

# Baronsmead VCT 2 plc



- NAV per ordinary share decreased by 0.9% to 113.6p and NAV per C share increased by 3% to 104.5p
- The total return since launch in 1998 for the ordinary shares is 89% (AIRC method) and the total return since inception in October 2004 for the C shares is 14%
- £2.4m was invested in three companies taking the total portfolio to 76 companies

## Performance review

The unquoted investments have continued to progress well with good up lifts amounting to £1.3m in value.

The AiM market rose sharply in April before a significant reversal and increased volatility subsequently in June. The profit warning by Inter Link Foods resulted in a reduction of £572k. Profits totalling £204,000 were realised from Debtmatters, MEM and Talarius. The AiM Index fell 10% over the quarter and the fall for the AiM portions of the Ordinary and C shares were 7% and 1% respectively.

The resulting increase in NAV per share for the C shares of 3% at 30 June 2006 was achieved against a backdrop of increasing uncertainty in quoted stock markets.

## Investment activity

Company	Amount invested £ (000's)		Activity	Location
	'O' Shares	'C' Shares		
Fisher Outdoor Leisure*	285	1,139	Leading distributor of branded parts and accessories to the UK cycle market <a href="http://www.fisheroutdoor.co.uk">www.fisheroutdoor.co.uk</a>	St Albans
Proactis Control	80	320	Provider of Spend software to mid to large software organisations <a href="http://www.proactis.com">www.proactis.com</a>	York
Worthington Nicholls	105	420	Provider and supplier of ventilation systems in UK and Europe <a href="http://www.worthington-nicholls.co.uk">www.worthington-nicholls.co.uk</a>	Manchester
Driver**	35	56	Commercial and dispute resolution consultancy services <a href="http://www.driver-group.com">www.driver-group.com</a>	Rosendale
Total	£505	£1,935		

\*unquoted

\*\*Follow-on investment

## Statistics

Ordinary Shareholder	3 years %	5 years %	Since launch %*
Baronsmead VCT 2 Total Return <sup>1</sup>	+53.6	+48.4	+88.8
FTSE All-Share Total Return <sup>2</sup>	+66.1	+27.8	+32.2

\*2 April 1998

<sup>1</sup>Total return = NAV + Reinvested Dividends.

<sup>2</sup>Source: Datastream

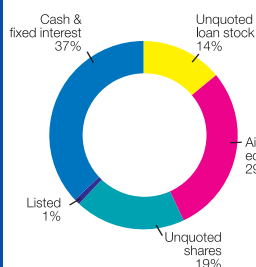
Past performance is not a guide to future performance.

## Top Ten investments - Combined ordinary & C share

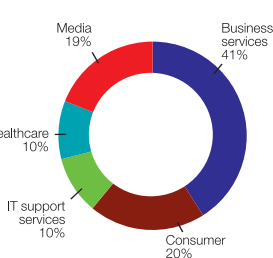
Activity	% of total investments excluding cash and fixed interest <sup>†</sup>
The Art Group	Artistic IPR Management and supply <b>7.4</b>
Martin Audio	Professional sound systems <b>6.8</b>
Reed & Mackay	Business travel management services <b>4.5</b>
Kafevend	Drinks vending machine service provider <b>4.1</b>
Americana	Designer and retailer of clothing <b>3.4</b>
Fisher Outdoor	Accessories to UK cycle market <b>3.3</b>
Crucible Group	Credit Management <b>2.9</b>
Begbies Traynor	Insolvency services <b>2.9</b>
Staffline	Recruitment Provider <b>2.8</b>
Huveaux	Publishers of specialist books and directories <b>2.6</b>
Vectura	Emerging pharmaceutical company <b>2.5</b>
<b>Total</b>	<b>43.2</b>

<sup>†</sup> Numbers are colour coded to reflect sector breakdown.

## Total assets



## Sector breakdown



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## Calendar for Baronsmead VCT 2 to June 2007

November 2006	Interim results and dividend announced.
February 2007	Quarterly fact sheet published for Net Asset Values at 31 December 2006.
May 2007	Annual Results and dividend announced.
June 2007	Ninth AGM.

## Finance Act 2006 summary

The Finance Act was enacted on 20 July 2006 and for VCT funds raised post 5 April 2006, the changes are:

- Income tax relief decreased from 40% to 30%.
- Holding period moved from 3 years to 5 years.
- Funds must be deployed in Investee Companies with Gross Assets of up to £7 million, previously this had been £15 million.

From 6 April 2007 the use of Non Interest Bearing Accounts will be prohibited.

## Treasury Shares

Your Board will be contacting you later this autumn to seek approval from shareholders to re-issue Treasury Shares (the result of the Company buying back its own shares instead of them being cancelled) at a discount to NAV. The Board believes that the proposed change will provide greater flexibility in the event that demand for the Company's shares exceeds supply and the Board responds by re-issuing shares out of treasury.

## Unsolicited Marketing contact by third parties

We are aware of recent third party promotional marketing literature sent to shareholders, variously claiming to provide research or be associated to Baronsmead VCT 2. Such material is unconnected to either the Company or the Manager.

## Shareholder Survey - to be sent in Autumn 2006

- Understand shareholders investment, taxation and liquidity priorities.
- How to stimulate and develop the buying and selling of existing shares.
- Determine shareholders appetite for purchasing shares in Baronsmead VCT 2.

## Feedback and change of address

ISIS has moved to the address below. If shareholders have any questions or comments about their investment, please contact:

**David Thorp**  
**ISIS EP LLP**  
**100 Wood Street**  
**London, EC2V 7AN**  
**Tel: 020 7506 1609**  
**Fax: 020 7770 5426**  
**Email: david.thorp@isisep.com**

or **Computershare Investor Services PLC**  
**PO Box 82**  
**The Pavilions, Bridgwater Road**  
**Bristol, BS99 7NH**  
**Tel: 0870 703 0137**  
**(from outside the UK: +44 870 7030137)**  
**Email: web.queries@computershare.co.uk**

All figures as at 30 June 2006 and all sources ISIS EP LLP unless otherwise stated. Baronsmead VCT 2 plc is managed by ISIS EP LLP which is Authorised and regulated by the Financial Services Authority (FSA). Past performance is not 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 emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and income from, the investment. Tax rates and reliefs depend on the circumstances of individual investors and may be subject to change.

**ISIS EP LLP, 100 Wood Street, London EC2V 7AN. Tel 020 7506 1620.**



Up-date for the quarter ended 30 June 2006

