

BARONSMEAD

Baronsmead VCT 2 plc

2012

Half-yearly report
for the six months ended
31 March 2012



Investment Objective

Baronsmead VCT 2 plc is a tax efficient listed company which aims to achieve long-term investment returns for private investors, including tax free dividends.

Investment policy

- To invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM.
- Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

Dividend policy

The Board of Baronsmead VCT 2 aims to sustain a minimum annual dividend level at an average of 5.5p per Ordinary Share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and it cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Since launch the average annual tax free dividend paid to ordinary shareholders including the 2.5p interim dividend, has been 6.3p per share (equivalent to a pre-tax return of 8.4p per share for a higher rate taxpayer). For shareholders who claimed tax reliefs on initial subscription of 20 per cent, 30 per cent or 40 per cent, their returns would have been higher.

Share price discount policy

The Company buys back its shares if, in the opinion of the Board, a repurchase would be in the best interests of the Company's shareholders as a whole. Shares are bought back through the market rather than directly from shareholders. This minimises the number of shares bought back by the Company while maximising the opportunity for investors to invest in the Company's existing shares.

Through the operation of the Company's share buy back policy the mid share price was at an average discount to NAV of approximately 10 per cent in the two years to 31 March 2012. The difference between the buy and sell price for the Company's shares averaged 1.1p over the same two year period.

Shareholder choice

The Board provides shareholders with a number of choices that enable them to utilise their investment in Baronsmead VCT 2 in ways that best suit their personal investment and tax planning, in a way that treats all shareholders equally.

- **Fund raising** | From time to time the Company seeks to raise additional funds by issuing new shares. In January/February 2012, the Company's offer for subscription to raise £4.135 million (£3.939 million after costs) was fully subscribed.
- **Dividend Reinvestment Plan** | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Although no shares were acquired by participants in this scheme during the six months to 31 March 2012, approximately 650,000 shares were bought in this way between January and September 2011.
- **Buy back of shares** | From time to time the Company buys its own shares through the market in order to maintain a mid share price discount of approximately 10 per cent to net asset value. In the six months to 31 March 2012, 224,913 shares were bought back representing 0.3 per cent of the shares in issue at 31 March 2012 at a price which represented a 10.1 per cent discount to the latest published net asset value (360,000 shares or 0.5 per cent of Shares in issue at 31 March 2011).
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 70,000 shares were bought by third party purchasers in the six months to 31 March 2012 (approximately 54,000 shares in 2011).

www.baronsmeadvct2.co.uk

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

Financial Headlines

+5.1%

Net asset value ("NAV") per share increased 5.1 per cent to 100.0p before deduction of the interim dividend.

2.5p

Interim dividend of 2.5p payable on 15 June 2012, for the six month period to 31 March 2012.

76.5p

Cumulative tax free dividends total 76.5p per share paid to shareholders in the last 10 years, including the declared 2.5p interim dividend.

202.3p

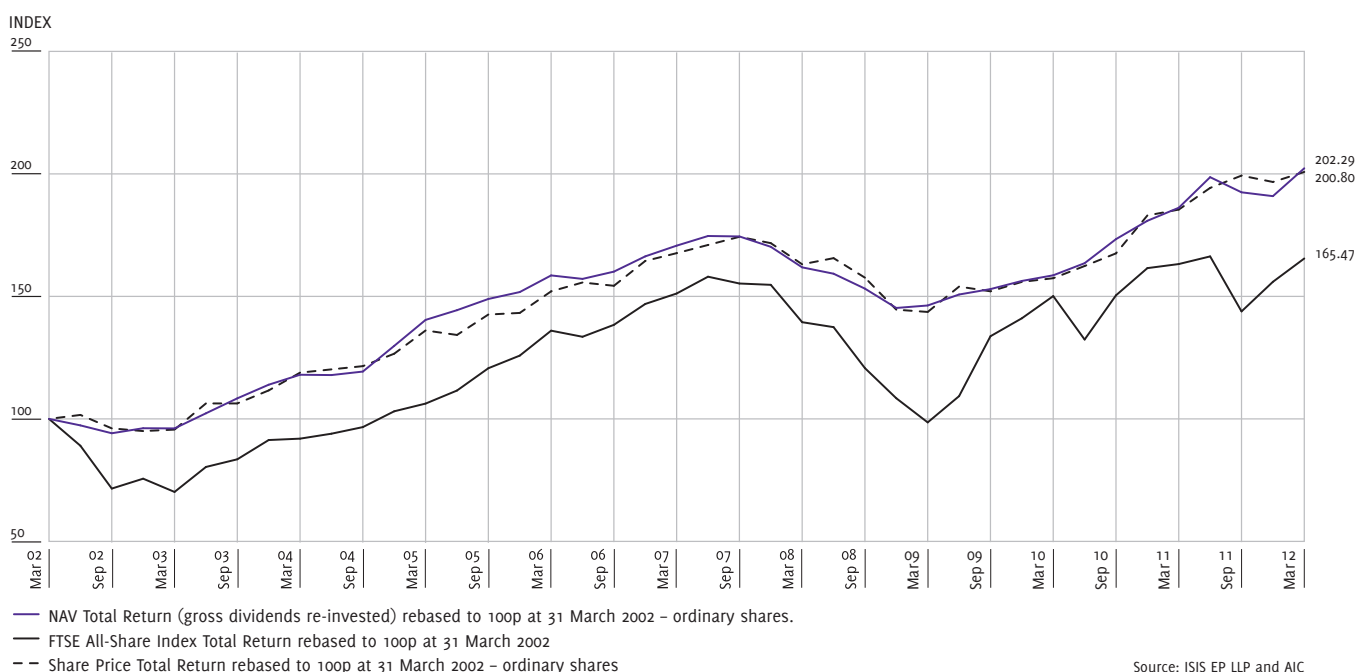
NAV total return to shareholders over the last 10 years for every 100p invested. The Share price total return over the same period is 200.8p.

£3.9m

Net proceeds raised in January/February 2012.

Baronsmead VCT 2 plc – Ten Year Track Record

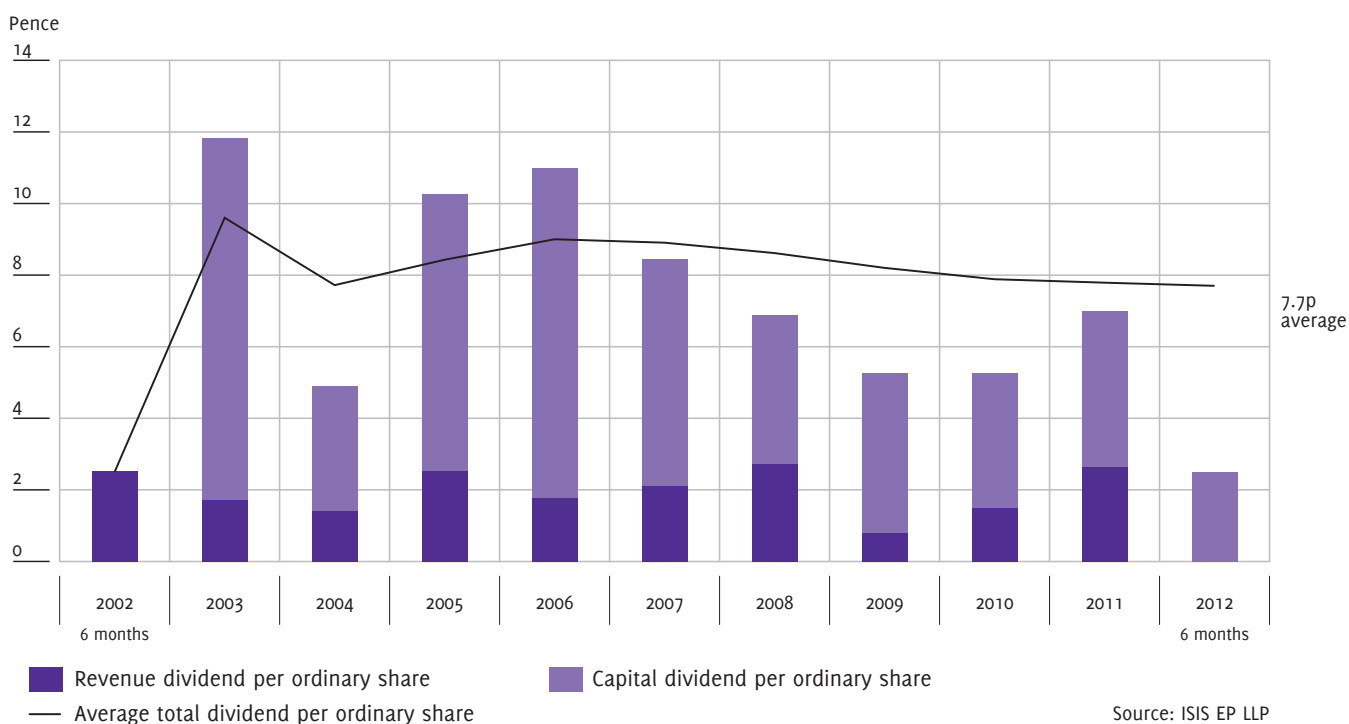
The chart below shows Baronsmead VCT 2 plc's net asset value total return and share price total return in the ten years to 31 March 2012 as well as the FTSE All-Share Index total return over the same period.



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from 31 March 2002, assuming that dividends paid were re-invested at the NAV of the Company at the time the shares were quoted ex-dividend.

Performance Summary

Dividend history in the last ten years



Performance Summary to 31 March 2012

Total return*	6 month %	1 year %	3 years %	5 years %	10 years %	Since launch %
Net Asset Value [†]	5.1	8.7	38.3	18.5	102.3	143.1
Share Price [†]	1.3	8.8	40.5	20.3	100.8	137.7
FTSE All-Share	15.0	1.4	67.9	9.5	65.5	67.0

* Source: ISIS EP LLP and AIC.

† These returns for Baronsmead VCT 2 ignore upfront tax relief and the impact of receiving dividends tax free.

Cash Returned to Shareholders

The table below shows the cash returned to shareholders dependent on their subscription cost, including their income tax reclaimed on subscription.

Year subscribed	Subscription price p	Income tax reclaim p	Net cash invested p	Cumulative dividends paid* p	Net annual yield [±] %	Gross equivalent yield [†] %
1998 (April) – Ordinary	100.0	20.0	80.0	88.4	7.9	10.5
1999 (May) – Ordinary	102.0	20.4	81.6	84.9	8.1	10.8
2000 (February) – Ordinary	137.0	27.4	109.6	81.7	6.2	8.2
2000 (March) – Ordinary	130.0	26.0	104.0	81.7	6.5	8.7
2004 (October) – C	100.0	40.0	60.0	39.7	8.8	11.7
2009 (April)	91.6	27.5	64.1	20.5	10.7	14.2

C Share dividend calculated using conversion ratio of 0.9657 which is the rate the c shares were converted into ordinary shares.

* Includes interim dividend of 2.5p to be paid 15 June 2012.

± Represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

† The gross equivalent yield had the dividends been subject to higher rate tax (32.5 per cent. on dividend income). The new additional rate of tax on dividend income of 42.5 per cent which came into force from the 2010/11 tax year for those shareholders who earn more than £150,000 has not been included. For those shareholders who would otherwise pay this additional rate of tax on dividends, the future gross equivalent yield will be higher than the figures shown.

Chairman's Statement

I am delighted to report growth of 5.1 per cent in Net Asset Value per share to 100p a share. The increase was attributable principally to a strong recovery in the valuation of the AIM portfolio following a decline in the latter half of 2011.

We are paying an interim dividend of 2.5p which is well covered by profitable realisations in recent years.

£3.9 million (net of costs) was raised by the Company in January and February 2012.

Results

Before taking account of dividends the Net Asset Value increased to 100p a share, up 5.1 per cent from 95.15p. The interim dividend of 2.5p per share is being paid largely from the profits realised from the sale of investments.

With the proposed tax free interim dividend of 2.5p, the current dividend yield based on a mid share price of 87.38p is 7.2 per cent after tax (equivalent to 9.6 per cent for a higher rate taxpayer). This compares very favourably with the low rates of interest generally available in the marketplace.

	Pence per ordinary share
NAV as at 1 October 2011 (after second interim dividend of 4.50p deducted)	95.15
Valuation uplift (5.1 per cent)	4.85
NAV as at 31 March 2012	100.00
Less Interim dividend payable on 15 June 2012	(2.50)
	97.50

All areas of the portfolio have improved during the six months. The gains have been led by the quoted and Wood Street portfolios which increased by 13.4 per cent and 8.1 per cent respectively, as the UK Small Cap sector was re-rated from January 2012, following the dip which occurred last autumn. The unquoted portfolio increased in value by 4.4 per cent.

The most significant changes in the portfolio were the increases in the value of Independent Living Services, a domiciliary care business in Scotland (£1.12 million), and in IDOX, an AIM-traded software company (£0.86 million), offset by a provision of £0.72 million against the investment in Empire World Trade, which supplies fruit to UK supermarkets.

Long term performance

Based on previous shareholder surveys indicating that most shareholders have "no intention to sell in the foreseeable future" the Board has based its policies on long term sustainable performance. For that reason we have set out the full performance record since the launch in April 1998. However we also recognise that when comparisons are made with other investment companies and investment products, the normal approach is to use ten year financial summaries. For that reason the ten year record is set out under the Financial Headlines on page 1. However as our policy has always been to offer full disclosure and transparency, the full 14 year record is set out on page 13 of this interim report as well as on our website www.baronsmeadvct2.co.uk.

Over the last ten years the cumulative tax free dividends paid to shareholders, including proposed interim dividend of 2.5p, amount to 76.5p (88.4p since inception). The NAV total return over ten years has been 202.3p for each 100p invested (243.1p since inception) compared with 165.5p for the FTSE All-share index (167.0p since launch). Based on the ten year average annual dividends (7.7p) and the mid share price 87.38p the annual dividend yield is 8.8 per cent (equivalent to 11.7 per cent for a higher rate taxpayer).

Chairman's Statement

Portfolio review

Following the realisation of three investments, the total portfolio now comprises seventy companies. The direction of travel showing trading and profitability of these companies is recorded quarterly so that the Board can monitor the health of the portfolio. At 31 March 2012, 80 per cent of companies in the portfolio were progressing steadily or better.

The net assets of £72.2 million were invested as follows:

- Unquoted companies 42 per cent
- AIM-traded and other listed companies 29 per cent
- Wood Street Microcap Investment Fund 4 per cent
- Liquid assets or government securities 25 per cent

The largest unquoted investment, Nexus Vehicle Holdings and the largest AIM investment, IDOX, represented 7.1 and 4.6 per cent of net asset value respectively.

New Investment

During the six months to 31 March 2012 a total of £2.6 million was invested in five new companies as well as in other small additions to the AIM portfolio.

The unquoted investment was into Independent Community Care Management ("ICCM") based in Kettering. ICCM is a leading homecare provider to individuals with complex long-term health conditions.

The four new AIM-traded investments were in GB Group, Inspired Energy, Paragon Entertainment and TLA Worldwide. The early gains in the value of these stocks are encouraging, up 43 per cent on their subscription price by 31 March 2012.

Since the period end, £5 million has been invested into four unquoted companies and three AIM-traded companies. 'Happy Days' is an established West Country chain of children's nurseries based in Newquay, Cornwall. The three other unquoted investments were into "acquisition" companies chaired by experienced operating partners with whom ISIS has successfully worked in the recent past. These companies have been formed to enable investment into established trading entities over the next two years. The new AIM investments were in Dods, Inspired Energy and Zattikka.

Investment realisations

Three investments were realised.

- Unquoted – TVC Group for an undisclosed but profitable multiple (see below).
- AIM-traded
 - Clarity Commerce Solutions continued to under-perform and was sold for 60 per cent of its original cost of £0.05 million
 - Colliers International UK (cost £0.5 million) was written off once its trading activities had been sold for a relatively nominal amount.

TVC Group is a marketing communications agency, based in London, which specialises in a content-driven approach to public relations and creative services serving clients including Coca Cola, British Gas and Jaguar Landrover. The investment in TVC Group was made in July 2008 and initially encountered difficult trading conditions. By March 2010, the directors' valuation was at 25 per cent of cost as operating profits had fallen. The recovery since then has been significant and credit goes to the management, supported by our Investment Manager ISIS, for driving higher profitability. The final sale to the Economist Group in February 2012 represents a fivefold gain in value from the earlier low point less than three years previously.

The operating history and subsequent successful realisation of this investment in TVC Group was not dissimilar to our experience with Hawksmere which recovered from a significant deterioration in value to sell successfully in 2007. Hawksmere's CEO was Dominic Riley who presented at our 14th AGM in January 2012. He is now an operating partner at ISIS and currently is Chairman of two of our unquoted portfolio companies Kafévend Holdings and Valldata Group.

Chairman's Statement

VCT legislation

The 21 March 2012 Budget and subsequent Finance Bill confirmed a number of changes to VCT legislation. Those which might affect the Company are detailed below.

Annual £1 million limit

With effect from 6 April 2012, the annual limit of £1 million that a VCT can invest in a qualifying investment in any tax year has been removed.

Investment limits

EU State Aid approval is still awaited for the following proposed changes to the size limits for investments made after 5 April 2012:

- An increase in the employee limit to fewer than 250 employees;
- An increase in the size threshold of gross assets to no more than £15 million before investment and £16 million immediately after; and
- An increase in the maximum annual amount that an individual company can receive from all State Aid investment sources (including VCTs) in any 12 month period to £5 million (not unfortunately £10 million as previously proposed).

Acquisition of shares

There is to be exclusion on the use of VCT and EIS funds for the acquisition of shares in another company. The change is designed to help achieve continuing EU State Aid approval, which prohibits State Aid from funding buyouts. This change will apply only to VCT funds raised after 5 April 2012, and to EIS investments made after that date.

The Manager remains in close contact with both its tax advisers and the AIC as they discuss the VCT tax legislative changes with HM Revenue and Customs. In this way, once the implications of any changes are known, ISIS can plan positive action to fulfil the stated investment policy and sustain the quality of the investment portfolio.

Website

The Company's website has recently been updated and is designed to provide easier access to information about the Company. Please do visit the web site at the following location and your feedback will be most appreciated:

www.baronsmeadvct2.co.uk

Outlook

The outlook for the UK economy as a whole remains uncertain and many commentators are anticipating relatively slow growth. However Baronsmead VCT 2 is well placed to tackle the current economic volatility and uncertainty with a well diversified portfolio that is lowly geared. The pipeline of target investment opportunities is strong and the Manager continues to find ambitious UK Management teams with whom to invest.

Some relaxation of VCT regulation is welcome. However the Manager and the Board believe that some aspects of the recent changes to legislation make investment into faster growth SME companies more difficult and this is to the detriment of job creation within the UK.

Clive Parritt

Chairman

18 May 2012

Table of Investments and Realisations

Investments in the six months to 31 March 2012

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
<i>New</i>				
Independent Community Care Management Limited	Kettering	Healthcare & Education	High acuity care for home based care users	1,346
Total unquoted investments				1,346
AIM-traded & listed investments				
<i>New</i>				
TLA Worldwide plc	London	Business Services	Baseball sports management and marketing business	620
Inspired Energy plc	Kirkham	Business Services	Energy Consultancy focused on corporate customers	200
Paragon Entertainment Limited	London	Healthcare & Education	Visitor attraction business	200
GB Group plc	Chester	TMT*	ID verification and data solutions	150
<i>Follow on</i>				
FFastFill plc	London	TMT*	Trading platform software provider	62
Driver Group plc	Rossendale	Business Services	Dispute resolution	61
Accumuli plc	Salford	TMT*	Managed IT security	6
Total AIM-traded & listed investments				1,299
Total investments in the period				2,645

* Technology, Media and Telecommunications ("TMT").

Realisations in the six months to 31 March 2012

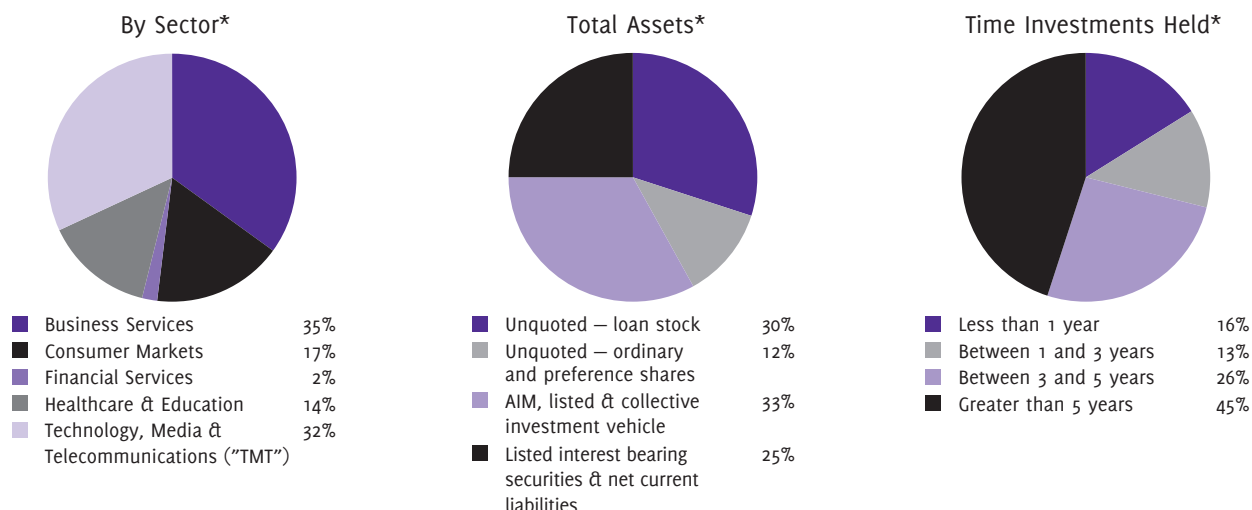
Company		First investment date	30 September 2011 valuation £'000	Realised profit/(loss) this period £'000	Overall multiple return
Unquoted realisations					
TVC Group Limited	Full trade sale	Jul 08	766	509	^
MLS Limited	Loan repayment	Jul 06	120	-	1.0
Total unquoted realisations			886	509	
AIM-traded & listed realisations					
Clarity Commerce Solutions plc	Full trade sale	Oct 99	26	6	0.6
Real Good Food Company (The) plc	Partial market sale	Dec 03	110	28	0.4
Colliers International UK plc	Written off	Jul 01	27	(27)	N/A
Total AIM-traded & listed realisations			163	7	
Total realisations in the period			1,049	516[†]	

^ Not disclosed.

† Proceeds of £8,000 were also received in respect of Getting Personal Limited, which had been sold in the year ended 30 September 2011.

Summary Investment Portfolio

Investment Classification at 31 March 2012



* at 31 March 2012 valuation

Company	Sector	Book cost £'000	30 September 2011 valuation £'000†	31 March 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
Unquoted							
Nexus Vehicle Holdings Limited	Business Services	2,367	5,627	5,124	7.1	12.6	57.4
CableCom Networking Holdings Limited	TMT	1,381	3,686	3,883	5.4	10.6	48.0
Crew Clothing Holdings Limited	Consumer Markets	984	2,714	2,677	3.7	5.4	22.8
CSC (World) Limited	TMT	1,606	2,148	2,220	3.1	8.8	40.0
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,777	2,178	3.0	10.5	44.0
Kafévend Holdings Limited	Consumer Markets	1,252	2,039	2,148	3.0	15.8	66.5
Independent Living Services Limited	Healthcare & Education	1,599	980	2,097	2.9	16.2	65.7
Valldata Group Limited	Business Services	1,616	1,616	1,745	2.4	8.9	40.6
Inspired Thinking Group Limited	Business Services	796	1,275	1,413	1.9	5.0	22.5
Independent Community Care Management Limited	Healthcare & Education	1,346	-	1,346	1.9	10.9	55.0
MLS Limited	TMT	411	1,011	1,041	1.4	5.3	22.5
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.4	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.4	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.4	9.6	48.6
Playforce Holdings Limited	Business Services	1,033	512	512	0.7	9.7	44.0
Other investments		4,169	1,854	840	1.2		
Total unquoted		22,983	28,239	30,224	41.9		
AIM							
IDOX plc	TMT	1,038	2,440	3,300	4.6	3.2	9.6
Staffline Group plc	Business Services	249	2,013	2,301	3.2	4.2	8.4
Netcall plc	TMT	869	854	1,176	1.6	4.1	20.4
Murgitroyd Group plc	Business Services	319	777	948	1.3	3.1	6.2
Escher Group Holdings plc	TMT	614	614	921	1.3	2.1	10.6
TLA Worldwide plc	Business Services	620	-	775	1.1	4.9	24.3
Jelf Group plc	Financial Services	761	792	756	1.0	1.4	6.3
Tasty plc	Consumer Markets	469	607	717	1.0	2.5	17.1
Accumuli plc	TMT	339	384	569	0.8	3.7	20.9
Vianet Group plc	Business Services	646	482	549	0.8	1.8	9.6
FFastFill plc	TMT	313	427	525	0.7	0.9	6.2
Sinclair IS Pharma plc	Healthcare & Education	524	446	450	0.6	0.4	2.4
Driver Group plc	Business Services	564	194	415	0.6	4.1	19.4
Paragon Entertainment Limited	Healthcare & Education	200	-	413	0.6	3.1	17.6
PROACTIS Holdings plc	TMT	619	341	392	0.5	5.4	26.4
Other investments		9,543	5,024	5,142	7.1		
Total AIM		17,687	15,395	19,349	26.8		

† The total investment valuation at 30 September 2011 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

* All VCT funds managed by the same investment manager, ISIS EP LLP including Baronsmead VCT 2.

Summary Investment Portfolio

Company	Sector	Book cost £'000	30 September 2011 valuation £'000†	31 March 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
Listed							
Vectura Group plc	Healthcare & Education	578	1,031	651	0.9	0.4	1.3
Chime Communications plc	TMT	369	323	378	0.5	0.2	1.3
Marwyn Management Partners plc	Financial Services	525	117	95	0.1	0.3	1.8
Marwyn Value Investors Limited	Financial Services	64	45	40	0.1	1.3	6.0
Total listed		1,536	1,516	1,164	1.6		
Listed interest bearing securities							
UK T-Bill 02/04/12		9,297	-	9,297	12.8		
UK T-Bill 30/04/12		8,298	-	8,298	11.5		
BlackRock ICS plc - Institutional Sterling Liquidity Fund		4,520	3,000	4,520	6.3		
JP Morgan Liquidity Funds - Sterling Liquidity Fund		4,520	3,000	4,520	6.3		
Total listed interest bearing securities		26,635	6,000	26,635	36.9		
Collective investment vehicle							
Wood Street Microcap Investment Fund		2,525	2,863	3,095	4.3		
Total collective investment vehicle		2,525	2,863	3,095	4.3		
Total investments		71,366	54,013	80,467	111.5		
Net current liabilities				(8,302)	(11.5)		
Net assets				72,165	100.0		

† The total investment valuation at 30 September 2011 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

* All VCT funds managed by the same investment manager, ISIS EP LLP including Baronsmead VCT 2.

Unquoted, AIM & Listed Portfolio Concentration Analysis as at 31 March 2012			
Investment ranking by valuation	Book cost £'000	Valuation £'000	% of portfolio
Top Ten	13,515	27,673	54.5
11-20	7,975	10,620	20.9
21-30	5,427	5,557	11.0
31+	15,289	6,887	13.6
Total	42,206	50,737	100.0

Independent Review Report to Baronsmead VCT 2 plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

Catherine Burnet
for and on behalf of
KPMG Audit Plc
Chartered Accountants
Edinburgh
18 May 2012

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement 'Half-yearly financial reports' issued by the UK Accounting Standards Board;
- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 12 is a fair review of the information required by DTR 4.2.7R; and
- the financial statements include a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board,
Clive Parritt
Chairman
18 May 2012

Unaudited Income Statement

For the six months to 31 March 2012

	Six months to 31 March 2012			Six months to 31 March 2011			Year to 30 September 2011*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	-	3,402	3,402	-	4,055	4,055	-	3,346	3,346
Realised gains on investments	-	524	524	-	395	395	-	2,865	2,865
Income	362	-	362	1,096	-	1,096	2,425	-	2,425
Investment management fee	(164)	(492)	(656)	(163)	(490)	(653)	(323)	(970)	(1,293)
Other expenses	(203)	-	(203)	(189)	-	(189)	(368)	-	(368)
(Loss)/profit on ordinary activities before taxation	(5)	3,434	3,429	744	3,960	4,704	1,734	5,241	6,975
Taxation on ordinary activities	-	-	-	(166)	166	-	(379)	379	-
(Loss)/profit on ordinary activities after taxation	(5)	3,434	3,429	578	4,126	4,704	1,355	5,620	6,975
Return per share:									
Basic	(0.01p)	4.97p	4.96p	0.84p	6.04p	6.88p	1.98p	8.21p	10.19p

* These figures are audited

Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 31 March 2012

	Six months to 31 March 2012 £'000	Six months to 31 March 2011 £'000	Year to 30 September 2011* £'000
Opening shareholders' funds	64,999	63,673	63,673
Profit for the period	3,429	4,704	6,975
Gross proceeds of share issues	4,135	2,121	2,111
Purchase of shares for treasury	(191)	(314)	(813)
Expenses of share issues and buybacks	(197)	(97)	(78)
Other costs charged to capital	(10)	-	-
Dividends paid	-	(2,077)	(6,869)
Closing shareholders' funds	72,165	68,010	64,999

* These figures are audited

Notes

- The unaudited interim results which cover the six months to 31 March 2012 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year to 30 September 2011.
- Return per share is based on a weighted average of 69,096,100 ordinary shares in issue (30 September 2011 – 68,443,702 ordinary shares, 31 March 2011 – 68,331,711 ordinary shares).
- Earnings for the six months to 31 March 2012 should not be taken as a guide to the results of the full financial year to 30 September 2012.
- During the six months to 31 March 2012 the Company purchased 224,913 ordinary shares to be held in treasury at a cost of £191,000. At 31 March 2012 the Company holds 8,698,819 ordinary shares in treasury. These shares may be re-issued below Net Asset Value as long as the discount at issue is narrower than the average discount at which the shares were bought back.
Excluding treasury shares, there were 72,167,952 ordinary shares in issue at 31 March 2012 (30 September 2011 – 68,315,278 ordinary shares, 31 March 2011 – 68,885,034 ordinary shares).
- The interim dividend of 2.5p per share (2.5p capital) will be paid on 15 June 2012 to shareholders on the register on 1 June 2012. The ex-dividend date is 30 May 2012.
- On 2 November 2011, the Share premium account and Capital redemption reserve were cancelled by an Order of Court following the passing of a Special Resolution. The credit arising has been applied in crediting a Special reserve, within the Capital reserve, which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with section 649 of the Companies Act, 2006) are able to be applied.
- The financial information contained in this half-yearly report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year to 30 September 2011 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2011, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2011 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- In accordance with the Companies (Shareholder Rights) Regulations 2009, copies of the half-yearly report have been made available to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Unaudited Balance Sheet

AS at 31 March 2012

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	As at 30 September 2011 £'000*
Fixed assets			
Unquoted investments	30,224	33,710	29,005
Traded on AIM	19,349	14,367	15,448
Listed on LSE	1,164	1,244	1,516
Traded on NYSE	–	187	–
Collective investment vehicle – Wood Street Microcap Investment Fund	3,095	3,079	2,863
Listed interest bearing securities	26,635	12,800	15,498
Investments	80,467	65,387	64,330
Current assets			
Debtors	227	550	586
Cash at bank and on deposit	1,232	2,516	542
Creditors (amounts falling due within one year)	1,459 (9,761)	3,066 (443)	1,128 (459)
Net current (liabilities)/assets	(8,302)	2,623	669
Net assets	72,165	68,010	64,999
Capital and reserves			
Called-up share capital	8,087	7,680	7,679
Share premium account	3,531	14,391	14,404
Capital redemption reserve	–	9,254	9,254
Capital reserve	51,198	26,307	28,849
Revaluation reserve	9,100	9,087	4,559
Revenue reserve	249	1,291	254
Equity shareholders' funds	72,165	68,010	64,999

* These figures are audited

	As at 31 March 2012	As at 31 March 2011	As at 30 September 2011*
Net asset value per share	100.00p	98.73p	95.15p
Number of shares in issue	72,167,952	68,885,034	68,315,278
Treasury net asset value per share	98.64p	97.51p	94.16p
Number of ordinary shares in issue	72,167,952	68,885,034	68,315,278
Number of ordinary shares held in treasury	8,698,819	7,913,906	8,473,906
Number of listed ordinary shares	80,866,771	76,798,940	76,789,184

* These figures are audited

Unaudited Statement of Cash Flows

For the six months to 31 March 2012

	Six months to 31 March 2012 £'000	Six months to 31 March 2011 £'000	Year to 30 September 2011* £'000
Net cash (outflow)/inflow from operating activities	(90)	43	488
Capital expenditure and financial investment	(2,914)	951	3,792
Equity dividends paid	-	(2,077)	(6,869)
Net cash outflow before financing	(3,004)	(1,083)	(2,589)
Net cash inflow from financing	3,694	1,731	1,263
Increase/(decrease) in cash	690	648	(1,326)
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	690	648	(1,326)
Opening cash position	542	1,868	1,868
Closing cash position	1,232	2,516	542
Reconciliation of profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities			
Profit on ordinary activities before taxation	3,429	4,704	6,975
Gains on investments	(3,926)	(4,450)	(6,211)
Changes in working capital and other non-cash items	407	(211)	(276)
Net cash (outflow)/inflow from operating activities	(90)	43	488

* These figures are audited.

Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial 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 Business Review in the Company's Annual Report and Accounts for the year to 30 September 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Related Parties

ISIS EP LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.0 per cent per annum of the net assets of the Company. This is described in more detail under the heading Management within the Report of the Directors in the Company's Annual Report and Accounts for the year to 30 September 2011. During the period the Company has incurred management fees of £656,000 and secretarial fees of £61,000 payable to the Manager.

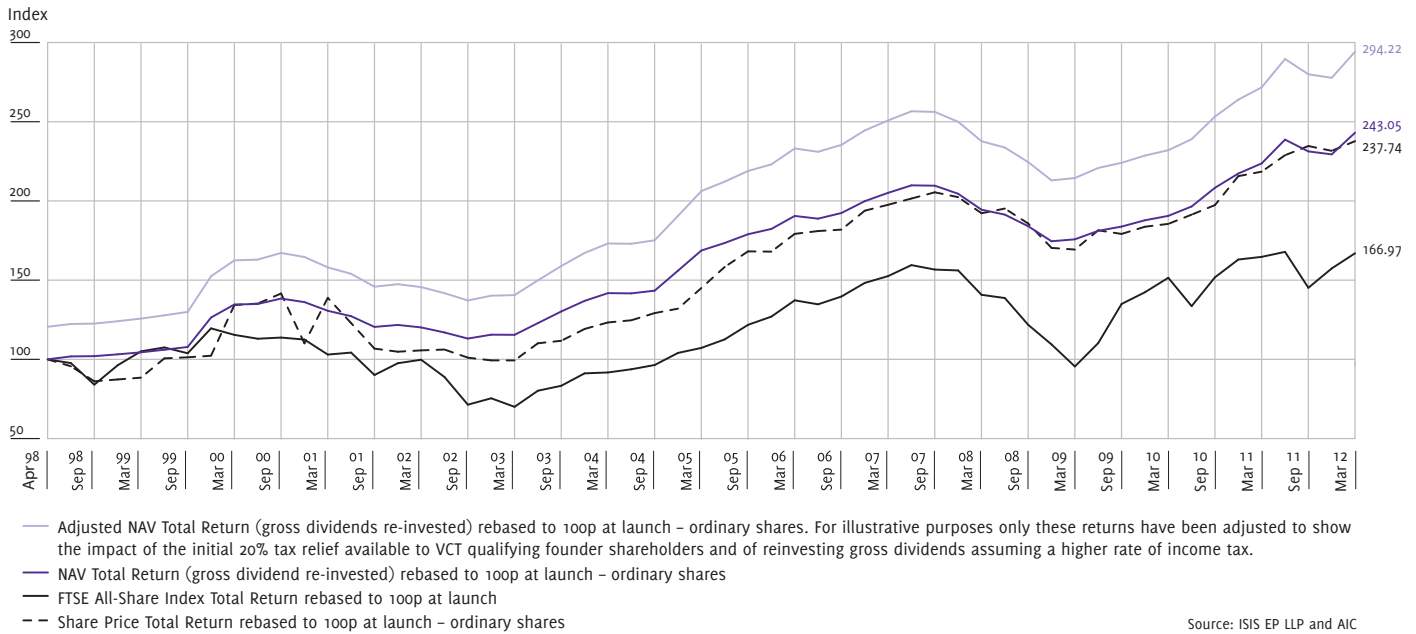
Going Concern

After making enquires, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 31 March 2012 the Company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £27,867,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants.

Appendix

Baronsmead VCT 2 plc

Net asset value total return and share price total return since launch against the FTSE All-share Index total return



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from launch, assuming that dividends paid were re-invested at NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Dividend history since launch



Shareholder Information and Contact Details



BARONSMEAD

The Board has a policy of regular and open communication with shareholders based around quarterly statutory reporting. Electronic communication was introduced following new legislation in the 2006 Companies Act and the Baronsmead VCT 2's website is www.baronsmeadvct2.co.uk.

The Manager for Baronsmead VCT 2 plc is **ISIS EP LLP**.

For information on asset allocations, dividend policies, investment process, DRIP mechanism, share price movements, the share price discount and selling shares please contact:

By email: michael.probin@isisep.com ; margaret.barff@isisep.com

By telephone: Michael Probin 020 7506 5796; Margaret Barff 020 7506 5630.

Internet: www.isisep.com

For comparative performance data of Baronsmead VCT2 and other generalist VCTs please visit the AIC performance statistics page at: www.theaic.co.uk/statistics-publications



The Registrar for Baronsmead VCT 2 is Computershare Investors Services PLC.

To change the details held by Computershare in respect of your shareholding, including change of address, bank account details, joining the DRIP, please contact them as follows:

Baronsmead shareholder helpline: 0870 703 0137

(calls charged at geographical and national rates)

The Baronsmead shareholder helpline is available on UK business days between Monday and Friday, 8.30a.m. to 5p.m. If you wish to speak to someone please press '0'. The automated self-service system is available 24 hours a day, 7 days a week. You will need your Shareholder Reference Number (SRN), which for security reasons you should always keep confidential and is available on your share certificate and dividend tax voucher, in order to:

- confirm the latest share price
- confirm your current share holding balance
- confirm payment history
- order a Change of Address, Dividend Bank Mandate or Stock Transfer Form

Managing online your own shareholding via the

Investor Centre: www.investorcentre.co.uk

Computershare's secure website, Investor Centre, enables shareholders to manage their shareholding online. Using your SRN you will be able to do the following:

- **Holding Enquiry** – view balances, values, history, payments and reinvestments
- **Payments Enquiry** – view your dividends and other payment types
- **Address Change** – change your registered address
- **Bank Details Update** – choose to receive your dividend payments directly into your bank account instead of by cheque
- **e-Comms sign-up** – choose to receive email notification when your shareholder communications become available instead of paper communications
- **Outstanding Payments** – reissue payments using our online replacement service
- **Downloadable Forms** – including dividend mandates, stock transfer, dividend reinvestment and change of address forms
- **By email** – web.queries@computershare.co.uk

Shareholder Information and Contact Details

Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the *Financial Times* in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

Trading Shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. As buying and selling existing shares in VCTs is complex, Shareholders should seek to trade shares on a "best execution" basis if appropriate.

The marketmakers in the shares of Baronsmead VCT 2 plc are:

Matrix Corporate Capital LLP	020 3206 7000 (the Company's broker)
Singer Capital Markets Limited	020 3205 7500
Winterflood Securities Limited	020 3400 0251

Financial Calendar

August 2012	Quarterly Fact Sheet to 30 June 2012
November 2012	Results for the year to September 2012 announced and annual report and accounts sent to shareholders
January 2013	Fifteenth Annual General Meeting

Additional Information

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

Baronsmead VCT 2 plc is managed by ISIS EP LLP which is Authorised and regulated by the FSA. Past performance is not necessarily a guide to future performance. Stockmarkets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.

Corporate Information

Directors

Clive Anthony Parritt (Chairman)

Gillian Nott OBE†

Howard Goldring*

Christina McComb

Secretary

ISIS EP LLP

Registered Office

100 Wood Street

London EC2V 7AN

Investment Manager

ISIS EP LLP

100 Wood Street

London EC2V 7AN

FPPE LLP (liquid assets only)

100 Wood Street

London EC2V 7AN

Investor Relations

Michael Probin

Tel: 020 7506 5796

Registered Number

03504214

Registrars and Transfer Office

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Tel: 0870 703 0137

Brokers

Matrix Corporate Capital LLP

One Vine Street

London W1J 0AM

Auditors

KPMG Audit Plc

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

Solicitors

Martineau

No 1 Colmore Square

Birmingham B4 6AA

VCT Status Adviser

PricewaterhouseCoopers LLP

1 Embankment Place

London WC2N 6RH

Website

www.baronsmeadvct2.co.uk

† Chairman of Management Engagement and Remuneration Committee, Chairman of the Nomination Committee and Senior Independent Director

* Chairman of the Audit Committee

