

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

For the 6 months ended 30 June 2008

British Smaller Technology Companies VCT 2 plc ("the Company") today announces its unaudited interim results for the six months to 30 June 2008.

CHAIRMAN'S STATEMENT

The six months to 30 June 2008 have been characterised by a continuation of the successful realisations achieved in 2007, further investment in more mature businesses and maintenance of the dividend policy. The overall result has seen the total return increase by 6.0% to 94.9 pence per share (31 December 89.5 pence per share).

The performance in the first six months of the year leads the Board to recommend payment of a dividend of 4 pence per share, constituting an interim dividend payment of 2 pence per share and a 2 pence per share special dividend. This will be payable on 26 September 2008 to shareholders on the register at 29 August 2008.

Interim Management Report

It is particularly pleasing to report the successful realisation of Sarian Systems Limited. The business specialises in wired and wireless communication products for mission critical applications, where its technology had been particularly adopted in the point of sale markets. It was acquired by NASDAQ-listed Digi Inc for a total consideration of \$30 million. This resulted in sale proceeds to the Company of £2.6 million, which compared to a carrying value at 31 December 2007 of £1.3 million. In addition the Company realised the residual investment in Tekton, following its sale to Sage Group plc. This residual investment realised £0.13 million (2.5 times the rolled over cost within 15 months of the previous sale).

The Company's investment in Immunobiology Limited, which develops high efficacy vaccines for infectious diseases, has shown significant potential in the period. The trial of a new tuberculosis vaccine, funded by Aeras, is being finalised with the probability of moving to testing in human subjects towards the end of 2009. Initial animal trials of a meningitis B vaccine, which potentially offers cross-strain protection, have also exceeded expectations. If these tests are successful, the company will warrant a significant premium to its current valuation. No uplift has been recognised in the valuation of the company in these interim accounts, but the directors are encouraged by the company's significant progress.

During this six month period, follow on investments totalling £0.25 million in aggregate were made in companies already in the portfolio. These comprised a further £0.17 million in Silistix Limited to support its further development, £0.06 million into RMS Holdings Limited and a further £0.02 million into Patsystems through an issue of further shares as final payment of the outstanding deferred consideration.

The Company continues to review new investment opportunities. Whilst in the short term the anticipated pricing corrections have not been fully reflected in the market, the Board is of the opinion that as these work their way through the number of strong investment opportunities is likely to increase significantly over the next 12 to 24 months.

The portfolio continues to develop and mature. Whilst no portfolio of investments is immune from a downturn in economic fortunes, the Company's investments have a relatively heavy weighting towards healthcare and related services which comprise 72% by value of the unquoted portfolio. This area has to date been less affected than others by downward valuation pressure. A further 15% of the portfolio is invested in IT and software, 7% in services and 6% in retail; the overall portfolio mix is such that it is less exposed to those sectors directly impacted by the current change in the economic climate.

Financial Results

The result for the six months ended 30 June 2008 produced an operating loss of £0.12 million or 0.75 pence per share (30 June 2007: loss of £0.17 million or 1.0 pence per share).

The reduction in the operating loss arises as a result of the continued costs reductions coupled with an increase in income generation over the same period last year. The net gains from investments are £1.03 million, comprising £1.37 million realised gains, principally from Sarian Systems Limited, and £0.34 million of losses arising from unrealised valuation movements.

Cash and cash equivalents 30 June 2008 were £6.2 million, representing 45% of net asset value before the payment of the interim dividend. The Board considers that this is sufficient to support the current portfolio and to continue to pursue its investment strategy in selective new opportunities.

The HMRC has recently announced that management fees for venture capital trusts will be exempt from VAT from 1 October 2008 and that claims can be back-dated for period of up to three years where relevant. The Board welcomes these developments which it believes will only be to the benefit of shareholders. Early indications are that the annual benefit to shareholders will be in the region of 0.3 pence per share and a one-off benefit of 0.9 pence per share. I will keep you informed as this situation develops.

Shareholder Relations

In addition to the required statutory announcements, the Board continues to run shareholder workshops where investors are invited to meet members of the Board, representatives from YFM Private Equity Limited, the fund manager and the CEOs of one or more of the portfolio investments. In the last six months a workshop was held with a total nearing 150 investors and their advisors attending. The Board remains committed to this programme.

We have reported that the Board withdrew the Company's share buy back policy for an indefinite period during 2006. The share price has remained at a discount of approximately 45% to the announced net asset value. This reflects the long term nature of VCT shares and the effects of the VCT legislation that only offers the 30% income tax rebate on the subscription to a new issue of shares leading to an illiquid secondary market.

The Board remains committed to the objective of achieving a consistent dividend stream. This has been continued in these interim results adding to the 3 pence per share paid in respect of the 2007 financial year. At this stage the Board continues to believe that this use of its cash resources is in the best interest of all shareholders.

Board

I would like to acknowledge the help and support given by Steve Noar who retired from the Board on 30 June 2008. Steve was appointed to the Board in 2000 and throughout that time has made an invaluable contribution.

Outlook

There is little doubt that the economic climate has changed in the last six months and that growth has slowed. Nonetheless, this Company is well placed to take advantage of investment opportunities that may arise in the short term. The existing portfolio is likely to require further investment, both to support some of the remaining earlier stage investments and the acquisition strategies of some of the more recent investments. It may well be that in the immediate short term the economic slowdown will reduce investment opportunities during this financial year as businesses delay decisions until they see a clearer way forward. However, history and experience would suggest that thereafter the rate of investment opportunities will increase and that the prices of those investments could well be at attractive levels.

The Board remains focussed on actively supporting investments in the portfolio and selectively developing that portfolio by means of new investment. With this in mind, it intends to consider prospective fundraising opportunities to ensure the capital resources are available to continue its successful track record of investment.

Richard Last
20 August 2008

INCOME STATEMENT

For the 6 months ended 30 June 2008

		Unaudited 6 months ended 30 June 2008	Unaudited 6 months ended 30 June 2007	Audited year ended 31 December 2007
		£000	£000	£000
Income	Notes 2	180	152	339
Administrative expenses:				
Fund Management fee		(193)	(205)	(404)
Other expenses		(111)	(113)	(213)
		(304)	(318)	(617)
Operating loss		(124)	(166)	(278)
Gains (losses) on realisation of investments		1,366	(30)	1,501
(Losses) on investments held at fair value		(341)	(149)	(1,426)
Profit (loss) on ordinary activities before taxation		901	(345)	(203)
Taxation	3	-	-	-
Profit (loss) for the period from continuing operations		901	(345)	(203)
Basic and diluted earnings (loss) per ordinary share	5	5.41p	(2.07)p	(1.22)p

BALANCE SHEET

As at 30 June 2008

	Notes	Unaudited 30 June 2008 £000	Unaudited 30 June 2007 £000	Audited 31 December 2007 £000
Assets				
Non-current assets				
Financial assets at fair value through profit or loss		7,378	9,964	8,743
Current assets				
Trade and other receivables		253	241	228
Cash and cash equivalents		6,235	3,108	4,337
		6,488	3,349	4,565
Liabilities				
Current liabilities				
Trade and other payables		(64)	(55)	(157)
Net current assets		6,424	3,294	4,408
Net assets		13,802	13,258	13,151
Shareholders' equity				
Share capital		1,664	1,664	1,664
Share premium		69	69	69
Capital redemption reserve		88	88	88
Merger reserve		5,525	5,525	5,525
Other reserve		2	2	2
Retained earnings		6,454	5,910	5,803
Total Shareholders' equity		13,802	13,258	13,151
Net asset value per Ordinary share	6	82.9p	79.7p	79.0p
Total return per Ordinary Share	7	94.9p	88.7p	89.5p

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the 6 months ended 30 June 2008

	Share Capital	Share premium account	Merger reserve	Other reserves*	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 December 2006	1,664	69	5,525	90	6,588	13,936
Loss for the period	-	-	-	-	(345)	(345)
Dividends paid	-	-	-	-	(333)	(333)
Balance at 30 June 2007	1,664	69	5,525	90	5,910	13,258
Profit for the period	-	-	-	-	143	143
Dividends paid	-	-	-	-	(250)	(250)
Balance at 31 December 2007	1,664	69	5,525	90	5,803	13,151
Profit for the period	-	-	-	-	901	901
Dividends paid	-	-	-	-	(250)	(250)
Balance at 30 June 2008	1,664	69	5,525	90	6,454	13,802

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

CASH FLOW STATEMENT

For the 6 months ended 30 June 2008

	Unaudited 6 months ended 30 June 2008	Unaudited 6 months ended 30 June 2007	Audited year ended 31 December 2007
	£000	£000	£000
Net cash outflow from operating activities	(239)	(273)	(314)
Cash flows from (used in) investing activities			
Purchase of financial assets at fair value through profit or loss	(226)	(1,061)	(2,852)
Proceeds from sale of financial assets at fair value through profit or loss	2,728	(134)	3,116
Net cash from (used in) investing activities	2,502	(1,195)	264
Cash flows used in financing activities			
Dividends paid	(250)	(333)	(582)
Net cash used in financing activities	(250)	(333)	(582)
Net increase (decrease) in cash and cash equivalents	2,013	(1,801)	(632)
Cash and cash equivalents at the beginning of the period	4,337	4,984	4,984
Effect of market value changes in cash equivalents	(115)	(75)	(15)
Cash and cash equivalents at the end of the period	6,235	3,108	4,337

NOTES TO THE FINANCIAL STATEMENTS

1. These half year statements have been approved by the directors whose names appear at note 8, 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 240 of the Companies Act 1985. The comparative figures for the year ended 31 December 2007 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2007. 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 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 2007.

The financial statements for the year ended 31 December 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

2. Income

	Unaudited 6 months ended 30 June 2008	Unaudited 6 months ended 30 June 2007	Audited year ended 31 December 2007
	£000	£000	£000
Income from investments			
- Dividends from unquoted companies	3	14	57
- Interest on loans to unquoted companies	53	45	69
- Fixed interest Government securities	117	87	184
<hr/>			
Income from investments held at fair value through profit or loss	173	146	310
Interest on bank deposits	7	6	29
<hr/>			
	180	152	339

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC
UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 June 2008

3. Taxation

	Unaudited 6 months ended 30 June 2008	Unaudited 6 months ended 30 June 2007	Audited year ended 31 December 2007
	£000	£000	£000
Profit (loss) on ordinary activities before taxation	901	(345)	(203)
Profit (loss) on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 21% (June 2007: 19%, December 2007: 20%)	189	(66)	(41)
Effect of:			
UK dividends received	(1)	(3)	(11)
Non taxable (profits) losses on investments	(215)	34	(15)
Excess management expenses	27	35	67
Current tax charge for period	-	-	-

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

	Unaudited 6 months ended 30 June 2008	Unaudited 6 months ended 30 June 2007	Audited year ended 31 December 2007
	£000	£000	£000
Final paid – 2.0p per Ordinary share paid 25 May 2007	-	333	333
Interim paid – 1.5p per Ordinary share paid 30 November 2007	-	-	250
Final paid – 1.5p per Ordinary share paid 16 May 2008	250	-	-
Dividends paid	250	333	583

A dividend of 4p per Ordinary share, amounting to £666,000, is proposed, comprising an interim dividend of 2p and a special dividend of 2p per Ordinary Share. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

5. The earnings (loss) per Ordinary share is based on the net profit from ordinary activities after tax of £901,000 (30 June 2007: net loss of £345,000 and 31 December 2007: net loss of £203,000) and on 16,641,000 shares (30 June 2007 and 31 December 2007: 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 earnings (loss) per Ordinary share are the same.

6. The net asset value per Ordinary share is calculated on attributable assets of £13,802,000 (30 June 2007: £13,258,000 and 31 December 2007: £13,151,000) and 16,641,000 (30 June 2007 and 31 December 2007: 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. Total return per share is calculated on cumulative dividends paid of 12 pence per Ordinary share (30 June 2007: 9 pence per Ordinary share and 31 December 2007: 10.5 pence per Ordinary share) plus the net asset value at those dates as calculated per note 6.
8. The directors of the Company are: Mr R Last, Mr PS Cammerman and Mr RM Pettigrew.
9. A copy of the interim results can be found at the Fund Manager's website: www.yfmgroup.co.uk.

For further information contact:

David Hall, YFM Private Equity Limited, 0161 832 7603 or 0113 294 5000

Jonathan Becher, Landsbanki Limited, 0207 426 3269