

The Company aims to build a diversified portfolio by investing in a variety of UK businesses spanning both established and emerging industries, all of which demonstrate potential for growth and innovation in their products and services.

Dear Shareholder

We are pleased to provide an update on the progress of British Smaller Companies VCT2 plc (BSC2).

Performance

Following the 4.8 per cent return on its opening Net Asset Value in the financial year to 31 December 2023, BSC2 saw a 0.1 per cent reduction in Net Asset Value to 59.25 pence per ordinary share during the quarter to 31 March 2024, compared to a 0.6 per cent fall in the FTSE Small Cap.

The Total Return at 31 March 2024 was down by 0.05 pence to 145.50 pence per ordinary share.

On 28 June 2024, BSC2 paid an interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2024, to shareholders on the register at the close of business on 31 May 2024.

Investments

We are continuing to see promising potential new investments, as well as opportunities to deploy funds into the existing portfolio to help our investments accelerate their growth plans. During the quarter, BSC2 invested a further £1.2 million into three existing portfolio companies: Outpost (visual effects for film and TV); Relative Insight (AI-based text data analytics platform); and SharpCloud (a visualisation tool to enable better business collaboration).

Subsequent to the quarter end, BSC2 has invested £4.6 million into three new investments: Fuuse (an electric vehicle charge point management system); Ohalo (an unstructured data governance platform); and Spotless Water (an ultra-pure water distribution network). Further investment of £1.5 million was made into two follow-on investments: Plandek (a software development analytics platform) and Summize (a digital contracting software solution).

Realisations

BSC2 had a busy quarter of exit activity. It partially realised its investments in KeTech and Arcus in January 2024, and fully exited its investment in Displayplan in February 2024.

The realisation of Displayplan generated proceeds of £4.8 million for BSC2. Total proceeds received over the life of the investment are £6.7 million, an excellent 9.6x return on BSC2's cost. There is the potential for further receipts in due course, with £0.4 million of deferred proceeds recognised at the period end.

The KeTech business was split into its two component parts, Rail and Defence, to maximise shareholder value, with the Defence business subsequently sold in January 2024, generating proceeds of £1.5 million. To date, BSC2 has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the period-end was valued at £1.2 million.

BSC2 also realised part of its investment in Arcus, generating proceeds of £0.2 million, while still retaining its investment in the remaining restructured business, which at the period-end was valued at £0.6 million.

Regulatory Developments

In the Autumn Statement on 22 November 2023, the Government announced it would extend the sunset clause currently in place for Venture Capital Trusts until April 2035, continuing shareholders' rights to Income Tax relief on newly issued shares. The extension has been agreed by HMRC, although it is still awaiting ratification by the EU.

Fundraising

In the 2023-24 tax year, the BSC VCTs were pleased to raise £90 million, of which £34.5 million related to BSC2. Funds are being used to: (i) take advantage of the high level and quality of new opportunities available throughout the UK regions; (ii) continue supporting our existing portfolio companies with follow-on funding; and (iii) manage ongoing cashflow requirements of the BSC VCTs.



Shareholder Survey

Our 2024 Shareholder Survey is now closed – our heartfelt thanks to all those that took the time to participate, as your feedback will help shape the future of the BSC VCTs. We expect to distribute the results in due course.

Thank you again for your continued support.

Eamon Nolan Managing Partner, YFM Equity Partners



Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc may go down as well as up and you may not get back the full amount invested.



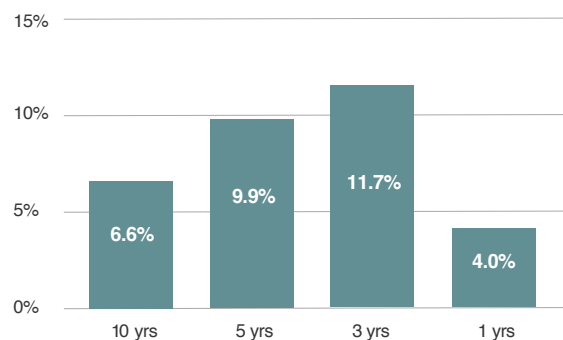
Sector: Application Software
Location: Manchester
Deal type: Growth capital
Investment size: £4.25 million
Investment dates: 2022 & 2024
Website: summize.com

“YFM bring a strong combination of support and experience as we push towards the next level of growth. Their passion to be involved in our plans resonated - they were excited by the business, the market opportunity and our product. We were also confident that with a strong tech portfolio in the North, there is a proven track record in the sector as well as extensive experience of supporting the growth of later stage businesses.”

TOM DUNLOP, CO-FOUNDER AND CEO AT SUMMIZE

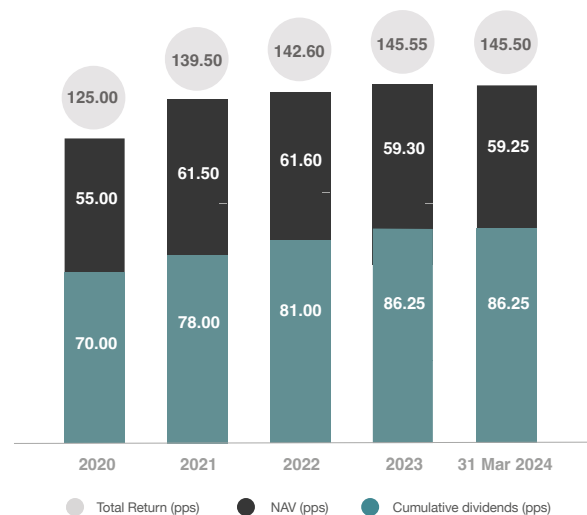
BSC2 Investment Rate Of Return

Annualised rate of return per annum over 10, 5, 3, and 1 year periods* to 31 March 2024.



*Excluding DRIS and benefits of all tax reliefs

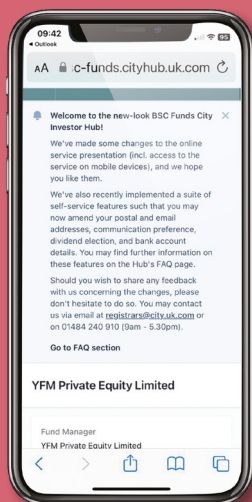
BSC2 Total Shareholder Return



As at 31 December unless otherwise stated



REGISTER REMINDER : DON'T FORGET TO SIGN UP TO THE HUB



Following the Company's change of share registrar to The City Partnership (UK) Limited (City), all shareholders were issued with unique CIN numbers and an Investor Access Token which were needed to register for a new account on the Shareholder Hub. If you haven't already done so, you can register for the Hub by visiting <https://bsc-funds.cityhub.uk.com/> and clicking on the Register tab. If you are a shareholder in both BSC2 and BSC you will need to enter a relevant Investor Access Token for each VCT. If you have any problems and/or you need a new Access Token, then City will be able to assist. Their telephone number is **01484 240910** or you can email them at registrars@city.uk.com

The Hub is an on-demand online tool that allows you to:

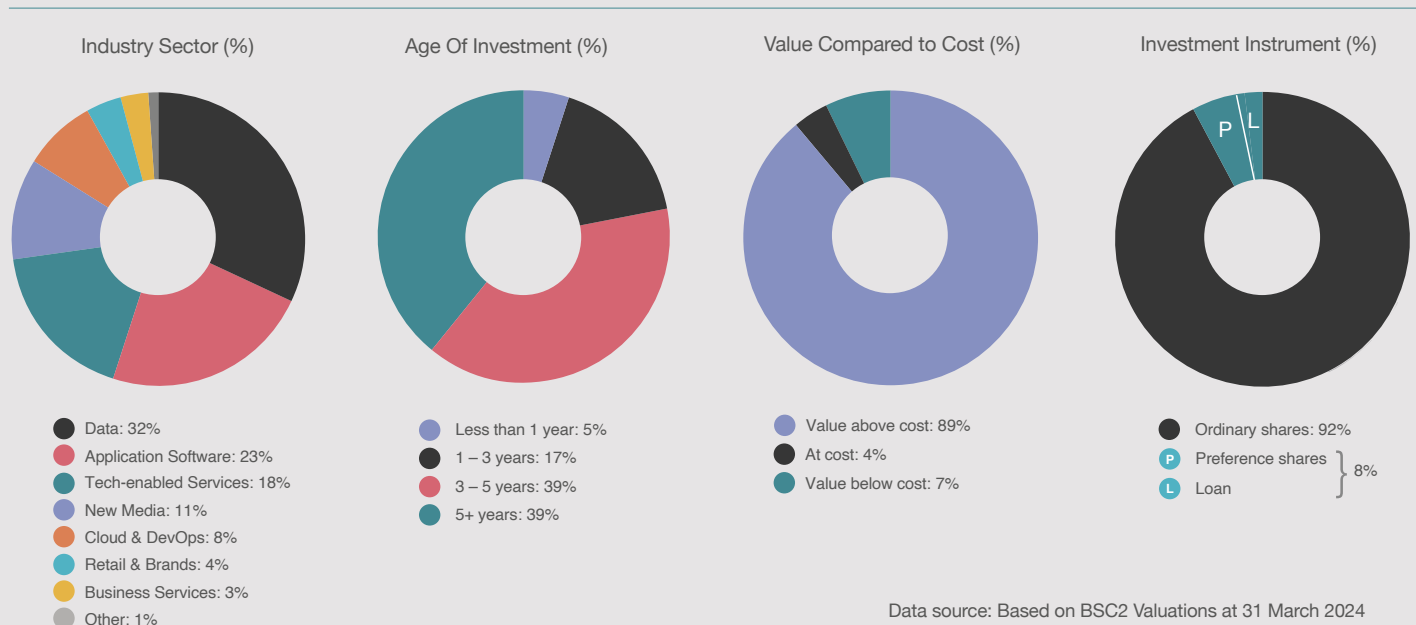
- View your shareholding and associated indicative valuation
- View your dividend tax vouchers
- Subscribe to / unsubscribe from the Dividend Re-investment Scheme (DRIS)
- View your transaction history, share certificate details and dividend information
- Change your personal details as held on the register (including your address, email and bank account details)
- Select how you wish to receive shareholder communications

Portfolio Update

The Company has had a busy quarter of exit activity. It partially realised its investments in KeTech and Arcus in January 2024, and fully exited its investment in Displayplan in February 2024. This delivered a gain of £0.4 million (after adjusting for additions and disposals). In the quarter to 31 March 2024, BSC2 has also made follow-on investments totalling £1.2 million into Outpost, Relative Insight and Sharpcloud.

Company	Website	Unaudited investment valuation at 31 Dec 2023 £000	Proceeds £000	Additions £000		Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 31 Mar 2024 £000	Cumulative % of net asset value of £146.3m
Matillion	matillion.com	22,334	–	–	↑	824	23,158	15.8%
Unbiased	unbiased.co.uk	8,365	–	–	↑	189	8,554	21.7%
Outpost	outpost-vfx.com	5,879	–	833	↓	(366)	6,346	26.0%
Elucidat	elucidat.com	4,398	–	–	↓	(444)	3,954	28.7%
Force24	force24.co.uk	4,126	–	–	↓	(236)	3,890	31.4%
Sharpcloud	sharpcloud.com	3,638	–	114	↓	(168)	3,584	33.8%
Vypr	vyprclients.com	3,309	–	–	↑	235	3,544	36.2%
ACC Aviation	accaviation.com	3,222	–	–	↓	(59)	3,163	38.4%
Wooshii	wooshii.com	2,905	–	–	↓	(138)	2,767	40.3%
Quality Clouds	qualityclouds.com	2,765	–	–	↓	(86)	2,679	42.1%
Top 10 total		60,941	–	947	↓	(249)	61,639	42.1%
Remainder of unquoted portfolio		35,486	(6,853)	264	↑	627	29,524	62.3%
Total portfolio		96,427	(6,853)	1,211	↑	378	91,163	62.3%

Portfolio at a Glance



Key Dates



For your Records - Dividends and Dates

The table below displays the dates when BSC2 dividends have been, or will be paid, and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share	Date paid	Pence per share	Date paid	Pence per share
Cumulative to 31 December 2010	26.00	9 May 2016	2.50	5 March 2021	1.50
10 June 2011	2.00	26 September 2016	2.00	25 October 2021	1.50
8 September 2011	2.00	12 May 2017	1.50	16 November 2021	5.00
22 May 2012	2.00	29 September 2017	1.50	6 May 2022	1.50
26 October 2012	2.50	11 May 2018	1.50	3 October 2022	1.50
5 June 2013	2.50	28 September 2018	1.50	11 January 2023	2.25
27 September 2013	2.00	15 February 2019	5.00	26 June 2023	1.50
30 June 2014	2.50	10 May 2019	1.50	3 November 2023	1.50
7 October 2014	2.00	13 September 2019	1.50	Cumulative to 31 March 2024	86.25
8 June 2015	2.50	12 May 2020	2.00	28 June 2024	1.50
28 September 2015	2.00	21 September 2020	1.50		

Important notice



This Investor Update is for information only. It has been provided to help you understand how the fund is invested and performing. It is not an offer to invest in the Company and should not be used for making investment decisions. Please contact your financial adviser if you require further explanation or advice.

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc ("the Company") may go down as well as up and you may not get back the full amount invested.

Nothing within this Investor Update should be construed as investment, tax, legal or other advice. Tax treatment depends on individual circumstances, and may be subject to change in the future.

This Investor Update has been issued by YFM Private Equity Limited ("YFM"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122120). YFM is the Fund Manager to the Company. YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: OC384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

Contact us

Please call or email for further information on any shareholder issue, including switching to direct dividend payments.

- Dividends
- Registrar
- General

Tracey Nice

Investor Relations Manager

☎ 07500 330986

✉ bscfunds@yfmeq.com

🌐 bscfunds.com

