

BARONSMEAD

Baronsmead VCT 2 plc
Quarterly update
For the three month period to 31 December 2009



Financial Headlines

2.2%	1.9p per share increase in underlying Net Asset Value (NAV) per share
3.0p	final dividend for the year ending 30 September 2009 paid on 30 December 2009
4.5%	increase in the valuation of the unquoted portfolio largely as a result of improved trading within portfolio companies

Investment Objective and Dividend Policy

Baronsmead VCT 2 plc is a tax efficient listed company which aims to achieve long-term investment returns for private investors, including tax-free dividends.

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 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 has been 6.2p per ordinary share (equivalent to a pre-tax return of 9.3p per ordinary share for a higher rate taxpayer).

Performance Summary

	As at 31 December 2009	As at 30 September 2009	Movement %
Capital return			
Ordinary shares			
Total net assets	£60.0m	£61.2m	
Net asset value per share	87.93p	86.06p*	2.2
Share price	78.00p	77.50p	0.6
Premium/(Discount) to NAV	(11.3%)	(13.0%)	

*Adjusted for 3.0p final dividend for comparative purposes.

	3 months to 31 December 2009	1 year to 31 December 2009	5 years to 31 December 2009	10 years to 31 December 2009
Total return	(%)	(%)	(%)	(%)
Ordinary shares				
Net asset value ¹	2.1	7.6	20.4	48.6
Share price ²	2.5	7.8	23.0	59.7
FTSE All-share ³	5.5	30.1	36.8	17.7

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

Both the AIM and unquoted portfolios increased in value over the quarter. After accounting for these gains and the payment of the 3.0p final dividend, paid 30 December 2009, the NAV per share at 31 December 2009 was 87.93p. This equates to an underlying quarterly increase of 2.2%.

Investment Activity

During the period ScriptSwitch, an unquoted investment made in May 2007, was realised resulting in a return, including expected future payments, approaching four times the initial cost.

Five AIM traded investments totalling £0.8m were completed in two existing portfolio companies and two new companies. Baronsmead VCT 2 also received shares in Chime Communications plc when that company acquired Essentially Group Ltd.

12th Annual General Meeting on 14 December 2009

The AGM was attended by over 100 Shareholders and included a number of presentations and a shareholder workshop. The Chairman gave his view on the current economic situation followed by comment on the investment environment from the Manager. Colin MacAdam, Managing Director of Playforce, presented the growth story of that business.

Events since 31 December 2009

Other than as disclosed in this statement the Board is not aware of any significant events or transactions which have occurred between 31 December 2009 and the date of publication of this statement which would have a material impact on the financial position of the Company.

The NAV per share at 31 January 2010 was 88.02p.

Baronsmead VCT 3 and Baronsmead VCT 4 Joint Offer ('Joint Offer')

Baronsmead VCT 3 and Baronsmead VCT 4 are currently seeking to raise up to £16m in aggregate through a Joint Offer for Subscription which was issued on 18 January 2010 ('the Joint Offer'). The Joint Offer document was sent to shareholders in all of the Baronsmead VCTs. As at 26 February 2010, the Joint Offer had received subscriptions totalling approximately £11.2m. The Joint Offer is due to close at the close of business on Thursday 1 April 2010, unless it is fully subscribed by an earlier date or extended beyond then. Baronsmead VCT 2 will not be raising funds prior to the end of the current tax year.

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Investments made

Company	Date	Cost (£'000)
Adventis Group plc	Dec 09	81
Electric Word plc	Nov 09	36
Green Compliance plc (new)	Dec 09	250
Chime Communications plc (takeover Essentially Group Ltd)	Nov 09	369
Marwyn Value Investors plc (new)	Nov 09	64
Total investments		800

Realisations

In total three AIM investments were realised in full and another, Ffastfill plc, part sold.

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple
Essentially Group Ltd (Acquired by Chime Communications plc see above)	Nov 09	495	369	0.7
Ffastfill plc	Dec 09	226	359	1.6
Research Now plc	Dec 09	263	376	1.4
Silverdell plc	Dec 09	14	1	0.1
Total realisations		998	1,105	1.1

In addition three AIM investments were written off, MKM Group plc, Optimisa plc and Relax Group plc.

Future contact

For further information please contact:

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Top Ten Investment Holdings

Position as at 31 Dec. 2009	Position as at 30 Sept. 2009	Company	Percentage of net assets as at 31 Dec. 2009
1	1	Reed and Mackay	5.2
2	4	Carnell Contractors	4.4
3	3	Nexus Vehicle	4.2
4	6	Quantix	3.1
5	5	Cablecom	3.1
6	8	Fisher Outdoor	3.0
7	7	ILS	2.6
8	9	Kafévend	2.4
9	10	Crew Clothing	2.2
10	11	CSC	2.1
Total			32.3

Sector Breakdown

(excluding cash and interest bearing securities)

	Percentage of total investments 31 December 2009	Percentage of total investments 30 September 2009
Business Services	38	35
Consumer Markets	13	12
IT & Media	31	28
Healthcare & Education	12	19
Financial Services	6	6
Total	100	100

Further Information

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

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 31 December 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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