Bluehone AiM VCT2 plc

2010

Interim report for the
six months ended
31 May 2010

Bluehone
BLUEHONE INVESTORS LLP

Company Summary

The Company

The Company is a venture capital trust and its shares are listed on the London Stock Exchange.

Ordinary net assets at 31 May 2010 were £21.6 million and the market capitalisation was £14.8 million.

Objective

The investment objective of the Company is to provide shareholders with a tax efficient means of gaining long term capital growth and an attractive dividend stream primarily through investment in a diversified portfolio of AiM companies and unquoted companies.

Management

The Board has appointed Bluehone Investors LLP as investment managers. The management agreement may be terminated on one year's notice.

Secretarial

F&C Asset Management plc provides administrative and company secretarial services to the Company.

Capital Structure

The Company currently has Ordinary shares in issue.

Tax Benefits

Venture capital trusts can provide substantial income and capital gains tax advantages.

Telephone

F&C Asset Management plc Broker Support Team 08457 992299.

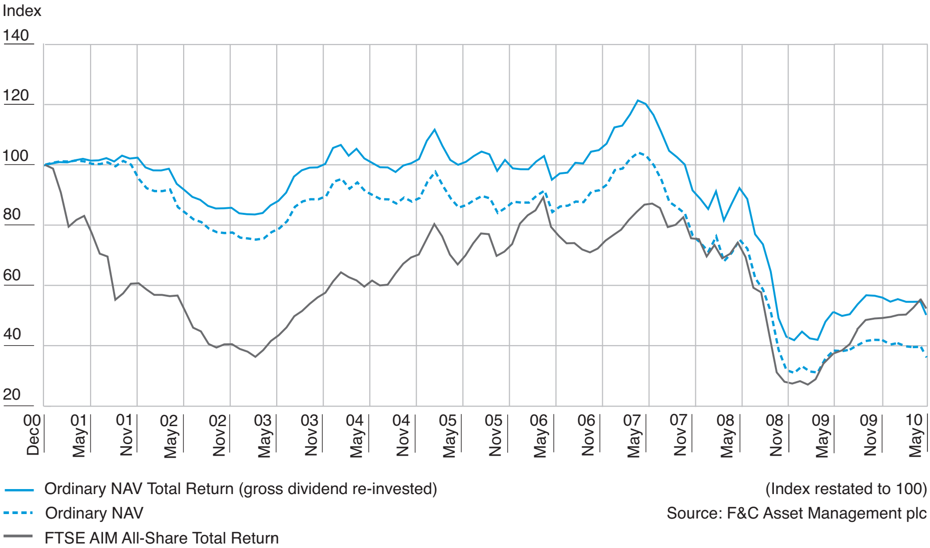
If you have sold or otherwise transferred all of your Ordinary shares in Bluehone AiM VCT 2 plc, please forward this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

aic
The Association of Investment Companies

Financial Highlights

- Net asset value total return of –10.1 per cent for the period
- An interim capital dividend of 0.5 pence per share, payable on 27 August 2010

Bluehone AIM VCT2 NAV and NAV Total Return since launch against the FTSE AIM All-Share Index Total Return



(Index restated to 100)
Source: F&C Asset Management plc

Performance Summary

Year ended 30 November	Ordinary shares: Total net assets £m	Ordinary shares: Net asset value p	Ordinary shares: Share price p	Ordinary shares: Cumulative net asset value total return (since launch) %	C shares: Total net assets £m	C shares: Net asset value p	C shares: Share price p	C shares: Cumulative net asset value total return (since launch) %	FTSE AIM All-Share Index total return %	Total expense ratio %
2001	40	95.00	80.0	2.32	NA	NA	NA	NA	(38.55)	3.0
2002	32	77.48	57.5	(14.39)	NA	NA	NA	NA	(58.25)	3.2
2003	37	88.59	72.5	(0.65)	NA	NA	NA	NA	(43.00)	3.1
2004	38	87.83	72.5	0.74	NA	NA	NA	NA	(30.04)	3.1
2005 (restated)	36	83.03	73.5	1.86	NA	NA	NA	NA	(28.14)	3.2
2006	35	86.97	73.5	5.13	3	104.37	100.0	9.85	(27.14)	3.1
2007	28	72.76	57.5	(8.3)	3	95.73	92.0	4.0	(22.66)	3.3
2008	18	32.32	19.0	(57.5)	2	56.47	45.0	(38.7)	(70.40)	2.9
2009	25	41.59	24.3	(44.6)	NA	NA	NA	NA	(51.33)	3.2
Period ended 31 May 2010	**22**	**36.43**	**25.0**	**(50.2)**	**NA**	**NA**	**NA**	**NA**	**(48.58)**	**3.1***

*Annualised

Dividends Paid Since Launch

Ordinary shares Year ended	Income dividend p	Capital dividend p	Total annual dividend p	Cumulative dividends p
2001	2.2		2.2	2.2
2002	2.1		2.1	4.3
2003	1.2		1.2	5.5
2004		2.0	2.0	7.5
2005		3.0	3.0	10.5
2006		3.5	3.5	14.0
2007		3.5	3.5	17.5
2008		1.0	1.0	18.5
2009		1.5	1.5	20.0
Period ended 31 May 2010		**0.5***	**–**	**20.5**

*The interim dividend of 0.5 pence per Ordinary share will be paid to shareholders on 27 August 2010.

C shares Year ended	Income dividend p	Capital dividend p	Total annual dividend p	Cumulative dividends p
2006	1.0	1.0	2.0	2.0
2007		1.0	1.0	3.0
2008		–	–	3.0
2009		–	–	3.0
Period ended 31 May 2010		**NA**	**NA**	**NA**

Chairman's Statement

Market Background

Stock markets began the year in a more positive mood with investors looking forward to economic recovery after enduring a severe and prolonged recession. This early euphoria proved short lived as, after peaking in April, share prices fell sharply in May wiping out many gains made thus far. A combination of factors including the general election, the spectre of another banking crisis, this time coming from the problems of sovereign debt in Europe, together with the possible economic impact of the unwinding of excessive public sector spending in the UK, weighed heavily on share prices. Volatility in share price movements has once again increased with investors becoming risk averse, taking money out of equities, and this was especially so at the smaller end of the market capitalisation scale. Whilst the FTSE AIM All-Share index was up 5 per cent over the period; this was again helped by the proportionally large Oil and Gas and Basic Resources sectors which continued to perform strongly. Elsewhere, within the smaller company market, liquidity became scarce as the month of May progressed and fund raisings by companies were more difficult to complete.

Company Performance

The Net Asset Value was 36.43 pence per share as at 31 May 2010. The NAV total return was –10.1 per cent for the six months to 31 May 2010. Eighty per cent of the reduction in the value of the portfolio can be accounted for by the fall in share prices of three of the largest holdings, namely, Infrastrata (formerly Portland Gas), Vectura and IS Pharma.

In the case of Infrastrata, the share price weakness was related to the absence of progress on prospective partners or financing for the Portland gas storage project. However, at the end of June the company announced it had terminated the co-operation agreement with this group of prospective partners and in its place it had signed a memorandum of understanding ('MOU') with a single US independent energy company called e-CORP. Under the MOU, e-CORP has agreed, subject to final due-diligence, to acquire 50 per cent of the share capital of the Portland project company in return for funding the next £22 million of project expenditure, including the drilling of the first cavern well during 2011. e-CORP will also acquire shareholdings in Infrastrata's other gas storage projects in return for further funding commitments. Whilst this agreement was not the deal your Manager anticipated, the partnership with e-CORP underpins the financial status of the projects to the point of first gas at a time when the environment for funding major infrastructure projects remains difficult. The relationship also provides the company with an experienced partner which has developed and operated numerous gas storage facilities in the US. It has to be hoped that Infrastrata is now in a better position to enhance the value of its important gas storage projects for the benefit of shareholders.

The fall in the share price of Vectura has been the result of the market overreacting to news earlier in the year, which concerned the company taking back rights to one of its drug candidates in the North American territory from its partner Sandoz. Vectura remains well financed with over £65 million in cash and a strong portfolio of late stage drugs from which we anticipate better news during the remainder of this year.

The share price performance of IS Pharma was disappointing and belies the excellent progress being made by the company. In its recent preliminary results IS Pharma announced record revenues and profits as well as a confident outlook.

There was positive news from a number of portfolio holdings which did lead to upward movements in share prices but perhaps not as far as warranted, with investors using share price strength to tap the market for liquidity instead. Three notable good performers in the period were: Datum whose share price reacted well to the completion of its first acquisition and also news of positive trading; Mears Group

Chairman's Statement

following the takeover of Supporta (which was held in the portfolio) and Fulcrum Pharma that announced the terms of its agreed takeover for cash by Gold Medal Acquisitions Ltd. This was at an 83 per cent premium to the average prevailing price of the shares over the previous six months prior to the bid.

In addition, the holding value of Cambridge Sensors, the portfolio's largest unquoted investment, was increased by 26 per cent to reflect the encouraging progress being made by this company in developing and selling sensors and strips for the measurement of glucose levels in the blood of diabetics.

Portfolio Activity

The Manager took advantage of favourable market conditions at the start of the period to continue to streamline the portfolio by disposing of twelve smaller holdings where significant upside was not anticipated. The portfolio also benefited from the takeovers of Cybit Holdings and FDM Group, together with the sale of half of the holding in Vectura, prior to the fall in this company's shares mentioned above. The total amount realised from disposals in the period was £2.8 million. On the investment side it was encouraging to witness an improvement in the new issue market at the start of the year and also the ability of existing AiM companies to launch fund raisings when the need arose; unfortunately this aspect of the market has recently deteriorated. The Company made six new investments over the period in Amerisur Resources, Plant Impact, Synchronica, Access Intelligence, Qonnectis and Scotgold. Scotgold was sold almost immediately at a 36 per cent profit. In addition to the new investments, the Company also supported three of its existing holdings, Datum, Third Quad Capital and Egdon Resources with further investment; as well as adding to Armour Group, Avia Health Informatics and Clarity Commerce Solutions. Investment into the portfolio amounted to £2.1 million. After a more active period the portfolio now comprises 57 holdings, down from 66 at the year end and in line with the Manager's intention to concentrate the portfolio to between 50 and 60 holdings.

Earnings and Dividends

Earnings for the period amounted to a loss of 0.17 pence per Ordinary share and as in the past, the Board is not in a position to recommend an interim income dividend. However, the Board is able to recommend a capital distribution of 0.5 pence per share. This will be paid on 27 August 2010 to Ordinary shareholders on the register on 6 August 2010. The total cost of this distribution will be approximately £300,000 and will have the effect of reducing the Company's assets by 1.4 per cent. The Company has a record of paying regular dividends to shareholders and the Board intends to continue to encourage the Manager to realise investments when market conditions and development plans permit, in order to facilitate further capital distributions. Following payment of the interim distribution in August, the Company will have paid back 20.5 pence per share to shareholders.

Open Offer and Enhanced Buy-Back

In March the Company circulated a Top-up Offer document to shareholders to raise up to £2.175 million and this offer has been extended to 27 August 2010. The Board is keen to see a narrowing of the discount between the price of the Company's shares and the NAV per share, and with this in mind, agreed to implement an Enhanced Buy-back Facility, which was approved by shareholders by a Special Resolution at a General Meeting held on 15 July 2010. The Board believes that narrowing the discount would improve shareholders' flexibility to sell shares. Under the facility, shares accepted for repurchase are purchased at a price equivalent to a 1 per cent discount to the most recently published NAV per share and then cancelled. The sale proceeds arising from a repurchase will promptly be applied in subscribing for new shares under the Top-up Offer and will provide an opportunity for shareholders to take advantage of the income tax relief available on the purchase of new shares. The Board

Chairman's Statement

believes the combination of the Top-up Offer and Enhanced Buy-back Facility may also help to further stimulate the secondary market for the shares.

Shareholder Questionnaire

As part of the Board's ongoing review of the strategy of the Company and to ensure that future decisions are consistent with the interests of shareholders, it was decided to conduct a survey to identify what was important to you and what your plans were for the future. This survey was sent to shareholders during June 2010 and I am very pleased with the number of responses received to date which account for approximately 25 per cent of the shareholder base. The tables below highlight some of the results to date, identifying shareholders first priority in terms of what they want from their investment and how long they intend to hold their shares.

	Income	Capital growth	Asset class
Investment Objective	54%	41%	5%

	VCT income tax relief	CGT deferral	Tax free income	Tax free capital growth
Initial tax planning priorities	47%	22%	18%	13%

	Tax free income	Tax free capital growth	Tax efficient investing generally	Continued CGT deferral
Ongoing tax objectives	45%	23%	19%	13%

	Greater than 5 years	Up to 5 years	Short-term
How long share-holders intend to hold their shares	56%	36%	8%

Board

At the Annual General Meeting held in April 2010, Mr Gordon Harvey decided not to stand for re-election as a Director of the Company. The Board would like to thank Gordon for all his help and guidance since joining the Board of Bluehone AiM VCT2 plc and wish him well in his future activities. The Board has decided not to seek a replacement for Gordon at this time.

Outlook

Stock markets remain nervous about the strength of global economic recovery and share price valuations generally appear to be discounting a possible double dip recession. To date the recovery has been led by an improvement in corporate profits rather than relying solely on the inventory cycle or government stimulus. This is encouraging and recent increases in industrial output and capital expenditure provide some evidence that we are entering a new economic cycle. Consensus forecasts for the UK economy are for a return to the long run trend for growth in GDP in 2011. This is a more modest level of growth than elsewhere but still positive. In the short term the stock market has been waiting to see how deep the cuts in public sector spending are likely to be. Against this background it appears likely that the consumer will remain under pressure as tax rises come to bear to help pay for excessive public sector spending of the past. However, as the market is given more certainty about the level of spending cuts and tax rises, it has to be hoped that investor sentiment will gradually improve over the remainder of the year, particularly if evidence builds that a double dip recession can be avoided.

The portfolio companies held by Bluehone AiM VCT2 have come through a very difficult economic period and are on the whole in good financial shape. The news coming from them is generally positive and it is encouraging to see companies once more focusing on growth plans rather that cost reduction with a number having made, or contemplating, acquisitions to augment growth. Valuations remain subdued with investors focused on the larger more liquid end of the market; however, once sentiment improves we believe the value and growth characteristics at the smaller end will come to the fore.

Gordon Brough
Chairman

27 July 2010

Unaudited Income Statement

	Notes	Six months ended 31 May 2010 (Ordinary shares) Revenue £'000	Capital £'000	Total £'000
Profit on realisation of investments		**–**	**416**	**416**
Change in fair value of investments		**–**	**(2,612)**	**(2,612)**
Income	4	**91**	**–**	**91**
Investment management fee		**(57)**	**(172)**	**(229)**
Other expenses		**(135)**	**–**	**(135)**
Loss on ordinary activities before taxation		**(101)**	**(2,368)**	**(2,469)**
Tax on ordinary activities		**–**	**–**	**–**
Loss on ordinary activities after taxation		**(101)**	**(2,368)**	**(2,469)**
Return per share		**(0.17p)**	**(3.99p)**	**(4.16p)**

	Notes	Six months ended 31 May 2009 (Ordinary shares) Revenue £'000	Capital £'000	Total £'000
Loss on realisation of investments		–	(19)	(19)
Change in fair value of investments		–	3,764	3,764
Income	4	103	–	103
Investment management fee		(34)	(102)	(136)
Other expenses		(199)	–	(199)
(Loss)/profit on ordinary activities before taxation		(130)	3,643	3,513
Tax on ordinary activities		–	–	–
(Loss)/profit on ordinary activities after taxation		(130)	3,643	3,513
Return per share		(0.23p)	6.58p	6.35p

	Notes	(Audited) Year ended 30 November 2009 (Ordinary shares) Revenue £'000	Capital £'000	Total £'000
Loss on realisation of investments		–	(347)	(347)
Change in fair value of investments		–	6,176	6,176
Income	4	253	–	253
Investment management fee		(87)	(262)	(349)
Expenses of capital restructure		–	(30)	(30)
Other expenses		(359)	–	(359)
(Loss)/profit on ordinary activities before taxation		(193)	5,537	5,344
Tax on ordinary activities		–	–	–
(Loss)/profit on ordinary activities after taxation		(193)	5,537	5,344
Return per share		(0.35p)	9.99p	9.64p

	Six months ended 31 May 2009 (C shares)		
	Revenue £'000	Capital £'000	Total £'000
	–	(2)	(2)
	–	(174)	(174)
	13	–	13
	(4)	(12)	(16)
	(13)	–	(13)
	(4)	(188)	(192)
	–	–	–
	(4)	(188)	(192)
	(0.15p)	(6.35p)	(6.50p)

	Six months ended 31 May 2009 (Total)		
	Revenue £'000	Capital £'000	Total £'000
	–	(21)	(21)
	–	3,590	3,590
	116	–	116
	(38)	(114)	(152)
	(212)	–	(212)
	(134)	3,455	3,321
	–	–	–
	(134)	3,455	3,321

Unaudited Balance Sheet

	As at 31 May 2010 Ordinary shares £'000
Fixed assets	
Investments	
Quoted on AiM	**14,234**
Quoted on PLUS Market	**1,341**
Listed investments	**1,536**
UK government securities	**–**
Unquoted investments	**2,723**
	19,834
Current assets	
Debtors	**67**
Cash at bank and on deposit	**1,875**
	1,942
Creditors: amounts falling due within one year	**(138)**
Net current assets	**1,804**
Net assets	**21,638**
Equity shareholders' funds	**21,638**
Net asset value per share:	**36.43p**
Number of shares in issue at Balance Sheet date	**59,399,132**

Unaudited Reconciliation of Movement in Shareholde

	As at 31 May 2010 Ordinary shares £'000
Opening shareholders' funds	**24,632**
(Loss)/profit for the period	**(2,469)**
Conversion of C shares	**–**
Increase in share capital	**73**
Expenses of share issue	**(4)**
Dividends paid	**(594)**
Closing shareholders' funds	**21,638**

As at 31 May 2009 Ordinary shares £’000	As at 31 May 2009 C shares £’000	As at 31 May 2009 Total £’000	(Audited) As at 30 November 2009 Ordinary shares £’000
14,350	1,108	15,458	17,164
405	–	405	644
2,636	–	2,636	2,554
1,522	340	1,862	1,238
2,322	–	2,322	2,313
21,235	1,448	22,683	23,913
160	14	174	87
187	24	211	958
347	38	385	1,045
(175)	(13)	(188)	(326)
172	25	197	719
21,407	1,473	22,880	24,632
21,407	1,473	22,880	24,632
38.66p	49.93p		41.59p
55,370,992	2,950,085		59,226,066

rs’ Funds

As at 31 May 2009 Ordinary shares £’000	As at 31 May 2009 C shares £’000	As at 31 May 2009 Total £’000	(Audited) As at 30 November 2009 Ordinary shares £’000	(Audited) As at 30 November 2009 C shares £’000	(Audited) As at 30 November 2009 Total £’000
17,894	1,665	19,559	17,894	1,665	19,559
3,513	(192)	3,321	5,413	(69)	5,344
–	–	–	1,596	(1,596)	–
–	–	–	9	–	9
–	–	–	(3)	–	(3)
–	–	–	(277)	–	(277)
21,407	1,473	22,880	24,632	–	24,632

Summarised Unaudited Statement of Cash Flow

	Six months ended 31 May 2010 £'000	Six months ended 31 May 2009 £'000	(Audited) Year ended 30 November 2009 £'000
Net cash (outflow)/inflow from operating activities	**(242)**	508	236
Capital expenditure and financial investment	**1,684**	(518)	772
Equity dividends paid	**(594)**	–	(277)
Net cash inflow/(outflow) before financing	**848**	(10)	731
Financing	**69**	–	6
Increase/(decrease) in cash	**917**	(10)	737
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	**917**	(10)	737
Opening net cash	**958**	221	221
Net cash at 31 May/30 November	**1,875**	211	958
Reconciliation of net revenue before taxation to net cash flow from operating activities			
(Loss)/profit on ordinary activities before taxation	**(2,469)**	3,321	5,344
(Profit)/loss on realisation of investments	**(416)**	21	347
Change in fair value of investments	**2,612**	(3,590)	(6,176)
Decrease in debtors	**19**	716	742
Increase/(decrease) in creditors	**12**	40	(21)
Net cash(outflow)/inflow from operating activities	**(242)**	508	236

Notes

1. The unaudited interim results for the six month period ended 31 May 2010 have been prepared in accordance with applicable accounting standards, adopting the accounting policies set out in the statutory accounts for the year ended 30 November 2009.

2. There were 59,399,132 Ordinary shares in issue at 31 May 2010 (31 May 2009: 55,370,992, 30 November 2009: 59,226,066). There were nil C shares in issue at 31 May 2010 (31 May 2009: 2,950,085, 30 November 2009: nil).

3. Earnings for the six months to 31 May 2010 should not be taken as a guide to the results for the full year and are based on a weighted average of 59,283,180 Ordinary shares (31 May 2009: 55,370,992 Ordinary shares and 2,950,085 C shares, 30 November 2009: 55,408,414 Ordinary shares) in issue during the period.

4. Income for the period is derived from:

	Six months ended 31 May 2010 £'000	Six months ended 31 May 2009 £'000	Year ended 30 November 2009 £'000
Equity investment	**74**	72	165
Fixed interest investment	**5**	43	86
Deposit interest	**6**	1	2
Miscellaneous income	**6**	–	–
	91	116	253

5. The interim dividend of 0.5p per Ordinary share will be paid on 27 August 2010 to shareholders on the register on 6 August 2010. In accordance with accounting standards this dividend has not been accounted for in the results for the six months ended 31 May 2010.

6. These accounts have not been audited or reviewed by the Company's auditors.

7. These are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 November 2009, which were unqualified, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 30 November 2009 have been reported by the Company's auditors or delivered to the Registrar of Companies.

8. Copies of the Interim Report have been mailed to shareholders and are available from the Registered Office of the Company at Exchange House, Primrose Street, London, EC2A 2NY.

Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal risks are therefore market related. Risks faced by the Company include loss of approval as a venture capital trust, investment and strategic, regulatory, reputational, operational, financial, market and liquidity risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal Risks, Risk Management and Regulatory Environment within the Report of the Directors in the Company's Annual Report for the year ended 30 November 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Chairman's Statement (constituting the Interim Management Report together with the Statement of Principal Risks and Uncertainties above) includes a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements; and
- the financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Gordon H Brough
Director
27 July 2010

Investment Portfolio Valuation

Company	Nature of Business	Book Value £'000	Market Value £'000	% of Net Assets
Cambridge Sensors	Healthcare equipment services	1,175	1,484	6.9
Infrastrata	Oil equipment, service & distribution	3,850	1,227	5.7
Mears Group	Support Services	774	862	4.0
Datum International	Software & computer services	759	851	3.9
Quadnetics	Support services	1,173	760	3.5
Bond International Software	Software & computer services	514	720	3.3
Vectura	Pharmaceuticals & biotechnology	852	675	3.1
IS Pharma	Pharmaceuticals & biotechnology	843	637	2.9
Clarity Commerce Solutions	Software & computer services	907	620	2.9
IGAS Energy	Gas, water & multi utilities	400	553	2.6
Top ten investments		**11,247**	**8,389**	**38.8**
K3 Business Technology	Software & computer services	572	551	2.6
Egdon Resources	Oil & gas producers	340	540	2.5
FfastFill	Software & computer services	480	497	2.3
Sprue Aegis	Support services	350	490	2.3
Servoca	Support services	679	481	2.2
Straight	Diversified industrials	400	470	2.2
Concurrent Technologies	Information technology hardware	373	441	2.0
Fulcrum Pharma	Pharmaceuticals & biotechnology	574	438	2.0
Infrared Integrated Systems	Electronic & electrical equipment	500	400	1.8
Brulines Holdings	Support services	405	378	1.7
Top twenty investments		**15,920**	**13,075**	**60.4**
MBL Group	Media	357	354	1.6
Secure Electrans	Electronic & electrical equipment	70	350	1.6
Armour Group	Leisure goods	655	330	1.5
Access Inteligence	Software & computer services	362	313	1.5
Convival London Pubs	Travel & leisure	400	312	1.5
TEG Group	Industrial engineering	637	302	1.4
Avia Health Informatics	Health care equipment services	338	298	1.4
Kiotech International	Pharmaceuticals & biotechnology	425	285	1.3
Amerisur Resources	Oil & gas producers	302	273	1.3
Avingtrans	Industrial engineering	487	267	1.2
Top thirty investments		**19,953**	**16,159**	**74.7**
Other investments		**9,555**	**3,675**	**17.0**
Total investments		**29,508**	**19,834**	**91.7**
Net current assets			**1,804**	**8.3**
Net assets			**21,638**	**100.0**

Manager's review of new investments

Access Intelligence

Cost:	£362,096	
Value	£313,122	Status: AiM

Access Intelligence is a software company focusing on the delivery of Software as a Service (SaaS) solutions in particular in the areas of compliance and e-procurement. The company is an acquisition led vehicle headed by Michael Jackson, the former Chairman of Sage plc. Bluehone AiM VCT2 supported the vct qualifying fund raising to enable the company to acquire the business of Cobent Ltd. Cobent is a supplier of training and compliance software that helps customers comply with FDA, FSA, Health and Safety and Fire regulations and fits well with the existing businesses. The combined company is profitable and offers both organic growth and acquisition upside.

www.accessintelligence.com

Amerisur

Cost:	£302,026	
Value	£272,727	Status: AiM

Amerisur is a UK based company with operations in Latin America where it has established an exciting portfolio of oil production and exploration projects in Columbia and Paraguay. Columbia has a well established petroleum industry with an established and efficient infrastructure as well as highly productive hydrocarbon basins. Paraguay, on the other hand, has been virtually unexplored and yet shares large basins which are productive in neighbouring countries. In Columbia, which is the main focus of the management in the near term, the company has built a portfolio of 100% owned licenses. Production has started from two wells at 470 barrels per day which more than covers all current operating costs. It is anticipated that there will be a significant increase in both production and resources this year as new wells are drilled. In Paraguay the company has earlier stage exploration licenses over an area where geographical surveys indicate hydrocarbon structures could be very large and it is the company's intention to seek farm-in partners for these projects at the appropriate time. The company raised an additional $20 million in May to fund its drilling programme. This is a non-vct qualifying holding.

www.amerisurresources.com

Qonnectis (to be renamed Water Intelligence)

Cost:	£100,000	
Value	£100,000	Status: AiM

Water Intelligence is a water solutions provider that will be formed out of the reverse takeover of Qonnectis plc, an AiM listed water technology company, by American Leak Detection Inc. (ALD), a US-based private company with service locations across the USA and in seven other countries. The investment of £100,000 via a convertible loan note will enable investment into the new combined company at a 20 per cent discount to the floatation price. The enlarged group will offer residential, commercial and municipal customers a one stop shop with alerts of water overflow, non invasive leak detection and remediation services. Initial revenues will come from the royalty income generated by 134 franchise agreements built up by ALD but, the company's plan is to extend operations into the UK where there is a significant potential within municipal customers to use ALD's non-invasive leak detection service work.

www.qonnectis.com

Manager's review of new investments

Scotgold Resources Limited

Cost: £75,000
Value £102,582 on disposal Status: AiM

The company holds three exploration licenses covering an area of central Scotland including a high grade gold and silver project with a JORC resource of 154,000 oz gold and 589,000 oz silver. The existing project is expected to come into production during 2011 and the company has the potential to add to its resource from its exploration licenses. Bluehone AiM VCT2 made a small investment when the company raised new funds to develop its project but traded the investment at a profit after a strong move in the share price.

www.scotgoldresources.com

Synchronica

Cost: £300,000
Value £210,000 Status: AiM

Synchronica develops software for mobile push e-mail and mobile instant messaging which it sells to network operators in emerging markets. Its software enables non smart phones, which make up the majority of phones sold in these territories, to offer similar levels of functionality as smart phones but at considerably lower cost. Mobile penetration of emerging markets is increasing rapidly and is proving a more popular way of communicating than fixed line PC ownership. The company has been successful in signing distribution agreements with operators in South America, Africa, Eastern Europe and India and is in the early stages of penetrating the subscriber bases of these new partners. Bluehone AiM VCT2 backed a VCT qualifying placing of new shares to enable the company to acquire the instant messaging software and carrier-contracts of Colibra. This acquisition will widen the product base and give cross-selling opportunities and improve the company's competitive position. The company is expected to reach profitability during the second half of 2010 as revenues ramp up from the 45 carrier contracts signed so far.

www.synchronica.com

Plant Impact

Cost: £200,000
Value £240,000 Status: AiM

Bluehone AiM VCT2 supported a vct qualifying fund raising by Plant Impact to enable the acceleration of sales of its range of ecologically sound fertiliser and agrochemical products which we believe have significant market opportunities. Plant Impact has responded to the growing pressure on the world's arable land by engineering natural fertiliser and crop additives to enhance yields and improve growing efficiency. The company is at the early stages of commercialising its technology having gained reputable third party verification and has recently signed a licensing agreement with Arysta Life Sciences one of the world's top ten agrochemical businesses.

www.plantimpact.net

Ten Largest Investments

Cambridge Sensors manufactures and supplies an advanced range of glucose strips used in electrochemical blood glucose monitoring systems for the diabetic market. Diabetes is the body's inability to produce or use insulin and, if poorly controlled or left untreated, can cause blindness, heart disease and neurological complications. Diabetes care is a huge global market with an estimated 17 million Americans and 2.5 million people in the UK suffering from the condition and a similar number to the USA again in the EU, using approximately 7 billion test strips worldwide every year. Blood glucose testing systems are essential to diabetes sufferers, as they need to test their blood sugar levels daily and take insulin as necessary. The Company has developed its own Microdot branded products with sales in the US, certain mainland European territories and, most recently, the UK. Sales to the year ended 30 April 2010 have shown encouraging profit growth and cash generation.

www.cs-limited.co.uk

Infrastrata (formerly Portland Gas) is a developer of gas storage sites. The company is currently operating two projects: Larne Lough, an early stage project in Northern Ireland with an anticipated capacity of 500 million cubic metres of gas and Portland, the company's largest project, a salt cavern gas storage facility underneath the Isle of Portland in Dorset. This facility has proven feasibility for storing 1,000 cubic metres of gas and in May 2008 was granted planning permission from Dorset County Council after undergoing rigorous environmental and safety planning. Preliminary works have started on site but major construction will begin once finance is secured from prospective partners. The company is being advised by BNP Paribas and the financing process is expected to be concluded in 2010. It is further expected that the first gas could be stored in the winter of 2014. The UK became a net importer of gas in 2004 and the strategic importance of gas storage facilities to hold gas as a reserve in the UK is of national importance – Portland would provide storage of approximately 1% of the UK's annual demand, or 5% of the nation's supply on a cold winter's day. Other gas storage sites in Europe are being assessed by the Company.

www.infrastrata.co.uk

Following the acquisition of Supporta by Mears plc for £27.2m, (and each Supporta share at 31 pence: a 55% premium to the share price at the start of the offer period), Bluehone AiM VCT 2 has a stake in a diversified support services group. Supporta Care is one of the UK's top four providers of domiciliary care services and has contracts with 52 Local Authorities and bolsters Mears division in the same market. In addition, Mears provides rapid response and planned maintenance to Local Authorities and is a provider of capital works projects to upgrade and improve social homes. In March 2010, Mears announced record preliminary results for the year ended 31 December 2010 and a 20% increase in dividend to 5.7 pence per share.

www.mearsgroup.co.uk

Datum is a software company specialising in end-to-end solutions for data capture, automated workflow, information management and storage solutions for small to medium sized companies. Datum's proprietary product, Knowledge Worker, is recognised as one of the first Enterprise Content Management (ECM) products to combine Contact Relationship Management (CRM) with ECM under Software as a Service (SaaS) architecture which enables it to deploy its software solutions over the internet to its customer base. Datum has undergone a transformation over the past year moving from a loss making development company into a profitable, sales driven ECM enterprise following the arrival of a new CEO. Bluehone AiM VCT2 increased its investment by backing the fund raising which enabled the company to acquire Root3, a profitable business involved in data capture and information management with customers such as Royal Mail, NHS and the Office for National Statistics.

www.datumplc.com

Established in 1983, Quadnetics is a leading UK security service company providing the development, design, integration and management of advanced surveillance, technology and security networks. The company has several subsidiaries operating in the growing CCTV & surveillance market – developing, selling and maintaining CCTV systems for public spaces, prisons, casinos, retail and public transport. Growing incidences of terrorist threats are helping to drive this market, particularly with customers in the Middle East, South Africa and Eastern Europe. Weak interim results were in line with market expectations following a trading update in November 2009. However, the new CEO continues to restructure the business and, together with increased orders and contract wins, including a new contract with Stagecoach to install CCTV systems on all new buses, management expects a much stronger second half to the year.

www.quadnetics.com

Ten Largest Investments

Bond is a leading supplier of Human Capital Management software. The company counts among its customers some of the world's leading recruitment houses, including Hays, Adecco and Michael Page and also corporate customers who recruit in-house, such as British Airways and the Bank of New York. Acquisitions made in 2007 enabled the group to expand its human resource and payroll software and included Gowi Group, a provider of personnel tools and Strictly Education, a provider of resource management software to schools and colleges. The company is rapidly expanding globally and to reflect this, its recently launched next generation of platform-independent software has multi-language capabilities. Traditionally, the last quarter of the financial year is the most profitable, but in 2009 was the worst affected by the downturn. Nevertheless, the decision to diversify into other areas of Human Capital Management enabled the Company to trade profitably, albeit at lower margins. Management are seeing some signs of recovery in 2010 and have a strong order book, but remain cautious on outlook and are monitoring margins.

www.bondadapt.com

Vectura is a pharmaceutical company focussing on developing a range of inhaled drugs for the treatment of lung diseases and conditions where delivery via the lungs can provide significant benefits. The company is developing several drugs to be delivered through its own patented delivery systems principally targeting the markets for asthma and COPD (Chronic Obstructive Pulmonary Disease). In 2007, the company acquired Innovata plc, another UK listed pulmonary product development company which already has several products under licence; the mature revenue stream to date has off-set further the development costs of Vectura's future major products. The company has key collaborations with Sandoz, the generics division of Novartis, as well with Novartis itself. One of the COPD products entered late stage phase III clinical trials in June 2009: Novartis expects to file for approval to launch this drug in 2011, with first sales in 2012. These partnerships are providing additional revenue streams in the form of milestone payments linked to the achievement of clinical, regulatory and commercial milestones as well as future royalties. Further collaborations are expected to be signed over the next 12 months. The company is well funded with more than £64million on its balance sheet.

www.vectura.com

IS Pharma (formerly Maelor plc) is a medical distribution group, specialising in medicines for the hospital environment. The group's strategy is to grow its product portfolio via acquisition of new products and companies and then develop and market these assets using its existing expertise and distribution networks. The group's products are focused in the fields of critical care, neurology and oncology. In March 2008, the company announced the acquisition of Speciality European Pharma Intl, whose main growth product was Variquel, a critical care drug for the treatment of enlarged veins (varices) at the lower end of the oesophagus (gullet) caused principally by liver disease. Following regulatory approval in the EU, Variquel, together with Aloxi (for the treatment of chemotherapy induced nausea) have delivered strong growth, beating market expectations for earnings growth.

www.ispharma.plc.uk

Clarity Commerce specialises in the delivery of transaction processing solutions for the retail, leisure, ticketing and hospitality sectors. In retail the company supplies point of sale software to grocers, department stores, DIY stores and amusement parks. In leisure the company supplies membership and management software to public and private sector health clubs. Its ticketing software is used by many of the cinema chains in the UK and mainland Europe. Its hospitality software assists businesses with the management of supply chains, stock, electronic point of sale (SPOS), staff and promotions. One of the attractions of Clarity's business model is its recurring revenue stream which comes from its installed base. Clarity announced a positive pre-close trading update in April 2010. Full year results are expected to be in line with market expectations; a strong improvement on the previous year and a healthy cash position. Sales activity remains high; this is despite market conditions remaining difficult and longer sales cycles.

www.claritycommerce.com

IGas Energy floated in December 2007 to produce domestic gas, primarily from coal bed methane (CBM). With the continuing decline in natural gas reserves from the North Sea, CBM should become an increasingly attractive alternative potential source of energy, using known production technology, and in similar fashion to the growth seen in North America and Australia. IGas Energy is now producing gas from its Warrington pilot production site and selling electricity through its on-site generation, a UK first from CBM. The VCT invested in two Placings in 2009. In that process, Levine Capital Management, a highly respected oil & gas investor, became a cornerstone shareholder. First full site production is targeted for 2011 and the Company is targeting 20-50 sites for production between 2011 and 2014. Planning has been obtained for 11 pilot/production sites to date. The funds raised enabled IGAS to increase its percentage holding across a number of these licences.

www.igasplc.com

Company Summary

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Additional Information

The information provided in this report has been produced for shareholders to be informed of the activities of the Company during the period it covers. Bluehone Investors LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

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