

BARONSMEAD

Baronsmead VCT 2 plc

2015

Half-yearly report for the six months ended
31 March 2015



About Baronsmead VCT 2

Our 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

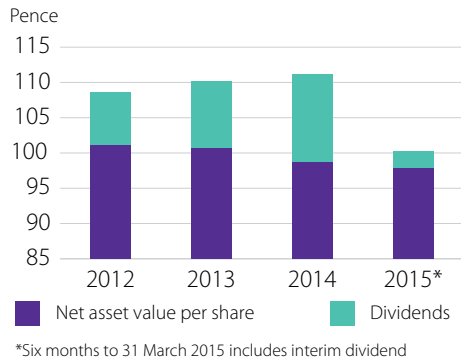
The Board of Baronsmead VCT 2 aims to sustain a minimum annual dividend level at an average of 6.5p per ordinary share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and cannot be guaranteed.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

Shareholder choice

The Board wishes to provide 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 requirements and 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 at a premium to the latest published net asset value to account for issue costs. This enables shareholders seeking additional investments to do so with taxation relief.
- **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.
- **Buy back of shares** | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid market share price discount of approximately 5 per cent to net asset value. In the six months to 31 March 2015, 1,115,000 shares were bought back representing 1.3 per cent of the shares in issue at 31 March 2015 at prices which represented an average of 5.1 per cent discount to the latest published net asset values at the time the shares were bought back. By providing support to market pricing, this helps those shareholders who need to realise their investment.
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought or sold by shareholders using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 160,000 shares were bought by investors in the Company's existing shares in the six months to 31 March 2015.

Financial Headlines



Net asset value including dividends paid per share

Net asset value ("NAV") per share increased 1.6 per cent to 100.24p in the six months to 31 March 2015.

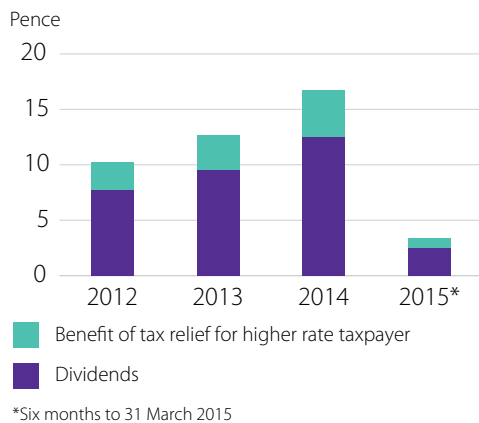
+ 1.6%



Net asset value total return

NAV total return to shareholders for every 100.0p invested at launch in April 1998.

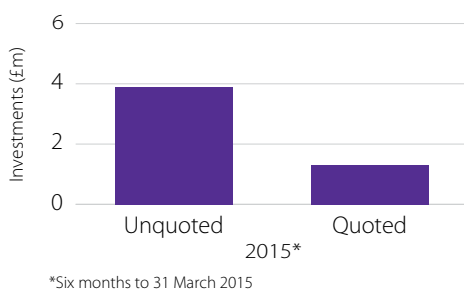
324.0p



Dividends in the year

Interim dividend of 2.5p for the six month period to 31 March 2015 to be paid on 19 June 2015.

2.5p



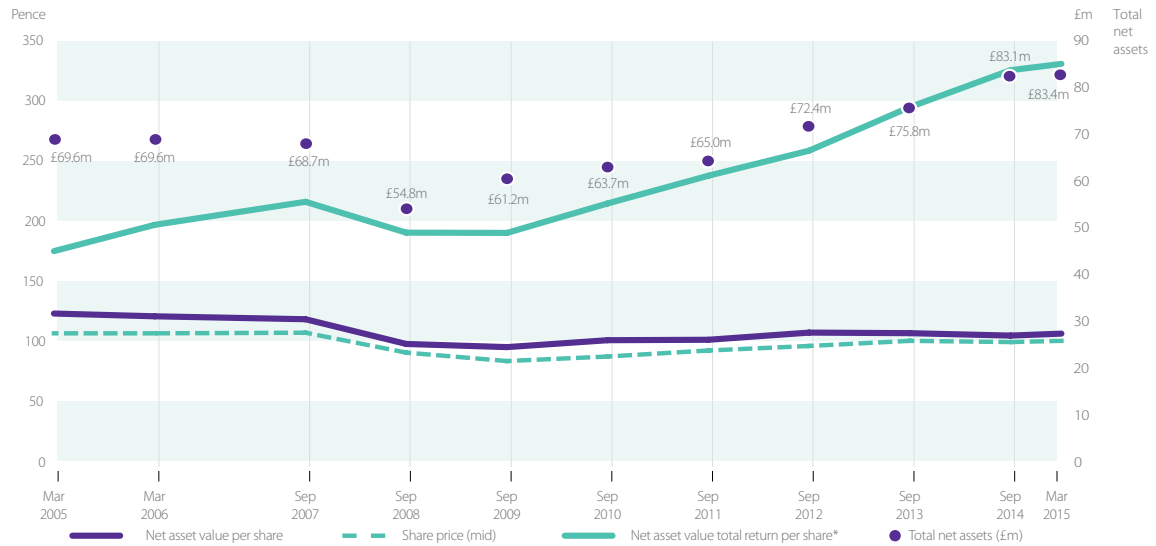
New Investments

£3.9m unquoted investments and £1.3m quoted investments made in the six months to 31 March 2015.

£5.2m

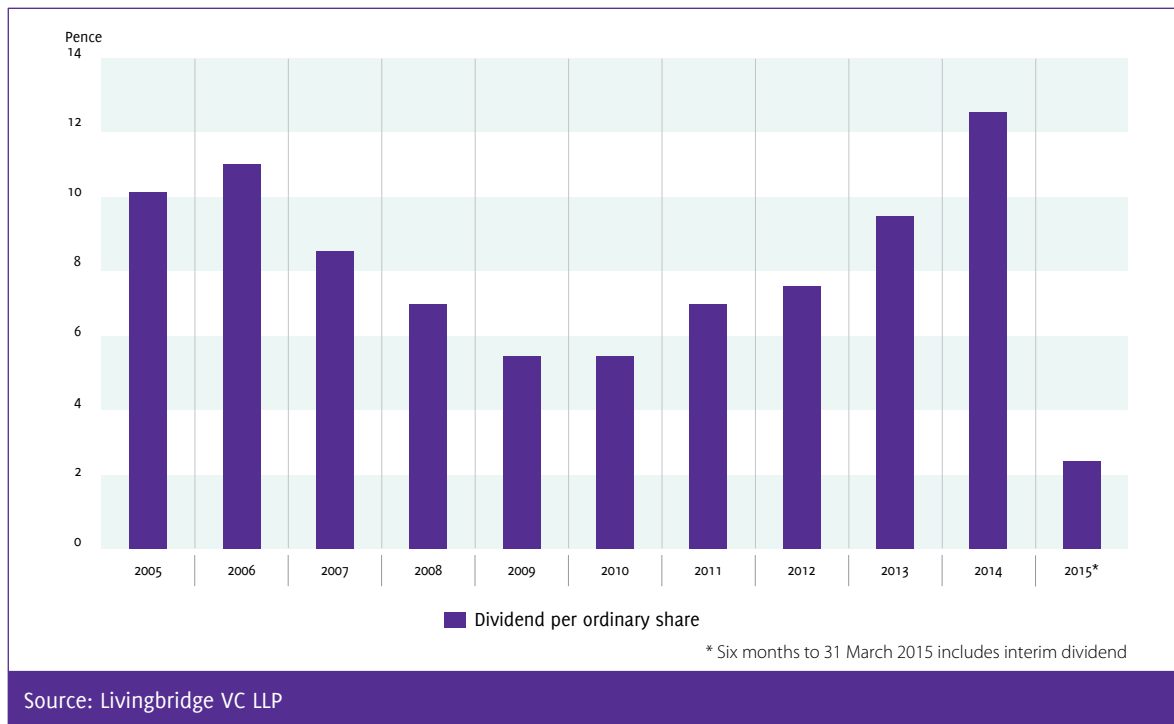
Performance Summary

Net Asset Value in the last ten years



* Net asset value total return (gross dividends reinvested).
Source: Livingbridge VC LLP

Dividend History in the last ten years



Cash Returned to Shareholders by date of investment

The chart and table below show the cash returned to shareholders based on the subscription price and the income tax reclaimed on subscription.



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

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Cumulative dividends (p)*	Return on cash invested %
1998 (April) - Ordinary	100.00	20.00	117.90	137.9
1999 (May) - Ordinary	102.00	20.40	114.40	132.2
2000 (February) - Ordinary	137.00	27.40	111.20	101.2
2000 (March) - Ordinary	130.00	26.00	111.20	105.5
2004 (October) - C**	100.00	40.00	68.40	108.4
2009 (April)	91.60	27.48	50.00	84.6
2012 (December)	111.80	33.54	24.50	51.9
2014 (March)	103.80	31.14	7.00	36.7

* Includes 2.5p interim tax free dividend payable 19 June 2015.

** share dividend calculated using conversion ratio of 0.9657, which is the rate the C shares were converted into ordinary shares.



Clive Parritt
Chairman

Chairman's Statement

The six months to 31 March 2015 was an active period of investment. After the significant divestments of some of our older investments in recent years, the portfolio continues to be refreshed. We made four new unquoted and four new quoted investments in the period. An acceptable growth of 1.6 per cent in the value of the fund was achieved, despite the need to make a significant provision against one unquoted investment (Impetus Holdings ("Impetus")). The Board has declared an interim dividend of 2.5p per share.

	pence per Ordinary share
NAV as at 1 October 2014	98.62
Increase in the value of the fund (1.6 per cent)	1.62
NAV as at 31 March 2015 before dividend	100.24
Interim dividend payable on 19 June 2015 to shareholders on the register on 29 May 2015	(2.50)
NAV as at 31 March 2015 after accounting for interim dividend	97.74

The increase in NAV of 1.6 per cent was the result of steady progress in our more mature investments (delivering an increase in the unquoted portfolio valuation of 6.6 per cent) offset principally by the reduction in value of Impetus. The value of the quoted portfolio (comprising AIM-traded and other listed investments as well as Wood Street Microcap Investment Fund) decreased by 0.3 per cent.

Portfolio Review

At 31 March 2015, the portfolio comprised 67 companies: 21 unquoted and 46 quoted. In addition, the Company's investment in Wood Street Microcap provides investment exposure to a further 39 AIM-traded and fully listed companies.

The net assets of £83.4 million were invested as follows:

- Unquoted companies 30 per cent
- AIM-traded 34 per cent
- Wood Street Microcap Investment Fund 9 per cent
- Other net assets, primarily cash and fixed interest instruments 27 per cent

Over the past two years, realisations of unquoted investments and the increase in the value of quoted investments have

had a significant impact on the Company's asset mix. The proportion of the Company's assets in unquoted investments is considered to be at a cyclical low. It is expected that this will rise over the medium term as growth in the value of the newer unquoted investments occurs. Over 70 per cent, by value, of the Company's new and follow on investments over this two year period were in unquoted companies.

Investment and Divestment Activity

This has been a busy six months for investment activity. The Company invested £4.4m in four new unquoted and four new quoted companies. Smaller follow-on investments in one unquoted company and three quoted companies totalled £0.8m.

A total of £7.7m was realised from the full and partial sale of investments and loan note redemptions.

- The sale of the Company's investment Luxury for Less generated a return 2.0 times its original cost within a relatively short investment period of 20 months.
- The Company's largest investment at the beginning of the period, Nexus Vehicle Holdings, was de-risked as a result of the redemption of loan notes which provided a return of approximately 1.4 times cost. The Company has, though, retained its equity stake which is currently valued at approximately 12 times cost.

Against these successes some losses were realised on other investments: notably Playforce Holdings ("Playforce"), Surgi C and Impetus. While it was disappointing to have three poor realisations in the period, it is in the nature of private equity investment that some investments will fail to achieve their full potential. However, the impact of these realisations on the NAV at 31 March 2015 was limited as the Board had made provisions against the value of Playforce and Surgi C in earlier periods.

More positively, the Investment Manager has continued to consolidate the gains achieved in the quoted portfolio with

partial realisations from a number of quoted companies realising a return of approximately 2.1 times the cost of those investments.

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

Long Term Performance

Baronsmead VCT 2 has been investing funds for shareholders since 1998 and, despite the inherent risk of investing in small companies, the trust has delivered consistently good returns for investors. While VCT tax reliefs do not change the underlying risks associated with investing in smaller companies, the upfront tax relief and the payment of tax free dividends helps to lessen the amount of shareholders original investment cost which remains "at risk".

As shown in the table on page 4 those shareholders who subscribed for shares in any of the Company's various fundraisings between April 1998 and October 2004 had their entire investment returned in dividends and reliefs. For instance, since investing 100p in 1998, founder shareholders have received cash payments totalling 137.9p (being 20p VCT income tax relief and 117.9p in dividends) and they still have an investment in the trust with a NAV of 97.74p per share (after accounting for the interim dividend).

While this analysis does not take account of the on-going value of the tax free nature of VCT dividends, it serves as a useful indicator of investment performance over the long term and the cumulative cash that has been returned to shareholders.

The ten year record of performance is set out on page 3 of this half-yearly report and the full record is set out on our website, www.baronsmeadvct2.co.uk.

VCT legislation

In the March 2015 Budget, the Chancellor announced changes that are designed to ensure that VCTs continue to be approved by the European Union and remain effective in giving small and growing businesses access to finance. The UK government has proposed introducing new criteria regarding the age of companies that will be eligible as qualifying investments for the purposes of tax advantaged venture capital schemes (EIS, SEIS and VCTs) as well as a lifetime cap on the total amount of state aided investment that a company may receive. The Manager believes that, if these proposals gain EU State aid approval and come into law, it will still be possible to continue sourcing suitable VCT qualifying investments in the future.

Outlook

The improvement in the UK economy now appears to be more firmly established. However, the economy does not operate in isolation and the external environment remains uncertain with concerns over the on-going issues related to Greece and the Euro, slowing growth in China and continued political instability in various regions. It is to be hoped that, at least in the UK, the clear election result will ensure that opportunities are enhanced for the entrepreneurial growth companies in which we seek to invest.

The unquoted portfolio now contains a significant number of newer investments made following recent sales. As a result, growth in the value of the unquoted portfolio is likely to be more modest until these investments mature, although some increase in value has begun to take place. The development of the new investments and the Company's portfolio diversity and asset mix should help to deliver consistent returns.

Clive Parritt

Chairman
19 May 2015

Investments in the period

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
<i>New</i>				
Kirona Ltd	Cheshire	TMT*	Provider of Field Force Automation software and services	955
Centre4 Testing Ltd	Sussex	Business Services	Provider of software testing services, primarily through use of contractors	954
IP Solutions Ltd	London	TMT*	Unified communications ('UC') provider	954
Upper Street Events Ltd	London	Consumer Markets	Consumer events owner and operator	953
<i>Follow on</i>				
Happy Days Consultancy Ltd	Cornwall	Healthcare & Education	Provider of nursery based childcare in the South West of England	39
Total unquoted investments				3,855
AIM-traded investments				
<i>New</i>				
Venn Life Sciences Holdings plc	London	Healthcare & Education	Clinical Research organisation providing consulting and clinical trial services	225
Plant Impact plc	Hertfordshire	Business Services	Crop enhancing products	189
Castleton Technology plc	Cambridgeshire	TMT*	Public sector IT managed services and software	68
Gresham House plc	London	TMT*	Investment Trust vehicle	56
<i>Follow on</i>				
Ideagen plc	Derbyshire	TMT*	Compliance software solutions	450
EG Solutions plc#	Staffordshire	TMT*	Back office optimisation software	228
Plastics Capital plc	London	Business Services	Specialist plastic products buy and build	132
Total AIM-traded investments				1,348[^]
Total investments in the period				5,203

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

During the period, the EG Solutions plc Loan note and capitalised interest was converted into Ordinary Shares.

[^] Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marwyn Value Investor Ltd shares following a scheme of arrangement.

Realisations in the period

Company		First investment date	Book Cost £'000	Proceeds† £'000	Overall multiple return*
Unquoted realisations					
Nexus Vehicle Holdings Ltd	Loan repayment	Feb 08	2,131	3,082	1.4
Luxury For Less Ltd	Full trade sale	Jul 13	955	1,787	2.0
Playforce Holdings Ltd	Full trade sale	Jan 08	1,196	380	0.5
Surgi C Ltd	Full trade sale	Apr 10	1,102	325	0.3
Eque2 Ltd	Loan repayment	Apr 13	111	124	1.1
Kingsbridge Ltd	Loan repayment	Jan 14	53	96	1.8
Impetus Holdings Ltd	Full trade sale	Apr 12	1,305	0	0.0
Total unquoted realisations			6,853	5,794	
AIM-traded realisations					
Jelf Group plc	Market sale	Oct 04	210	737	3.5
GB Group plc	Full market sale	Nov 11	108	384	3.6
Cohort plc	Full market sale	Oct 07	179	285	1.7
RTC Group plc	Full market sale	Jun 98	355	258	0.8
Anpario plc	Market sale	Nov 06	54	235	4.3
Total AIM-traded realisations			906[^]	1,899	
Total realisations in the period			7,759	7,693[†]	

† 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.

[^] Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marwyn Value Investor Ltd shares following a scheme of arrangement.

[†] Deferred consideration of £195,000 was also received in respect of MLS Ltd.

Investment Diversification at 31 March 2015

Sector by value



Business Services	39%
Consumer Markets	15%
Healthcare & Education	11%
Technology, Media & Telecommunications ("TMT")	35%

Total assets by value



Unquoted – loan notes	21%
Unquoted – equity	9%
AIM & collective investment vehicle	43%
Interest bearing securities	12%
Net current assets	15%

Time investments held by value



Less than 1 year	11%
Between 1 and 3 years	28%
Between 3 and 5 years	22%
Greater than 5 years	39%

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

Baronsmead VCT 2 plc
Half-yearly report for the six months ended 31 March 2015

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 14 is a fair review of the information required by DTR 4.2.7R being a description of the principal risks and uncertainties for the remaining six months of the year; 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 Company 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

19 May 2015

Unaudited Income Statement

For the six months to 31 March 2015

	Six months to 31 March 2015			Six months to 31 March 2014			Year to 30 September 2014*		
	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	-	629	629	-	8,383	8,383	-	7,898	7,898
Realised (losses)/gains on disposal of investments	-	(85)	(85)	-	(963)	(963)	-	639	639
Income	1,745	-	1,745	1,527	-	1,527	2,100	-	2,100
Investment management fee	(191)	(573)	(764)	(185)	(1,198)	(1,383)	(382)	(1,701)	(2,083)
Other expenses	(238)	-	(238)	(242)	-	(242)	(464)	-	(464)
Profit/(loss) on ordinary activities before taxation	1,316	(29)	1,287	1,100	6,222	7,322	1,254	6,836	8,090
Taxation on ordinary activities	(203)	203	-	(177)	177	-	(164)	164	-
Profit on ordinary activities after taxation	1,113	174	1,287	923	6,399	7,322	1,090	7,000	8,090
Return per ordinary share:									
Basic	1.32p	0.21p	1.53p	1.21p	8.40p	9.61p	1.35p	8.71p	10.06p

* Figures as at 30 September 2014 are audited.

Unaudited Reconciliation of Movements in Shareholders' Funds

Baronsmead VCT 2 plc
Half-yearly report for the six months ended 31 March 2015

For the six months to 31 March 2015

	Six months to 31 March 2015	Six months to 31 March 2014	Year to 30 September 2014*
	£'000	£'000	£'000
Opening shareholders' funds	83,139	75,789	75,789
Profit on ordinary activities after taxation	1,287	7,322	8,090
Costs of buybacks & net proceeds of share issues	(1,038)	9,409	9,078
Dividends paid	–	(6,017)	(9,818)
Closing shareholders' funds	83,388	86,503	83,139

* Figures as at 30 September 2014 are audited.

Notes

- The unaudited interim results which cover the six months to 31 March 2015 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 2014.
- Return per share is based on a weighted average of 83,909,220 ordinary shares in issue (30 September 2014 – 80,388,884 ordinary shares; 31 March 2014 – 76,201,217 ordinary shares).
- Earnings for the first six months should not be taken as a guide to the results of the financial year to 30 September 2015.
- During the period the Company has purchased 1,115,000 shares to be held in treasury. At 31 March 2015 the Company holds 11,783,819 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 83,188,313 ordinary shares in circulation at 31 March 2015 (30 September 2014 – 84,303,313 ordinary shares; 31 March 2014 – 84,648,313 ordinary shares).
- The interim dividend of 2.5p per share (1.2p capital, 1.3p revenue) will be paid on 19 June 2015 to shareholders on the register on 29 May 2015. The ex-dividend date is 28 May 2015.
- 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 2014 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2014, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2014 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the half-yearly report have been made available to shareholders and are also available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Unaudited Balance Sheet

As at 31 March 2015

	As at 31 March 2015 £'000	As at 31 March 2014 £'000	As at 30 September 2014* £'000
Fixed assets			
Unquoted investments	24,785	26,363	24,988
Traded on AIM	28,346	30,928	28,835
Traded on ISDX	–	511	485
Listed on LSE	–	2,454	24
Collective investment vehicle	7,930	7,883	7,608
Listed interest bearing securities	9,995	–	10,996
Investments	71,056	68,139	72,936
Current assets			
Debtors	3,029	3,580	1,320
Cash at bank and on deposit	10,073	16,101	10,139
	13,102	19,681	11,459
Creditors (amounts falling due within one year)	(770)	(1,317)	(1,256)
Net current assets	12,332	18,364	10,203
Net assets	83,388	86,503	83,139
Capital and reserves			
Called-up share capital	9,497	9,497	9,497
Share premium	16,550	16,545	16,545
Capital reserve	37,784	41,591	40,330
Revaluation reserve	18,174	18,598	16,497
Revenue reserve	1,383	272	270
Equity shareholders' funds	83,388	86,503	83,139

* Figures as at 30 September 2014 are audited.

	As at 31 March 2015 £'000	As at 31 March 2014 £'000	As at 30 September 2014* £'000
Net asset value per share	100.24p	102.19p	98.62p
Number of ordinary shares in circulation	83,188,313	84,648,313	84,303,313
Treasury net asset value per share	99.50p	101.49p	98.02p
Number of ordinary shares in circulation	83,188,313	84,648,313	84,303,313
Number of ordinary shares held in treasury	11,783,819	10,323,819	10,668,819
Number of listed ordinary shares in issue	94,972,132	94,972,132	94,972,132

* Figures as at 30 September 2014 are audited.

Unaudited Cash Flow Statement

Baronsmead VCT 2 plc

Half-yearly report for the six months ended 31 March 2015

For the six months to 31 March 2015

	Six months to 31 March 2015	Six months to 31 March 2014	Year to 30 September 2014*
	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	250	(404)	(482)
Net cash inflow from financial investment	878	10,046	8,327
Equity dividends paid	–	(6,017)	(9,818)
Net cash inflow/(outflow) before financing	1,128	3,625	(1,973)
Net cash outflow/(inflow) from financing	(1,194)	9,601	9,237
(Decrease)/increase in cash	(66)	13,226	7,264
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash	(66)	13,226	7,264
Opening cash position	10,139	2,875	2,875
Closing cash at bank and on deposit	10,073	16,101	10,139
Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities			
Profit on ordinary activities before taxation	1,287	7,322	8,090
Gains on investments	(544)	(7,420)	(8,537)
Changes in working capital and other non-cash items	(493)	(306)	(35)
Net cash inflow/(outflow) from operating activities	250	(404)	(482)

* Figures as at 30 September 2014 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 investment performance, regulatory and compliance, legislative, loss of approval as a Venture Capital Trust, economic, political and other external factors and operational risks. These risks, and the way in which they are managed, are described in more detail in the Risk Matrix within the Strategic Report section in the Company's Annual Report and Accounts for the year to 30 September 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Related Parties

Livingbridge VC 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 The Investment Management Agreement within the Strategic Report in the Company's Annual Report and Accounts for the year to 30 September 2014. During the period the Company has incurred management fees of £764,000 and secretarial fees of £63,000 payable to the Manager. No performance fee has been accrued at 31 March 2015.

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 2015 the Company held cash and readily realisable securities totalling £20,068,000. 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 2015 Valuation £'000	30 September 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
Unquoted							
Nexus Vehicle Holdings Ltd	Business Services	244	2,899	5,369	3.5	13.7	62.1
Crew Clothing Holdings Ltd	Consumer Markets	1,453	2,511	2,446	3.0	6.1	25.5
Create Health Ltd	Healthcare & Education	1,065	1,879	1,520	2.3	5.7	29.0
Pho Holdings Ltd	Consumer Markets	990	1,459	1,228	1.8	5.5	28.0
Carousel Logistics Ltd	Business Services	955	1,397	1,182	1.7	6.0	40.0
Valldata Group Ltd	Business Services	1,221	1,391	1,328	1.7	‡	‡
CableCom II Networking Holdings Ltd	TMT*	1,250	1,368	1,293	1.7	2.5	11.2
Independent Community Care Management Ltd	Healthcare & Education	1,358	1,366	1,554	1.6	13.9	70.0
Kingsbridge Ltd	Business Services	899	1,283	1,154	1.5	5.7	34.0
Equ2 Ltd	TMT*	766	1,251	1,333	1.5	7.6	38.5
Key Travel Ltd	Business Services	954	1,201	1,101	1.4	4.7	48.0
Happy Days Consultancy Ltd	Healthcare & Education	1,052	1,068	993	1.3	12.9	65.0
Kirona Ltd	TMT*	955	955	–	1.2	3.8	37.5
Centre4 Testing Ltd	Business Services	954	954	–	1.1	6.9	45.0
IP Solutions Ltd	TMT*	954	954	–	1.1	4.4	30.0
Upper Street Events Ltd	Consumer Markets	953	953	–	1.1	8.0	70.1
CR7 Services Ltd	TMT*	949	949	949	1.1	4.4	52.1
Armstrong Craven Ltd	Business Services	673	847	824	1.0	7.7	46.0
Playforce Holdings Ltd	Business Services	0	100	388	0.1	N/A	N/A
Carnell Contractors Ltd	Business Services	941	0	0	0.0	##	##
Fisher Outdoor Leisure Holdings Ltd	Consumer Markets	1,423	0	0	0.0	11.2	46.8
Xention Discovery Ltd	Healthcare & Education	316	0	0	0.0	0.6	2.9
Total unquoted		20,325	24,785		29.7		
AIM							
Staffline Group plc	Business Services	87	2,750	2,986	3.3	1.2	2.4
Netcall plc	TMT*	869	2,674	3,021	3.2	3.6	18.0
IDOX plc	TMT*	614	2,530	2,642	3.0	1.8	4.9
Accumuli plc	TMT*	504	1,879	1,678	2.3	4.2	23.0
Tasty plc	Consumer Markets	594	1,849	1,473	2.2	2.5	14.4
TLA Worldwide plc	Business Services	733	1,545	1,382	1.9	2.9	14.1
Jelf Group plc	Business Services	551	1,122	1,535	1.3	0.7	2.8
Inspired Energy plc	Business Services	287	1,004	981	1.2	2.2	10.8
Dods (Group) plc	TMT*	1,344	932	970	1.1	4.4	20.1
Ideagen plc	TMT*	675	903	379	1.1	1.4	6.4
Plastics Capital plc	Business Services	794	804	714	1.0	2.3	11.7
Electric Word plc	TMT*	696	785	628	0.9	5.1	27.6
Escher Group Holdings plc	TMT*	614	777	921	0.9	1.9	9.7
Sanderson Group plc	TMT*	612	763	781	0.9	2.2	8.8
Bioventix plc	Healthcare & Education	227	744	485	0.9	1.7	7.6
Anpario plc	Healthcare & Education	152	671	740	0.8	1.0	6.5
EG Solutions plc	TMT*	714	670	438	0.8	4.2	19.2
Driver Group plc	Business Services	564	655	1,179	0.8	3.5	16.5
Gama Aviation plc	Business Services	388	625	663	0.8	0.5	2.5
InterQuest Group plc	Business Services	310	518	675	0.6	1.6	6.3
Vianet Group plc	Business Services	646	435	414	0.5	1.9	9.7
MartinCo plc	Consumer Markets	343	429	350	0.5	1.6	6.9

Full Investment Portfolio (continued)

Company	Sector	Book cost £'000	31 March 2015 Valuation £'000	30 September 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
AIM (continued)							
Everyman Media Group plc	Consumer Markets	391	420	420	0.5	1.3	5.8
Brady plc	TMT*	176	297	235	0.4	0.4	2.1
Daily Internet plc	TMT*	340	263	337	0.3	4.4	19.5
Begbies Traynor Group plc	Business Services	231	256	279	0.3	0.6	2.2
Plant Impact plc	Business Services	189	235	–	0.3	0.6	2.5
Venn Life Sciences Holdings plc	Healthcare & Education	225	225	–	0.3	3.0	13.4
Tangent Communications plc	Business Services	522	219	486	0.3	2.3	11.3
Crawshaw Group plc	Consumer Markets	200	214	262	0.3	0.6	9.1
Scholium Group plc	Consumer Markets	450	202	369	0.2	3.3	14.7
Paragon Entertainment Ltd ^	Consumer Markets	258	152	146	0.2	3.6	19.1
Castleton Technology plc	TMT*	68	129	–	0.2	0.5	2.4
Synectics plc	Business Services	296	117	375	0.1	0.6	2.1
One Media iP Group plc	TMT*	113	111	127	0.1	1.6	7.0
STM Group plc	Business Services	162	108	87	0.1	0.6	4.0
Mi-Pay Group plc	Business Services	400	74	118	0.1	0.8	3.1
Ubisense Group plc	TMT*	130	67	112	0.1	0.3	1.4
Gresham House plc	TMT*	56	55	–	0.1	0.2	0.9
Synty Group plc	TMT*	112	40	74	0.1	0.5	2.4
Pinnacle Technology Group plc	TMT*	169	32	44	0.0	1.2	5.4
Fulcrum Utility Services Ltd ^	Business Services	51	28	–	0.0	0.1	2.6
APC Technology Group plc	Business Services	932	21	37	0.0	0.1	0.6
Marwyn Management Partners plc	Business Services	525	7	8	0.0	0.0	0.1
Zoo Digital Group plc	TMT*	438	6	4	0.0	0.2	0.6
AorTech International plc	Healthcare & Education	285	4	5	0.0	0.3	0.6
Total AIM		19,037	28,346		34.0		
Listed interest bearing securities							
UK Treasury Bill 27/04/15		4,999	4,999	–	6.0		
UK Treasury Bill 11/05/15		4,996	4,996	–	6.0		
Total listed interest bearing securities		9,995	9,995		12.0		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	7,930	7,608	9.5		
Total collective investment vehicle		3,525	7,930		9.5		
Total investments		52,882	71,056		85.2		
Net current assets			12,332		14.8		
Net assets			83,388		100.0		

All funds managed by the same investment manager, Livingbridge VC LLP, and Livingbridge EP LLP, including Baronsmead VCT 2 plc.

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

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

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

^ Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marywyn Value Investor Ltd shares following a scheme of Arrangement.

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: 0800 923 1532

- 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

- 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

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers for free company reports.

Please note that it is very unlikely that either the Company or the Company Registrar, Computershare, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company's Investment Manager or the Registrar at the number provided on page 19.

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 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 & Co.	020 7886 2500 (the Company's broker)
Winterflood	020 3400 0251

Financial Calendar

August 2015 Quarterly Factsheet to 30 June 2015

November 2015 Announcement of final results for year to 30 September 2015

December 2015 Eighteenth 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. Livingbridge VC 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 Livingbridge VC LLP which is Authorised and regulated by the FCA. Past performance is not necessarily a guide to future performance. Stock markets 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 not subject to capital gains tax (although any realised losses are not allowable)
- No minimum holding period
- 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

Livingbridge VC LLP

Registered Office

100 Wood Street
London EC2V 7AN

Investment Manager

Livingbridge VC LLP
100 Wood Street
London EC2V 7AN
020 7506 5717

Registered Number

03504214

Registrars and Transfer Office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0800 923 1532

Brokers

Panmure Gordon & Co
One New Change
London EC4M 9AF
Tel: 020 7886 2500

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW

VCT Status Adviser

RobertsonHare LLP
4-6 Staple Inn
Holborn
London WC1V 7QH

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



LIVINGBRIDGE

Investment Manager

T 020 7506 5600

www.livingbridge.com

100 Wood Street London EC2V 7AN T 020 7506 5600 F 020 7506 5665 www.baronsmeadvcts.co.uk