

Baronsmead VCT 2 plc



1.6p (1.6%)	decrease in NAV per share excluding the effect of the 3.0p interim dividend
3.0p	interim dividend paid on 20 June 2008
£3.6m	profits realised from the sale of two unquoted investments at an average multiple of 5.4 times cost

Performance Summary for the quarter to 30 June 2008

Ordinary shares	As at 30/06/08	As at 31/03/08	Movement
Total net assets	£59.9m	£63.7m	
Net asset value per share	99.49p	104.08p	(4.4)%
Share price	91.50p	94.00p	(2.7)%
Premium/(Discount) to NAV	(8.0)%	(9.2)%	

Performance Summary to 30 June 2008

Ordinary shares	3 months	1 year	5 years	10 years
Total return				
Net asset value ¹	(1.6)%	(8.8)%	55.7%	87.9%
Share price ²	1.5%	(3.1)%	55.6%	79.8%
FTSE All-share ³	(1.5)%	(13.0)%	71.0%	40.5%

¹NAV Total return = NAV + reinvested dividends.

²Share price Total return = Mid to mid share price + reinvested dividends. Source: AIC

³Source: AIC

Investment Performance

The decline in smaller company Stock Market ratings levelled off in the quarter. However a full provision against the Art Group (equivalent to 2p a share) following a sharp deterioration in retail sales for April and May 2008, was the main reason for the fall in NAV per share. Subsequent to the quarter end this business was sold for a nominal sum.

The sale of kidsunlimited and SLR at 4.8 times and 6.0 times (respectively) of their original cost demonstrates that focussed well-managed companies can generate good value for their shareholders. Realised profits from these sales were £1.4m and £2.2m, which increase the capital reserves from which future capital dividends can be paid.

Investment Activity

During the quarter a total of £448,000 was invested as follows:

Company	Cost (£000's)	VCT Status
New Investment		
kidsunlimited Group Ltd	113	Non qualifying
Silverdell plc	14	Non qualifying
Total new investment	127	
Follow on Investment		
Character Group plc	62	Non qualifying
Electric Word plc	10	Non qualifying
Essentially Group plc	240	Qualifying
Independent Media Distribution	9	Non qualifying
Total follow on investment	321	
Total new and follow on investment	448	

Investment Realisations

kidsunlimited was sold at an enterprise value of £45m in April 2008. Since first investment in 2001, kidsunlimited has successfully opened new nurseries at 50 locations with over 4,500 registered places offering premium care in purpose built or designed settings, including gardening club, "Soccer Tots" and baby yoga. The investment made by the Baronsmead VCTs has enabled the business to develop a management and operational capability that can readily increase the scale of the business in a changing marketplace and it has become 'the stand out asset' in the sector.

The investment in SLR was sold in May 2008 valuing the company in the region of £100m. SLR is an international environmental consultancy with offices in the UK, US and Canada. Since investment in September 2004, the business has delivered substantial organic and acquisitive growth in the UK and North America, opening new offices and expanding its range of services. As a result, employee numbers in SLR increased from 168 in 2004 to 650 at May 2008.

Investments in three AiM investees with a market value at 31 March of £66,000 were sold in the quarter realising £72,000. Although this was a profit of £6,000 in the quarter, it represented a net realised loss of £476,000 as compared with original cost. The fully listed investment in Ardana reduced in value by £63,000 when the company went into administration.



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Top Ten Investments

Position as at
30/06/08 (31/03/08)

		Activity	% of net assets as at 30/06/08	
1	(1)	Reed & Mackay	Travel management	4.24
2	(3)	Independent Living Services	Domiciliary care	3.71
3	(5)	Scriptswitch	Prescription software	3.47
4	(8)	CSC (World)	Structural engineers software	2.68
5	(9)	Cablecom Networking Holdings	Internet access solutions	2.68
6	(7)	Kafévend	Vending services	2.58
7	(10)	Jelf Group	Financial services consultancy	2.51
8	(11)	Carnell Contractors	Highway support services	2.50
9	(6)	Credit Solutions Holdings	Credit management	2.47
10	(12)	Fisher Outdoor Leisure	Distribution of cycle accessories	2.44
Total			29.28	

Analysis of Investment Portfolio by Sector*

	Percentage of total investments at 30/06/08	Percentage of total investments at 31/03/08
Business Services	43	51
Consumer Markets	13	12
IT Support Services	26	18
Healthcare	12	11
Media	6	8
Total	100	100

* Excluding cash and interest bearing securities

Future Share Issues

The current market conditions for new investment are more attractive in terms of pricing than for some years and as a consequence the Board has been considering how best to take advantage of this. On 31 July 2008 the shareholders gave approval at an EGM authorising the Board to raise up to £12m. An invitation to shareholders to subscribe for new shares will be made in September 2008.

Daily and Key Information

Further information regarding the Company, including latest financial statements and quarterly factsheets, can be found at the Company's website www.baronsmeadvct2.co.uk

Investment Objective

Baronsmead VCT 2 plc is a tax efficient listed company which aims to achieve long-term capital growth and generate tax-free dividends for private investors.

Future Contact

For further information please contact:

Michael Probin 020 7506 5796 michael.probin@isisep.com

Paul Forster 020 7506 5652 paul.forster@isisep.com

Shareholders can access information about their holding in the Company by using the Registrar's website www-uk.computershare.com/investor and registering with their Investor Centre service; by email at web.queries@computershare.co.uk; by telephone on 0870 703 0137 (or +44 870 703 0137 from outside the UK).



Baronsmead VCT 2 plc is managed by ISIS EP LLP, which is authorised and regulated by the Financial Services Authority (FSA). For more information about Baronsmead VCT 2 please visit www.baronsmeadvct2.co.uk.

ISIS Equity Partners manages the five Baronsmead VCTs. ISIS EP LLP, 100 Wood Street, London, EC2V 7AN.
Tel: 020 7506 5600.

All figures as at 30 June 2008 unless otherwise stated. All sources ISIS EP LLP (ISIS Equity Partners) unless otherwise stated. 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 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. Investors should take their own financial and tax advice before investing, based on their own individual circumstances. VCTs should be regarded as long term in nature. An investment is only suitable for private investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result. ISIS Equity Partners does not give investment advice.