

BARONSMEAD

Baronsmead VCT 2 plc

Quarterly update

For the period from 1 April 2011 to 30 June 2011



Headlines

4.5p second interim dividend declared payable on 29 September 2011 to shareholders on the register as of 16 September 2011

6.9% increase in underlying Net Asset Value

4.8x Sale of investment in Reed & Mackay at 4.8 times 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.

Dividend Payment

Following the recent profitable sale of investments, the Directors have declared an increased second dividend of 4.5 pence per share to be paid as an interim dividend in lieu of a final dividend, for the year to 30 September 2011. This dividend will be paid on 29 September 2011 to shareholders on the register as of 16 September 2011.

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.

Performance Summary

	As at 30 June 2011	As at 31 March 2011	Movement
Capital return			
Ordinary shares			
Total net assets	£70.31m	£68.01m	
Net asset value per share	102.85p	96.23p*	6.9%
Share price	88.50p	86.88p	1.9%
Discount to NAV	(14.0%)	(9.7%)	

* Adjusted for 2.5p interim dividend for comparative purposes. NAV at 31st March 2011 excluding effect of interim dividend was 98.73p.

	3 Month (%)	3 Year (%)	10 Year (%)	Since launch (%)
Total return				
Ordinary shares				
Net asset value ¹	6.7%	24.7%	87.6%	138.7%
Share price ²	4.7%	17.3%	64.9%	128.9%
FTSE All-share ³	1.9%	21.0%	59.2%	67.8%

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

Investment Performance

The unquoted valuations have increased by 6.3% in the quarter to 30 June 2011 as the performance of the portfolio on the whole remains strong despite the current economic climate. Two unquoted investments, Nexus Vehicle Holdings and Quantix, increased in value by 18.7% and 21.7% respectively due to strong profitable growth.

The increase in the valuation of the AIM-traded portfolio was largely driven by increases in the share prices of Staffline Recruitment Group plc (formerly an unquoted investment prior to an IPO in 2004) and IDOX plc. These companies had a combined valuation of £5.1 million at 30 June 2011.

Analysis of Total Assets

	Percentage of total assets 30 June 2011	Percentage of total assets 31 March 2011
AIM, Listed & Collective Investments	44	50
Unquoted Investments	31	27
Interest Bearing Securities	24	19
Cash	1	4
Total Cash Portfolio	25	23
Total Assets	100	100

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Analysis of Investment Portfolio by Sector

(excluding cash and interest bearing securities)

	Percentage of total investments at 30 June 2011	Percentage of total investments 31 March 2011
Business Services	35	39
Consumer Markets	20	18
Financial Services	2	2
Healthcare & Education	9	10
IT & Media	34	31
Total	100	100

Top Ten Investment Holdings

Position as at 30 June 2011	Position as at 31 March 2011	Company	Percentage of NAV as at 30 June 2011
1	2	Nexus Vehicle Holdings Limited	7.6
2	5	Quantix Limited	3.9
3	3	CableCom Networking Holdings Limited	3.9
4	7	IDOX plc	3.7
5	4	Crew Clothing Company Limited	3.5
6	12	Staffline Group plc	3.5
7	9	CSC (World) Limited	3.0
8	6	Kafévend Holdings Limited	2.9
9	11	Getting Personal Limited	2.6
10	10	Fisher Outdoor Leisure Holdings Limited	2.5
Total			37.1

Investment Activity

Four AIM traded investments totalling £855,010 were completed in the period. Two were in existing portfolio companies and two were in new companies, Music Festivals plc and Ubisense Group plc.

Investments made

Company	Date	Cost (£'000)
Active Risk Group plc*	Jun 2011	124
Green Compliance plc*	Jun 2011	101
Music Festivals plc	Jun 2011	500
Ubisense Group plc	Jun 2011	130
Total Investments		855

* Follow on investments

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 2011 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.

Realisations

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple of cost [†]
MLS Limited	Jun 2011	21	21	1.0x
Reed & Mackay Limited	Apr 2011	1,030	4,826	4.8x
Total Realisations		1,051	4,847	

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

Events after the period end

Baronsmead VCT 2 is pleased to announce the profitable sale of its investment in Getting Personal Limited in July 2011.

Getting Personal is a leading online retailer, based in Manchester, which sells personalised and unique gifts including cards, notebooks, mugs and chocolate on its website www.gettingpersonal.co.uk. Getting Personal was listed in the Sunday Times Fast Track 100 Fastest Growing British Companies in both 2009 and 2010.

Other than as discussed in this statement, the Board is not aware of any significant events or transactions which have occurred between 30 June 2011 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Fundraising Update

On 1 August 2011 the Government implemented an amendment to the EU Prospectus Directive giving companies the ability to raise up to €5.0 million over a twelve month period without the need to publish a prospectus (increased from the previous limit of €2.5 million). Dependent upon Baronsmead VCT 2's requirement for additional resources to fund new investments in the current tax year, the Board is considering a fund raising of the sterling equivalent of up to €5.0 million in the current tax year. If confirmed, the Chairman will write to shareholders when the annual report to 30 September 2011 is published in November 2011 to give further details.

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

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