

BRITISH SMALLER TECHNOLOGY COMPANIES VCT 2 PLC

UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

For the 6 months ended 30 June 2009

British Smaller Technology Companies VCT 2 plc ("the Company") today announces its unaudited interim results for the six months to 30 June 2009.

CHAIRMAN'S STATEMENT

The six months to 30 June 2009 have first and foremost seen considerable support and effort from the Fund Manager for 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 stands ready with further funds should the need arise.

The overall result for the period has seen the total return increase by 0.8 pence per share to 93.7 pence per share. The net asset value is 75.7 pence per share, which compares to 76.9 pence per share at 31 December 2008. This reflects the recognition of the final interim dividend of 2.0 pence per share and the underlying increase in the residual assets of 0.8 pence per share.

Interim Management Report

The six months to 30 June 2009 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 a further investment of £209,000 was made to support the continuing development of Silistix Limited.

Significant progress has been made by DxS Limited as its products continue to be adopted by the markets. Particularly encouraging progress is being made by both Primal Pictures Limited and Waterfall Services Limited. Those businesses seeking overseas expansion but yet to break into profitability in the overseas market have found the current exchange rate environment more challenging, but are moving to minimise the exchange rate risk.

The Company continues to review new investment opportunities. During the first three months of the financial year we continued to see a misalignment of vendor and purchaser expectations as well as a degree of caution in businesses that has seen them concentrate more on the short term rather than medium term growth. More recently we have seen a reduction in pricing expectations although caution still exists. However, the Board remains of the opinion that there will be a growing number of good investment opportunities over the next 12 to 24 months.

Financial Results

The result for the six months ended 30 June 2009 produced a revenue profit before tax of £38,000 and a capital profit before tax of £101,000 (2008: £21,000 and £880,000 respectively).

Containment of costs and a small increase in the level of income generation, principally as a result of loan interest from investments, has seen the revenue profit before tax increase. The capital profit before tax arises from the increase in investment valuations in the period. This capital profit is below that achieved in the same period in the previous year which benefited from the sale of Sarian Systems Limited.

Cash and investment in gilts at 30 June 2009 totalled £4.55 million (June 2008: £6.24 million), representing 36% (June 2008: 45%) 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, although the Board will be seeking to increase the Company's investment capacity through a fundraising later in the year.

Shareholder Relations

In addition to the required statutory announcements, the Board continues to run shareholder workshops where shareholders 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 at the Imperial War Museum with in excess of 100 shareholders and their advisors attending. The Board remains committed to this programme.

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 2 October 2009 to shareholders on the register as at 4 September 2009.

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 these investments 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 be seeking to increase the investment capacity later in the year.

Richard Last
26 August 2009

STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2009

	Notes	Unaudited 6 months ending 30 June 2009			Unaudited 6 months ending 30 June 2008		
		Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	Total £000
(Loss) gain on realisation of investments		-	(13)	(13)	-	1,366	1,366
Gains (losses) on investments held at fair value		-	234	234	-	(341)	(341)
Income	2	192	-	192	180	-	180
Administrative expenses:							
Fund Management fee		(40)	(120)	(160)	(48)	(145)	(193)
Other expenses		(114)	-	(114)	(111)	-	(111)
		(154)	(120)	(274)	(159)	(145)	(304)
Profit before taxation		38	101	139	21	880	901
Taxation	3	(4)	4	-	(3)	3	-
Profit for the period attributable to equity shareholders		34	105	139	18	883	901
Total comprehensive income for the period attributable to equity shareholders		34	105	139	18	883	901
Basic and diluted earnings per ordinary share	5	0.20p	0.63p	0.84p	0.11p	5.31p	5.41p

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.

BALANCE SHEET

As at 30 June 2009

	Notes	Unaudited 6 months ended 30 June 2009 £000	Unaudited 6 months ended 30 June 2008 (restated) £000	Audited year ended 31 December 2008 £000
Assets				
Non-current assets				
Investments		7,980	7,378	4,864
Fixed income government securities		3,905	5,867	7,488
Financial assets at fair value through profit or loss		11,885	13,245	12,352
Current assets				
Trade and other receivables		126	253	388
Cash and cash equivalents		646	368	109
		772	621	497
Liabilities				
Current liabilities				
Trade and other payables		(57)	(64)	(55)
Net current assets		715	557	442
Net assets		12,600	13,802	12,794
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
Realised capital reserve		3,045	4,173	3,497
Unrealised capital reserve		(2,945)	(2,746)	(3,169)
Special reserve		4,786	4,786	4,786
Revenue reserve		366	241	332
Total Shareholders' equity		12,600	13,802	12,794
Net asset value per Ordinary share	6	75.7p	82.9p	76.9p

The Balance Sheet for the six months ended 30 June 2008 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 to show additional reserves, and the reclassification of Government Securities as described in note 1.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2009

	Share capital £000	Share premium account £000	Merger reserve £000	*Other reserves £000	Realised capital reserve £000	Unrealised Capital reserve £000	Special reserve £000	Revenue reserve £000	Total equity £000
At 31 December 2007	1,664	69	5,525	90	2,224	(1,539)	4,786	332	13,151
Revenue return for the period	-	-	-	-	-	-	-	18	18
Realisation of negative goodwill	-	-	-	-	448	(448)	-	-	-
Capital expenses	-	-	-	-	(142)	-	-	-	(142)
Unrealised loss on investments held at fair value	-	-	-	-	-	(341)	-	-	(341)
Realisation of prior year unrealised gains	-	-	-	-	418	(418)	-	-	-
Realisation of investments in the period	-	-	-	-	1,366	-	-	-	1,366
Dividends	-	-	-	-	(141)	-	-	(109)	(250)
At 30 June 2008	1,664	69	5,525	90	4,173	(2,746)	4,786	241	13,802
Revenue return for the period	-	-	-	-	-	-	-	91	91
Capital expenses	-	-	-	-	(10)	-	-	-	(10)
Realisation of negative goodwill	-	-	-	-	-	-	-	-	-
Unrealised loss on investments held at fair value	-	-	-	-	-	(427)	-	-	(427)
Realisation of prior year unrealised losses	-	-	-	-	(4)	4	-	-	-
Realisation of investments in the period	-	-	-	-	3	-	-	-	3
Dividends	-	-	-	-	(665)	-	-	-	(665)
At 31 December 2008	1,664	69	5,525	90	3,497	(3,169)	4,786	332	12,794
Revenue return for the period	-	-	-	-	-	-	-	34	34
Capital expenses	-	-	-	-	(116)	-	-	-	(116)
Realisation of negative goodwill	-	-	-	-	-	-	-	-	-
Unrealised gain on investments held at fair value	-	-	-	-	-	234	-	-	234
Realisation of prior year unrealised gains	-	-	-	-	10	(10)	-	-	-
Realisation of investments in the period	-	-	-	-	(13)	-	-	-	(13)
Dividends	-	-	-	-	(333)	-	-	-	(333)
At 30 June 2009	1,664	69	5,525	90	3,045	(2,945)	4,786	366	12,600

The Unaudited Statement of Changes in Equity for the six months ended 30 June 2008 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 to show additional reserves.

* 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 2009

	Unaudited 6 months ended 30 June 2009 £000	Unaudited 6 months ended 30 June 2008 (restated) £000	Audited year ended 31 December 2008 £000
Net cash inflow (outflow) from operating activities	181	(239)	(305)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	(209)	(3,166)	(4,115)
Proceeds from sale of financial assets at fair value through profit or loss	898	3,796	5,217
Net cash from investing activities	689	630	1,102
Cash flows used in financing activities			
Dividends paid	(333)	(250)	(915)
Net cash used in financing activities	(333)	(250)	(915)
Net increase (decrease) in cash and cash equivalents	537	141	(118)
Cash and cash equivalents at the beginning of the period	109	227	227
Cash and cash equivalents at the end of the period	646	368	109

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 2008 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2008. 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 2008, except as noted below.

The financial statements for the year ended 31 December 2008 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 1985 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 2009. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (revised) "Presentation of Financial Statements". The Company has elected to present a single performance statement: the Statement of Comprehensive Income.

IFRS 8 "Operating Segments". The adoption of this standard has had no impact on the segmental information reported by the Company.

Other standards and interpretations which have been issued but are not currently relevant for the Company are IAS 23 (Revised) and IFRICs 13, 15 and 16.

Investments in quoted Government Securities were reclassified from cash equivalents to financial assets at fair value through profit or loss in the accounts for the year ended 31 December 2008. As a consequence the balance sheet for the six months ended 30 June 2008 has been restated.

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 2008. 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 2008 on page 15, a copy of which can be found at www.yfmgroup.co.uk.

2. Income

	Unaudited 6 months ended 30 June 2009	Unaudited 6 months ended 30 June 2008
	£000	£000
Income from investments		
- Dividends from unquoted companies	7	3
- Dividends from AIM quoted companies	12	-
	19	3
- Interest on loans to unquoted companies	59	53
- Fixed interest Government securities	112	117
	190	173
Income from investments held at fair value through profit or loss	190	173
Interest on bank deposits	2	7
	192	180

3. Taxation

Unaudited 6 months ended 30 June 2009			Unaudited 6 months ended 30 June 2008		
Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	Total £000

Corporation tax payable at 21% (2008: 21%)	4	(4)	-	3	(3)	-
Profit on ordinary activities before taxation	38	101	139	21	880	901
Profit on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2008: 21%)	8	21	29	4	185	189
Effect of:						
UK dividends received	(4)	-	(4)	(1)	-	(1)
Non taxable profits on investments	-	(46)	(46)	-	(215)	(215)
Excess management expenses	-	21	21	-	27	27
Tax on profit on ordinary activities	4	(4)	-	3	(3)	-

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 2009		Unaudited 6 months ended 30 June 2008			Audited Year ended 31 December 2008		
	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid - 1.5p per share paid 16 May 2008	-	-	109	141	250	109	141	250
Interim paid – 2.0p per share paid 26 September 2008	-	-	-	-	-	-	332	332
Special Interim dividend paid – 2.0p per share paid 26 September 2008	-	-	-	-	-	-	333	333
Final paid - 2.0p per share paid 19 May 2009	333	333	-	-	-	-	-	-
	333	333	109	141	250	109	806	915

An interim dividend of 2.0 pence per Ordinary Share, amounting to £333,000, 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 per Ordinary share

The basic and diluted earnings per Ordinary share is based on the profit from ordinary activities after tax of £139,000 (30 June 2008: £901,000) and 16,641,000 (30 June 2008: 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 £34,000 (30 June 2008: £18,000) and 16,641,000 (30 June 2008: 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 £105,000 (30 June 2008: £883,000) and 16,641,000 (30 June 2008: 16,641,000) shares being the weighted average number of shares in issue during the year.

The Company has no securities that would have a dilutive effect and hence basic and diluted 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 £12,600,000 (30 June 2008 and 31 December 2008: £13,802,000 and £12,794,000 respectively) and 16,641,000 (30 June 2008 and 31 December 2008: 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.yfmgroup.co.uk.

For further information please contact:

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