

Interim Report  
for the period from  
1 January 2007  
to 30 June 2007



BRITISH  
SMALLER  
TECHNOLOGY  
COMPANIES  
VCT  plc

## Directors and Advisers

### Directors

Sir Andrew Colin Hugh Smith  
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 Robert Martin Pettigrew  
 Stephen John Noar

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 Saint Martins House  
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 Leeds LS7 4HZ

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 Beaufort House  
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 34 Lisbon Street  
 Leeds LS1 4LX

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 20 Farringdon Road  
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### VCT Status Adviser

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The Royal Bank of Scotland plc  
 5 Church Street  
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## Chairman's Statement

The first six months to 30 June 2007 has been characterised by further successful fundraisings by the VCT market as a whole, continued interest from buyers in a number of our investments, further development of our policy of investing in more mature businesses and maintenance of the recently resumed dividend policy. The overall result has seen an increase in the net asset value over that reported at the end of the same period last year but a reduction of 2 pence per share, after taking account of the dividend, from 31 December 2006.

### Operations

The first half of this year has seen your Company complete £1.06 million of investments. These comprised £0.94 million of new investments and £0.12 million of funding for existing portfolio investments. The new investments were £0.39 million in Harvey Jones Limited (kitchen retailer), £0.25 million in Cater Plus Services Limited (provider of catering services to the care home sector) and £0.3 million in Pressure Technologies plc (specialist engineering business). This level of activity has maintained after the end of the period with a new investment of £0.35 million in Goole-based shipping and logistics support business RMS Limited. The further investments in the period saw £0.1 million invested in Silistix Limited and a small investment into a £1 million funding package for Tissuemed Limited.

Shortly after the end of the period further investments have been made in Digital

Healthcare Limited and Immunobiology Limited. The investment in Digital Healthcare supports its US expansion strategy, however as is sometimes the case this funding round was entered into at a lower valuation than previous rounds. This has been taken into account in the half year valuation exercise that has played a large part in the reduction of the overall value of the portfolio.

There were no realisations in the period but there remains significant interest in some of the investments in the portfolio which may well lead to further realisations in the second half of the year.

The ability demonstrated by some of the portfolio companies to continue to raise funds in support of their development provides encouragement in the medium term outlook. The acquisition interest in the portfolio gives confidence for the second half of the year and the continuing strategy to invest in later stage companies is intended to deliver a greater balance between income and growth over the medium term.

### Financial Results

The results for the six months ended 30 June 2007 produced an operating loss of £166,000 or 1.0 pence per share (30 June 2006: loss of £188,000 or 1.1 pence per share).

The reduction in the operating loss arises as a result of the continued cost reductions that have arisen following the acquisition of British

## Chairman's Statement

Smaller Technology Companies VCT in December 2005. Income generation, whilst broadly in line with the same period in 2006, has increased by £80,000 from the latter half of 2006. There are £149,000 of losses arising from unrealised valuation movements, which combine with the operating loss and a small loss on realisation of gilts resulting in a loss for the period of £345,000 (2.07 pence per share).

Cash and cash equivalents at the period end were £3.1 million, representing 23% of net asset value. Your board considers that this is sufficient to support the current portfolio and to continue to pursue its investment strategy in selective new opportunities. Further realisations would enhance this cash reserve as well as generating the ability to continue to distribute an appropriate proportion to shareholders as a tax free dividend.

### Shareholder Relations

In addition to the required statutory announcements your board continues to run shareholder workshops where investors are invited to meet members of the board, representatives from YFM Private Equity Limited, the Investment Adviser and the CEOs of one or more of the portfolio investments. In the last six months two workshops were held with a total nearing 150 investors and their advisers attending. Your board remains committed to this program.

I have previously reported that your 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 after market.

However, your board has been able to resume dividend payments which are received across the whole shareholder base, and continues to support the existing portfolio companies and pursue its investment strategy which has a stronger bias towards later stage businesses.

### Outlook

The immediate outlook for the second half of the year should see further investment activity. The interest in some of the portfolio is encouraging indicating the possibility of realisations during the latter part of 2007. A proportion of the portfolio remains at an early stage of development and may well require further funding which brings its own risks. Nonetheless and particularly taking into consideration the broadening of the investment strategy, the board remains optimistic about the growth prospects over the medium to longer term.



Sir Andrew Hugh Smith  
14 August 2007

# Investment Portfolio

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost** £000	Proceeds Realised to Date £000	Investment at Valuation £000	Realised and Unrealised to Date £000
Vibration Technology Ltd	Mar-02	Glasgow	Industrial Automation	1,061	2,328	–	2,328
Cozart plc	Jul-04	Abingdon	Healthcare	1,566	72	2,228	2,300
Amino Technologies plc	Sep-01	Cambridge	Electronics	415	1,875	–	1,875
Digital Healthcare Ltd	Jun-05	Cambridge	Healthcare	1,912	–	1,364	1,364
Sarian Systems Ltd	Dec-05	Ilkley	Telecoms	928	–	1,305	1,305
Immunobiology Ltd	Jun-03	Cambridge	Healthcare	600	–	770	770
Primal Pictures Ltd	Dec-05	London	Healthcare	961	–	697	697
Allergy Therapeutics plc	Oct-04	Worthing	Healthcare	350	–	571	571
Silistix Ltd	Dec-03	Manchester	Software	563	–	479	479
Harvey Jones Ltd	May-07	London	Consumer Products	388	–	388	388
ART Technology Group Inc	Apr-03	Washington, USA	Software	275	–	349	349
Optos plc	Dec-05	Dunfermline	Healthcare	153	93	287	380
Pressure Technologies plc	Jun-07	Sheffield	Industrial	300	–	320	320
Convurgent Ltd	Dec-05	Nottingham	Software	611	–	310	310
Oxonica plc	May-02	Oxford	Chemical	241	255	49	304
Hallco (1389) and (1390) Ltd	Dec-05	Manchester	Software	150	220	50	270
Cater Plus Services Ltd	Feb-07	Watford	Support Services	250	–	250	250
DxS Ltd	Apr-04	Manchester	Healthcare	163	–	163	163
Brulines plc	Oct-06	Stockton-on-Tees	Software	81	–	110	110
Arakis	Mar-04	Essex	Healthcare	14	108	–	108
Infinite Data Storage Ltd	Mar-02	Dunfermline	Software	425	–	100	100
Cambridge Cognition Ltd	May-02	Cambridge	Software	240	–	96	96
Sosei Co., Ltd	Aug-05	Toyko, Japan	Healthcare	158	94	–	94
Voxar Ltd	Dec-05	Edinburgh	Software	–	87	–	87
Solcom Ltd	Dec-05	Ryde	Software	–	–	56	56
Tissuemed Ltd	Dec-05	Leeds	Healthcare	47	–	22	22
Sirus Pharmaceuticals Ltd	Sep-01	Cambridge	Healthcare	270	14	–	14
Broadreach Networks Ltd*	Feb-03	London	Telecoms	550	11	–	11
Focus Solutions Group plc	Dec-05	Leamington Spa	Software	7	7	–	7
ExpressOn Biosystems Ltd*	Oct-02	Midlothian	Healthcare	450	–	–	–
Purely Proteins Ltd	Nov-03	Cambridge	Software	438	–	–	–
Tamesis Ltd	Jul-01	London	Software	150	–	–	–
Oxis Energy Ltd*	Dec-05	Abingdon	Electronics	5	–	–	–
Casmir Ltd	Dec-05	Salford	Software	–	–	–	–
Elam-T Ltd*	Dec-05	London	Electronics	–	–	–	–
LANergy Ltd*	Dec-05	Newport	Telecoms	–	–	–	–
Patterning Technologies Ltd	Dec-05	Hemel Hempstead	Electronics	–	–	–	–
Sigtronics Ltd*	Dec-05	Livingston	Electronics	–	–	–	–
Weston Antennas Ltd*	Dec-05	Dorchester	Telecoms	–	–	–	–
<b>Total</b>				<b>13,722</b>	<b>5,164</b>	<b>9,964</b>	<b>15,128</b>

\* In Receivership

\*\* 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



### Allergy Therapeutics plc

Worthing  
www.allergytherapeutics.com

Allergy Therapeutics, an AIM-quoted company, specialises in the treatment and prevention of allergies. It has an annual turnover of approximately £15 million, with regulator approved manufacturing capability and established sales and marketing infrastructure in several European markets. The company has reported good progress with its development strategy, in particular establishing key relationships to exploit pollen allergies treatments in Canada.



### The Art Technology Group Inc

Washington, USA  
www.atg.com

Quoted on NASDAQ Art Technology Group Inc (ATG) delivers software solutions to help consumer-facing organisations create an interactive experience for their customers and partners via the internet and other channels. In the 2006 Forrester Wave™: Commerce Platforms report, Forrester Research ranked ATG's B2C e-commerce software suite as the number 1 current offering. Gartner, Inc. also placed ATG high in the Leader Quadrant in its Q4 2006 E-Commerce Magic Quadrant report. ATG e-commerce software powers more of the top 300 Internet retailers than any other vendor.



### Brulines (Holdings) plc

Stockton-on-Tees  
www.brulines.com

Brulines is based on Teeside from where it offers a monitoring service to the owners of public houses. Their flow monitoring devices can reveal to the brewer whether or not publicans are attempting to by-pass the tenancy agreement by buying beer from unauthorised sources. Brulines' IPO in October 2006 raised a total of £19.6 million (£7 million net for the company), and valued the business at £29.5 million.



### Cambridge Cognition Limited

Cambridge  
www.camcog.com

Cambridge Cognition designs computerised psychological tests for assessing the progress of a wide variety of mental conditions, especially Alzheimer's, schizophrenia and Attention Deficit Hyperactivity Disorder (ADHD). Based in Cambridge, England, the company supplies products and services based on CANTAB®, the Cambridge Neuropsychological Test Automated Battery. The cognitive tests in CANTAB are used for neuropsychological assessment in academic research, pharmaceutical clinical trials and healthcare around the world.

## Investment Portfolio

### Cater Plus Services Limited

Watford  
www.caterplus.co.uk



Cater Plus is a specialist supplier of catering services to the residential and care home sector. The company operates across the UK supplying both catering services and undertaking purchasing contracts on behalf of residential and care homes. The investment was made in February 2007 to support the management buy-in/management buy-out of this company.

### Comvurgent Limited

Nottingham  
www.comvurgent.com



Comvurgent has developed a range of Voice Over Internet Protocol (VOIP) products for the telecommunications market, including PBX simulation and training tools running on PCs, and a range of call recording products. The call recording range has attracted particular interest from the call centre market, where this technology is increasingly important. The company's customer base ranges from John Deere, Vodafone and Hertz to Dunn and Bradstreet, giving some indication of the wide market application.

### Cozart plc

Abingdon  
www.cozart.co.uk



Cozart is a medical diagnostics company specialising in the development and supply of testing devices for drugs of abuse. The portable Rapiscan™ product is currently used by all UK police forces for testing suspects. The company has successfully completed a number of acquisitions in Europe, expanding its geographical distribution. Cozart, in collaboration with Phillips, has launched its next generation of products and has recently announced its first contract win in Kuwait. Recent results have seen underlying business growth continuing at 100%.

### Digital Healthcare Limited

Cambridge  
www.digital-healthcare.co.uk



Digital Healthcare has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric sectors of the healthcare market. The software manages the patient care pathway by controlling the acquisition, review, analysis and communication of images and their related clinical information.

## Investment Portfolio



### DxS Limited

Manchester  
www.dxs-genotyping.com

DxS is a personalised medicine company providing cancer mutation products, technologies and genetic analysis services to enable the delivery of safe and effective medicines. The company owns the intellectual property for Scorpions™, a technology for identifying variations in an individual's DNA which has particular relevance in the new science of designing personalised medicines to suit an individual's genetic makeup. It has also developed a range of tumour analysis products that detect mutations in EGFR, RAS, RAF and other genes associated with cancer drug responses.

### Hallco (1389) and (1390) Limited (formerly Tekton Group)

Manchester  
www.tekton-group.com

The majority of this investment in Tekton Group was realised through a secondary management buyout completing in December 2006. The opportunity was taken to invest a small proportion of the proceeds into the enlarged entity alongside the management. The company is continuing to pursue an expansion strategy which is predicted on growth by acquisition consolidating a number of fragmented suppliers within its industry sector.



### Harvey Jones Limited

London  
www.harveyjones.com

Harvey Jones is a fitted kitchen furniture specialist. The investment supported the MBO of the business from its private owner. The business has a manufacturing facility in the UK and 11 stores, mostly in London and wealthy provincial towns in the South of England. It plans to roll out the number of stores organically and build brand recognition. Trading so far this year has been in line with expectations.



Applying the Biology of Immunity to Healthcare

### Immunobiology Limited

Cambridge  
www.immunobiology.co.uk

Immunobiology is a vaccine company developing the next generation of anti-infective vaccines. The portfolio addresses areas of high unmet need, where the risk and consequence of infection are severe. It has an established product and process patent estate around Heat shock protein Complexes (HspC™) which are highly efficient in bridging between an innate and an adaptive immunological response. In addition, it has licensed in complementary technology around the delivery of antigens to dendritic cells through fusion proteins (ImmunoBodies™) in specific applications, where this approach has clear benefits.



## Investment Portfolio

### Infinite Data Storage Limited

Dunfermline  
www.infinitedatastorage.com



Infinite Data Storage (IDS) is a technology company focussing on the creation of new and innovative ways for people to access, manage, share and preserve their music, photographs, video and data. IDA has recently announced a collaboration with Headplay, Canada Inc on it's Personal Cinema System product. The Headplay Personal Cinema System is a portable, visual headset and media centre that delivers an immersive, high resolution, cinematic, big screen viewing experience for gaming, movie watching and internet use. The IDS technology will feature in future enhancements of the product, which is about to launch through the Headplay website.

### Optos plc

Dunfermline  
www.optos.com



Optos has developed laser ophthalmoscope technology that greatly assists optometrists by producing wide angle retinal scans. The technology can produce a high resolution scan of 80% of the retina in only quarter of a second. In May 2007 Optos received the 2007 Queen's Award for Enterprise: International Trade and the 2007 Scotland plc Award for Innovation.

### Oxonica plc

Oxford  
www.oxonica.com



Oxonica is one of Europe's leading nanomaterials companies, with products already launched into international markets, and is now quoted on AIM. Its lead products include Envirox, a nanocatalyst improving fuel economy and reducing noxious emissions, and Optisol which is a photostable UV protection system for use in sunscreens and anti-aging products.

### Pressure Technologies plc

Sheffield  
www.pressuretechnologies.co.uk



Pressure Technologies designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets. The investment was made on following the company's admission to AiM in June 2007.

### Primal Pictures Limited

London  
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.

## Investment Portfolio



### Sarian Systems Limited

Ilkley  
www.sarian.co.uk

Sarian design and supply a range of wireless and fixed line data communications products to the EPOS, remote monitoring and telemetry sectors of the IT marketplace. Their product range covers both wired technologies including PSTN, ISDN ADSL and wireless network technologies such as GPRS, EDGE, 3G (UMTS) and HSDPA. Sarian solutions are sold in over 40 countries to blue chip companies such as American Express, BP Oil, British Telecom, Ingenico Fortronic, GTech Inc, T-Mobile and to major Telcos worldwide.



### Silistix Limited

Manchester  
www.silistix.com

Silistix is a spin-out from the University of Manchester. The Silistix self-timed chip interconnect technology promises faster and easier chip design and reduced energy consumption and heat generation. Its cutting edge technology has attracted the attention of major chip designers and manufacturers around the world.



### Solcom Limited

Ryde  
www.solcom.com

Solcom provides consulting services for real-time data acquisition and decision making applications. During the period, the company has continued to develop additional applications for its core skills in its work with key UK customers in the pharmaceutical industry.



### Tissuemed Limited

Leeds  
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. Recently Tissuemed has focused its considerable scientific expertise on the development of surgical sealants, culminating in Tissuepatch3 a unique surgical film with properties designed specifically to address the demands of surgeons needing to seal leakages of air, blood and other fluids. In April 2007 Tissuemed attained CE mark for its Tissuepatch3 surgical sealant. The approval covers lung and general surgical applications.

# Income Statement

## For the 6 months ended 30 June 2007

	Notes	<b>Unaudited 6 months ended 30 June 2007 £000</b>	Unaudited 6 months ended 30 June 2006 £000	Audited year ended 31 December 2006 £000
<b>Income</b>		<b>152</b>	149	220
Administrative expenses:				
Investment advisory fee		<b>(205)</b>	(190)	(371)
Other expenses		<b>(113)</b>	(147)	(228)
		<b>(318)</b>	(337)	(599)
<b>Operating loss</b>		<b>(166)</b>	(188)	(379)
(Losses) gains on realisation of investments		<b>(30)</b>	28	1,421
(Losses) gains on investments held at fair value		<b>(149)</b>	179	473
<b>(Loss) profit on ordinary activities before taxation</b>		<b>(345)</b>	19	1,515
Taxation	2	–	–	–
<b>(Loss) profit for the period from continuing operations</b>		<b>(345)</b>	19	1,515
<b>Basic and diluted (loss) earnings per Ordinary share</b>	3	<b>(2.07)p</b>	0.11p	9.00p

# Balance Sheet

As at 30 June 2007

	Unaudited 30 June 2007 £000	Unaudited 30 June 2006 £000	Audited 31 December 2006 £000
Notes			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9,964	9,588	9,008
<b>Current assets</b>			
Trade and other receivables	241	193	335
Cash and cash equivalents	3,108	2,733	4,984
	<b>3,349</b>	2,926	5,319
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(55)	(74)	(391)
<b>Net current assets</b>	<b>3,294</b>	2,852	4,928
<b>Net assets</b>	<b>13,258</b>	12,440	13,936
<b>Shareholders' equity</b>			
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	5,910	5,092	6,588
Total Shareholders' equity	<b>13,258</b>	12,440	13,936
<b>Net asset value per Ordinary share</b>	4	<b>79.7p</b>	74.8p
		83.7p	

Signed on behalf of the Board



Sir Andrew Hugh Smith  
Chairman  
14 August 2007

## Statement of Changes in Shareholders' Equity

### For the 6 months ended 30 June 2007

	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)
<b>Balance at 30 June 2007</b>	<b>1,664</b>	<b>69</b>	<b>5,525</b>	<b>90</b>	<b>5,910</b>	<b>13,258</b>

\*Other reserves include the capital redemption reserve and other reserve.

## Summarised Cash Flow Statement

### For the 6 months ended 30 June 2007

	Unaudited 6 months ended 30 June 2007 £000	Unaudited 6 months ended 30 June 2006 £000	Audited year ended 31 December 2006 £000
<b>Net cash outflow from operating activities</b>	<b>(273)</b>	(286)	(393)
Net cash (used in) from investing activities	<b>(1,195)</b>	27	2,427
Net cash (used in) financing	<b>(333)</b>	(765)	(765)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,801)</b>	(1,024)	1,269
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,984</b>	3,834	3,834
Effect of market value changes in cash equivalents	<b>(75)</b>	(77)	(119)
<b>Cash and cash equivalents at the end of the period</b>	<b>3,108</b>	2,733	4,984

# Notes to the Financial Statements

## For the 6 months ended 30 June 2007

1. The interim financial statements, which have been approved by the directors, are unaudited and 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 2006 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2006. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The financial statements for the year ended 31 December 2006 were prepared 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 the 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. Taxation charge

	<b>Unaudited 6 months ended 30 June 2007 £000</b>	Unaudited 6 months ended 30 June 2006 £000	Audited year ended 31 December 2006 £000
(Loss) profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19% (2005: 19%)	<b>(66)</b>	4	288
<b>Effect of:</b>			
UK dividends received	<b>(3)</b>	–	(4)
Non taxable losses (profits) on investments	<b>34</b>	(39)	(360)
Excess management expenses	<b>35</b>	35	76
Current tax charge for period	<b>–</b>	–	–

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.

## Notes to the Financial Statements

### For the 6 months ended 30 June 2007

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 of 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.

3. The (loss) earnings per Ordinary share is based on the net loss from ordinary activities after tax of £345,000 (30 June 2006: net profit of £19,000 and 31 December 2006: net profit of £1,515,000) and on 16,641,000 (30 June 2006: 17,120,000 and 31 December 2006: 16,878,000) 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 (loss) earnings per Ordinary share are the same.

4. The net asset value per Ordinary share is calculated on attributable assets of £13,258,000 (30 June 2006: £12,440,000 and 31 December 2006: £13,936,000) and 16,641,257 (30 June 2006 and 31 December 2006: 16,641,257) 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.

5. Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.



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