

BARONSMEAD

Baronsmead VCT 2 plc
Quarterly update
For the three month period to 30 June 2009



Financial Headlines

3.2%	increase in underlying Net Asset Value (NAV) per share due primarily to growth in value of AIM investments
2.5p	interim dividend paid on 26 June 2009 resulting in NAV per share at period end of 87.77p per share

Investment Objective and Dividend Policy

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

The Board 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 cannot be guaranteed. There will be variations in the amounts of dividends paid year on year. In the current economic environment realisations may be difficult to achieve but there are expected to be good opportunities to invest advantageously.

Dividends are normally declared on the publication of the Interim and Annual Results unless circumstances dictate otherwise. Dividends are paid from net revenues and from distributable reserves earned on the profitable realisation of investments, with the amount declared being dependent on the circumstances of the Company at the time.

Performance Summary

	As at 30 June 2009	As at 31 March 2009	Movement %
Capital return			
Ordinary shares			
Total net assets	£60.3m	£58.6m	
Net asset value per share	87.77p	85.07p*	3.2
Share price	79.50p	77.50p	2.6
Premium/(Discount) to NAV	(9.4%)	(11.5%)	

*This is stated after adjusting for the payment of an interim dividend of 2.5p per share (paid on 26 June 2009) for comparative purposes.

	3 months to 30 June 2009 (%)	1 year to 30 June 2009 (%)	5 years to 30 June 2009 (%)	10 years to 30 June 2009 (%)
Total return				
Ordinary shares				
Net asset value ¹	3.1	(5.3)	27.9	70.8
Share price ²	7.2	(7.0)	28.0	59.9
FTSE All-share ³	10.9	(20.5)	16.3	1.4

¹ NAV Total return = NAV + reinvested dividends; Source: ISIS EP LLP

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

³ FTSE All-share = FTSE All-share Index + reinvested dividends; Source: AIC

Investment Performance

During the period under review there was a general recovery in financial markets although volatility in the value of quoted shares remains. As a result, over the quarter to 30 June 2009, the FTSE All-Share index and the FTSE AIM index rose 9.5% and 28.5% respectively.

The underlying NAV of the Company rose by 2.7p per share (3.2%) over the quarter after adjusting for the payment of the 2.5p interim dividend. The increase in the value of the NAV is mainly attributable to the 19.2% increase in the value of the Company's AIM quoted investments. There was a small upward revaluation across the unquoted portfolio.

Investment Activity

In 2009, the number of unquoted and AIM investment opportunities in the UK has dropped significantly as high quality investee companies have had to adjust their valuation expectations downwards. In addition investors have found it more difficult to look forward at future trading prospects and their associated risks. The Manager has increased its marketing to identify investment opportunities over this period but has not been prepared to invest without the greater certainty that will arise from a more stable UK economic climate. There are early signs that confidence is slowly returning and the Manager has noted this across many of the existing portfolio companies.

No further qualifying investments were completed in the period but there were some limited realisations amounting to £0.4 million gross proceeds. However, a non-qualifying investment of £106,000 was made in Ffastfill which is an AIM traded company specialising in software for financial services.

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Investments

Company	Date	Cost (£'000)	VCT Status
<i>Follow on Investments</i>			
Ffastfill*	June 09	106	Non Qualifying
Total Q2, 2009		106	

*AIM traded investments

Top Ten Investment Holdings

Position as at 30 June 2009	Position as at 31 March 2009	Company	Percentage of NAV as at 30 June 2009
1	2	Reed & Mackay	4.8
2	1	Scriptswitch	4.5
3	3	Carnell Contractors	4.3
4	4	Nexus	4.1
5	5	Independent Living Services	3.0
6	6	Cablecom	2.9
7	7	Quantix	2.8
8	9	Fishers Outdoor Leisure	2.4
9	8	Kafevend	2.4
10	14	IDOX plc	2.3
Total			33.5

July Net Asset Value

The NAV per share at 31 July 2009 was 87.32p.

Other than as disclosed in this statement the Board is not aware of any significant events or transactions which have occurred between 30 June 2009 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Sector Breakdown

(excluding cash and interest bearing securities)

	Percentage of total investments 30 June 2009	Percentage of total investments 31 March 2009
Business Services	33	34
Consumer Markets	14	14
IT & Media	28	25
Healthcare & Education	19	21
Financial Services	6	6
Total	100	100

Daily and key information

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

Future contact

For further information please contact:

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Baronsmead VCT 2 plc is managed by ISIS EP LLP (ISIS Equity Partners), which is Authorised and regulated by the Financial Services Authority (FSA). ISIS EP LLP manages five Baronsmead VCTs. All information sources are provided by ISIS EP LLP and all figures are as at 30 June 2009 unless otherwise stated. ISIS EP LLP does not give investment advice. 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. Investors should take their own financial and tax advice before investing, based on their own individual circumstances. VCTs should be regarded as a long term investment and are 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.

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