

# BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

## UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

British Smaller Technology Companies VCT2 plc ("the Company") today announces its unaudited preliminary results for the year ended 31 December 2008.

### CHAIRMAN'S STATEMENT

There is little doubt that financial markets have been extremely volatile, with the banking sector in particular undergoing a major upheaval that has in many respects made operating, developing and growing businesses even more of a challenge. Against this backdrop I am particularly pleased to report that your Company has increased total return (net asset value plus cumulative dividends) to 92.9 pence per share from 89.5 pence per share. Net Asset Value as at 31 December 2008 was 76.9 pence per share (79.0 pence per share: December 2007).

Dividends paid in the year amounted to 5.5 pence per share (including a 2.0 pence interim and 2.0 pence special dividend) compared to 3.5p pence per share in 2007. Your Board is recommending a final dividend of 2.0 pence per share in respect of 2008, an increase of 33.3% compared to the 1.5 pence per share final dividend in 2007. If approved, this dividend will be paid on 19 May 2009 to shareholders on the register at 3 April 2009. The final dividend has not been recognised in the accounts under IFRS as the contractual obligation did not exist at the balance sheet date.

### Investment Portfolio

During the year the Company realised investments amounting to £2.76 million, the most significant being in Sarian Systems Limited which generated proceeds of £2.6 million. Sarian Systems Limited, a specialist software communications business, was developed from start up to a business with an international customer base. It was sold to USA based Digi Inc. for \$30 million, retaining its UK development arm. The total return over the life of the investment was £2.7 million.

This year has also seen further progress made by a number of portfolio companies. Digital Healthcare Limited was successful in raising further finance totalling £2.6 million to continue its expansion into the USA, and your Company invested £510,000 as part of this funding round. Silistix Limited, a producer of self timed silicon chips, has entered in to a number of development contracts and has raised additional finance of £3.7 million during the year which your Company continued to support, resulting in a further investment of £442,000.

A further investment of £58,000 was completed in to RMS Group Holdings Limited in support of a mezzanine financing round.

During the year unrealised losses in respect of investments in the portfolio totalling £1,407,000 (2007: £1,834,000) have been provided for, being primarily due to the fall in the value of AIM quoted investments which are required to be valued at quoted bid prices.

### Financial Results

This year your Board has, in line with other companies in our sector, adopted the new Statement of Recommended Practice which means that the financial results are presented in a different format to those of the previous year. In particular the income and costs are now analysed between revenue and capital. For comparative purposes the prior year results have been re-stated.

The result for the financial year ended 31 December 2008 was a pre-tax profit of £0.56 million which comprised profits in respect of capital and revenue of £0.45 million and £0.11 million respectively, as compared to an overall loss before taxation of £0.2 million in 2007 (which comprised capital loss of £0.23 million and profit on revenue of £0.03 million).

The movement in net asset value in the year has been: -

	Pence/share
31 December 2007	79.0
Dividends Paid In Year	(5.5)
Net increase in value	<u>3.4</u>
31 December 2008	76.9

Cash and gilt investments at the end of the year amounted to £4.97 million, representing 39% of net asset value. Your Board considers that in the short term this is sufficient to take advantage of selective new investment opportunities and support the current portfolio with a view to maximising value. Further realisations will enhance cash reserves and enable distributions to shareholders in the form of tax free dividends.

### **Shareholder Relations**

Your Board 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 CEOs of one or more of the portfolio investments. The workshop held during 2008 was the best attended to date with over 150 investors attending. Your Board remains committed to this programme.

Following the withdrawal of the share buy back policy in 2006, the share price has remained at a discount to the net asset value of between 40-45%, reflecting the long term nature of VCT shares and a relatively illiquid after-market. Your Board continues to keep this under review but for the time being remains focused on utilising cash to support the existing portfolio with a view to increasing value, making selective new investments under the revised investment strategy, and returning value to all shareholders in the form of tax free dividends.

The Annual General Meeting of the Company will be held at 9.30 am on 13 May 2009 at 23 Berkeley Square, Mayfair, London W1J 6HE.

### **Outlook**

The coming year looks set to remain a challenging economic environment. However, your Board believes that the Company's strong balance sheet which has a high degree of liquidity leaves it well placed to take advantage of investment opportunities as they arise, whilst still affording sufficient funds to support the existing portfolio. Your Board will continue to keep the level of liquidity under review and does not rule out the possibility of increasing its investment capacity should the need arise.

Richard Last  
Chairman  
23 March 2009

# FUND MANAGER'S REVIEW

## Introduction

This year has again seen the continuation of realisations at values in excess of the carrying value.

There have been significant positive developments within a number of the businesses in the portfolio. These include the continued expansion of Digital Healthcare's US business that enabled it to raise further funding in the second half of the year; the rapid expansion of sales and profits at DxS as its diagnostic services gain further market traction and the growing interest in Silistix's product from a wider range of international businesses.

The successful acquisition of Taylor Shaw by Waterfall Services could well be transformational for the business and, whilst it remains early in the development cycle, the results produced by Immunobiology's vaccines continue to impress.

Cash and gilt investments at 31 December 2008 were £4.97 million representing 39% of net assets. This compares to £4.34 million at 31 December 2007. The successful realisation of Sarian Systems Limited in the first half of the year enabled the payment of a special dividend of 2 pence per share to accompany the interim dividend. The Company remains in a strong cash position enabling further investment in selective opportunities and dividends in 2009.

## Portfolio Overview

### Progress in 2008

Whilst this year has undoubtedly produced a number of challenges, both in terms of trading and raising funds, the portfolio as a whole has generally proved resilient. Encouragingly all the companies that sought funds were successful in closing the rounds, the portfolio has in the main been able to avoid the pressures brought about by leverage and we have seen progress through increases in earnings from a number of investments.

During the year investments were made in five companies, four being follow-on investments and one an issue of shares in lieu of an earn-out payment in respect of the disposal of Tamesis Limited.

	£000
<i>Follow-on Investments</i>	
Digital Healthcare	510
Elfin Home Care	46
RMS Group Holdings	58
Silistix	442
	<hr/>
	1,056
<i>In lieu of earnout</i>	
Patsystems plc	27
	<hr/>
Total	<b>1,083</b>

The Company's investment policy is to build a diversified portfolio of investments in emerging businesses with a recent emphasis on ensuring that this captures later stage businesses that have the potential to deliver both income and capital growth.

The follow-on investments have been in a mixture of earlier stage investments where capital growth is the principal focus and later stage investments in support of acquisition strategies or where higher yields are available.

## Realisations

In April 2008, the Company sold its entire holding in Sarian Systems Limited. It was acquired by NASDAQ-listed Digi Inc for a total consideration of \$30 million which resulted in sale proceeds to the Company of £2.6 million. This compared to a carrying value at 31 December 2007 of £1.3 million and an original cost of £0.9 million.

In addition, the Company realised a further £0.13 million as a result of the disposal of the residual investment in Tekton.

Further proceeds were received as a result of the earn-out from the disposal of Tamesis Limited. This earn-out was satisfied by the issue of shares in Patsystems plc. This final settlement being valued at £0.03 million.

### **Conclusion and Outlook**

The year under review has been one of consolidating the investments made in the previous year, continuing to support the enlarged portfolio and again achieving disposals above the carrying values. The Company's cash reserves remain strong even after taking account of the increased dividends paid in the year.

2009 will undoubtedly continue to throw up increasing challenges and may in part put downward pressure on some valuations. However, this Company remains well placed to meet those challenges.

## **PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT**

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

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

Loss of approval as a Venture Capital Trust - The Company must comply with Section 274 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 their 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 Acts, the rules of the UK Listing Authority and the International Accounting Standards. Breach of any of these regulatory rules 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 Risk – 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 Risk – 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 the internal risks by setting policy, regular review of performance, monitoring progress and compliance. The key performance indicators measure the Company's performance and its compliance with legislative tests. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the "Turnbull" guidance.

### **Statement of Directors' responsibilities**

The directors confirm, to the best of their knowledge:

- the condensed set of financial statements, which has been prepared in International Financial Reporting Standards as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required : and
- the management report, included within the Chairman's Statement, Fund Manager's Review and Principal Risks, Risk Management and Regulatory Environment includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

# UNAUDITED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008			2007		Total £000
		Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	
Gain on realisation of investments		-	1,369	1,369	-	1,501	1,501
Losses on investments held at fair value		-	(768)	(768)	-	(1,426)	(1,426)
Income		394	-	394	339	-	339
Administrative expenses:							
Fund Management fee		(95)	(285)	(380)	(101)	(303)	(404)
VAT recovery		57	107	164	-	-	-
Other expenses		(221)	-	(221)	(213)	-	(213)
		(259)	(178)	(437)	(314)	(303)	(617)
<b>Profit (loss) on ordinary activities before taxation</b>		135	423	558	25	(228)	(203)
Taxation		(26)	26	-	-	-	-
<b>Profit (loss) for the year attributable to equity shareholders</b>		109	449	558	25	(228)	(203)
<b>Basic and diluted earnings (loss) per ordinary share</b>	3	0.65p	2.70p	3.35p	0.15p	(1.37)p	(1.22)p

The total column of this statement represents the Company's income statement, 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.

# UNAUDITED BALANCE SHEET

AT 31 DECEMBER 2008

	Notes	2008 £000	2007 (restated) £000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss		12,352	12,853
<b>Current assets</b>			
Trade and other receivables		388	228
Cash and cash equivalents		109	227
		497	455
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(55)	(157)
<b>Net current assets</b>		442	298
<b>Net assets</b>		12,794	13,151
<b>Shareholders' equity</b>			
Share capital		1,664	1,664
Share premium		69	69
Capital redemption reserve		88	88
Merger reserve		5,525	5,525
Other reserve		2	2
Realised capital reserve		3,497	2,224
Unrealised capital reserve		(3,169)	(1,539)
Special reserve		4,786	4,786
Revenue reserve		332	332
<b>Total Shareholders' equity</b>		12,794	13,151
<b>Net asset value per Ordinary share</b>	4	76.9p	79.0p

The Balance Sheet has been restated following the adoption of 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 show additional reserves.

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £000	Share premium account £000	Merger reserve £000	*Other reserves £000	Realised capital reserve (restated) £000	Unrealised Capital reserve (restated) £000	Special reserve (restated) £000	Revenue reserve (restated) £000	Total equity £000
Balance at 31 December 2006	1,664	69	5,525	90	-	-	-	6,588	13,936
Adjustment re SORP	-	-	-	-	1,860	(390)	4,786	(6,256)	-
Restated at 31 December 2006	1,664	69	5,525	90	1,860	(390)	4,786	332	13,936
Revenue return for the year	-	-	-	-	-	-	-	25	25
Realisation of negative goodwill	-	-	-	-	128	(128)	-	-	-
Capital expenses	-	-	-	-	(303)	-	-	-	(303)
Unrealised loss on investments held at fair value	-	-	-	-	-	(1,426)	-	-	(1,426)
Realisation of prior year unrealised losses	-	-	-	-	(405)	405	-	-	-
Realisation of investments in the year	-	-	-	-	1,501	-	-	-	1,501
Dividends	-	-	-	-	(557)	-	-	(25)	(582)
<b>Balance at 31 December 2007</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>2,224</b>	<b>(1,539)</b>	<b>4,786</b>	<b>332</b>	<b>13,151</b>
Revenue return for the year	-	-	-	-	-	-	-	109	109
Capital expenses	-	-	-	-	(152)	-	-	-	(152)
Realisation of negative goodwill	-	-	-	-	448	(448)	-	-	-
Unrealised loss on investments held at fair value	-	-	-	-	-	(768)	-	-	(768)
Realisation of prior year unrealised gains	-	-	-	-	414	(414)	-	-	-
Realisation of investments in the year	-	-	-	-	1,369	-	-	-	1,369
Dividends	-	-	-	-	(806)	-	-	(109)	(915)
<b>Balance at 31 December 2008</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>3,497</b>	<b>(3,169)</b>	<b>4,786</b>	<b>332</b>	<b>12,794</b>

The above table includes prior year comparatives.

The Statement of Changes in Equity has been restated following the adoption of 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 show additional reserves.

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.

\*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 of own shares.

The special distributable reserve was created following the approval of the Court and the resolution of the Shareholders to cancel the Company's share premium account and is available for other corporate purposes of the Company.

The realised 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.

This unrealised capital reserve includes increases and decreases in the valuation of investment held at fair value. This is a non-distributable reserve.

The special reserve, realised capital reserve and revenue reserve are all distributable reserves. These reserves total £8,615,000 (2007: £7,342,000) representing an increase of £1,273,000 (2007: increase £364,000) during the year. These increases arose from the profit for the year of £558,000 (2007: loss £203,000), movements in the unrealised capital reserve of £1,630,000 (2007: £1,149,000) and dividends of £915,000 (2007: £582,000).

# UNAUDITED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £000	2007 (restated) £000
<b>Net cash outflows from operating activities</b>	5	<b>(305)</b>	(314)
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss		<b>(4,115)</b>	(6,620)
Proceeds from sale of financial assets at fair value through profit or loss		<b>5,217</b>	7,218
<b>Net cash from investing activities</b>		<b>1,102</b>	598
<b>Cash flows used in financing activities</b>			
Dividends paid		<b>(915)</b>	(582)
<b>Net cash used in financing activities</b>		<b>(915)</b>	(582)
<b>Net decrease in cash and cash equivalents</b>		<b>(118)</b>	(298)
<b>Cash and cash equivalents at beginning of the year</b>		<b>227</b>	525
<b>Cash and cash equivalents at the end of the year</b>		<b>109</b>	227

# NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2008

### 1. Accounting Policies

This preliminary announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The information for the year ended 31 December 2007 is an extract from the statutory accounts to that date which have been delivered to the Registrar of Companies, restated for the adoption of the January 2009 SORP as referred to below. Those accounts included an audit report which was unqualified and which did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The accounting policies set out in those accounts have continued to be followed. The statutory accounts for the year ended 31 December 2008, upon which the auditors have still to report, will be delivered to the Registrar following the Company's annual general meeting.

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 SORP is applicable for accounting periods beginning 1 January 2009 but early adoption is encouraged and the Company has chosen to adopt early.

The impact of adopting the SORP has been to analyse income, expenditure, investment gains and losses and reserves between capital and revenue as well as restating the Income Statement to report movements in the fair value of investments at the top of the Statement. There is no impact on the total profit / (loss) or the net assets reported in either the current or the prior year.

The accounts have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared in accordance with IFRS and interpretations in force at the reporting date. The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

Investments in quoted Government Securities have been reclassified from cash equivalents due to the increased volatility in the gilt market during the year and as a consequence the failure to meet the definition in IAS 7 'Cash flow statements' of short-term highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of change in value.

### 2. Dividends

Amounts recognised as distributions to equity holders in the period:	2008			2007		
	Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	Total £000
Final dividend for the year ended 31 December 2007 of 1.5p (2006 year end: 2p) per share	109	141	250	25	307	332
Interim dividend for the year ended 31 December 2008 of 2p (2007: £nil) per share	-	332	332	-	-	-
Special interim dividend for the year ended 31 December 2008 of 2p (2007: 1.5p) per share	-	333	333	-	250	250
	<b>109</b>	<b>806</b>	<b>915</b>	25	557	582

The Special dividend of 2.0p accompanying the interim dividend of 2.0p was declared on 20 August 2008 and paid on 26 September 2008 to shareholders on the register on 29 August 2008.

A final dividend of 2.0p per Ordinary share in respect of the year to 31 December 2008, amounting to £333,000, is proposed. This dividend has not been recognised in the year ended 31 December 2008 as the obligation did not exist at the balance sheet date.

### 3. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per Ordinary share is based on the profit from ordinary activities after tax of £558,000 (2007 loss: £203,000) and 16,641,000 (2007: 16,641,000) shares being the weighted average number of shares in issue during the year.

The basic and diluted revenue return per Ordinary share is based on the profit from ordinary activities after tax of £109,000 (2007: £25,000) and 16,641,000 (2007: 16,641,000) shares being the weighted average number of shares in issue during the year.

The basic and diluted capital return per Ordinary share is based on the profit from ordinary activities after tax of £449,000 (2007 loss: £228,000) and 16,641,000 (2007: 16,641,000) shares being the weighted average number of shares in issue during the year.

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 2008 or 31 December 2007. Consequently, basic and diluted earnings per share, basic and diluted revenue return per share and basic and diluted capital return per share are the same for the year ended 31 December 2008 and 31 December 2007.

### 4. Net Asset Value per Ordinary Share

The basic and diluted net asset value per Ordinary share is calculated on attributable assets of £12,794,000 (2007: £13,151,000) and 16,641,257 (2007: 16,641,257) shares in issue at the year end.

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 2008 or 31 December 2007. Consequently, basic and diluted net asset value per Ordinary share are the same for the year ended 31 December 2008 and 31 December 2007.

### 5. Reconciliation of Net Profit (Loss) on Ordinary Activities before Taxation to Net Cash Outflow from Operating Activities

	<b>2008</b>	2007
	<b>£000</b>	£000
Profit (loss) on ordinary activities before taxation	<b>558</b>	(203)
Decrease in accruals	<b>(102)</b>	(7)
(Increase) decrease in trade and other receivables	<b>(160)</b>	(29)
Gains on realisation of investments in the year	<b>(1,369)</b>	(1,501)
Losses (Gains) on investments held at fair value	<b>768</b>	1,426
Net cash outflow from operating activities	<b>(305)</b>	(314)

### 6. Total Return per Ordinary Share

The total return per Ordinary share takes into account the closing net asset value per share and cumulative dividends paid per share at the balance sheet date to eligible founder shareholders.

	For the year ended 31 December				
	2008	2007	2006	2005	2004
Net asset value per Ordinary share	76.9p	79.0p	83.7p	74.2p	97.1p
Cumulative dividend paid per Ordinary share	16.0p	10.5p	7.0p	7.0p	-
<b>Total Return per Ordinary share</b>	<b>92.9p</b>	<b>89.5p</b>	<b>90.7p</b>	<b>81.2p</b>	<b>97.1p</b>
	=====	=====	=====	=====	=====

## 7. Annual Report

Copies of the full financial statements for the year ended 31 December 2008 will be available to the public at the registered office of the Company at Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ. A copy will be available at [www.yfmgroup.co.uk](http://www.yfmgroup.co.uk).

## 8. Directors

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

## 9. Related Party Transactions

Mr Cammerman was the chairman of YFM Private Equity Limited, the Fund Manager to the Company until 3 April 2008. Mr Cammerman had no beneficial shareholding in YFM Private Equity Limited in either year.

YFM Group Limited, the parent company of YFM Private Equity Limited, the Fund Manager to the Company, holds investments in Digital Healthcare Limited and Primal Pictures Limited, investee companies of British Smaller Technology Companies VCT2 plc. At 31 December 2008 YFM Group's investment in Digital Healthcare was valued at £16,342 (2007: £37,500) and its investment in Primal Pictures Limited was valued at £25,428 (2007: £43,050).

Mr Last, from January 2008 Chairman of the Company, is a non-executive director of Patsystems plc. During the year Mr Last received £40,842 (2007: £27,500) from Patsystems plc in respect of his services. Mr Last holds a 0.4% equity stake in Patsystems plc.

Mr Pettigrew, a director of the Company, was a non-executive director of Digital Healthcare Limited until 31 December 2007. The appointment was made pursuant to an agreement following the investment made in that company. During the year Mr Pettigrew received £nil (2007: £12,500) from Digital Healthcare Limited in respect of his services. Mr Pettigrew holds a 0.1% equity stake in Digital Healthcare Limited.

Mr Cammerman a director of the Company, is a non-executive director of Pressure Technologies plc. The appointment was made 14 April 2008. During the year Mr Cammerman received £11,250 (2007: £nil) from Pressure Technologies plc in respect of his services. Mr Cammerman holds a 0.02% equity stake in Pressure Technologies plc.

## 10. Change of Broker

From 1 April 2009 the operations of Teathers Limited, broker to the Company, will be transferred to Singer Capital Markets Limited. Thereafter Singer Capital Markets will act as broker to the Company. This will not interfere with the broker's ability to make a market for the Company's shares.

### For further information, please contact:

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Michael Bellamy	Teathers	Tel: 0207 426 9547
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