

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

For the 6 months ended 30 June 2010

British Smaller Technology Companies VCT 2 plc ("the Company") today announces its unaudited interim results for the six months to 30 June 2010.

CHAIRMAN'S STATEMENT

In the six months to 30 June 2010 the Fund Manager has continued to provide significant support, both financial and otherwise, to the existing portfolio. Whilst these are challenging economic times, for well-funded and well-managed businesses they are also a time of considerable opportunity to expand market share either organically or through acquisition. In the last six months the Company has provided financial support to a number of its investments and is now seeing the levels of new investment activity beginning to improve.

The Net Asset Value is 70.1 pence per share, which compares to 72.7 pence per share at 31 December 2009. This reflects the recognition of the final dividend of 2.0 pence per share and the excess of administrative expenses over income of 0.6 pence per share. The Total Return to Shareholders as at 30 June 2010 amounted to 94.1 pence per share.

Interim Management Report

The six months to 30 June 2010 have been characterised by a period of review and re-assessment, both of the short term trading outlooks for our investments and the medium term opportunities. The companies that we have invested in have not, in general, had significant levels of debt in their businesses and consequently have not been significantly impacted by discussions over covenant tests or having to address re-financing issues.

In the period £182,000 was invested into Immunobiology as part of a £1.7 million funding round from the existing investor syndicate, this brings our total investment to date to £1,032,000. This investment, together with recent grant awards, will enable the portfolio of target vaccines to be developed into human trials and ultimately to realise the value of the underlying technology platforms.

A follow-on investment of £150,000 was made into Silistix as part of a £635,000 round from existing investors to enhance the product offering and try to build trade partnerships. A further investment of £21,000 was also made into Ellfin Home Care as part of a £250,000 working capital round in the period.

Particularly encouraging progress is being made by both Primal Pictures Limited and Waterfall Services Limited which have continued to grow sales and profits. We realised proceeds of £136,746 from Primal Pictures in the period as part of a partial redemption of preference shares.

During the first six months of the financial year we have seen an increase in new investment opportunities but continue to take a cautious approach, with good investment opportunities often taking several months to develop. There are a number of potential investments currently under review and the Board remains of the opinion that we will continue to see many good investment opportunities over the next 12 to 24 months.

Financial Results

The result for the six months ended 30 June 2010 produced a revenue profit before tax of £10,000 and a capital loss before tax of £119,000 (2009: profit of £38,000 and £101,000 respectively).

Despite containment of costs falling income from government securities and loan interest from investments has seen the revenue profit before tax decrease. The capital loss before tax arises from capital expenses and the movement in investment valuations in the period.

The movement in Net Asset Value is as follows:

	Pence/share
31 December 2009	72.7
Dividends paid in period	(2.0)
Excess of expenses over income	(0.6)
30 June 2010	70.1

Cash and investment in gilts at 30 June 2010 totalled £5.84 million (June 2009: £4.55 million), representing 47% (June 2009: 36%) of Net Asset Value before taking account of any interim dividend. The Board considers that this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities in the short term. The Board will however consider increasing the Company's investment capacity through a fundraising later in the year.

Shareholder Relations

Shareholders will be aware that, earlier this year, your Board published proposals offering existing investors the opportunity to subscribe for up to 1,664,125 new Ordinary shares in the Company at an offer price of 77.25 pence per share. I am pleased to report that the Offers raised a total of £0.91 million before expenses and £0.86 million after expenses.

The Board also remains committed to the objective of achieving a consistent dividend stream. This has been continued in these interim results with your Board determining that an interim dividend of 2.0 pence per share will be paid on 30 September 2010 to Shareholders on the register as at 3 September 2010.

Other Matters

As reported last year the Board composition has been reviewed in relation to new requirements of the Listing Rules (effective from 28 September 2010) which restricts the number of Directors who may sit on more than one Board managed by the same Fund Manager. Accordingly Mr Philip Cammerman will be standing down in September 2010. It is our intention to appoint a replacement Non-Executive Director as soon as practicable.

I should like to thank Mr Cammerman, both personally and on behalf of the Company and its Shareholders, for the significant contribution he has made to this VCT since its inception.

Outlook

These continue to be challenging economic times but our investments remain soundly financed. Whilst some have taken the opportunity to address their costs bases as a defensive measure others have continued to develop and prosper. This Company is well placed to continue to support our existing portfolio companies and take advantage of investment opportunities that may arise in the short term.

The Board remains firmly of the opinion that the upcoming period is likely to present a number of investment opportunities, both for the existing portfolio businesses and for new investments. It is with this in mind that we will again be seeking to increase the investment capacity later in the year.

Richard Last
25 August 2010

STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2010

	Notes	Unaudited 6 months ending 30 June 2010			Unaudited 6 months ending 30 June 2009		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain (loss) on disposal of investments		-	35	35	-	(13)	(13)
(Losses) gains on investments held at fair value		-	(41)	(41)	-	234	234
Income	2	163	-	163	192	-	192
Administrative expenses:							
Fund Management fee		(38)	(113)	(151)	(40)	(120)	(160)
Other expenses		(115)	-	(115)	(114)	-	(114)
		(153)	(113)	(266)	(154)	(120)	(274)
Profit (loss) before taxation		10	(119)	(109)	38	101	139
Taxation	3	-	-	-	(4)	4	-
Profit (loss) for the period attributable to equity Shareholders		10	(119)	(109)	34	105	139
Total comprehensive income for the period attributable to equity Shareholders		10	(119)	(109)	34	105	139
Basic and diluted earnings (loss) per Ordinary share	5	0.06p	(0.67)p	(0.62)p	0.20p	0.63p	0.84p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRS'). 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 2010

	Notes	Unaudited 6 months ended 30 June 2010	Unaudited 6 months ended 30 June 2009	Audited year ended 31 December 2009
		£000	£000	£000
Assets				
Non-current assets				
Investments		6,300	7,980	6,155
Fixed income government securities		4,044	3,905	3,382
Financial assets at fair value through profit or loss		10,344	11,885	9,537
Trade and other receivables		237	-	214
		10,581	11,885	9,751
Current assets				
Trade and other receivables		196	126	192
Cash and cash equivalents		1,799	646	2,304
		1,995	772	2,496
Liabilities				
Current liabilities				
Trade and other payables		(78)	(57)	(141)
Net current assets		1,917	715	2,355
Net assets		12,498	12,600	12,106
Shareholders' equity				
Share capital		1,784	1,664	1,664
Share premium		806	69	69
Capital redemption reserve		88	88	88
Merger reserve		5,525	5,525	5,525
Other reserve		2	2	2
Capital reserve		4,471	3,045	4,442
Investment holding (losses) gains		(4,950)	(2,945)	(4,802)
Special reserve		4,786	4,786	4,786
Revenue reserve		(14)	366	332
Total Shareholders' equity		12,498	12,600	12,106
Net Asset Value per Ordinary share	6	70.1p	75.7p	72.7p

Signed on behalf of the Board

Richard Last
Chairman
25 August 2010

UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2010

	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
At 31 December 2008	1,664	69	5,525	90	3,497	(3,169)	4,786	332	12,794
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	34	34
<i>Capital expenses</i>	-	-	-	-	(116)	-	-	-	(116)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	234	-	-	234
<i>Loss on disposal of investments in the period</i>	-	-	-	-	(13)	-	-	-	(13)
Profit for the period	-	-	-	-	(129)	234	-	34	139
Realisation of prior year investment holding gains	-	-	-	-	10	(10)	-	-	-
Dividends	-	-	-	-	(333)	-	-	-	(333)
At 30 June 2009	1,664	69	5,525	90	3,045	(2,945)	4,786	366	12,600
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	36	36
<i>Capital expenses</i>	-	-	-	-	(111)	-	-	-	(111)
<i>Loss on investments held at fair value</i>	-	-	-	-	-	(1,560)	-	-	(1,560)
<i>Gain on disposal of investments in the period</i>	-	-	-	-	1,806	-	-	-	1,806
Profit for the period	-	-	-	-	1,695	(1,560)	-	36	171
Realisation of prior year investment holding gains	-	-	-	-	297	(297)	-	-	-
Dividends	-	-	-	-	(595)	-	-	(70)	(665)
At 31 December 2009	1,664	69	5,525	90	4,442	(4,802)	4,786	332	12,106
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	10	10
<i>Capital expenses</i>	-	-	-	-	(113)	-	-	-	(113)
<i>Loss on investments held at fair value</i>	-	-	-	-	-	(41)	-	-	(41)
<i>Gain on disposal of investments in the period</i>	-	-	-	-	35	-	-	-	35
Profit for the period	-	-	-	-	(78)	(41)	-	10	(109)
Realisation of prior year investment holding gains	-	-	-	-	107	(107)	-	-	-
Issue of ordinary share capital	120	788	-	-	-	-	-	-	908
Issue costs of Ordinary shares	-	(51)	-	-	-	-	-	-	(51)
Dividends	-	-	-	-	-	-	-	(356)	(356)
At 30 June 2010	1,784	806	5,525	90	4,471	(4,950)	4,786	(14)	12,498

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

STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2010

	Unaudited 6 months ended 30 June 2010	Unaudited 6 months ended 30 June 2009	Audited year ended 31 December 2009
	£000	£000	£000
Net cash (outflow) inflow from operating activities	(207)	181	125
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	(1,767)	(209)	(1,175)
Proceeds from sale of financial assets at fair value through profit or loss	932	898	4,243
Net cash (used in) from investing activities	(835)	689	3,068
Cash flows used in financing activities			
Issue of Ordinary shares	908	-	-
Cost of Ordinary shares	(15)	-	-
Dividends paid	(356)	(333)	(998)
Net cash from (used in) financing activities	537	(333)	(998)
Net (decrease) increase in cash and cash equivalents	(505)	537	2,195
Cash and cash equivalents at the beginning of the period	2,304	109	109
Cash and cash equivalents at the end of the period	1,799	646	2,304

NOTES TO THE FINANCIAL STATEMENTS

1. These half year statements have been approved by the directors whose names appear at note 7, 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 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 2009 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2009. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. 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 2009, except as noted below.

The financial statements for the year ended 31 December 2009 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 January 2010. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (amendment). The amendment is part of the IASB's annual improvements project and clarifies the definition of current liabilities. This has had, and is expected to have, no material impact on the Company's financial statements.

Other standards and interpretations which have been issued and are effective for this accounting period but are not currently relevant for the Company are IFRS 1 (Revised), IFRS 2 (Amendment), IFRS 3 (Revised), IFRS 5 (amendment), IAS 27 (Revised), IAS 32 (Amendment) and IFRICs 17 and 18.

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 2009. 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 2009 on page 17, a copy of which can be found at www.yfmprivateequity.co.uk.

2. Income

	Unaudited 6 months ended 30 June 2010	Unaudited 6 months ended 30 June 2009
	£000	£000
Income from investments		
- Dividends from unquoted companies	3	7
- Dividends from AIM quoted companies	13	12
	16	19
- Interest on loans to unquoted companies	57	59
- Fixed interest Government securities	83	112
	156	190
Income from investments held at fair value through profit or loss		
Interest on bank deposits	7	2
	163	192

3. Taxation

	Unaudited 6 months ended 30 June 2010			Unaudited 6 months ended 30 June 2009		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	10	(119)	(109)	38	101	139
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	2	(25)	(23)	8	21	29
Effect of:						
UK dividends received	(3)	-	(3)	(4)	-	(4)
Non taxable profits on investments	-	1	1	-	(46)	(46)
Excess management expenses	1	24	25	-	21	21
Tax (credit)/ charge	-	-	-	4	(4)	-

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.

4. Dividends

Amounts recognised as distributions to equity holders in the period:	Unaudited 6 months ended 30 June 2010		Unaudited 6 months ended 30 June 2009			Audited Year ended 31 December 2009		
	Revenue £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid - 2.0p per share paid 21 May 2010 (2009: 2.0p)	356	356	-	333	333	-	333	333
Interim paid – 2.0p per share paid 2 October 2009	-	-	-	-	-	70	262	332
Special interim dividend paid – 2.0p per share paid 30 October 2009	-	-	-	-	-	-	333	333
	356	356	-	333	333	70	928	998

An interim dividend of 2.0 pence per Ordinary Share, amounting to £356,000, is proposed. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

5. Basic and diluted earnings (loss) per Ordinary share

The basic and diluted loss per Ordinary share is based on the loss attributable to equity shareholders of £109,000 (30 June 2009: profit of £139,000) and 17,705,179 (30 June 2009: 16,641,000) shares being the weighted average number of 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 £10,000 (30 June 2009: £34,000) and 17,705,179 (30 June 2009: 16,641,000) shares being the weighted average number of shares in issue during the period.

The basic and diluted capital return per Ordinary share is based on the capital loss attributable to equity shareholders of £119,000 (30 June 2009: profit of £105,000) and 17,705,179 (30 June 2009: 16,641,000) shares being the weighted average number of shares in issue during the period.

The Company has no securities that would have a dilutive effect and hence basic and diluted (loss) earnings per Ordinary share are the same.

6. Net Asset Value per Ordinary share

The basic and diluted Net Asset Value per Ordinary share is calculated on attributable assets of £12,498,000 (30 June 2009 and 31 December 2009: £12,600,000 and £12,106,000 respectively) and 17,837,519 (30 June 2009 and 31 December 2009: 16,641,000 shares) shares in issue at the period end.

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. The directors of the Company are: Mr R Last, Mr PS Cammerman and Mr RM Pettigrew.

8. 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.yfmprivateequity.co.uk.

For further information please contact:

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