

BARONSMEAD

Baronsmead VCT 2 plc

2014

Half-yearly report
for the six months ended
31 March 2014



Investment Objective

Baronsmead VCT 2 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

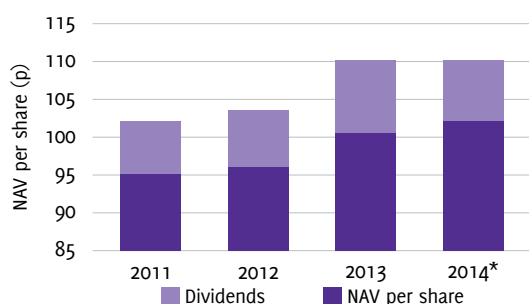
The Board of Baronsmead VCT 2 aims to sustain a minimum annual dividend level at an average of 6.5p per ordinary share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Since launch, the average annual tax free dividend paid to shareholders including the 8.0p interim dividend, has been 6.9p per share (equivalent to a pre-tax return of 9.2p 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.

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 stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Financial Headlines

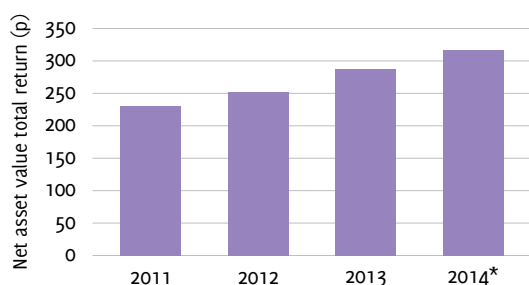


Net asset value per share

Net asset value (“NAV”) per share increased 9.5 per cent to 110.19p in the six months to 31 March 2014, before deduction of dividends.

9.5%

*Six months to 31 March 2014

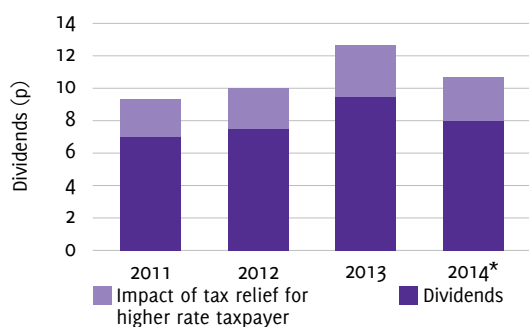


Net asset value total return

NAV total return to shareholders for every 100.0p invested at launch.

315.9p

*Six months to 31 March 2014

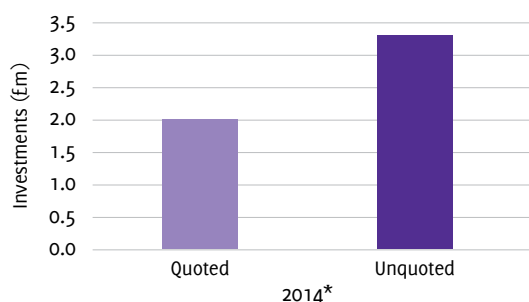


Dividends in the year

Dividends totalled 8.0p in the six months to 31 March 2014, after the interim dividend of 8.0p paid on 7 March 2014.

8.0p

*Six months to 31 March 2014



Investments made

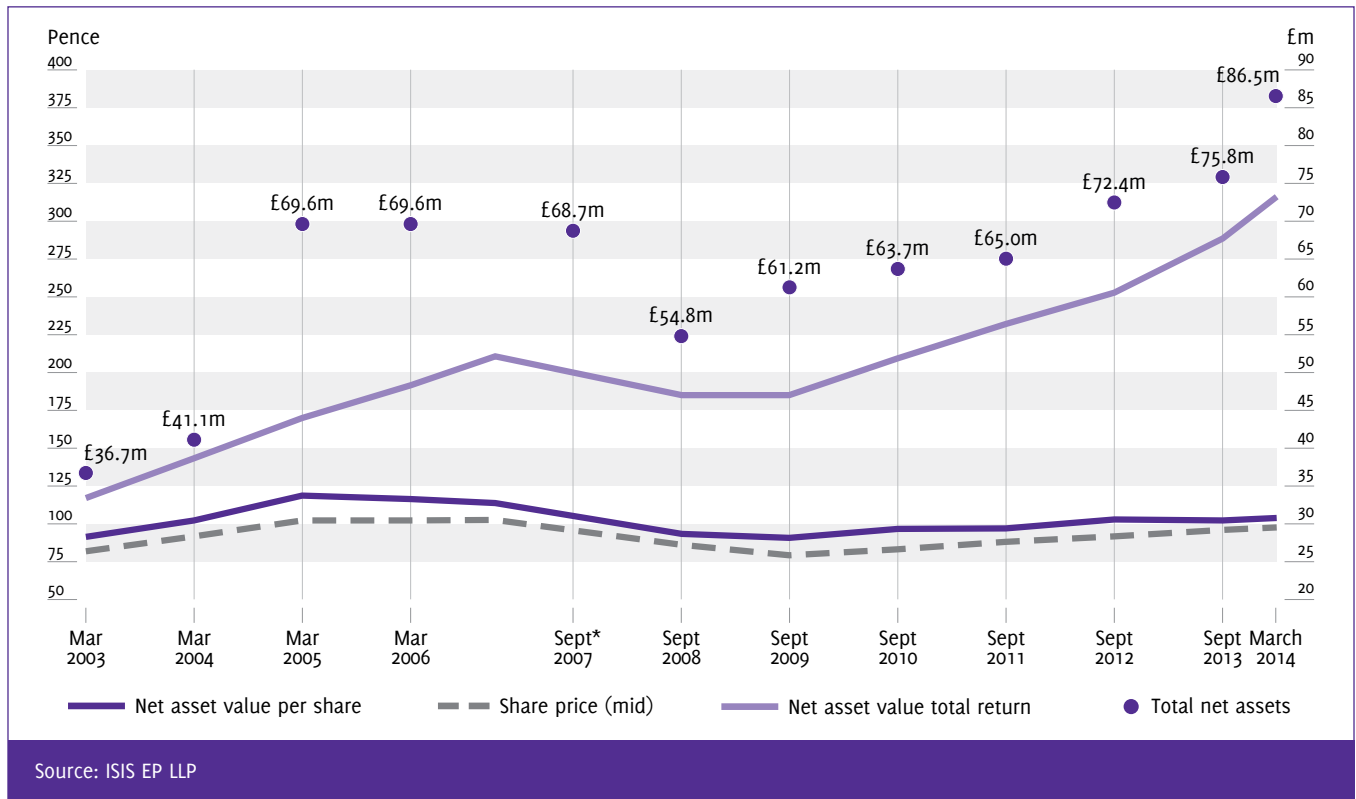
Invested £3.3m in unquoted and £2.0m in quoted investments in the six months to 31 March 2014.

£5.3m

*Six months to 31 March 2014

Performance Summary

Performance Record in the last ten years



* converted to a September year end in 2007.

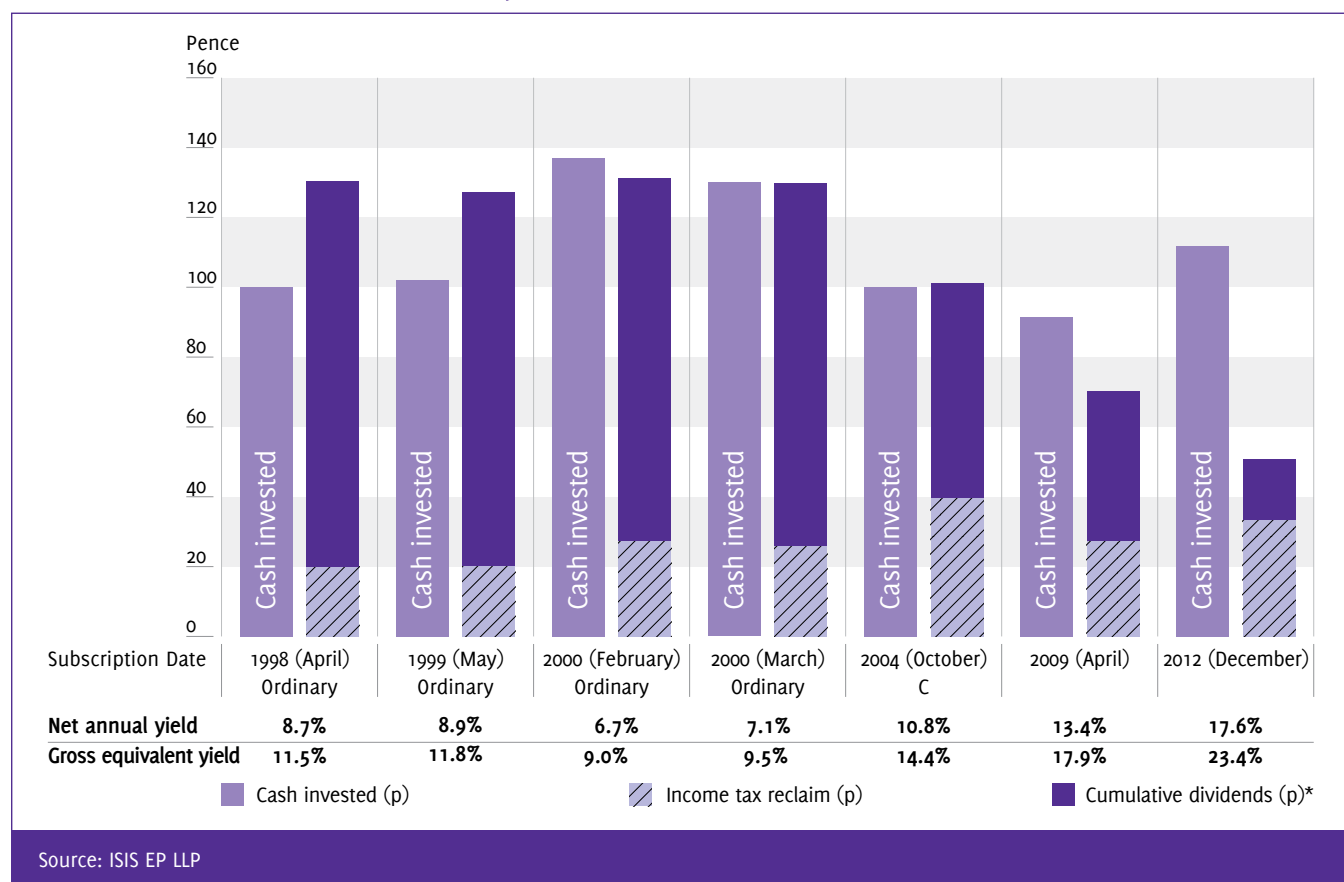
Dividend History in the last ten years



* Six months to 31 March 2014.

Performance Summary

Cash Returned to Shareholders by date of investment



Chairman's Statement



Clive Parritt Chairman

I am delighted to report a 9.5 per cent (9.56p) increase in Net Asset Value (NAV) per share before payment of dividends for the six months to 31 March 2014.

This strong growth was driven largely by a long awaited increase in the valuation of the quoted portfolio. This is a welcome reward for patience through the uncertain market conditions in recent years and it helps to confirm the investment style of the Company which concentrates on the fundamentals of management quality and business innovation.

The valuation of unquoted investments in the portfolio has been broadly flat in the quarter, reflecting the fact that the majority of these investments are recent acquisitions which have yet to achieve their potential. However following the profitable realisation of several older investments in the latter half of 2013, an interim dividend of 8.0p a share was paid on 7 March 2014.

The Company raised £9.7 million (after costs) and, on 14 March 2014, allotted 9,633,363 new ordinary shares at 103.8p a share.

At 31 March 2014 the NAV was £86.5 million equivalent to 102.19p a share as follows:

	Pence per share
NAV as at 1 October 2013	100.63
Valuation uplift (9.5 per cent)	9.56
NAV as at 31 March 2014 before dividends	110.19
Less: Interim dividend paid on 7 March 2014	(8.00)
NAV as at 31 March 2014 after paying dividends	102.19

PORTFOLIO REVIEW

At 31 March 2014, the portfolio comprised 73 companies. In addition, the Company's investment in Wood Street Microcap gives investment exposure to a further 40 AIM-traded and fully listed companies, making a total of 113 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 2014, 79 per cent of companies in the portfolio were progressing steadily or better.

Investment and Divestment Activity

The six months to 31 March 2014 was an exceptional period of realisations from the unquoted portfolio. Sales of investments realised £16.9 million and delivered net capital gains of £6.0 million. New and follow-on investments in four unquoted and eight AIM companies totalled £5.3 million. This activity has seen a significant renewal of assets in the unquoted portfolio with the full realisation of six investments and the addition of three new unquoted companies.

Full details regarding the investments and divestments during the period are set out in the tables on pages 7 and 8.

Long Term Performance

The Company's investment objective continues to be focused on companies with strong growth prospects and with the potential to produce consistent returns for shareholders over the long-term. To achieve this the Manager is now working to help the Company's newer investments achieve their ambitious targets for growth in future years.

The total return delivered by the Company has increased by 41 per cent in the three years to 31 March 2014. This is a reflection of the quality of the Company's portfolio and the management provided by ISIS. Should this investment performance continue to the end of the current financial year, the returns to shareholders should have reached a level at which, after offsetting the cumulative hurdle rates from earlier years, a performance fee will be payable to the Manager.

The full record of performance can be found on our website, www.baronsmeadvct2.co.uk.

Chairman's Statement

SHAREHOLDER MATTERS

Fundraising

On 22 January 2014, the Company issued a prospectus to raise up to £10 million. I am very pleased to report that the Company's offer was fully subscribed by 11 February 2014, raising £9.7 million net of expenses. On behalf of the Board of Directors, I would like to thank the 456 existing shareholders and extend a very warm welcome to the 509 new shareholders who subscribed to this fundraising.

VCT legislation

New legislation, effective from 6 April 2014, prevents the use of "Enhanced Share Buy Backs" by VCTs and restricts the availability of upfront VCT income tax relief if a shareholder sells and re-invests in new shares within a six month period in the same VCT. Rather than using Enhanced Share Buy Back arrangements, the Board has always preferred to create an orderly market for all shareholders through maintaining a narrow share price discount. As a result this legislation is not expected to have any material impact on the Company.

In addition, legislation is being introduced to prevent VCTs from distributing reserves created from converted share premium accounts within three years of new funds being raised. This will apply to new shares issued after 5 April 2014 and is intended to prevent the return of capital to shareholders before profits are generated from investments. As the Company already has significant distributable reserves, it is not expected that this legislation will have a significant impact on the Company although we are waiting to see the final wording of the legislation.

Management Arrangements

The Board has considered the impact on your Company of the Alternative Investment Fund Managers Directive ("AIFMD"), an EU Directive that came into force in July 2013 to regulate the Managers of Alternative Investment Funds. The legislation permits Investment Trusts and VCTs to become self-managed for the purposes of the Directive. The legislation also provides that Alternative Investment Fund Managers ("AIFMs") that manage assets under €500m can take advantage of a light touch regime and register as Small Registered Managers which only imposes some minimal additional reporting on the AIFM. To minimise the cost of compliance with this Directive, the Board has decided that the Company will register as the AIFM. This development will not impact on the day to day investment activities although for regulatory reasons the Investment Management Agreement will need to be transferred to ISIS VC LLP which is a sister partnership of our current Manager, ISIS EP LLP, and is controlled and managed by the same individuals.

OUTLOOK

The recovery of the UK economy now appears to be more firmly established. This improvement in the economic environment in which portfolio companies operate is to be welcomed. However, our focus is on the strengths of the businesses in which the Company has invested and using the expertise and skill of the Manager to help them to deliver increasing profits, employment and profitable exits over the medium to longer term.

The unquoted portfolio has undergone a phase of refreshment following recent sales. As a result, growth in the value of this portfolio might be expected to be more modest in the next year or two as the portfolio companies invest in their capacity to grow. The recent growth in the value of the quoted portfolio does, though, present an opportunity to realise profits from those investments. The Company's portfolio diversity and asset mix should help to deliver consistent returns over differing phases of economic cycles.

Clive Parritt
Chairman
16 May 2014

Summary Investment Portfolio

Investment Classification at 31 March 2014

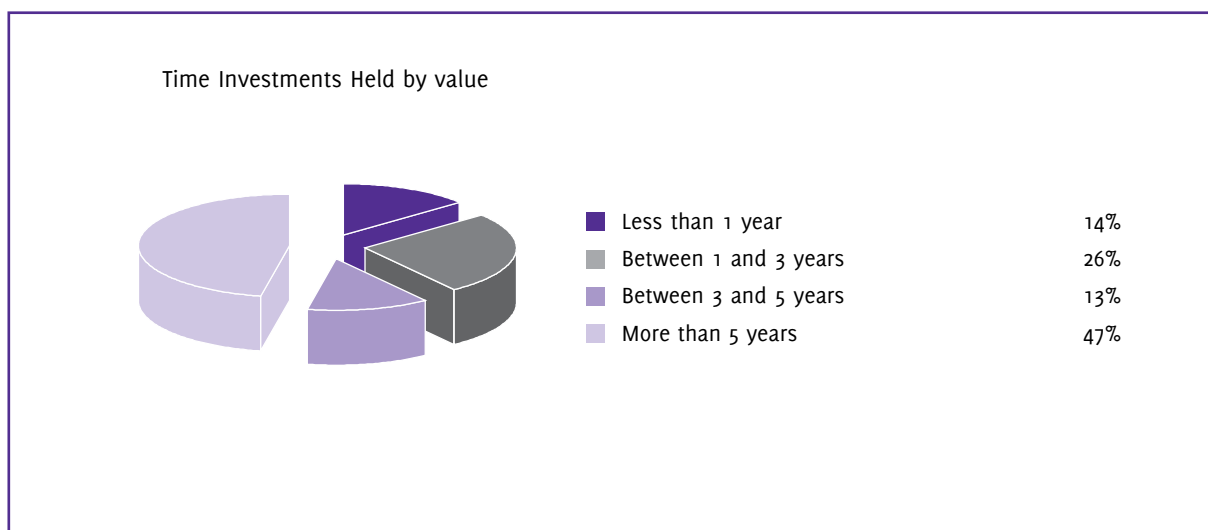
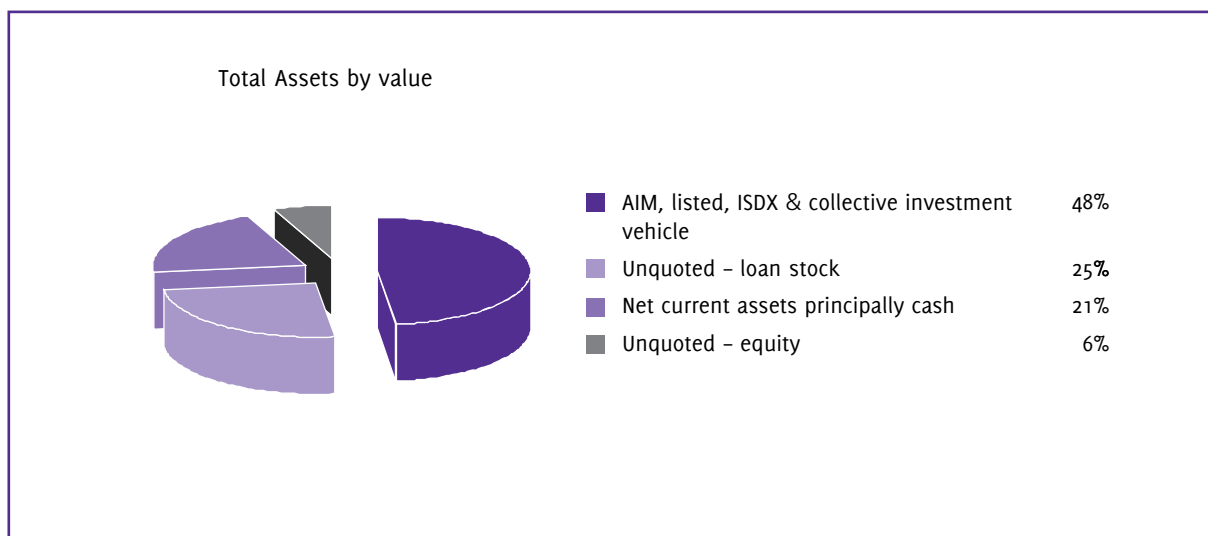
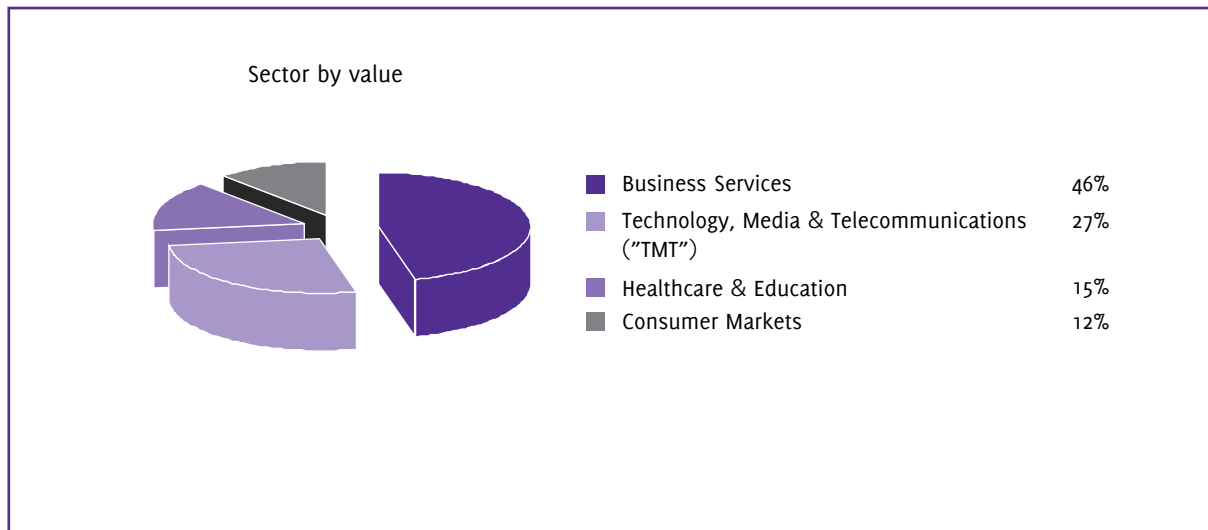


Table of Investments and Realisations

Investments in the six month period

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
<i>New</i>				
CableCom II Networking Holdings Limited	Somerset	TMT*	Provider of network solutions	1,250
Carousel Logistics Limited	Kent	Business Services	Provider of bespoke logistics and supply chain solutions	955
Kingsbridge Limited	Gloucestershire	Business Services	Independent insurance broker	952
<i>Follow on</i>				
Crew Clothing Holdings Limited	London	Consumer Markets	Branded clothing retailer	109
Total unquoted investments				3,266
AIM-traded investments				
<i>New</i>				
Scholium Group plc	London	Consumer Markets	Rare book and collectibles dealer	450
Everyman Media Group plc	London	Consumer Markets	Boutique independent cinema chain	392
MartinCo plc	Bournemouth	Consumer Markets	UK letting agency franchise network	343
Daily Internet plc	Stockport	TMT*	SME Domain registration & hosting	250
EG Solutions plc Loan note	Staffordshire	TMT*	Back office optimisation software	33
<i>Follow on</i>				
Sanderson Group plc	Coventry	TMT*	Retail and manufacturing IT	225
Plastics Capital plc	London	Business Services	Specialist plastic products	189
Tasty plc	London	Consumer Markets	Restaurant chain	126
Total AIM-traded investments				2,008
Total investments in the period				5,274

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

Table of Investments and Realisations

Realisations in the six month period

Company		First investment date	30 September 2013 valuation £'000	Proceeds† £'000	Overall multiple return*
Unquoted realisations					
CableCom Networking Holdings Limited	Full trade sale	May 07	5,447	5,748	4.8
CSC (World) Limited#	Full trade sale	Jan 08	2,838	3,115	2.4
Kafevend Holdings Limited	Full trade sale	Oct 05	2,569	2,430	2.5
Inspired Thinking Group Limited	Full trade sale	May 10	1,837	2,315	3.4
Arcas Investments Limited	Dissolved	Sep 11	1,000	998	1.0
Empire World Trade Limited	Full trade sale	Aug 06	0	25	0.0
Total unquoted realisations			13,691	14,631	
AIM-traded realisations					
Staffline Group plc	Market sale	Jul 00	1,285	1,682	8.4
PROACTIS Holdings plc	Full market sale	May 06	409	621	1.0
Zattikka plc	Write off	Apr 12	0	0	0.0
Total AIM-traded realisations			1,694	2,303	
Total realisations in the period			15,385	16,934†	

† Proceeds at time of realisation including redemption premium and interest.

* Includes interest/dividends received, loan note redemptions and partial realisations accounted for in prior periods.

Deferred consideration of £57,000 was also received in respect of CSC (World) Limited.

† Proceeds of £14,000 were also received in respect of Quantix Limited, which had been sold in a prior period.

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 13 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.

On behalf of the Board,

Clive Parritt

Chairman

16 May 2014

Unaudited Income Statement

For the six months to 31 March 2014

	Six months to 31 March 2014			Six months to 31 March 2013			Year to 30 September 2013*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movements in fair value of investments	-	8,383	8,383	-	6,998	6,998	-	8,678	8,678
Realised (losses)/gains on disposal of investments	-	(963)	(963)	-	929	929	-	1,535	1,535
Income	1,527	-	1,527	952	-	952	3,456	-	3,456
Investment management fee	(185)	(1,198)	(1,383)	(186)	(1,469)	(1,655)	(368)	(2,541)	(2,909)
Other expenses	(242)	-	(242)	(229)	-	(229)	(435)	-	(435)
Profit on ordinary activities before taxation	1,100	6,222	7,322	537	6,458	6,995	2,653	7,672	10,325
Taxation on ordinary activities	(177)	177	-	(74)	74	-	(505)	505	-
Profit on ordinary activities after taxation	923	6,399	7,322	463	6,532	6,995	2,148	8,177	10,325
Return per ordinary share:									
Basic	1.21p	8.40p	9.61p	0.63p	8.87p	9.50p	2.89p	10.99p	13.88p

* Figures as at 30 September 2013 are audited.

Unaudited Reconciliation of Movements in Shareholders' Funds

For the six months to 31 March 2014

	Six months to 31 March 2014 £'000	Six months to 31 March 2013 £'000	Year to 30 September 2013* £'000
Opening shareholders' funds	75,789	72,433	72,433
Profit on ordinary activities after taxation	7,322	6,995	10,325
Net proceeds of share issues & buybacks	9,409	3,756	3,944
Other costs charged to capital	-	-	(5)
Dividends paid	(6,017)	(3,772)	(10,908)
Closing shareholders' funds	86,503	79,412	75,789

* Figures as at 30 September 2013 are audited.

Notes

1. The unaudited interim results which cover the six months to 31 March 2014 have been prepared in accordance with applicable accounting standards and adopted the accounting policies set out in the statutory accounts of the Company for the year to 30 September 2013.
2. Return per share is based on a weighted average of 76,201,217 ordinary shares in issue (30 September 2013 – 74,397,698 ordinary shares; 31 March 2013 – 73,664,418 ordinary shares).
3. Earnings for the six months to 31 March 2014 should not be taken as a guide to the results of the full financial year to 30 September 2014.
4. During the six months to 31 March 2014 the Company purchased 300,000 ordinary shares to be held in treasury at a cost of £289,000. At 31 March 2014 the Company holds 10,323,819 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.
5. Excluding treasury shares, there were 84,648,313 ordinary shares in issue at 31 March 2014 (30 September 2013 – 75,314,950 ordinary shares; 31 March 2013 – 75,114,950 ordinary shares).
6. The interim dividend of 8.0p per share (1.2p revenue and 6.8p capital) was paid on 7 March 2014 to shareholders on the register on 21 February 2014. The ex-dividend date was 19 February 2014.
7. 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 2013 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2013, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2013 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
8. 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 2014

	As at 31 March 2014 £'000	As at 31 March 2013 £'000	As at 30 September 2013* £'000
Fixed assets			
Unquoted investments	26,363	38,859	36,485
Traded on AIM	30,928	23,756	24,994
Traded on ISDX	511	-	346
Listed on LSE	2,454	1,603	1,901
Collective investment vehicle – Wood Street Microcap Investment Fund	7,883	5,092	6,140
Listed interest bearing securities	-	5,619	2,999
Investments	68,139	74,929	72,865
Current assets			
Debtors	3,580	1,820	1,965
Cash at bank and on deposit	16,101	9,408	2,875
	19,681	11,228	4,840
Creditors (amounts falling due within one year)	(1,317)	(6,745)	(1,916)
Net current assets	18,364	4,483	2,924
Net assets	86,503	79,412	75,789
Capital and reserves			
Called-up share capital	9,497	8,534	8,534
Share premium	16,545	7,809	7,809
Capital reserve	41,591	44,947	41,921
Revaluation reserve	18,598	17,415	17,274
Revenue reserve	272	707	251
Equity shareholders' funds	86,503	79,412	75,789

* Figures as at 30 September 2013 are audited.

	As at 31 March 2014	As at 31 March 2013	As at 30 September 2013*
Net asset value per share	102.19p	105.72p	100.63p
Number of shares in circulation	84,648,313	75,114,950	75,314,950
Treasury net asset value per share	101.49p	104.98p	99.88p
Number of ordinary shares in circulation	84,648,313	75,114,950	75,314,950
Number of ordinary shares held in treasury	10,323,819	10,223,819	10,023,819
Number of listed ordinary shares in issue	94,972,132	85,338,769	85,338,769

* Figures as at 30 September 2013 are audited.

Unaudited Cash Flow Statement

For the six months to 31 March 2014

	Six months to 31 March 2014 £'000	Six months to 31 March 2013 £'000	Year to 30 September 2013* £'000
Net cash (outflow)/inflow from operating activities	(404)	(2)	868
Net cash inflow from financial investment	10,046	6,488	5,511
Equity dividends paid	(6,017)	(3,772)	(10,908)
Net cash inflow/(outflow) before financing	3,625	2,714	(4,529)
Net cash inflow from financing	9,601	3,229	3,939
Increase/(decrease) in cash	13,226	5,943	(590)
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	13,226	5,943	(590)
Opening cash position	2,875	3,465	3,465
Closing cash at bank and on deposit	16,101	9,408	2,875
Reconciliation of profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities			
Profit on ordinary activities before taxation	7,322	6,995	10,325
Gains on investments	(7,420)	(7,927)	(10,213)
Changes in working capital and other non-cash items	(306)	930	756
Net cash (outflow)/inflow from operating activities	(404)	(2)	868

* Figures as at 30 September 2013 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 Other Matters section in the Company's Annual Report and Accounts for the year to 30 September 2013. 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 2013. During the period the Company has incurred management fees of £740,000 and secretarial fees of £65,000 payable to the Manager. A performance fee of £643,000 has been accrued at 31 March 2014 to reflect the potential fee that would be payable to the Manager at 30 September 2014 should the current investment performance continue to the end of the current financial year.

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 2014 the Company held cash balances of £16,101,000. 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.

Appendices

Full Investment Portfolio

Company	Sector	Book cost £'000	31 March 2014 Valuation £'000	30 September 2013 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	4,762	4,748	5.5	12.5	56.0
Crew Clothing Holdings Limited	Consumer Markets	1,453	2,377	1,999	2.7	6.1	25.5
Valldata Group Limited	Business Services	1,221	1,805	1,682	2.1	###	###
Independent Community Care Management Limited	Healthcare & Education	1,346	1,719	1,599	2.0	10.9	55.0
Create Health Limited	Healthcare & Education	1,065	1,412	1,065	1.6	5.7	29.0
Equez Limited	TMT*	877	1,322	877	1.5	7.6	38.5
CableCom II Networking Holdings Limited	TMT*	1,250	1,250	-	1.4	2.5	11.2
Pho Holdings Limited	Consumer Markets	987	1,186	1,092	1.4	5.5	28.0
Impetus Holdings Limited	Business Services	1,305	1,174	1,174	1.4	8.9	45.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.2	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.2	9.6	48.6
Riccal Investments Limited	Business Services	1,000	1,000	1,000	1.2	9.6	48.6
Key Travel Limited	Business Services	954	982	954	1.1	4.7	47.9
Carousel Logistics Limited	Business Services	955	955	-	1.1	6.0	40.0
Kingsbridge Limited	Business Services	952	952	-	1.1	5.7	34.0
Happy Days Consultancy Limited	Healthcare & Education	833	851	824	1.0	8.4	42.5
Armstrong Craven Limited	Business Services	673	774	673	0.9	7.7	46.0
CableCom Networking Holdings Limited	TMT*	0	740**	5,447	0.8	N/A	N/A
Luxury For Less Limited	Consumer Markets	955	430	767	0.5	4.0	40.0
Playforce Holdings Limited	Business Services	1,196	402	658	0.5	16.5	75.0
Surgi C Limited	Healthcare & Education	1,102	270	0	0.3	13.3	57.5
Carnell Contractors Limited	Business Services	941	0	0	0.0	##	##
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	0	1,682	0.0	10.5	44.0
Music Festivals plc Loan note	Consumer Markets	400	0	0	0.0	N/A	N/A
Xention Discovery Limited	Healthcare & Education	316	0	0	0.0	0.6	2.9
Total unquoted		25,571	26,363		30.5		
AIM							
Netcall plc	TMT*	869	2,798	1,968	3.2	4.0	20.0
Staffline Group plc	Business Services	87	2,693	3,213	3.1	1.3	2.6
IDOX plc	TMT*	614	2,450	2,498	2.8	1.8	4.9
Murgitroyd Group plc	Business Services	319	1,659	1,317	1.9	3.0	5.9
Tasty plc	Consumer Markets	595	1,540	1,178	1.8	2.5	14.5
Jelf Group plc	Business Services	761	1,438	1,024	1.7	1.4	5.6
Inspired Energy plc	Business Services	300	1,381	786	1.6	2.3	11.6
Accumuli plc	TMT*	504	1,376	1,007	1.6	4.2	23.2
TLA Worldwide plc	Business Services	733	1,309	1,182	1.5	4.1	20.4
Escher Group Holdings plc	TMT*	614	1,265	947	1.5	1.9	9.7
Driver Group plc	Business Services	564	1,146	1,288	1.3	4.0	18.9
Anpario plc	Healthcare & Education	275	1,036	817	1.2	2.0	14.6
Electric Word plc	TMT*	696	941	366	1.1	5.1	27.7
Plastics Capital plc	Business Services	662	860	496	1.0	2.2	11.7
Sanderson Group plc	TMT*	612	769	441	0.9	2.3	9.3
Hangar8 plc	Business Services	388	614	389	0.7	2.5	11.3
Tangent Communications plc	Business Services	522	611	408	0.7	2.2	11.2
Sinclair IS Pharma plc	Healthcare & Education	524	596	522	0.7	0.4	2.2
InterQuest Group plc	Business Services	310	551	439	0.6	1.7	6.6
GB Group plc	TMT*	150	527	439	0.6	0.3	1.7
Ideagen plc	TMT*	225	489	261	0.6	1.0	4.3
Scholium Group plc	Consumer Markets	450	441	-	0.5	3.4	15.2
MartinCo plc	Consumer Markets	343	432	-	0.5	1.6	6.9
Synectics plc	Business Services	296	419	542	0.5	0.6	2.1
Dods (Group) plc	TMT*	1,344	410	522	0.5	4.4	20.1
Everyman Media Group plc	Consumer Markets	392	406	-	0.5	1.3	5.8

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

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

Following a restructuring and partial redemption the funds no longer hold equity in Carnell Contractors Limited.

Following a restructuring the effective ownership percentage is dependent on final exit proceeds.

** Residual valuation represents loan stock received as partial proceeds following the sale of CableCom in October 2013 (total return of 4.8x).

Appendices

Full Investment Portfolio

Company	Sector	Book cost £'000	31 March 2014 Valuation £'000	30 September 2013 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds [#]
AIM (continued)							
Vianet Group plc	Business Services	646	404	399	0.5	1.9	9.7
Daily Internet plc	TMT*	250	289	-	0.3	4.1	18.0
Begbies Traynor Group plc	Business Services	231	255	226	0.3	0.6	2.5
Brady plc	TMT*	176	245	184	0.3	0.4	2.1
Paragon Entertainment Limited	Consumer Markets	245	244	293	0.3	3.5	18.5
EG Solutions plc	TMT*	453	232	443	0.3	3.4	15.5
Cohort plc	Business Services	179	188	215	0.2	0.3	1.4
Tristel plc	Healthcare & Education	217	175	95	0.2	1.0	5.4
Ubisense Group plc	TMT*	130	160	150	0.2	0.3	1.6
One Media iP Group plc	TMT*	56	113	67	0.1	1.1	4.8
AimShell Acquisitions plc	Business Services	400	102	102	0.1	3.1	12.3
RTC Group plc	Business Services	355	90	49	0.1	2.8	5.7
Pinnacle Technology Group plc	TMT*	169	73	124	0.1	1.5	6.7
Green Compliance plc	Business Services	932	69	42	0.1	0.8	4.1
STM Group plc	Business Services	162	54	89	0.1	0.6	4.0
EG Solutions plc Loan note	TMT*	33	33	-	0.0	N/A	N/A
Bglobal plc	Business Services	176	28	39	0.0	0.4	2.5
AorTech International plc	Healthcare & Education	285	13	12	0.0	0.3	0.6
Zoo Digital Group plc	TMT*	438	4	6	0.0	0.2	0.6
Total AIM		18,682	30,928		35.8		
Listed							
Vectura Group plc	Healthcare & Education	578	1,838	1,334	2.1	0.3	1.1
Chime Communications plc	TMT*	369	587	517	0.7	0.2	0.7
Marwyn Value Investors Limited	Business Services	64	19	27	0.0	1.3	6.0
Marwyn Management Partners plc	Business Services	525	10	23	0.0	0.3	1.6
Total listed		1,536	2,454		2.8		
ISDX							
Bioventix plc	Healthcare & Education	227	511	346	0.6	1.7	7.6
Total ISDX		227	511		0.6		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	7,883	6,140	9.1		
Total collective investment vehicle		3,525	7,883		9.1		
Total investments		49,541	68,139		78.8		
Net current assets			18,364		21.2		
Net assets			86,503		100.0		

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

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

Shareholder Information and Contact Details

Shareholder Account Queries



The Registrar for **Baronsmead VCT 2** is Computershare Investor Services PLC (“Computershare”).

The Registrar will deal with all of your queries with regard to your shareholder account, such as:

- Change of address
- Latest share price
- Your current share holding balance
- Your payment history, including any outstanding payments
- Your payment options (cheque, direct payment to your bank/building society account, reinvestment)
- Paper or electronic communications
- Request replacement cheques or share certificates (for which there may be additional administrative and other charges)

You can contact Computershare with your queries in several ways:

Telephone: 0870 889 3249 <i>(calls charged at geographical and national rates)</i>	<ul style="list-style-type: none">• This is an automated self-service system• It is available 24 hours a day, 7 days a week• You should have your Shareholder Reference Number (“SRN”) to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons• Press ‘0’ if you wish to speak to someone• The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line: Investor Centre www.investorcentre.co.uk	<ul style="list-style-type: none">• Computershare’s secure website, Investor Centre, allows you to manage your own shareholding online• You will need to register to use this service on the Investor Centre web site• You should have your (“SRN”) to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email: web.queries@computershare.co.uk	
Post: Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	



The **Baronsmead VCT 2** website is www.baronsmeadvct2.co.uk

The Investment Manager for **Baronsmead VCT 2** plc is **ISIS EP LLP** who can be contacted as follows:

Email: baronsmeadvcts@isisep.com
Telephone: [020 7506 5717](tel:02075065717)
Facsimile: [020 7506 5718](tel:02075065718)

Shareholder Information and Contact Details

Share Price

The Company's ordinary shares are listed on the London Stock Exchange. The mid-price of the Company's ordinary 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 the link on the Company's website and 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 through a stockbroker.

The market makers in the shares of Baronsmead VCT 2 plc are:

Panmure Gordon	020 7886 2500
Singer Capital Markets	020 3205 7500
Winterflood	020 3400 0251

Financial Calendar

August 2014 Quarterly fact sheet to 30 June 2014

November 2014 Announcement and posting of final results for year to 30 September 2014

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 FCA. 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.

Secondary market in the shares of Baronsmead VCT 2 plc

The existing shares of the Company are listed on the London Stock Exchange and can be bought and sold using a stockbroker in the same way as shares of any other listed company.

Qualifying investors* who invest in the existing shares of the Company can benefit from:

- Tax free dividends;
- Realised gains are not subject to capital gains tax (although any realised losses are not allowable);
- No minimum holding period; and
- No need to include VCT dividends in annual tax returns.

The UK tax treatment of VCTs is on a first in first out basis and therefore tax advice should be obtained before shareholders dispose of their shares and also if they deferred a capital gain in respect of new shares acquired prior to 6 April 2004.

* UK income tax payers, aged 18 or over, who acquire no more than £200,000 worth of VCT shares in a tax year.

Corporate Information

Directors

Clive Anthony Parritt (Chairman)
Gillian Nott OBE†
Howard Goldring*
Christina McComb

Secretary

ISIS EP LLP

Registered Office

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London EC2V 7AN

Investment Manager

ISIS EP LLP
100 Wood Street
London EC2V 7AN
Tel: 020 7506 5717

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London EC2V 7AN

Registered Number

03504214

Website

www.baronsmeadvct2.co.uk

Registrars and Transfer Office

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Solicitors

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VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

* Chairman of the Audit Committee

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

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