



## British Smaller Technology Companies VCT 2 plc

Half Yearly Report for the period from  
1 January 2010 to 30 June 2010



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## Directors and Advisers

### Directors

Richard Last  
Philip Simon Cammerman  
Robert Martin Pettigrew

### Fund Manager

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### Solicitors

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### Secretary and Registered Office

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### Stockbrokers

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London W1S 1AX

### Fixed Interest Securities Adviser

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Leeds LS1 4LX

### Independent Auditors

Grant Thornton UK LLP  
2 Broadfield Court  
Sheffield S8 0XF

### VCT Status and Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### Bankers

The Royal Bank of Scotland plc  
27 Park Row  
Leeds LS1 5QB

# 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.

# Chairman's Statement

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

# Investment Portfolio

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost* £000	Proceeds Realised to Date £000	Investment Valuation at 30 June 2010 £000	Realised and Unrealised to Date £000
<b>Current Investments</b>							
Digital Healthcare Limited	Jun-05	Cambridge	Medical Instruments	3,072	—	1,660	1,660
Primal Pictures Limited	Dec-05	London	Medical Instruments	961	137	1,060	1,197
Immunobiology Limited	Jun-03	Cambridge	Pharmaceuticals	1,032	—	1,023	1,023
Deep-Secure Ltd	Dec-09	Reading	Software	500	—	500	500
Waterfall Services Limited	Feb-07	Warrington	Healthcare	250	—	464	464
Pressure Technologies plc	Jun-07	Sheffield	Manufacturing	300	—	320	320
Patsystems plc	Sep-07	London	Software	317	—	281	281
Harvey Jones Limited	May-07	London	Consumer Retail	389	—	212	212
Optos plc	Dec-05	Dunfermline	Medical Instruments	153	93	126	219
RMS Group Holdings Limited	Jul-07	Goole	Industrial Services	408	27	162	189
Silistix Limited	Dec-03	Manchester	Electronics	1,365	—	150	150
Tissuemed Limited	Dec-05	Leeds	Consumer Retail	48	—	120	120
Ellfin Home Care Limited	Dec-07	Oldham	Healthcare	317	—	84	84
Brulines plc	Oct-06	Stockton-on-Tees	Electronics	81	—	72	72
Allergy Therapeutics plc	Oct-04	Worthing	Biotechnology	350	—	53	53
Solcom Limited	Dec-05	Ryde	Software	—	—	12	12
Oxis Energy Limited	Dec-05	Abingdon	Electronics	5	—	1	1
Cambridge Cognition Limited	May-02	Cambridge	Software	240	—	—	—
Intelligent Recordings Limited	Sep-08	Nottingham	Electronics	—	—	—	—
Casmir Limited	Dec-05	Salford	Software	—	—	—	—
				<b>9,788</b>	<b>257</b>	<b>6,300</b>	<b>6,557</b>
Full realisations to date				7,872	13,739	—	13,739
<b>Total realised and unrealised to date</b>				<b>17,660</b>	<b>13,996</b>	<b>6,300</b>	<b>20,296</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

# Investment Portfolio

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost* £000	Proceeds Realised to Date £000	Realised Profit (Loss) £000
<b>Realised Investments</b>						
DxS Ltd	Apr-04	Manchester	Healthcare	163	2,012	1,849
Sarian Systems Ltd	Dec-05	Ilkley	Telecoms	928	2,605	1,677
Amino Technologies plc	Sep-01	Cambridge	Electronics	415	1,875	1,460
Cozart plc	Jul-04	Abingdon	Healthcare	1,566	2,983	1,417
Vibration Technology Ltd	Mar-02	Glasgow	Industrial	1,061	2,328	1,267
The ART Technology Group Inc	Apr-03	Washington, USA	Software	275	638	363
Tamesis Ltd	Jul-01	London	Software	150	317	167
Voxar Ltd	Dec-05	Edinburgh	Software	–	134	134
Tektron Group Ltd	Dec-05	Manchester	Software	100	223	123
Arakis Ltd	Mar-04	Essex	Healthcare	14	108	94
Hallco 1390 Ltd	Dec-06	Manchester	Software	1	77	76
Oxonica plc	May-02	Oxford	Chemical	241	258	17
SoseiCo Ltd	Aug-05	Toyko, Japan	Healthcare	158	94	(64)
Sirus Pharmaceuticals Ltd	Sep-01	Cambridge	Healthcare	270	14	(256)
Infinite Data Storage Ltd**	Mar-02	Dunfermline	Software	425	–	(425)
Purely Proteins Ltd	Nov-03	Cambridge	Software	438	–	(438)
ExpressOn Biosystems Ltd**	Oct-02	Midlothian	Healthcare	450	–	(450)
Broadreach Networks Ltd**	Feb-03	London	Telecoms	550	17	(533)
Comvurgent Ltd**	Dec-05	Nottingham	Software	611	–	(611)
Hallco 1389 Ltd	Dec-06	Manchester	Software	49	49	–
Focus Solutions Group plc	Dec-05	Leamington Spa	Software	7	7	–
Elam-T Ltd**	Dec-05	London	Electronics	–	–	–
LANergy Ltd**	Dec-05	Newport	Telecoms	–	–	–
Sigtronics Ltd**	Dec-05	Livingston	Electronics	–	–	–
Weston Antennas Ltd**	Dec-05	Dorchester	Telecoms	–	–	–
<b>Total realised to date</b>				<b>7,872</b>	<b>13,739</b>	<b>5,867</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

\*\* In receivership.

# Top 15 Investments



## Digital Healthcare Limited

Cambridge  
[www.digital-healthcare.co.uk](http://www.digital-healthcare.co.uk)

Digital Healthcare has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric markets. Having developed its UK business to become the leading supplier of diabetic retinopathy screening software to the NHS, the company has now begun marketing its products in the much larger US diabetes market.



## Primal Pictures Limited

London  
[www.primalpictures.com](http://www.primalpictures.com)

Primal Pictures has developed a complete range of high quality anatomical CD-ROMs aimed at healthcare professionals, ranging from medical students to orthopaedic surgeons. Images derived from X-ray, magnetic resonance and other scan data have enabled the production of a completely authentic anatomical model of the human body. The company has significantly expanded its business development activities to a range of healthcare and education markets, also developing recurring licence revenues from reseller partners.



## Immunobiology Limited

Cambridge  
[www.immunobiology.co.uk](http://www.immunobiology.co.uk)

Immunobiology is developing new methods of producing high efficacy vaccines for infectious diseases including influenza, tuberculosis, meningitis and hepatitis. Progress is being made in partnership with various healthcare institutions and universities to prove the advantages of this new technology and gain regulatory clearances to begin human trials.



## Deep Secure Limited

Reading  
[www.deep-secure.com](http://www.deep-secure.com)

Deep-Secure's market leading products protect against threats to security by using high defence network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more information is shared electronically, increasing levels of exposure to leakage and attack demands more businesses rely on higher levels of security to protect their data. The main customers are in the government and defence sectors where tight security is essential.



## Waterfall Services Limited (trading as Caterplus Services Ltd)

Warrington  
[www.caterplus.co.uk](http://www.caterplus.co.uk)

Waterfall is a contract caterer specialising in the care home sector. Since the original investment the company has expanded its original catering services business from the supply of residential and care homes to the educational market. There has been both organic and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and home care sectors.



# Top 15 Investments



## Pressure Technologies plc

Sheffield  
[www.pressuretechnologies.co.uk](http://www.pressuretechnologies.co.uk)

Pressure Technologies was admitted to the Alternative Investment Market (AiM) in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry but is increasingly diversifying into other sectors, such as biogas and defence. With a strong balance sheet the company is well-positioned to manage the cyclical nature of the group's core business.



## Patsystems plc

London  
[www.patsystems.com](http://www.patsystems.com)

The holding in Patsystems has arisen as a result of deferred consideration payable in shares on the acquisition of Tamesis in August 2005. Patsystems is listed on AiM and develops trading and risk management systems for derivatives traders. It sells its products to all major financial services with particular growth in the Far East.



## Harvey Jones Limited

London  
[www.harveyjones.com](http://www.harveyjones.com)

Harvey Jones is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and wealthy provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic down turn. The business has continued to selectively open new stores to be well positioned to benefit as market conditions improve.



## Optos plc

Dunfermline  
[www.optos.com](http://www.optos.com)

Optos has developed a series of Scanning Laser Ophthalmoscopes used by optometrists for the early detection of eye problems such as age-related macular degeneration. Approximately 4,000 devices have been installed world-wide, mostly in North America, either on a capital sale or rental basis.



## RMS Group Holdings Limited

Goole  
[www.rms-europe.co.uk](http://www.rms-europe.co.uk)

RMS operates from six sites on the Humber estuary handling around 2 million tonnes of cargo a year. RMS has continued to broaden its range of customer service and expand its operations along the Humber estuary. Whilst dependent on the overall level of commodity movements the financing structure of the company has been defensively constructed giving it a competitive advantage over others in its sector. The team have used the tough economic conditions to consolidate their market position.



# Top 15 Investments



Silistix Limited

Manchester  
[www.silistix.com](http://www.silistix.com)

Silistix is a spin-out from the University of Manchester producing a self-timed silicon chip to deliver easier and faster chip design and reduced energy consumption. With the ever increasing complexity of chip design, enhanced technology is being sought by the industry to enable these designs to be effectively manufactured without significantly extending development lead times. The company has developed its products in response to specific customer development programmes to ensure the needs of the international chip producers have been addressed.



Tissuemed Limited

Leeds  
[www.tissuemed.com](http://www.tissuemed.com)

Tissuemed is a medical device company specialising in advanced surgical biomaterials designed to save surgeons' time and to improve the treatment and recovery of patients. The company recently secured investment from a significant trade investor.

Ellfin Home Care Limited

Oldham

Ellfin Home Care is a domiciliary care business providing care in the home services to both public and private clients. The Company was established as a vehicle to acquire a number of home care businesses forming a North West Group over a five year period. To date two acquisitions have been completed.



Brulines plc

Stockton-on-Tees  
[www.brulines.com](http://www.brulines.com)

Brulines is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade and was admitted to AiM in 2006. It has consolidated its market leading position and continues to seek to expand its service and product offerings, moving into the related petrol forecourt services arena.



Allergy Therapeutics Limited

Worthing  
[www.allergytherapeutics.com](http://www.allergytherapeutics.com)

Allergy Therapeutics has developed a range of vaccines for pollen allergies. Whilst good progress has been made in expanding sales in Europe, growth is inhibited until such time as FDA approval is gained in the US.

# 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)
<b>Profit (loss) before taxation</b>		<b>10</b>	<b>(119)</b>	<b>(109)</b>	<b>38</b>	<b>101</b>	<b>139</b>
Taxation	3	–	–	–	(4)	4	–
<b>Profit (loss) for the period attributable to equity Shareholders</b>		<b>10</b>	<b>(119)</b>	<b>(109)</b>	<b>34</b>	<b>105</b>	<b>139</b>
<b>Total comprehensive income for the period attributable to equity Shareholders</b>		<b>10</b>	<b>(119)</b>	<b>(109)</b>	<b>34</b>	<b>105</b>	<b>139</b>
<b>Basic and diluted earnings (loss) per Ordinary share</b>	5	<b>0.06p</b>	<b>(0.67)p</b>	<b>(0.62)p</b>	<b>0.20p</b>	<b>0.63p</b>	<b>0.84p</b>

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 £000	Unaudited 6 months ended 30 June 2009 £000	Audited year ended 31 December 2009 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Investments		<b>6,300</b>	7,980	6,155
Fixed income government securities		<b>4,044</b>	3,905	3,382
Financial assets at fair value through profit or loss		<b>10,344</b>	11,885	9,537
Trade and other receivables		<b>237</b>	–	214
		<b>10,581</b>	11,885	9,751
<b>Current assets</b>				
Trade and other receivables		<b>196</b>	126	192
Cash and cash equivalents		<b>1,799</b>	646	2,304
		<b>1,995</b>	772	2,496
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		<b>(78)</b>	(57)	(141)
<b>Net current assets</b>		<b>1,917</b>	715	2,355
<b>Net assets</b>		<b>12,498</b>	12,600	12,106
<b>Shareholders' equity</b>				
Share capital		<b>1,784</b>	1,664	1,664
Share premium		<b>806</b>	69	69
Capital redemption reserve		<b>88</b>	88	88
Merger reserve		<b>5,525</b>	5,525	5,525
Other reserve		<b>2</b>	2	2
Capital reserve		<b>4,471</b>	3,045	4,442
Investment holding (losses) gains		<b>(4,950)</b>	(2,945)	(4,802)
Special reserve		<b>4,786</b>	4,786	4,786
Revenue reserve		<b>(14)</b>	366	332
<b>Total Shareholders' equity</b>		<b>12,498</b>	12,600	12,106
<b>Net Asset Value per Ordinary share</b>	6	<b>70.1p</b>	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 £000	Share premium account £000	Merger reserve £000	*Other reserves £000	Capital reserve £000	Investment holding gains (losses) reserve £000	Special reserve £000	Revenue reserve £000	Total equity £000
<b>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>
<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)
<b>At 30 June 2009</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>3,045</b>	<b>(2,945)</b>	<b>4,786</b>	<b>366</b>	<b>12,600</b>
<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)
<b>At 31 December 2009</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>4,442</b>	<b>(4,802)</b>	<b>4,786</b>	<b>332</b>	<b>12,106</b>

# Unaudited Statement of Changes in Equity

For the 6 months ended 30 June 2010 (continued)

	Share capital £000	Share premium account £000	Merger reserve £000	*Other reserves £000	Capital reserve £000	Investment holding gains (losses) reserve £000	Special reserve £000	Revenue reserve £000	Total equity £000
<b>At 31 December 2009</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>4,442</b>	<b>(4,802)</b>	<b>4,786</b>	<b>332</b>	<b>12,106</b>
<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 share capital	—	(51)	—	—	—	—	—	—	(51)
Dividends	—	—	—	—	—	—	—	(356)	(356)
<b>At 30 June 2010</b>	<b>1,784</b>	<b>806</b>	<b>5,525</b>	<b>90</b>	<b>4,471</b>	<b>(4,950)</b>	<b>4,786</b>	<b>(14)</b>	<b>12,498</b>

\*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 £000	Unaudited 6 months ended 30 June 2009 £000	Audited year ended 31 December 2009 £000
<b>Net cash (outflow) inflow from operating activities</b>	<b>(207)</b>	181	125
<b>Cash flows from investing activities</b>			
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
<b>Net cash (used in) from investing activities</b>	<b>(835)</b>	689	3,068
<b>Cash flows used in financing activities</b>			
Issue of Ordinary shares	908	—	—
Cost of Ordinary shares	(15)	—	—
Dividends paid	(356)	(333)	(998)
<b>Net cash from (used in) financing activities</b>	<b>537</b>	(333)	(998)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(505)</b>	537	2,195
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,304</b>	109	109
<b>Cash and cash equivalents at the end of the period</b>	<b>1,799</b>	646	2,304

# Notes to the Unaudited Financial Statements

## For the 6 months ended 30 June 2010

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 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.



# Notes to the Unaudited Financial Statements

## For the 6 months ended 30 June 2010

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.yfmpprivateequity.co.uk](http://www.yfmpprivateequity.co.uk).

## 2. Income

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

# Notes to the Unaudited Financial Statements

## For the 6 months ended 30 June 2010

### 3. Taxation

	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
Profit (loss) before taxation	<b>10</b>	<b>(119)</b>	<b>(109)</b>	38	101	139
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	<b>2</b>	<b>(25)</b>	<b>(23)</b>	8	21	29
<b>Effect of:</b>						
UK dividends received	<b>(3)</b>	<b>–</b>	<b>(3)</b>	(4)	–	(4)
Non taxable profits on investments	<b>–</b>	<b>1</b>	<b>1</b>	–	(46)	(46)
Excess management expenses	<b>1</b>	<b>24</b>	<b>25</b>	–	21	21
Tax (credit)/charge	<b>–</b>	<b>–</b>	<b>–</b>	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.

# Notes to the Unaudited Financial Statements

## For the 6 months ended 30 June 2010

### 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 earnings (loss) per Ordinary share are the same.

# Notes to the Unaudited Financial Statements

## For the 6 months ended 30 June 2010

### 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. Total Return

Total Return per share is calculated on cumulative dividends paid of 24 pence per Ordinary Share (30 June 2009: 18 pence per Ordinary share and 31 December 2009: 22 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

### 8. Directors

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

### 9. Other Information

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](http://www.yfmprivateequity.co.uk).

# British Smaller Technology Companies VCT 2 plc

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