

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2023

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2023. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at www.bscfunds.com.

Overview

In the quarter to 31 March 2023, the Company generated a 1.0 per cent return on its opening Net Asset Value of 61.6 pence, compared to a 1.9 per cent fall in the FTSE Small Cap. AIC data ranks the Company second across all generalist VCTs when considering a blended average performance ranking over 1, 3, 5 and 10 years.

The Company’s Total Return at 31 March 2023 was up 0.6 pence at 143.2 pence per ordinary share.

During the quarter, the Company invested £2.4 million into new investment DrDoctor, a patient engagement and communications software platform; and £1.2 million into new investment Xapien, an AI-powered software platform that fully automates detailed background research on individuals and companies. The Company has also invested a further £1.6 million into Quality Clouds, to provide the runway and resources to accelerate the company’s sales growth.

Following the quarter end, one follow-on investment totalling £0.5 million into Relative Insight has been completed, taking the total invested in the current financial year to £5.7 million, following the £16.3 million invested in 2022.

The Company realised its investment in Wakefield Acoustics in January 2023, generating proceeds of £0.6 million and an overall return of 1.5x cost. Subsequent to the quarter end, the Company realised its investment in Ncam, in line with the valuation at 31 March 2023, with initial proceeds of £0.9 million being received.

Performance

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

	31 December 2022	<i>Increase in Value</i>	<i>Dividends paid/shares issued</i>	<i>Buyback of shares</i>	Movement in Period	31 March 2023
Net Assets (£m)	111.9	<i>1.0</i>	<i>(3.3)</i>	<i>(0.3)</i>	(2.6)	109.3
NAV per share (PPS)	61.6p	<i>0.6p</i>	<i>(2.25p)</i>	-	(1.65p)	59.95p
Cumulative dividends paid (PPS)	81.0p	-	<i>2.25p</i>	-	-	83.25p
Total Return (PPS)	142.6p	<i>0.6p</i>	-	-	0.6p	143.2p
Shares in issue	181,468,710	-	<i>1,427,418</i>	<i>(552,351)</i>	875,067	182,343,777

The unaudited NAV per ordinary share was down 1.65 pence at 59.95 pence per share (31 December 2022: 61.6 pence per ordinary share), following the dividend of 2.25 pence per share paid on 11 January 2023.

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

	£m	Pence per ordinary share
NAV at 31 December 2022	111.9	61.6
Increase in portfolio value	1.5	0.8
Net operating costs	<u>(0.5)</u>	<u>(0.2)</u>
	1.0	0.6
Issue/buy-back of shares	<u>0.5</u>	<u>-</u>
Total Return in the period	1.5	0.6
NAV before the payment of dividends	113.4	62.2
Dividends paid	(4.1)	(2.25)
NAV at 31 March 2023	109.3	59.95

Buybacks, dividends and shares in issue

On 28 March 2023, the Company purchased 552,351 ordinary shares of 10 pence each at a price of 56.88 pence per ordinary share. These shares were placed in treasury.

Following payment of the special dividend for the year ending 31 December 2023 of 2.25 pence per ordinary share on 11 January 2023, the Company issued 1,427,418 ordinary shares under the DRIS, taking cumulative dividends paid to 83.25 pence per ordinary share.

The number of ordinary shares in issue at 31 March 2023 was 182,343,777 (31 December 2022: 181,468,710). In addition, at 31 March 2023 the Company held 19,219,163 ordinary shares in treasury (31 December 2022: 18,666,812).

Following the successful fundraising, the Company issued 46,357,328 ordinary shares of 10 pence each on 4 April 2023, taking the number of shares in issue to 228,701,105 ordinary shares with voting rights.

The Board has approved an interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2023, which will be paid on 26 June 2023 to those shareholders on the Company's register at the close of business on 12 May 2023.

Net assets

Net assets at 31 March 2023 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	87,428	80.0
Listed investment funds	1,504	1.4
Cash and cash equivalents	19,993	18.3
Other net current assets	383	0.3
Net assets	109,308	100.0

Investments

The investment portfolio at 31 March 2023 comprised:

	Valuation £000	Cumulative valuation as a % of net assets
Matillion	21,281	19.5%
Unbiased	6,652	25.6%
Outpost	6,280	31.3%
Wooshii	4,761	35.7%
Displayplan	4,254	39.5%
Elucidat	4,184	43.4%
ACC Aviation	3,614	46.7%
Force24	3,172	49.6%
Quality Clouds	2,716	52.1%
Vypr	2,701	54.5%
	59,615	54.5%
Other investments	27,813	80.0%
Total investments	87,428	80.0%

Shareholder relations

An in-person Shareholder Workshop will be held on Tuesday 20 June 2023 at 1 Great George Street, Westminster, London SW1P 3AA. Please email Tracey Nice at Tracey.nice@yfmeq.com for further information.

Fundraising

On 4 April 2023, the Company allotted shares from its fully subscribed 2022/23 share offer. £27.5 million was raised by the Company, resulting in the allotment of 46,357,328 ordinary shares. This increased the number of ordinary shares issued with voting rights to 228,701,105.

Outlook

The economic environment remains challenging; while energy prices and inflation are moving down from peaks, these remain high, keeping interest rates elevated. This has fed through to valuation multiples, which remain dampened. In this environment, the portfolio continues to be robust, with the Company's performance buoyed by positive uplifts when exiting investments and continued revenue growth from existing investments.

There continues to be a good pipeline of new companies seeking investment, and the opportunity to deploy funds into existing portfolio companies to help them accelerate their growth.

The Board thanks new and existing shareholders for their support in the recent fundraising and look forward to updating shareholders on progress deploying these funds over the coming quarters.

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

16 June 2023

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