers to the Company

### Directors

Richard Last  
Robert Martin Pettigrew  
Peter Charles Waller

### Fund Manager

YFM Private Equity Limited  
Saint Martins House  
210-212 Chapeltown Road  
Leeds  
LS7 4HZ

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4BR

### Solicitors

hlw Keeble Hawson LLP  
Protection House  
16-17 East Parade  
Leeds  
LS1 2BR

### Secretary and Registered Office

KHM Secretarial Services Limited  
Old Cathedral Vicarage  
St James Row  
Sheffield  
S1 1XA

### Stockbrokers

Singer Capital Markets  
One Hanover Street  
London  
W1S 1AX

### Fixed Interest Securities Adviser

Brewin Dolphin Securities Limited  
34 Lisbon Street  
Leeds  
LS1 4LX

### Independent Auditor

Grant Thornton UK LLP  
2 Broadfield Court  
Sheffield  
S8 0XF

### VCT Status and Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### Bankers

The Royal Bank of Scotland plc  
27 Park Row  
Leeds  
LS1 5QB

**British Smaller Companies VCT 2 plc**  
**13 August 2012**  
**Realisation of Primal Pictures Limited**

British Smaller Companies VCT2 plc (the “Company”) today announces the realisation of its investment in Primal Pictures Limited, to an undisclosed trade buyer. Primal Pictures is an award-winning digital e-learning company providing the world’s most complete and medically accurate 3D human anatomy medical software used by educators, professionals, practitioners, and students around the world.

The realisation has generated proceeds of £1.9 million and the impact of the transaction, is an uplift in the Net Asset Value of 1.9 pence per Ordinary share. This compares to the last reported Net Asset Value at 31st March 2012 of 69.2 pence per Ordinary share. Overall this investment has delivered a total cash return of 2.2x on the original investment cost.

This has been a long term investment for the Company during which Primal established itself as best in class, evidenced by the fact that over 75% of the world’s top medical schools, as well as hospitals, research institutes and other healthcare professional bodies, use their products. More recently, it has successfully repositioned itself as provider of online educational products.

Chairman Richard Last commented “This investment is a great example of how strong returns can be achieved in uncertain economic times by backing clear strategies to exploit changing markets.”

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 294 5039
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500

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

### Purchase of Own Securities and Total Voting Rights

The Company announces that on 14 June 2012 it purchased 80,916 Ordinary shares of 10 pence each at a price of 57.25 pence per share. These shares will be held in Treasury.

If these shares had been purchased prior to the quarter ended 31 March 2012, and on the assumption that there were no other alterations, the Net Asset Value per Ordinary share of the Company at that date would have remained at 69.2 pence per Ordinary share.

The Company's issued share capital now consists of 38,243,718 Ordinary shares with voting rights. In addition, the Company holds 1,178,356 shares 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 FSA's Disclosure and Transparency Rules.

For further information, please contact:

David Hall      YFM Equity Partners Limited  
Claes Spang    Singer Capital Markets

Tel: 0113 294 5039  
Tel: 0203 205 7500

## British Smaller Companies VCT2 plc

### Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") announces that on 22 May 2012 it allotted 20,611 new ordinary shares of 10 pence each pursuant to its dividend reinvestment scheme ("Dividend Reinvestment Scheme") at a price of 63.17 pence per share to shareholders of the Company who elected to receive shares instead of the final cash dividend of 2 pence per ordinary share paid by the Company for the year ended 31 December 2011.

The Company further announces that on 22 May 2012 it allotted 158,303 new ordinary shares of 10 pence each at a price of 63.17 pence per ordinary share to an existing individual shareholder.

Application is now being made for the ordinary shares which were allotted on 22 May 2012 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 29 May 2012.

Following such allotment the Company's issued share capital consists of 38,324,634 ordinary shares with voting rights ("Voting Capital") and 1,097,440 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 FSA's Disclosure and Transparency Rules.

For further information, please contact:

David Hall  
Claes Spang

YFM Private Equity Limited  
Singer Capital Markets

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

### Purchase of Own Securities and Total Voting Rights

The Company announces that on 11 May 2012 it purchased 168,318 Ordinary shares of 10 pence each at a price of 57.25 pence per share. These shares will be held in Treasury.

If these shares had been purchased prior to the quarter ended 31 March 2012, and on the assumption that there were no other alterations, the Net Asset Value per Ordinary share of the Company at that date would have increased from 69.2 pence to 69.3 pence per Ordinary share.

The Company’s issued share capital now consists of 38,145,720 Ordinary shares with voting rights. In addition, the Company holds 1,097,440 shares 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 FSA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall      YFM Equity Partners Limited  
Claes Spang     Singer Capital Markets

Tel: 0113 294 5039  
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## **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 11 May 2012 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 2011, 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).

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

David Hall  
Claes Spang

YFM Private Equity  
Singer Capital Markets

Tel: 0113 294 5055  
Tel: 0203 205 7500

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

Annual General Meeting held on 11 May 2012

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 11 May 2012 were duly passed.

The full text of the Resolutions were contained in the notice of the Annual General Meeting dated 30 March 2012, a copy of which is also available on this website (please see pages 58-60 of the Company's annual report and accounts for the year ended 31 December 2011).

### **ORDINARY RESOLUTIONS**

#### Resolution 1

3,259,329 proxy votes were received on this resolution: 3,072,700 in favour, 3,727 against, 182,902 at the Chairman's discretion and no votes withheld.

#### Resolution 2

3,259,329 proxy votes were received on this resolution: 3,056,838 in favour, 16,031 against, 182,902 at the Chairman's discretion and 3,558 withheld.

#### Resolution 3

3,259,329 proxy votes were received on this resolution: 2,928,996 in favour, 70,406 against, 182,902 at the Chairman's discretion and 77,025 withheld.

#### Resolution 4

3,259,329 proxy votes were received on this resolution: 2,993,581 in favour, 16,440 against, 214,800 at the Chairman's discretion and 34,508 withheld.

#### Resolution 5

3,259,329 proxy votes were received on this resolution: 2,991,903 in favour, 25,440 against, 214,800 at the Chairman's discretion and 27,186 withheld.

#### Resolution 6

3,259,329 proxy votes were received on this resolution: 2,970,953 in favour, 69,152 against, 182,902 at the Chairman's discretion and 36,322 withheld.

Resolution 7

3,259,329 proxy votes were received on this resolution: 3,002,088 in favour, 37,537 against, 199,792 at the Chairman's discretion and 19,912 withheld.

**SPECIAL RESOLUTION**

Resolution 8

3,259,329 proxy votes were received on this resolution: 2,918,409 in favour, 101,429 against, 214,942 at the Chairman's discretion and 24,549 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”)**

### **Interim Management Statement**

British Smaller Companies VCT2 plc presents its interim management statement for the period from 1 January 2012 to the date of this announcement. This constitutes the Company’s first interim management statement for the financial year ending 31 December 2012, 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).

The total return at 31 March 2012, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid and proposed, is 99.2 pence per Ordinary share. This represents an increase of 0.7 pence per Ordinary share in the quarter, which is substantially a result from an overall increase in the value of the investment portfolio.

The unaudited net asset value per Ordinary share as at 31 March 2012 was 69.2p (31 December 2011: 68.5p).

The number of Ordinary shares in issue at 31 March 2012 was 33,233,622 (31 December 2011: 23,330,802). In addition at 31 March 2012 the Company held 929,122 Ordinary shares in Treasury (31 December 2011: 929,122).

During the quarter the Company, in connection with the offer for subscription launched in October 2011 (“Offer”), allotted 9,902,820 new Ordinary shares at a price of 70.5 pence per share, for gross proceeds of £6.98 million;

Following the quarter end the Company opted to extend the Offer beyond its original £10m limit in order to allot a further 5,080,416 new Ordinary shares. In total the Company raised gross proceeds of £10.6 million under the Offer.

Net assets at 31 March 2012 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,428	41.0
Quoted investments at bid price	2,085	9.1
Gilt investments	917	4.0
<b>Total investments</b>	<b>12,430</b>	<b>54.1</b>
Cash and cash equivalents	10,406	45.2
Other net current assets	161	0.7
<b>Net assets</b>	<b>22,997</b>	<b>100.0</b>

The ten largest investments by valuation at 31 March 2012 were as follows:

	£000	% of net assets
Digital Healthcare Limited	1,278	5.6
Primal Pictures Limited	1,272	5.5
Deep-Secure Ltd	1,149	5.0
Sirigen Group Limited	917	4.0
Displayplan Holdings Limited	700	3.0
Immunobiology Limited	615	2.7
Bluebell Telecom Group Limited	608	2.6
PowerOasis Limited	500	2.2
Bagel Nash Limited	407	1.8
Harvey Jones Holdings Limited	392	1.7
Top ten investments	<b>7,838</b>	<b>34.1</b>
Other investments	3,675	16.0
Gilt investments	917	4.0
<b>Total investments</b>	<b>12,430</b>	<b>54.1</b>

During the three months ended 31 March 2012 the Company invested a total of £1.2 million. In January 2012 £0.7 million was invested as part of the management buyout of the retail display group Displayplan Holdings Limited. In February 2012 a further £0.06 million was invested into portfolio business Sirigen Group Limited as part of a £1 million internal growth capital round, supporting the further commercialisation of its innovative technology. In March 2012 £0.3 million was invested as part of the £2 million buyout of Selima Limited, a supplier of

payroll and expenses software predominately to public sector customers. In addition £0.15 million was invested into shares in existing portfolio company EKF Diagnostics Plc, an AIM-listed international diagnostics group.

During the quarter further deferred cash proceeds of £64,000 have been recognised in respect of the Company's investment in DxS Limited. This takes total proceeds to £2.65 million representing a 16.3x cash return on the original investment. Also during the quarter the Company received £164,000 of proceeds following the sale of its holding in Patsystems plc via a trade sale to ION Group plc in January 2012, representing a small uplift on the December 2011 valuation; £17,000 of proceeds from the partial sale of shares in AiM quoted Tikit Group plc and £140,000 on the early redemption of the remaining loan from RMS Group Holdings Limited.

### **Performance**

Your Company's portfolio valuation has stood up well this quarter, showing an increase overall of 0.7p per Ordinary share as several investee businesses recorded positive results. The total return, calculated by reference to the net asset value plus cumulative dividends paid and proposed has increased by 0.7 pence to 99.2 pence per Ordinary share, with the cumulative dividend now representing 30.0 pence per Ordinary share.

### **Dividend Re-investment scheme**

The Company continues to operate a dividend re-investment scheme which allows Shareholders the opportunity to build further capital value by electing to receive ordinary shares in the Company, credited as fully paid, instead of receiving dividends in cash.

### **Investor Workshops**

The Company remains committed to enhancing Shareholder communications and has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The most recent event held on 9 February 2012 at the Royal College of Surgeons welcomed over 150 Shareholders.

### **Outlook**

In spite of the ongoing economic uncertainty in the markets significant progress continues to be made across the portfolio. There is also evidence of increasing new investment opportunities as businesses take advantage of changing market conditions and vendors look for equity solutions. The proposed changes to the rules defining eligible VCT investments are also expected to lead to an increased level of investment opportunities. Your Board expects an increased level of attractive investment opportunities over the short and medium term. Following the successful fundraising offer that closed on 5 April 2012 the Company is in a strong position to take full advantage of this market opportunity.

11 May 2012

**For further information please contact:**

David Hall      YFM Private Equity Limited

Tel: 0113 294 5055

Claes Spang     Singer Capital Markets Limited

Tel: 0203 205 7500

## British Smaller Companies VCT2 plc (the "Company")

### Offer for Subscription: Allotment of Shares

Further to the Company's announcement of 10 April 2012 (the "Announcement") relating to an allotment of 5,080,416 ordinary shares of 10 pence each (the "Ordinary Shares") pursuant to the Company's initial offer for subscription of up to 14,539,007 ordinary shares, an extension in the size of which was announced on 5 April 2012, dealings are expected to commence on or around 20 April 2012 in respect of 444,229 of the Ordinary Shares that were allotted as a result of that extension and not on or around 16 April 2012 as stated in the Announcement.

**For further information, please contact:**

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500

## British Smaller Companies VCT2 plc

### Offer for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") initially sought to raise up to a maximum of £10 million by way of an offer for subscription of up to 14,539,007 ordinary shares of 10 pence each in the Company ("Offer for Subscription"). Full details of the Offer for Subscription were contained in a prospectus issued by the Company on 27 October 2011 ("Offer Document"). On 4 April 2012 the Board exercised its discretion under the terms of the Offer Document to increase the size of the Offer for Subscription beyond its original £10 million.

As stated (and as defined) in the Offer Document the Offer Price is 70.5 pence per ordinary share.

The Company now announces that on 5 April 2012 it allotted 5,080,416 ordinary shares of 10 pence each ("Ordinary Shares") at a price of 70.5 pence per ordinary share in respect of valid subscriptions received and accepted by the Company on or after 21 March 2012 and before 11.00am on Thursday 5 April 2012 for the tax year 2011/2012 pursuant to the Offer for Subscription.

In total the Company raised gross proceeds of £10.6 million under the Offer for Subscription and after taking into account the costs of the Offer for Subscription this gave net proceeds of approximately £10.0 million. The Offer for Subscription is now closed.

Application is being made for the Ordinary Shares allotted on 5 April 2012 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 16 April 2012.

Following the allotment of the Ordinary Shares on 5 April 2012 the Company's issued share capital consists of 38,314,038 ordinary shares of 10 pence each with voting rights ("Voting Capital") and 929,122 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 FSA's Disclosure and Transparency Rules.

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

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500

## British Smaller Companies VCT2 plc

### Increase of Size of Offer for Subscription

The Board of British Smaller Companies VCT2 plc (the "Company") is pleased to announce that the Company has received applications under an offer for subscription in the Company launched on 27 October 2011 ("Offer for Subscription") approaching the original capacity of 14,539,007 ordinary shares of 10 pence each. Full details of the Offer for Subscription are contained in a prospectus issued by the Company on 27 October 2011 ("Offer Document"). As stated (and as defined) in the Offer Document the Offer Price is 70.5 pence per ordinary share.

The Board has exercised its discretion to extend the Offer for Subscription beyond the £10 million in accordance with the Offer Document dated 26 October 2011.

As previously announced the Offer for Subscription will close at 11.00am on Thursday, 5 April 2012. The final allotment of shares under the Offer will take place on 5 April 2012.

A copy of the Offer Document has been 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 Companies' website <http://www.yfmep.com>.

**For further information, please contact:**

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500

# BRITISH SMALLER COMPANIES VCT2 PLC Annual Financial Report

## Announcement for

### the Year to 31 December 2011

British Smaller Companies VCT2 plc (“the Company”) today announces its audited results for the year to 31 December 2011.

Whilst the general economic backdrop has remained challenging the total return to Shareholders has increased by 4.3% (4.1 pence per Ordinary share) in the year. The financial highlights are:

- An increase in Net Asset Value to 68.5 pence per Ordinary share
- Dividends for the year total 4.0 pence per Ordinary share. This brings cumulative dividends paid to Shareholders at 31 December 2011 to 30 pence per Ordinary share.
- The portfolio value has increased by 17.2% of its opening value
- The Company recorded a pre-tax profit of £1.04 million

#### Chairman’s Statement

2011 saw a continuation of recent economic uncertainty with an optimistic first half being tempered by Euro-zone credit concerns in the second half. Against this backdrop the Company’s portfolio has performed strongly with a value gain of 17.2% over the year as businesses benefited from improved efficiencies and clear value creation strategies. The Total Return, calculated by reference to Net Asset Value plus cumulative dividends, at the year-end increased by 4.1 pence per Ordinary share to 98.5 pence per Ordinary share compared to 94.4 pence per Ordinary share in 2010, an increase of 4.3%. This result is particularly pleasing when compared with the performance of UK Stock markets with the FTSE™ Small Cap Share Index down 15% and FTSE All Share™ Index down 7.8% over the 12 months to 31 December 2011.

Cumulative dividends at 31 December 2011 amounted to 30.0 pence per Ordinary share. The Net Asset Value per Ordinary share as at 31 December 2011 was 68.5 pence per Ordinary share, an increase of 0.1 pence per Ordinary share compared to 2010 after payment of a 4.0 pence per Ordinary share dividend during the year.

Although economic uncertainties continue into 2012 there is increasing cause for optimism and improving stability. The Fund Manager is seeing increasing levels of good investment opportunities which are now showing through in investment levels. The Board has therefore sought to increase the Company’s investment capacity via an Offer for Subscription for new Ordinary shares which it launched in October 2011 and which remains open until 11am on 5 April 2012. As at the date of this report I am pleased to announce that £6.98 million of Ordinary shares have been allotted. This will enable the Company to take advantage of strong investment opportunities, to continue to support growth within the portfolio and to increase the stability of returns through increased diversification and income generation.

## Investment Portfolio

New investments in 2011 increased to £2.8 million compared to only £1.4 million in 2010, although this is still low relative to previous years. This is expected to increase further in 2012 as the macro economic factors become clearer and business owners and funders are able to plan and prepare to take investment decisions. History has shown that the best returns have been made from investments as the economy begins to grow following a recession and the Company remains well placed to take advantage of good opportunities as they occur.

In 2011 the Company made 11 investments, which comprised three new investments in un-quoted companies, two follow-on investments and six smaller investments into AIM quoted companies.

In July 2011, £400,000 was invested as part of the £5 million management buy-out of Bagel Nash Limited, an established bakery and operator of 11 espresso and bagel bars in the North of England. In November 2011, £500,000 was invested to fund the growth plans of PowerOasis Limited, a leading provider of power management and energy efficient solutions to international mobile telecommunications operators. In December 2011, £375,000 of growth capital was invested into TeraView Limited, a provider of products with applications in the electronics, medical analysis, solar power and security sectors based on its innovative terahertz technology.

Within the portfolio, £233,334 was invested to acquire high-yielding preference shares in established contract catering group Waterfall Services Limited. These were subsequently redeemed during the year (with an effective yield of 24.72%). A further £192,000 was also invested into Sirigen Group Limited to support the on-going development of its fluorescent marking technology which is beginning to achieve significant commercial success.

The six new AIM investments had a total cost of £1.1 million and were selected to provide a balance of medium term growth and yield in low risk businesses with good liquidity levels. One of these investments, Group NBT plc, was subject to a private equity funded buyout which achieved a quick conclusion during the year with a profit of £59,000 on its £197,000 cost. Overall, the remaining five holdings have seen a small (£14,000) increase in investment valuation in spite of a significant decline across quoted markets in the second half of 2011.

Although there have been no significant divestments from the portfolio during the year, the Company has received proceeds of £943,000 (excluding the sale of fixed income securities). This includes £322,000 of deferred proceeds in respect of the trade sale of DxS Limited in 2009, bringing the total amount received from this investment to £2.3 million, representing a 14.85 times return on capital invested. The Company received £292,000 via the redemption of preference shares in Waterfall Services Limited. In addition to the sale of the investment in Group NBT plc, the Company also made a small partial disposal of its holding in AIM quoted Optos plc, taking advantage of improved trading results. Overall proceeds received during the year, including the DxS Limited deferred consideration, generated a profit of £203,000 above previous carrying values. After a profit of £22,000 on sales from the gilt portfolio, the total gain on disposals for the year amounted to £225,000.

Overall the value of investments has increased by £1,112,000 during 2011, ignoring the impact of the additions and disposals and the gain from the DxS Limited deferred consideration. This figure comprises a value gain of £1,219,000 in respect of unquoted investments, a fall in value of £186,000 in respect of AIM investments and an increase in the value of gilts of £79,000.

Across the unquoted portfolio good progress has been made by a number of businesses that have seen profits grow despite the challenging economic environment. In particular, secure communication systems provider Deep-Secure Limited, whose products continue to make significant headway in their markets which is reflected in the increased valuation of £710,000 in the year. There are also several businesses implementing clear value growth strategies. Sirigen Group Limited has made good progress in generating commercial revenues from its innovative fluorescent reagent technology, showing in a value growth of £400,000 net of further investment cost. Digital Healthcare Limited successfully acquired the other significant UK provider of diabetic retinal screening services with the support of the National Screening Council and saw the investment value increase by £254,000. Also Cambridge Cognition Limited saw a value increase of £204,000, having now proven a profitable model supplying its diagnostic tests for mental health conditions to clinical trial providers and is now exploring the significant opportunity to rollout services to primary medical providers. These gains have been partially offset by a £400,000 value reduction relating to Immunobiology Limited reflecting further delays in commencing clinical trials of its innovative vaccine technology. Overall, the portfolio remains well funded and should be well placed for value growth as individual growth strategies are implemented and economic conditions improve.

## Financial Results

The result for the financial year ended 31 December 2011 was a pre-tax profit of £1.04 million which comprised a profit in respect of capital of £1.08 million and a revenue loss of £0.04 million, as compared to a pre-tax loss of £0.10 million in 2010 (which comprised a capital loss of £0.11 million and a revenue profit of £0.01 million). This amounts to an increase of 4.1 pence per Ordinary share (2010: reduction of 0.7 pence per Ordinary share) before payment of dividends totalling 4.0 pence per Ordinary share.

The movement in Net Asset Value per Ordinary share in the year was:

	Pence/share
31 December 2010	68.4
Dividends paid in the year	(4.0)
Buy back of shares	0.2
Issue of shares	(0.5)
Net increase in value	4.4
<b>31 December 2011</b>	<b>68.5</b>

Cash and gilt investments at the end of the year amounted to £5.69 million. Further disposals will enhance cash reserves and enable distributions to Shareholders in the form of tax free dividends.

Your Board remains committed to achieving the objective of a constant dividend stream and, following the 4.0 pence per Ordinary share of dividends paid this year, it is pleased to propose a final dividend of 2.0 pence per Ordinary share. If approved, the dividend will be paid on 22 May 2012 to Shareholders on the register as at 20 April 2012.

## Fundraising and Shareholder Relations

The Company is seeking to increase its investment capacity through an Offer for Subscription in Ordinary shares. On 26 October 2011 your Board published a prospectus offering investors the opportunity to subscribe for up to 14,539,007 new Ordinary shares in the Company at an offer price of 70.5 pence per Ordinary share. The offer closes on 5 April 2012 at 11:00am. Following an excellent response to the Offer, an initial allotment of £2,676,119 for 3,795,914 new Ordinary shares was made on 5 January 2012. A second allotment of £4,305,533 for 6,106,906 new Ordinary shares was made on 20 March 2012. The additional investment capacity will enable the Company to take advantage of additional attractive investment opportunities and further diversify the investment portfolio.

At a Shareholder's meeting on 30 August 2011 Shareholders voted in favour of re-introducing a buy back policy and the rate of discount to Net Asset Value at which Ordinary shares are bought back has been set at no more than 15%. During the year the Company has bought back 363,022 Ordinary shares at an average price of 57.08 pence per Ordinary share representing 1.56% (excluding treasury shares) of the issued share capital at the year end. These shares have been placed in treasury.

Your Board remains committed to enhancing Shareholder communications and continues to run 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 CEO's of one or more of our investee companies. Our 17th Shareholder workshop was held at the Royal College of Surgeons in London on 9 February 2012 and was attended by over 150 investors. Presentations at the workshop were made by David Hall on behalf of the Company's Fund Manager, YFM Private Equity Limited, as well as by the CEO of investee company Bagel Nash and a member of HM Revenue & Customs.

The Annual General Meeting of the Company will be held at 12.00 noon on 11 May 2012 at 33 St James Square, London, SW1Y 4JS.

## Regulation

Venture Capital Trusts have had a positive influence and benefit on the flow of capital to the UK's smaller businesses and it is welcome that this is being recognised.

Following the Chancellors budget in March 2012 and the issue of the Draft Finance Bill 2012 on 6 December 2011 investments undertaken by the Company will be subject to new legislation. The most significant change which will affect the Company's investment policy is that:

- For investments made after 5 April 2012 the annual investment limit of £1 million that any single VCT can invest in a company will be removed, except where the company trades in partnership or through a joint venture

In addition to the above investment criteria, changes have been made to the “qualifying company” limits effective from 6 April 2012 subject to the granting of EU approval. These are summarised as follows:

- The employee limit will increase from 50 to 250 for investee companies.
- An increase in the size threshold of gross assets to £15 million before investment from £7 million.
- The maximum amount that an investee company can receive from VCTs and any other State Aid sources is now proposed to be £5 million.

Such changes to the current legislation should increase the number of potential new investments available to the Company and help diversify the portfolio further.

## Subsequent Events

Since the year end we have seen increasing levels of investment activity. The Company invested £700,000 in January 2012 as part of the management buyout of the retail display group Displayplan Holdings Limited from its US parent. In February 2012 a further £58,000 was invested into portfolio business Sirigen Group Limited as part of a £1 million internal growth capital round. In March 2012 £300,000 was invested as part of the £2 million buyout of Selima Limited, a supplier of payroll and expenses software predominantly to public sector customers. Also in March 2012 a further £148,000 was invested into EKF Diagnostics Holdings plc, a growing international diagnostics group. In January 2012 derivatives trading system provider, Patsystems plc, was sold to trade purchaser ION Group plc with the Company receiving £164,000 of cash proceeds from the sale of its shares. In March 2012 the Company's £140,000 remaining loan to Humber stevedore and logistics group RMS Group Holdings Limited was repaid as a result of a refinancing supported by the group's bank HSBC following further positive trading results. Also in March the Company sold 7.25% of its holding in quoted software group Tikit Group plc generating £17,000 of proceeds.

## Outlook

There have been signs of economic conditions at least stabilising but the debt crisis in the Euro-zone will create further economic uncertainty for several months. However the portfolio remains well funded with many businesses now showing improved efficiency or driving clear strategies to maximise the new market opportunities they now see. This Company remains well placed to continue to support our portfolio companies and take advantage of investment opportunities that may arise in the short term.

As can be demonstrated by the recent increase in completed investments the Board remains of the opinion that the upcoming period is likely to present many good investment opportunities for new investments. It was with this in mind that we increased the investment capacity of the Company this

year and the Board will continue to consider the opportunity for further fund raising offers in the future.

Richard Last  
Chairman  
30 March 2012

## Fund Manager's Review

Portfolio valuation at 31 December 2011 and full history of disposals up to 31 December 2011

Name of Company	Date of Initial Investment	Location	Industry Sector	Current Cost*	Proceeds to Date*	Investment Valuation at 31 December 2011 £000	Return to Date £000
<b>Current Investments</b>				<b>£000</b>	<b>£000</b>		
Digital Healthcare Limited	Jun-05	Cambridge	Medical Instruments	3,072	-	1,396	1,396
Primal Pictures Limited	Dec-05	London	Medical Instruments	897	205	1,081	1,286
Deep-Secure Limited	Dec-09	Malvern	Software	500	-	1,103	1,103
Sirigen Group Limited	Jun-10	Hampshire	Medical Technology	458	-	858	858
Waterfall Services Limited	Feb-07	Warrington	Healthcare	192	292	390	682
Immunobiology Limited	Jun-03	Cambridge	Pharmaceuticals	1,032	-	602	602
Bluebell Telecom Group Limited	Sep-10	Newcastle	Telecommunications	500	-	569	569
PowerOasis Limited	Nov-11	Swindon	Energy Infrastructure	500	-	500	500
RMS Group Holdings Limited	Jul-07	Goole	Industrial Services	210	165	246	411
Bagel Nash Limited	July-11	Leeds	Retail Baker	405	-	405	405
Harvey Jones Holdings Limited	May-07	London	Consumer Retail	389	-	391	391
TeraView Limited	Dec-11	Cambridge	Medical Instruments	375	-	375	375
Optos plc	Dec-05	Dunfermline	Medical Instruments	81	167	175	342
Cambridge Cognition Limited	May-02	Cambridge	Software	240	-	286	286
Iomart Group plc	May-11	London	IT Infrastructure	198	-	285	285
Brady plc	Dec-10	Cambridge	Metals and Commodities	239	-	281	281
Pressure Technologies plc	Jun-07	Sheffield	Manufacturing	300	-	270	270
May Gurney Integrated Services plc	May-11	Norwich	Construction	212	-	217	217
Tikit Group plc	May-11	London	Software	198	-	195	195
Patsystems plc	Sep-07	London	Software	317	-	156	156
2ergo Group plc	May-11	Manchester	Software	197	-	114	114
EKF Diagnostics Holdings plc	Jul-11	London	Medical Instruments	77	-	85	85
Tissuemed Limited	Dec-05	Leeds	Consumer Retail	48	-	60	60
Brulines Group plc	Oct-06	Stockton-on- Tees	Electronics	81	-	50	50
Allergy Therapeutics plc	Oct-04	Worthing	Biotechnology	350	-	48	48
Ellfin Home Care Limited	Dec-07	Oldham	Healthcare	317	-	43	43
Intelligent Recordings Limited	Sep-08	Nottingham	Electronics	-	-	28	28
Solcom Limited	Dec-05	Ryde	Software	-	-	-	-
Oxis Energy Limited	Dec-05	Abingdon	Electronics	5	-	-	-
				11,390	829	10,209	11,038

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Full disposals to date	9,433	14,571	-	14,571
Total	20,823	15,400	10,209	25,609

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\* Proceeds include premiums and profits on loan repayments and preference redemptions.

## Fund Manager's Review

Portfolio valuation at 31 December 2011 and full history of disposals up to 31 December 2011 (Continued)

Name of Company	Date of Initial Investment	Date of Disposal	Industry Sector	Original Cost*	Proceeds to Date	Capital Return Multiple	Disposals to Date	Gains (losses) on Disposal
				£000	£000		£000	£000
<b>Disposed Investments</b>								
DxS Limited	Apr-04	Sep-09	Healthcare	163	2,588	15.87	2,588	2,425
Cozart plc	Jul-04	Oct-07	Healthcare	1,566	2,983	1.90	2,983	1,417
Sarian Systems Limited	Dec-05	Apr-08	Telecoms	928	2,605	2.80	2,605	1,677
Vibration Technology Limited	Mar-02	Sep-06	Industrial	1,061	2,328	2.20	2,328	1,267
Amino Technologies plc	Sep-01	Nov-04	Electronics	415	1,875	4.52	1,875	1,460
The ART Technology Group Inc	Apr-03	Oct-09	Software	275	638	2.32	638	363
Tamesis Limited	Jul-01	Sep-07	Software	150	317	2.11	317	167
Oxonica plc	May-02	Sep-09	Chemical	241	258	1.07	258	17
Group NBT plc	May-11	Nov-11	IT Support	197	256	1.30	256	59
Tekton Group Limited	Dec-05	Dec-06	Software	100	223	2.23	223	123
Voxar Limited	Dec-05	Nov-06	Software	-	134	-	134	134
Hallco 1389 Limited & Hallco 1390 Limited	Dec-06	Mar-08	Software	50	126	2.52	126	76
Arakis Limited	Mar-04	Aug-05	Healthcare	14	108	7.71	108	94
SoseiCo Limited	Aug-05	Feb-06	Healthcare	158	94	0.59	94	(64)
Broadreach Networks Limited	Feb-03	Dec-05	Telecoms	550	17	0.03	17	(533)
Sirus Pharmaceuticals Limited	Sep-01	Mar-04	Healthcare	270	14	0.05	14	(256)
Focus Solutions Group plc	Dec-05	Feb-06	Software	7	7	1.00	7	-
Infinite Data Storage Limited	Mar-02	Dec-10	Software	425	-	-	-	(425)
Purely Proteins Limited	Nov-03	Dec-05	Software	438	-	-	-	(438)
ExpressOn Biosystems Limited	Oct-02	Dec-05	Healthcare	450	-	-	-	(450)
Comvurgent Limited	Dec-05	Dec-08	Software	611	-	-	-	(611)
Silistix Limited	Dec-03	Dec-11	Electronics	1,364	-	-	-	(1,364)
<b>Total</b>				<b>9,433</b>	<b>14,571</b>	<b>-</b>	<b>14,571</b>	<b>5,138</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc

## Fund Manager's Review

### Introduction

Significant progress has been made during the year. The portfolio achieved a strong increase in value equivalent to 17.2% of its opening value with many businesses well positioned to see further increases over the coming year. The Company is also seeing a marked increase in investment activity levels and has successfully increased its investment capacity to be able to take advantage of opportunities as and when they arise.

There has been considerable further progress made by many of the businesses in the Company's portfolio in spite of a continuation of the challenging market conditions. Having made a substantial investment in additional sales resource at the start of the year Primal Pictures Limited has now proven the commercial market demand for its new educational product, a major step in repositioning the business as a provider of education services. Digital Healthcare Limited, with the support of the UK National Screening Council, has acquired the other significant diabetic retinal screening provider to consolidate services provided on a national basis. Bluebell Telecom Group Limited acquired another supplier of phone line services to UK businesses, Worldwide ISDN Limited, in order to achieve significant efficiency improvements. Deep-Secure Limited's products continue to make significant headway in their markets which is reflected in the increased valuation of £710,000 in the year. Waterfall Services Limited won a significant new contract to deliver meals to school children in the Sheffield area.

This year has seen the continued disposal of investments at values above carrying value although there were no significant exits during the year. The Company has continued to benefit from the sale of DxS Limited to Qiagen in 2009 with another £322,000 of deferred proceeds received in this year.

Investment activity levels have increased with 11 investments during the year totalling £2.78 million. A further four investments totalling £1.21 million have been made since the year end. Cash and gilt investments at 31 December 2011 were £5.69 million representing 35.8% of net assets, which compares to £4.49 million (37.9% of net assets) at 31 December 2010. The share subscription which was announced in October 2011 has been strongly supported, receiving £6.98 million. This puts the Company in a strong cash position to take advantage of the current increase in good investment opportunities and to continue to pay dividends in future years.

## Portfolio Overview

### Portfolio Performance

Overall, the quoted and unquoted portfolio increased by £3.27 million to a total of £10.21 million from £6.94 million. Netting off the new investments of £2,784,000 and carrying value of disposals of £574,000 from the opening December 2010 value, the net portfolio value movement over the year was an increase of £1.03 million. This breaks down into an increase in the value of the unquoted portfolio of £1.22 million and a fall in the value of the quoted portfolio of £186,000. Overall the portfolio remains well funded and positioned for value growth as economic conditions improve and current strategies are implemented to capitalise on the changing market conditions.

	Quoted and unquoted portfolio £000	Deferred proceeds £000	Total £000
Opening value	6,939	259	7,198
Additions	2,784	-	2,784
Valuation changes			
-Unquoted	1,219	-	1,219
-Quoted	(186)	-	(186)
Proceeds	(622)	(322)	(944)
Profit on disposal	75	128	203
31 December 2011	10,209	65	10,274

A further £322,000 of cash proceeds were generated from deferred consideration payments relating to the sale of DxS Limited to Qiagen which completed in 2009. These payments together with a further £65,000 of value assumed from DxS Limited in the future represented a profit of £128,000 over the December 2010 valuation (shown within debtors).

Including the deferred proceeds the effective net movement in the opening December 2010 value of the Company's portfolio was an increase of £1,236,000. This can be broken down as follows:-

	2011	
	£000	%
Unquoted	1,219	11.95
Quoted	(186)	(1.80)
Profit on disposal	75	0.70
Deferred proceeds	128	1.25
Total Value Movement	1,236	12.10

The unquoted portfolio as a whole continued to perform strongly with nine out of the 16 investments showing an uplift in value, three remaining flat and relatively minor value falls in the others. The key unrealised value movements relate to Deep-Secure Limited (up £710,000) which has now established a strong performance following the buyout of this high security communication software supplier where its products continue to gain increased market penetration. Sirigen Group Limited (up £400,000) has made considerable progress in co-developing products with a number of major international diagnostic groups. Digital Healthcare Limited (up £254,000) made a significant value enhancing step when it successfully acquired the other significant diabetic retinal screening supplier in the UK with support from the National Screening Council to help standardise services. Cognitive testing supplier, Cambridge Cognition Limited, also made strong progress (up £204,000) having established a profitable model supplying the clinical trials sector and with plans for a major product launch targeting the primary care providers. Immunobiology Limited (down £400,000) has experienced further delays in getting its vaccine technology into human trials although further technical progress has been made.

The quoted portfolio saw a fall in value which reflects the movement in the market as a whole during the period. Both Patsystems plc (down £138,000) and Pressure Technologies plc (down £100,000) saw significant value falls following profit downgrades and 2ergo Group plc suffered a value fall (down £83,000) following a change in regulation relating to the marketing of mobile services to retail customers. Several other investees bucked this trend with value gains, in particular cloud computing specialist Iomart Group plc (up £87,000) following significant profit growth and a strategic acquisition.

The investment portfolio held at the year end can be analysed into the following categories:

#### **AIM LISTED INVESTMENTS**

-Non Qualifying	£1,279,037
-Qualifying	£594,762
	<u>£1,873,799</u>

#### **NON LISTED INVESTMENTS**

-Non Qualifying	£137,315
-Qualifying	£8,197,593
	<u>£8,334,908</u>

<b>TOTAL INVESTMENTS</b>	<u><u>£10,208,707</u></u>
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## Investment Activity

During the year the Company made a total of 11 investments (£2.78 million), nine new investments and two follow-on investments into existing companies.

In July 2011, £400,000 was invested, alongside British Smaller Companies VCT plc, to support a proven management team in the buyout of Bagel Nash Limited. The strategy is to roll out the proven retail proposition across the North of England. In November 2011 the Company invested £500,000 into PowerOasis Limited, a specialist provider of off grid power solutions for operators of mobile phone base stations. In December 2011 the Company invested £375,000 into TeraView Limited, a company specialising in the provision of innovative testing processes to the electronics sector. In September 2011 a £233,000 follow-on investment was made in high yielding preference shares in Waterfall Services Limited although strong cash generation enabled these to be redeemed three months later. The Company made additional follow-on investments totalling £191,000 into Sirigen Group Limited alongside a strong syndicate of institutional investors as management completed the technical development and began commercial sales of its innovative fluorescent marking products.

In addition to the above unquoted investments the Company made six investments into AIM listed companies totalling £1.08 million of new investments. At 31 December 2011 the total value of this portfolio had increased by £73,000.

The Company's investment policy is to build a diversified portfolio of investments in emerging businesses combined with later stage businesses that have the potential to deliver both income and capital growth. Investment levels, though higher than in 2010, have remained below historic levels but are expected to grow further in 2012. This can now be demonstrated by the four additional investments (£1.21 million) which have been made since the year end. The Company invested £700,000 in January 2012 as part of the management buyout of the retail display group Displayplan Holdings Limited from its US parent. In February 2012 a further £58,000 was invested into portfolio business Sirigen Group Limited as part of a £1 million internal growth capital round. In March £300,000 was invested as part of a £2 million buyout of Selima Limited, a supplier of payroll and expenses software predominantly to public sector customers. A further £148,000 was invested in March 2012 into quoted portfolio business EKF Diagnostics Holdings plc.

We will continue to invest into the portfolio to fund value growth and support commercialisation of technology.

## Disposals

There were no significant disposals during the year as market conditions were not appropriate to maximise value in most sectors. In total the Company has received £622,000 in the year from the sale of investments; £292,000 was received following the partial disposal of preference shares held in

Waterfall Services Limited using free cash generated from trading profits; £256,000 was received from the sale of AIM quoted Group NBT plc which was subject to a private equity backed buyout realising a profit of £59,000 (29.8%) over cost in just six months. The Company also took advantage of positive trading results at quoted portfolio company Optos plc to sell 30% of the Company's holding generating £74,000, a £16,000 profit on opening value and £50,000 profit on cost.

Deferred consideration of £322,000 was received during the year in respect of DxS Limited with the residual deferred payments due still being valued at £65,000 as a non-current asset on the Company's Balance Sheet at the year end.

A further £321,000 has been received since 31 December 2011 equating to a profit over the year end value of £10,000. The derivatives trading system supplier Patsystems plc was sold to trade competitor ION Group plc resulting in cash proceeds of £164,000. Also the Company's £140,000 remaining loan to Humber stevedore and logistics group RMS Group Holdings Limited has been repaid through a HSBC bank funded refinancing. In March the Company sold 7.25% of its holdings in quoted software group Tikit Group plc generating £17,000 of proceeds.

## Conclusion and Outlook

The year under review has seen a continuation of some of the previous challenging market conditions. In spite of this there has been a general improvement in performance and valuations across the Company's portfolio.

Cash reserves remain strong and will be boosted with the funds raised from the new share issue, so the Company is well placed to take advantage of the gradually increasing investment rates, to continue to support the portfolio and maintain historic dividend levels.

David Hall  
YFM Private Equity Limited  
30 March 2012

## Principal risks, risk management and regulatory environment.

The Board believes that the principal risks faced by the Company are:

**Investment and strategic** – the quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee under performance might lead to under performance and poor returns to Shareholders.

**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. As such one of the Key Performance Indicators monitored by the Company is the compliance with legislative tests.

**Regulatory** – 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.

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

**Operational** – 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.

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

**Market** – lack of liquidity in both the venture capital and public markets. Investment in AIM-traded 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. 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.

**Liquidity** – the Company’s investments may be difficult to realise. 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.

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2:”Risk Management & Internal Control” of The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010.

### Responsibility statements of the directors in respect of the annual financial report

The Annual Report and Accounts contains the following statements regarding responsibility for the Directors’ Report and financial statements included in the Annual Report and Accounts from which the information in this Announcement has been extracted (references in the following statements are to sections of the Annual Report and Accounts).

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the business review included within the Chairman’s Statement, Fund Manager’s Review and Directors’ Report includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Statement of Comprehensive Income  
For the year ended 31 December 2011

	Notes	2011			2010		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	225	225	-	370	370
Profits (losses) on investments held at fair value		-	1,112	1,112	-	(252)	(252)
Income	2	349	-	349	321	-	321
Administrative expenses:							
Fund Management fee		(86)	(259)	(345)	(77)	(231)	(308)
Other expenses		(301)	-	(301)	(234)	-	(234)
		(387)	(259)	(646)	(311)	(231)	(542)
<b>Profit (loss) before taxation</b>		<b>(38)</b>	<b>1,078</b>	<b>1,040</b>	10	(113)	(103)
Taxation	3	-	-	-	-	-	-
<b>Profit (loss) for the year</b>		<b>(38)</b>	<b>1,078</b>	<b>1,040</b>	10	(113)	(103)
<b>Total comprehensive income for the year</b>		<b>(38)</b>	<b>1,078</b>	<b>1,040</b>	10	(113)	(103)
<b>Basic and diluted earnings (loss) per</b>							
<b>Ordinary share</b>	5	<b>(0.17)p</b>	<b>4.92p</b>	<b>4.75p</b>	0.06p	(0.65)p	(0.59)p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRS's) 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 2011

	Notes	2011	2010
		£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments		10,209	6,939
Fixed income government securities		1,618	3,980
Financial assets at fair value through profit or loss		11,827	10,919
Trade and other receivables		65	259
		<b>11,892</b>	<b>11,178</b>
<b>Current assets</b>			
Trade and other receivables		242	193
Cash and cash equivalents		4,076	509
		<b>4,318</b>	<b>702</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(228)	(51)
<b>Net current assets</b>		<b>4,090</b>	<b>651</b>
<b>Net assets</b>		<b>15,982</b>	<b>11,829</b>
<b>Shareholders' equity</b>			
Share capital		2,426	1,785
Share premium account		4,427	810
Capital redemption reserve		88	88
Other reserve		2	2
Merger reserve		5,525	5,525
Capital reserve		2,630	3,587
Investment holding (losses) gains		(3,665)	(4,763)
Special reserve		4,255	4,463
Revenue reserve		294	332
<b>Total Shareholders' equity</b>		<b>15,982</b>	<b>11,829</b>
<b>Net asset value per Ordinary share</b>	6	<b>68.5p</b>	68.4p

## Statement of Changes In Equity

For the year to 31 December 2011

	Share capital	Share premium account	*Other reserves	Merger reserve	Capital reserve	Investment holding (losses) gains	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 December 2009</b>	<b>1,664</b>	<b>69</b>	<b>90</b>	<b>5,525</b>	<b>4,442</b>	<b>(4,802)</b>	<b>4,786</b>	<b>332</b>	<b>12,106</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	10	10
<i>Capital expenses</i>	-	-	-	-	(231)	-	-	-	(231)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	(252)	-	-	(252)
<i>Realisation of investments in the year</i>	-	-	-	-	370	-	-	-	370
<b>Total comprehensive income for the year</b>	-	-	-	-	139	(252)	-	10	(103)
<i>Issue of share capital</i>	121	792	-	-	-	-	-	-	913
<i>Issue costs</i>	-	(51)	-	-	-	-	-	-	(51)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(323)	-	(323)
<i>Dividends</i>	-	-	-	-	(703)	-	-	(10)	(713)
<b>Total transactions with owners</b>	<b>121</b>	<b>741</b>	-	-	<b>(703)</b>	-	<b>(323)</b>	<b>(10)</b>	<b>(174)</b>
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	(291)	291	-	-	-
<b>Balance at 31 December 2010</b>	<b>1,785</b>	<b>810</b>	<b>90</b>	<b>5,525</b>	<b>3,587</b>	<b>(4,763)</b>	<b>4,463</b>	<b>332</b>	<b>11,829</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	(38)	(38)
<i>Capital expenses</i>	-	-	-	-	(259)	-	-	-	(259)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,112	-	-	1,112
<i>Realisation of investments in the year</i>	-	-	-	-	225	-	-	-	225
<b>Total comprehensive income for the year</b>	-	-	-	-	(34)	1,112	-	(38)	1,040
<i>Issue of share capital</i>	640	3,862	-	-	-	-	-	-	4,502
<i>Issue costs</i>	-	(250)	-	-	-	-	-	-	(250)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(208)	-	(208)
<i>Issue of shares - DRIS</i>	1	5	-	-	-	-	-	-	6
<i>Dividends</i>	-	-	-	-	(937)	-	-	-	(937)
<b>Total transactions with owners</b>	<b>641</b>	<b>3,617</b>	-	-	<b>(937)</b>	-	<b>(208)</b>	-	<b>3,113</b>
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	14	(14)	-	-	-
<b>Balance at 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>90</b>	<b>5,525</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>

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

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 provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

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

The special reserve, capital reserve and revenue reserve are all distributable reserves. These reserves total £7,179,000 (2010: £8,382,000) representing a decrease of £1,203,000 (2010: £1,178,000 decrease) during the year. This change arises from the revenue loss in the year of £38,000 (2010: £10,000 profit), movements in the investment holding (losses) gains reserve of £20,000 loss (2010: £152,000 loss), dividends of £937,000 (2010: £713,000) and purchase of shares of £208,000 (2010: £323,000). The directors also take into account the level of the investment holding (losses) gains reserve when determining the level of dividend payments.

Statement of Cash Flows  
For the year ended 31 December 2011

	<b>2011</b>	2010
	<b>£000</b>	£000
<b>Net cash outflow from operating activities</b>	<b>(174)</b>	(312)
<hr/>		
<b>Cash flows from (used in) from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	<b>(3,970)</b>	(3,135)
Proceeds from sale of financial assets at fair value through profit or loss	<b>4,276</b>	1,525
Deferred consideration	<b>322</b>	301
<b>Net cash from (used in) investing activities</b>	<b>628</b>	(1,309)
<hr/>		
<b>Cash flows from (used in) financing activities</b>		
Issue of share capital	<b>4,502</b>	913
Issue costs	<b>(250)</b>	(51)
Purchase of own shares	<b>(208)</b>	(323)
Dividends paid	<b>(931)</b>	(713)
<b>Net cash from (used in) financing activities</b>	<b>3,113</b>	(174)
<hr/>		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,567</b>	(1,795)
<b>Cash and cash equivalents at beginning of the year</b>	<b>509</b>	2,304
<b>Cash and cash equivalents at the end of the year</b>	<b>4,076</b>	509

Reconciliation of Profit (Loss) before Taxation to Net Cash Outflow from  
Operating Activities

	<b>2011</b>	2010
	<b>£000</b>	£000
Profit (loss) before taxation	<b>1,040</b>	(103)
Increase (decrease) in trade and other payables	<b>177</b>	(90)
Increase in trade and other receivables	<b>(49)</b>	(1)
Gains on disposal of investments in the year	<b>(225)</b>	(370)
(Profit) losses on investments held at fair value	<b>(1,112)</b>	252
Capitalised Interest	<b>(5)</b>	-
<b>Net cash outflow from operating activities</b>	<b>(174)</b>	(312)

## Notes

### 1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 December 2011 has been prepared using accounting policies consistent with those adopted in the full audited financial statements which 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' issued by the Association of Investment Companies in January 2009 (SORP) to the extent that they do not conflict with IFRSs as adopted by the European Union.

Segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

### 2. Income

	<b>2011</b>	2010
	<b>£000</b>	£000
Income from investments		
- Dividends from unquoted companies	11	6
- Dividends from AIM quoted companies	37	22
	<b>48</b>	28
- Interest on loans to unquoted companies	146	117
- Fixed interest Government securities	88	162
	<b>282</b>	307
Income from investments held at fair value through profit or loss	<b>282</b>	307
Interest on bank deposits	67	14
	<b>349</b>	321

### 3. Taxation

	2011			2010		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Corporation tax at 20% (2010: 21%)	-	-	-	-	-	-
Profit (loss) before taxation	<b>(38)</b>	<b>1,078</b>	<b>1,040</b>	10	(113)	(103)
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2010: 21%)	<b>(8)</b>	<b>216</b>	<b>208</b>	2	(24)	(22)
<b>Effect of:</b>						
UK dividends received	<b>(10)</b>	-	<b>(10)</b>	(6)	-	(6)
Non taxable profits on investments	-	<b>(267)</b>	<b>(267)</b>	-	(24)	(24)
Excess management expenses	<b>18</b>	<b>51</b>	<b>69</b>	4	48	52
Tax charge (credit)	-	-	-	-	-	-

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

Deferred tax assets of £452,000 calculated at 20% (2010: £406,000 calculated at 21%) in respect of unrelieved management expenses (£2.262 million as at 31 December 2011) 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 disposal of investments.

## 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	2011			2010		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Final dividend for the year ended 31 December 2010 of 2.0p (2009 year end: 2.0p) per Ordinary share	-	467	467	-	356	356
Interim dividend for the year ended 31 December 2011 of 2.0p (2010: 2.0p) per Ordinary share	-	470	470	10	347	357
	-	937	937	10	703	713

A final dividend of 2.0p per Ordinary share in respect of the year to 31 December 2011 is proposed. This dividend has not been recognised in the year ended 31 December 2011 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 (loss) per Ordinary share is based on the profit after tax attributable to Shareholders of £1,040,000 (2010: £103,000 loss) and 21,906,793 (2010: 17,449,179) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

The basic and diluted revenue (loss) earnings per Ordinary share is based on the loss for the year attributable to Shareholders of £38,000 (2010: £10,000 profit) and 21,906,793 (2010: 17,449,179) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

The basic and diluted capital earnings (loss) per Ordinary share is based on the capital profit for the year attributable to Shareholders of £1,078,000 (2010: £113,000 loss) and 21,906,793 (2010: 17,449,179) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

During the year the Company issued 6,415,128 Ordinary shares. The Company has also repurchased 363,022 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 2011 or 31 December 2010. 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 2011 and 31 December 2010.

## 6. Net Asset Value per Ordinary Share

The basic and diluted Net Asset Value per Ordinary share is calculated on attributable assets of £15,982,000 (2010: £11,829,000) and 23,330,802 (2010: 17,278,696) 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 2011.

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 2011 or 31 December 2010. Consequently, basic and diluted Net Asset Value per Ordinary share is the same for the year ended 31 December 2011 and 31 December 2010.

## 7. Total Return per Ordinary Share

The total return per Ordinary share is calculated on cumulative dividends paid of 30.0 pence per Ordinary share (2010: 26.0 pence per Ordinary share) plus the Net Asset Value as calculated per note 6.

## 8. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 December 2011. Full details of related party transactions are shown in note 17 to the Annual Report and Accounts which can be obtained as described in note 11.

## 9. Events after the Balance Sheet Date

Your Board has published an Offer for Subscription giving investors the opportunity to subscribe for up to 14,539,007 new Ordinary shares in the Company at an offer price of 70.5 pence per Ordinary share. The Offer for Subscription will close on 5 April 2012. Pursuant to the offer an initial allotment of £2,676,119 for 3,795,914 Ordinary shares was made on 5 January 2012, and £4,305,533 for 6,106,906 Ordinary shares was made on 20 March 2012.

High current activity levels can be seen by the fact that several additional investments have already completed since the 31 December 2011 year end. The Company invested £700,000 in January 2012 as part of the management buyout of the retail display group Displayplan Holdings Limited from its US parent. In February 2012 a further £58,000 was invested into portfolio business Sirigen Group Limited as part of a £1 million internal growth capital round. In March 2012 £300,000 was invested as part of the £2 million buyout of Selima Limited, a supplier of payroll and expenses software predominantly to public sector customers. Also in March a further £148,000 was invested into EKF Diagnostics Holdings plc, a growing international diagnostics group.

In January 2012 derivatives trading system provider, Patsystems plc, was sold to trade purchaser ION Group plc with the Company receiving £164,000 of cash proceeds from the sale of its shares. In March 2012 the Company's £140,000 remaining loan to Humber stevedore and logistics group RMS Group Holdings Limited was repaid as a result of a refinancing supported by the group's bank HSBC following further positive trading results. Also in March the Company sold 7.25% of its holding in quoted software group Tikit Group plc generating £17,000 of proceeds.

## 10. Financial Information

The financial information set out here for the year ended 31 December 2011 does not constitute full statutory financial statements as defined in section 435 of the Companies Act 2006 but has been extracted from the Company's financial statements for that period. Statutory accounts for the year ended 31 December 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 11 May 2012. Those accounts were reported upon without qualification by the independent auditor and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

## 11. Annual Report and Accounts

Copies of the Annual Report and Accounts for the year ended 31 December 2011 have been submitted to the National Storage Mechanism and will shortly 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 Annual Report and Accounts for the Year ended 31 December 2011 will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

## 12. Directors

The directors of the Company are: Mr R Last, Mr RM Pettigrew and Mr PC Waller.

## 13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 11 May 2012 at 12.00 noon.

For further information, please contact:

David Hall

Claes Spang

YFM Equity Partners Limited

Singer Capital Markets

Tel: 0113 294 5039

Tel: 0203 205 7500

# British Smaller Companies VCT2 plc

## Offer for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") is seeking to raise up to a maximum of £10 million by way of an offer for subscription of up to 14,539,007 ordinary shares of 10 pence each in the Company ("Offer for Subscription"). Full details of the Offer for Subscription are contained in a prospectus issued by the Company on 27 October 2011 ("Offer Document"). As stated (and as defined) in the Offer Document the Offer Price is 70.5 pence per ordinary share.

The Company announces that on 20 March 2012 it allotted 6,106,906 ordinary shares of 10 pence each ("Ordinary Shares") at a price of 70.5 pence per ordinary share in respect of valid subscriptions received on or before 20 March for the tax year 2011/2012 pursuant to the Offer for Subscription. This brings the total number of ordinary shares issued under the Offer to 9,902,820, equivalent to 68.1% of the maximum available.

Richard Last, Chairman of the Company, has increased his subscription from £10,000 (as detailed in the Prospectus) to £50,000. Accordingly, he has been allotted 71,985 Ordinary Shares. This takes his total shareholding to 115,972 Ordinary Shares in the Company.

Application is now being made for the Ordinary Shares which were allotted on 20 March 2012 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 27 March 2012.

Following the allotment of the Ordinary Shares on 20 March 2012 the Company's issued share capital consists of 33,233,622 ordinary shares of 10 pence each with voting rights ("Voting Capital") and 929,122 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 FSA's Disclosure and Transparency Rules.

A further and final allotment of ordinary shares pursuant to the Offer for Subscription is expected to be made by the Company on 5 April 2012 in respect of valid subscriptions for the tax year 2011/2012 received and accepted by the Company before 11.00am on Thursday, 5 April 2012.

A copy of the Offer Document has been 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 Companies' website <http://www.yfmep.com>.

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

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500

## British Smaller Companies VCT2 plc

### Offer for Subscription: Allotment of Shares

British Smaller Companies VCT2 plc (the "Company") is seeking to raise up to a maximum of £10 million by way of an offer for subscription of up to 14,539,007 ordinary shares of 10 pence each in the Company ("Offer for Subscription"). Full details of the Offer for Subscription is contained in a prospectus issued by the Company on 27 October 2011 ("Prospectus"). As stated (and as defined) in the Prospectus the Offer Price is 70.5 pence per ordinary share.

The Company announces that on 5 January 2012 it allotted 3,795,914 ordinary shares of 10 pence each ("Ordinary Shares") at a price of 70.5 pence per ordinary share in respect of valid subscriptions received by 31 December 2011 for the tax year 2011/2012 pursuant to the Offer for Subscription. Of the Ordinary Shares allotted, 7,375 were allotted to Robert Pettigrew and 7,482 were allotted to Peter Waller (being directors of the Company).

Application is now being made for the Ordinary Shares which were allotted on 5 January 2012 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 January 2012.

Following the allotment of the Ordinary Shares on 5 January 2012 the Company's issued share capital consists of 27,126,716 ordinary shares of 10 pence each with voting rights ("Voting Capital") and 929,122 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 FSA's Disclosure and Transparency Rules.

A further and final allotment of ordinary shares pursuant to the Offer for Subscription is expected to be made by the Company on 5 April 2012 in respect of valid subscriptions for the tax year 2011/2012 received and accepted by the Company before 11.00am on Thursday, 5 April 2012.

A copy of the Prospectus has been 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 Companies' website <http://www.yfmep.com>.

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

David Hall                      YFM Private Equity Limited                      Tel: 0113 294 5055

Claes Spang                      Singer Capital Markets                      Tel: 0203 205 7500

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