

Keydata Income VCT 2 plc

Interim Report

for the six months ended 31 August 2009

Chairman's Statement

Introduction

As I have previously communicated, the last six months has been a transitional period for the Company. Keydata Investment Services was placed into administration on 9 June 2009 and Foresight Group ("Foresight") was appointed as investment adviser to the Board in their place on 11 June 2009. Since then, the Board and Foresight have been working extensively on extracting value from the Company's existing investments, namely the constituent parts of the St Helens renewable energy project.

Against this background, the Company's net asset value has remained stable and as at 31 August 2009 was 50.8p per share compared to 51.5p per share as at 28 February 2009. The Board is encouraged by the independent valuation of the underlying assets of the investee companies in Keydata Income VCT 2 but is cognisant that securing the optimal value for the assets will only be achieved through successfully utilising the Company's biomass assets for their originally intended purpose.

Of the current net assets of £3.7m, over 30 per cent. is currently held in cash (or near cash) by either the VCT or its underlying investee companies.

Despite the progress that has been made over the last few months, the Board is not recommending an interim dividend at this time.

Portfolio Review

In my last statement in the annual report and accounts, it was disclosed that the main contractor had notified the Company that it was not able to complete the construction of the project due to funding problems and that the Board was reviewing various options including terminating contracts with the contractor, pursuing a legal claim for damages, the use of an alternative contractor and the sale of the investments.

Working closely with Foresight and benefiting from its experience in environmental infrastructure, and specifically its involvement in investments in generating heat and power from biomass plants, the Board and Foresight have instigated a course of action that has addressed the above unresolved issues extant at the time Keydata Investment Services was placed into administration.

In summary the Company has:

- Terminated all contracts involved with the renewable energy project in St Helens, including that of the main contractor;
- Removed all of the assets, to which the Company now holds absolute title, and delivered them to a secure off-site location;
- Received independent confirmation of the underlying values of the assets held by the Company; and
- Implemented a plan that should preserve the ongoing VCT tax status of the Company.

Outlook

In addition to the actions referred to above, discussions are progressing with respect to a possible merger of the Company with an existing Foresight VCT. The progress of the merger is likely to accelerate in the coming weeks. As previously disclosed such a merger would be subject to the approval of the shareholders of Keydata Income VCT 2 plc and the relevant Foresight VCT and would assist the Company's shareholders in obtaining greater exposure to a wider range of unquoted investments, generate additional cost savings and result in greater liquidity in the Company's shares.

Chairman's Statement continued

Discussions are also taking place with various parties about the location and construction of biomass plants that could be used to redeploy the assets held by Keydata Income VCT 2's investee companies. The Board and Foresight consider that the successful implementation of this strategy is still the best route to maximising shareholder value in the longer term and hope to be able to provide a further update to shareholders on the progress of this strategy in the near future.

Stephen Oxenbridge
Chairman

30 October 2009

Investment Summary

Investment	31 August 2009		28 February 2009	
	Amount Invested £'000	Valuation £'000	Amount Invested £'000	Valuation £'000
Boyle Electrical Generation Limited	943	703	943	518
Cooke Generation Limited	943	703	943	519
Burley Energy Limited	943	702	943	519
Nevin Energy Resources Limited	943	702	943	519
Hughes Power Limited	476	355	476	262
Clarke Power Services Limited	1,006	243	1,006	554
Spencer Energy Services Limited	973	80	973	535
Docherty Heat & Energy Distributor Limited	3	1	3	1
	6,230	3,489	6,230	3,427
Gilts	200	202	–	–
	6,430	3,691	6,230	3,427

Unaudited Interim Results and Responsibility Statements

Principal Risks and Uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Market price;
- Interest rate;
- Liquidity;
- Discount volatility; and
- Regulatory risk.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Accounts for the year ended 28 February 2009. A detailed explanation can be found on page 7 of the Annual Report and Accounts which is available on www.foresightgroup.eu or by writing to Foresight Group at ECA Court, South Park, Sevenoaks, Kent, TN13 1DU.

In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

Directors' Responsibility Statement:

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Report and financial statements.

The Directors confirm to the best of their knowledge that:

- (a) the summarised set of financial statements have been prepared in accordance with IAS34;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
- (c) the summarised set of financial statements give a true and fair view in accordance with IFRS of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with IFRS as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- (d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The half-yearly Financial Report has not been audited or reviewed by the auditors.

By order of the Board

Stephen Oxenbridge
Chairman

30 October 2009

Consolidated Statement of Comprehensive Income

for the six months ended 31 August 2009

	6 months ended 31 August 2009 (unaudited)		6 months ended 31 August 2008 (unaudited)		6 months ended 31 August 2008 (unaudited)		Year ended 28 February 2009 (audited)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrealised gains/(losses) on investments	-	62	-	-	-	-	(2,803)	(2,803)
Realised losses on securities	-	(1)	-	-	-	-	-	-
Unrealised gains on securities	-	2	-	-	-	-	-	-
Revenue	3	-	279	-	279	546	-	546
Operating profit/(loss)	3	63	279	-	279	546	(2,803)	(2,257)
Management fees	(4)	(12)	-	-	-	-	-	-
Other expenses	(102)	-	(73)	-	(73)	(79)	-	(79)
Impairment charge	-	-	-	-	-	(844)	-	(844)
	(106)	(12)	(73)	-	(73)	(923)	-	(923)
(Loss)/profit before taxation	(103)	51	206	-	206	(377)	(2,803)	(3,180)
Tax on ordinary activities	-	-	(43)	-	(43)	-	-	-
(Loss)/profit for the period attributable to owners of the parent	(103)	51	163	-	163	(377)	(2,803)	(3,180)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	(103)	51	163	-	163	(377)	(2,803)	(3,180)
(Loss)/earnings per ordinary share - basic and diluted	(1.4)p	0.7p	2.2p	0.0p	2.2p	(5.1)p	(38.4)p	(43.5)p

The total column of this statement is the Statement of Comprehensive Income of the Group. All revenue and capital items in the above statement derive from continuing operations.

Statement of Financial Position

Group and Company
at 31 August 2009

	31 August 2009 (unaudited) £'000	31 August 2008 (unaudited) £'000	28 February 2009 (audited) £'000
ASSETS			
Non-current assets			
Investments	3,691	6,230	3,427
Current assets			
Receivables	18	592	2
Cash and cash equivalents	45	439	345
	<u>63</u>	<u>1,031</u>	<u>347</u>
Total assets	<u>3,754</u>	<u>7,261</u>	<u>3,774</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called-up share capital	73	73	73
Capital reserve – realised	(13)	–	–
Capital reserve – unrealised	(2,739)	–	(2,803)
Special reserve	6,847	6,847	6,847
Revenue reserve	(459)	184	(356)
Total equity	<u>3,709</u>	<u>7,104</u>	<u>3,761</u>
Current liabilities			
Payables	45	157	13
Total current liabilities	<u>45</u>	<u>157</u>	<u>13</u>
Total equity and liabilities	<u>3,754</u>	<u>7,261</u>	<u>3,774</u>
NET ASSETS	<u>3,709</u>	<u>7,104</u>	<u>3,761</u>
Net asset value per share	<u>50.8p</u>	<u>97.2p</u>	<u>51.5p</u>

Statement of Changes in Equity

Group and Company
for the six months ended 31 August 2009

	Share capital £'000	Capital reserve – realised £'000	Capital reserve unrealised £'000	Special reserve £'000	Revenue reserve £'000	Total £'000
At 1 March 2009	73	–	(2,803)	6,847	(356)	3,761
Unrealised gains on investments	–	–	62	–	–	62
Realised losses on securities	–	(1)	–	–	–	(1)
Unrealised gains on securities	–	–	2	–	–	2
Management fees charged to capital	–	(12)	–	–	–	(12)
Revenue loss for the year	–	–	–	–	(103)	(103)
At 31 August 2009	<u>73</u>	<u>(13)</u>	<u>(2,739)</u>	<u>6,847</u>	<u>(459)</u>	<u>3,709</u>

Statement of Cash Flows

Group and Company

for the six months ended 31 August 2009

	6 months ended 31 August 2009 (unaudited) £'000	6 months ended 31 August 2008 (unaudited) £'000	Year ended 28 February 2009 (audited) £'000
(Loss)/profit before taxation	(52)	206	(3,180)
(Increase)/decrease in receivables	(16)	(273)	316
Increase/(decrease) in payables	32	32	(9)
Unrealised (gains)/losses on investments	(62)	–	2,803
Realised losses on securities	1	–	–
Unrealised gains on securities	(2)	–	–
Taxation paid	–	–	(59)
Net cash outflow from operating activities	(99)	(35)	(129)
Financial investment:			
Purchase of gilts	(293)	–	–
Disposal of gilts	92	–	–
	(201)	–	–
Financing activities:			
Dividends paid	–	(219)	(219)
Decrease in cash	(300)	(254)	(348)
Opening cash	345	693	693
Closing cash	45	439	345

Notes to the Interim Report

1. The group's interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as applied in accordance with the provision of the Companies Act 2006. The accounting policies used in preparing this report are consistent with those used to prepare the 28 February 2009 annual financial statements except for the following:

- The adoption of IAS 1 (Revised 2007) Presentation of Financial Statements. The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. There has been no effect on the reported results or previous financial position of the group;
- Amendments to IFRS 7 (improving disclosures about financial instruments). This amendment requires the analysis of each class of financial asset and financial liability into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and disclosures associated with liquidity risk. This standard will lead to a change in disclosures relating primarily to the group's investments in the 2010 financial statements; and
- The adoption of IFRS 8 Operating Segments. This is a disclosure standard only and therefore there has been no effect on the reported results or previous financial position of the group following the adoption of this standard. The Directors are of the opinion that the Group is engaged in a single segment of business being the investment business in one geographical area, the United Kingdom.

The interim financial information contained within this report does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. The group's statutory financial statements for the year ended 28 February 2009 have been filed with the Registrar of Companies. The auditor's report on these financial statements was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

These interim financial statements have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board by the group's external auditors.

2. Earnings per share

	6 months ended 31 August 2009 (unaudited) £'000	6 months ended 31 August 2008 (unaudited) £'000	Year ended 28 February 2009 (audited) £'000
Total return after taxation	(52)	163	(3,180)
Basic return per share (note a)	(0.7)p	2.2p	(43.5)p
Revenue return from ordinary activities after taxation	(103)	163	(377)
Revenue return per share (note b)	(1.4)p	2.2p	(5.1)p
Capital return from ordinary shares after taxation	51	–	(2,803)
Capital return per share (note c)	0.7p	0.0p	(38.4)p
Weighted average number of shares in issue in the period	7,306,320	7,306,320	7,306,320

Notes to the Interim Report continued

Notes:

- (a) Total return per share is total return after taxation divided by the weighted average number of shares in issue during the period.
- (b) Revenue return per share is net revenue after taxation divided by the weighted average number of shares in issue during the period.
- (c) Capital return per share is total capital return after taxation divided by the weighted average number of shares in issue during the period.
3. The results should not be taken as a guide to the results for the year ending 28 February 2010.

4. Revenue

	6 months ended 31 August 2009 (unaudited) £'000	6 months ended 31 August 2008 (unaudited) £'000	Year ended 28 February 2009 (audited) £'000
Interest on loans and receivables	–	267	529
Deposit interest	–	12	17
Interest on gilts	3	–	–
	3	279	546

5. Investments

	UK Gilts £'000	Equity £'000	Loan notes £'000	Total £'000
Book cost as at 1 March 2009	–	1,872	4,358	6,230
Unrealised losses	–	(842)	(1,961)	(2,803)
Valuation at 1 March 2009	–	1,030	2,397	3,427
Purchases at cost	293	–	–	293
Disposals	(92)	–	–	(92)
Realised losses	(1)	–	–	(1)
Unrealised gains	2	62	–	64
Valuation at 31 August 2009	202	1,092	2,397	3,691
Book cost at 31 August 2009	200	1,872	4,358	6,430
Unrealised losses	2	(780)	(1,961)	(2,739)
Valuation at 31 August 2009	202	1,092	2,397	3,691

Notes to the Interim Report continued

6. Net asset value per share

The net asset value per ordinary share is based on:

	31 August 2009 (unaudited)	31 August 2008 (unaudited)	28 February 2009 (audited)
Net asset value per ordinary share	50.8p	97.2p	51.5p
Net assets	£3,709,000	£7,104,000	£3,761,000
Number of shares in issue	7,306,320	7,306,320	7,306,320

7. There have been no material or disclosure events subsequent to the end of the interim period.

8. Related parties

Foresight Group, which acts as investment manager to the Company in respect of its venture capital investments received fees of £16,536 during the period (12 months to 28 February 2009: £nil; 6 months to 31 August 2008: £nil). Foresight Fund Managers Limited, a subsidiary of Foresight Group, received £267 excluding VAT during the period in respect of accounting and secretarial services (12 months to 28 February 2009: £nil; 6 months to 31 August 2008: £nil).

Keydata Investment Services Limited acted as Promoter and Administrator to the Company until 9 June 2009 when they went into administration, but they did not receive fees for their services (12 months to 28 February 2009: £nil; 6 months to 31 August 2008; £nil).

