

BARONSMEAD

Baronsmead VCT 2 plc
Quarterly update
For the three month period to 30 June 2010



Financial Headlines

3.1%	Net Asset Value (NAV) total return increased by 3.1% in the quarter. The FTSE All-Share index decreased by 11.8% over the same period.
£4 million	Invested in five new investee companies and several further round financings
2 realisations	Occam sold for 1.5 times original cost and Advanced Computer Software 2.1 times original cost

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 twin objectives depends significantly on the level and timing of profitable realisations and it cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Performance Summary

	As at 30 June 2010	As at 31 March 2010	Movement
Capital return			
Ordinary shares			
Total net assets	£60.2m	£60.4m	
Net asset value per share	89.44p	86.73p*	3.1%
Share price	78.75p	78.75p	-
Discount to NAV	(12.0%)	(9.2%)	

* Adjusted for 2.5p interim dividend for comparative purposes.

	3 Month (%)	3 Year (%)	10 Year (%)	Since launch (%)
Total return				
Ordinary shares				
Net asset value ¹	3.1%	(6.4%)	45.6%	96.5%
Share price ²	3.2%	(5.1%)	25.8%	91.3%
FTSE All-share ³	(11.8%)	(16.2%)	16.9%	33.6%

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

These total returns are stated before the inclusion of VCT tax reliefs which are designed to mitigate the higher risks and costs associated with investing in smaller companies and the other constraints of the VCT legislation. The tax reliefs given at the time of subscription have been 20%, 40% and latterly 30%, so any adjusted performance measure including this relief will vary depending on the date of subscription. Additionally shareholders benefit from receiving VCT dividends tax free.

Investment Performance

The unquoted portfolio increased in value during the quarter, while the AIM portion of the portfolio decreased modestly in weak markets. The performance of the 69 investee companies continued to improve with 91% (Q1 2010 86%) of companies now reporting steady or improving business.

Top Ten Investment Holdings

Position as at 30 June 2010	Position as at 31 March 2010	Company	Percentage of NAV as at 30 June 2010
1	2	Nexus Vehicle Holdings	6.6
2	1	Reed & Mackay	6.1
3	10	Crew Clothing Company	3.3
4	5	Quantix	3.1
5	4	CableCom Networking Holdings	3.1
6	6	Fisher Outdoor Leisure Holdings	3.0
7	7	CSC (World)	2.8
8	3	Carnell Contractors	2.8
9	8	Independent Living Services	2.7
10	9	Kafevend Holdings	2.6
Total			36.1

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Analysis of Total Assets

	Percentage of total assets 30 June 2010	Percentage of total assets 31 March 2010
AIM, Listed & Collective Investments	23	23
Unquoted Investments	49	41
Interest Bearing Securities	24	30
Cash	4	6
Total Cash Portfolio	28	36
Total Assets	100	100

Analysis of Investment Portfolio by Sector

(excluding cash and interest bearing securities)

	Percentage of total investments at 30 June 2010	Percentage of total investments at 31 March 2010
Business Services	39	37
Consumer Markets	17	14
Financial Services	5	6
Healthcare & Education	9	8
IT & Media	30	35
Total	100	100

Investment Activity

Five AIM traded investments totalling £0.5m were completed in the period. Three were in existing portfolio companies and two were in new companies (BGlobal plc and Strategic Thought Group plc). Five unquoted investments totalling £3.5m were completed in three new companies, Getting Personal Ltd, Inspired Thinking Group Ltd and Surgi C Ltd plus further round financings into two existing portfolio companies.

Investments made

Company	Date	Cost (£'000)
Unquoted		
Surgi C Ltd	Apr 2010	1,102
Independent Living Services	May/Jun 2010	122
Inspired Thinking Group Ltd	May 2010	796
Nexus Vehicle Holdings	May 2010	499
Getting Personal Ltd	Jun 2010	988
Quoted		
Strategic Thought Group plc	May 2010	35
BGlobal plc	Jun 2010	176
Electric Word plc	May 2010	27
Green Compliance plc	Jun 2010	156
Tasty plc	Jun 2010	114
Total Investments		4,015

Realisations

One AIM investment, Advanced Computer Software plc and one listed investment, Inverness Medical Inc. were part sold and one unquoted investment, Occam DM Ltd, was realised in full.

Occam DM was sold to St Ives, a UK plc, in May 2010 for 1.5 times original cost. This is a good result as Occam DM at one time was valued at 25% of original cost. The work of the ISIS portfolio management team helped to stabilise the business and enabled a profitable trade sale to be delivered.

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple of cost [†]
Inverness Medical Inc.	April 2010	23	29	1.3
Occam DM	May 2010	516	462	1.5
Advanced Computer Software plc	May/June 2010	263	553	2.1
Total Realisations		802	1,044	

[†] includes interest and dividends received in prior periods.

In addition, Payzone plc, an AIM investment, was written off.

Fundraising

Currently it is intended that the Company will make a top-up issue to existing shareholders seeking to raise the sterling equivalent of €2.5m, when the annual report for the financial year ended 30 September is published during November 2010. The full terms and conditions of the offer will be contained in the offer document.

Net Asset Value

The NAV per share at 31 July 2010 was 89.48p.

Events after the period end

Other than as discussed in this statement the Board is not aware of any significant events or transactions which have occurred between 30 June 2010 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Further information

Further information regarding the Company, including net asset values published since the end of the period and quarterly factsheets, can be found at the Company's website www.baronsmeadvct2.co.uk

Future Contact

For further information please contact:

Michael Probin, Investor Relations Manager,
020 7506 5600 or michael.probin@isisep.com

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.

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ISIS
EQUITY PARTNERS
Investment Manager
T: 020 7506 5600
www.isisep.com