

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

British Smaller Technology Companies VCT2 plc ("the Company") today announces its unaudited preliminary results for the year ended 31 December 2007.

CHAIRMAN'S STATEMENT

In my first Chairman's Statement I am pleased to report a continuation of the successful realisations of previous years and an increase in dividends over the previous year. The total return for the Company has however decreased from 90.7 pence per share to 89.5 pence per share following some reductions in the value of existing investments.

Investment Portfolio

During the year the Company realised its remaining holding in Cozart plc generating proceeds of £2.91 million. Cozart plc, a medical diagnostics company specialising in testing devices for drugs of abuse, became an investment in 2004 on its admission to the Alternative Investment Market (AIM). The total proceeds received from our investment in Cozart amounted to £3.17 million (including the proceeds of £2.91 million) compared with an original cost of £0.9 million, generating a total return of 3.5 times.

This year has also seen the receipt of the remaining deferred consideration in respect of the realisation of the investment in Voxar Limited amounting to £0.05 million.

It is pleasing to note that following the sale of Tamesis Limited to Patsystems plc in 2005, Tamesis Limited has achieved its earn-out conditions and that consequently the Company has received shares in Patsystems plc to the value of £0.29 million. A further 96,084 shares with a value of £0.03 million were issued in final settlement of the earn-out in February 2008.

A total of £2.56 million has been invested during the year, which comprised £1.54 million of new investments and £1.02 million of follow-on investments.

The follow-on investments included £0.65 million into Digital Healthcare Limited to support the marketing roll-out in the USA, £0.25 million into Immunobiology Limited and £0.1 million into Silistix Limited, both in support of further product development, and £0.02 million into Tissuemed Limited for marketing activities.

The new investments during the year comprised unquoted investments of £0.39 million into London-based Harvey Jones Limited, a kitchen manufacturer and retailer; £0.35 million into Goole-based RMS Group Holdings Limited, a port operator and stevedoring business; £0.25 million into Ellfin Home Care Limited, a domiciliary care business and £0.25 million into Cater Plus Limited, a Watford-based contract caterer for the care home sector. In addition, £0.3 million has been invested into specialist engineering business Pressure Technologies plc on its admission to AIM. The nature of these investments reflects the Company's continued approach to broadening its investment strategy to encompass later stage, more mature investments that are capable of producing more certain income and capital growth.

Financial Results and Dividend

The result for the financial year ended 31 December 2007 was a loss of £0.2 million, equivalent to 1.22 pence per share. The prior year comparison was a profit of £1.52 million (9.0 pence per share). The operating loss has decreased 26.7% year on year, with increased income being partially offset by the increase in Fund Manager's fees resulting from the higher average net asset value throughout the year. The performance of the Company continues to benefit from the reduced cost base following the acquisition of British Smaller Technology Companies VCT plc in December 2005. Shareholders have begun to see the benefit of these economies through improved dividend distributions.

In 2007, dividends of 3.5 pence per share were paid including a special interim dividend of 1.5 pence per share which was declared following the successful realisation of Cozart plc. The board is now proposing a final dividend of 1.5 pence per share. If approved, this dividend will be paid on 16 May 2008 to shareholders on the register at 11 April 2008. The final dividend has not been recognised in the accounts under International Financial Reporting Standards as the contractual obligation did not exist at the balance sheet date.

The net asset value as at 31 December 2007 was 79.0 pence per share, a decrease of 0.7 pence per share on the 79.7 pence per share reported at 30 June 2007. The 4.7 pence decrease from the net asset value at 31 December 2006 of 83.7 pence per share is in large part attributed to the payment of dividends amounting to 3.5 pence per share.

Cash and cash equivalents at the end of the year amounted to £4.3 million, representing 33% of net asset value. The board considers this 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 further distributions to shareholders in the form of tax free dividends.

Shareholder Relations

The 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 workshops held during 2007 were well attended, as was the latest event held in February 2008. The board remains committed to these events.

Following the withdrawal of the share buy back policy in 2006, the share price has remained at a discount to net asset value of approximately 45%, reflecting the long term nature of VCT shares and a relatively illiquid secondary market. The board will keep under review the policy regarding share buy-backs, but for the time being it believes utilising cash to support the existing portfolio with a view to increasing value, making selective new investments under the revised investment strategy, which has continued to show evidence of success, and returning value to shareholders in the form of tax free dividends is the appropriate way forward.

The Annual General Meeting of the Company will be held at 12.30 pm on 13 May 2008 at 23 Berkeley Square, Mayfair, London W1J 6HE.

The Board

In December 2007 the Company announced that, with effect from 31 December 2007, Sir Andrew Hugh Smith was to retire as Chairman and non-executive director of the Company.

The board would like to thank Sir Andrew for his considerable contribution throughout his time as Chairman and wishes him well for the future.

Outlook

The changes relating to VCTs announced in the Budget earlier this year, particularly the reduction in the number of employees to 50, being part of the test for a qualifying company, will have some impact on the VCT industry but, with the board and its Fund Manager already focussing primarily on this market, the changes are expected to have less of an impact on the Company than some others.

The outlook for the next financial year should see further investment activity, a proportion of which is likely to result from further funding requirements of the companies in the portfolio as well as new investments. Continued interest in a number of portfolio companies is encouraging, indicating the possibility of other realisations during 2008.

The board remains focussed on continuing to actively support the investments in the portfolio, maximising and realising value wherever possible and is optimistic about the growth prospects over the medium to long term.

Richard Last
Chairman
1 April 2008

UNAUDITED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Income		339	220
Administrative expenses:			
Fund Management fee		(404)	(371)
Other expenses		(213)	(228)
		(617)	(599)
Operating loss		(278)	(379)
Gain on realisation of investments		1,501	1,421
(Losses) gains on investments held at fair value		(1,426)	473
(Loss) profit on ordinary activities before taxation		(203)	1,515
Taxation		-	-
(Loss) profit for the year from continuing operations		(203)	1,515
Basic and diluted (loss) earnings per ordinary share	3	(1.22p)	9.00p

UNAUDITED BALANCE SHEET

AT 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Assets			
Non-current assets			
Financial assets at fair value through profit or loss		8,743	9,008
Current assets			
Trade and other receivables		228	335
Cash and cash equivalents		4,337	4,984
		4,565	5,319
Liabilities			
Current liabilities			
Trade and other payables		(157)	(391)
Net current assets		4,408	4,928
Net assets		13,151	13,936
Shareholders' equity			
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
Retained earnings		5,803	6,588
Total Shareholders' equity		13,151	13,936
Net asset value per Ordinary share	4	79.0p	83.7p

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £000	Share premium account £000	Merger reserve £000	*Other reserves £000	Retained earnings £000	Total equity £000
Balance at 31 December 2005	1,731	69	5,525	23	5,492	12,840
Profit for the year	-	-	-	-	1,515	1,515
Purchase of own shares	(67)	-	-	67	(419)	(419)
Balance at 31 December 2006	1,664	69	5,525	90	6,588	13,936
Loss for the year	-	-	-	-	(203)	(203)
Dividends	-	-	-	-	(582)	(582)
Balance at 31 December 2007	1,664	69	5,525	90	5,803	13,151

The above table includes prior year comparatives.

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

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 for merger relief. The merger reserve is a non-distributable reserve.

Included within retained earnings is £1,381,000 (2006: £1,211,000) in respect of unrealised gains in respect of investments held at fair value through profit or loss. These gains are not distributable under the Companies Act 1985 and provisions of the Companies Act 2006.

UNAUDITED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Net cash outflows from operating activities	5	(314)	(393)
Cash flows from investing activities			
Costs of acquisition		-	(172)
Acquisition net of cash acquired		-	(172)
Purchase of financial assets at fair value through profit or loss		(2,852)	(276)
Proceeds from sale of financial assets at fair value through profit or loss		3,116	2,875
Net cash from investing activities		264	2,427
Cash flows used in financing activities			
Purchase of own shares and associated warrants		-	(419)
Dividends paid		(582)	(346)
Net cash used in financing activities		(582)	(765)
Net (decrease) increase in cash and cash equivalents		(632)	1,269
Cash and cash equivalents at beginning of the year		4,984	3,834
Effect of market value changes in cash equivalents		(15)	(119)
Cash and cash equivalents at the end of the year		4,337	4,984

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 2006 is an extract from the statutory accounts to that date which have been delivered to the Registrar of Companies. 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 2007, upon which the auditors have still to report, will be delivered to the Registrar following the Company's annual general meeting.

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.

2. Dividends

Amounts recognised as distributions to equity holders in the period:	2007 £000	2006 £000
Final dividend for the year ended 31 December 2006 of 2p (2005: £nil) per share	332	-
Special interim dividend for the year ended 31 December 2007 of 1.5p (2006: £nil) per share	250	-
	582	-

The Special interim dividend of 1.5p was declared on 23 October 2007 and paid on 30 November 2007 to shareholders on the register on 2 November 2007.

A final dividend of 1.5p per Ordinary share in respect of the year to 31 December 2007, amounting to £250,000, is proposed. This dividend has not been recognised in the year ended 31 December 2007 as the obligation did not exist at the balance sheet date.

3. (Loss) Earnings per Ordinary Share

The (loss) earnings per Ordinary share is based on the loss from ordinary activities after tax of £203,000 (2006 profit: £1,515,000) and 16,641,000 (2006: 16,878,000) 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 2007 or 31 December 2006. Consequently, basic and diluted earnings per share are the same for the years ended 31 December 2007 and 31 December 2006.

4. Net Asset Value per Ordinary Share

The net asset value per Ordinary share is calculated on attributable assets of £13,151,000 (2006: £13,936,000) and 16,641,257 (2006: 16,641,257) shares in issue at the year end.

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

	2007	2006
	£000	£000
(Loss) Profit on ordinary activities before taxation	(203)	1,515
Decrease in accruals	(7)	(49)
(Increase) decrease in prepayments and accrued income	(29)	35
Gains on realisation of investments in the year	(1,501)	(1,421)
Losses (Gains) on investments held at fair value	1,426	(473)
Net cash outflow from operating activities	(314)	(393)

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				
	2007	2006	2005	2004	2003
Net asset value per Ordinary share	79.0p	83.7p	74.2p	97.1p	84.6p
Cumulative dividend paid per Ordinary share	10.5p	7.0p	7.0p	-	-
Total Return per Ordinary share	89.5p	90.7p	81.2p	97.1p	84.6p
	=====	=====	=====	=====	=====

7. Annual Report

Copies of the full financial statements for the year ended 31 December 2007 will be available to the public at the registered office of the Company at Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0161 832 7603
Alan Davies	YFM Private Equity Limited	Tel: 0113 294 5000
Jonathan Becher	Teather & Greenwood Limited	Tel: 0207 426 3269
Michael Bellamy	Teather & Greenwood Limited	Tel: 0207 426 9547