

# BARONSMEAD

Baronsmead VCT 2 plc

Quarterly update

For the period from 1 October 2011 to 31 December 2011



## Headlines

- £2.579m new investments – £1.346m unquoted and £1.233m quoted
- £4.135m new funds raised in January/February 2012, (£3.938m net of expenses)

## 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 31 December 2011	As at 30 September 2011	Movement
<b>Capital return</b>			
<b>Ordinary shares</b>			
Total net assets	£64.26m	£65.00m	
Net asset value per share	94.38p	95.15p	(0.8%)
Share price	85.13p	86.25p	(1.3%)
Discount to NAV	(9.8%)	(9.4%)	

	3 Month (%)	1 Year (%)	5 Year (%)	10 Year (%)	Since launch (%)
<b>Total return</b>					
<b>Ordinary shares</b>					
Net asset value <sup>1</sup>	(0.8)	5.6	14.8	88.5	129.4
Share price <sup>2</sup>	(1.3)	7.4	19.5	95.7	131.6
FTSE All-share <sup>3</sup>	8.4	(3.5)	6.2	59.5	57.4

<sup>1</sup> NAV total return = NAV + reinvested dividends; Source: ISIS EP LLP

<sup>2</sup> Share price total return = Mid to mid share price + reinvested dividends; Source: AIC

<sup>3</sup> 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 constraints of the VCT legislation. The tax reliefs given at the time of subscription have been 20%, 40% and later 30%, so any adjusted performance measure including this relief will vary depending on the date of subscription. There is also the additional benefit of receiving VCT dividends tax free.

## Investment Performance

The unquoted portfolio valuation increased by 1.5% during the quarter while the AIM portfolio decreased in value by 4.9% over the same period. The net asset value total return of the Company fell 0.8% during the quarter whereas the FTSE All Share Total Return increased 8.4% over the same period.

## Analysis of Total Assets

	Percentage of total assets at 31 December 2011	Percentage of total assets at 30 September 2011
Unquoted investments	48	45
AIM, Listed & Collective Investments	31	30
Interest Bearing Securities	20	24
Cash	<u>1</u>	<u>1</u>
Total Cash Portfolio	21	25
<b>Total Assets</b>	<b>100</b>	<b>100</b>

## Analysis of Investment Portfolio by Sector

(excluding cash and interest bearing securities)

	Percentage of total investments at 31 December 2011	Percentage of total investments at 30 September 2011
Business Services	37	38
Consumer Markets	17	17
Financial Services	3	3
Healthcare & Education	11	10
Technology, Media and Telecommunications	32	32
<b>Total</b>	<b>100</b>	<b>100</b>

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#### Top Ten Investment Holdings

Position as at 31 December 2011	Position as at 30 September 2011	Company	Percentage of NAV as at 31 December 2011
1	1	Nexus Vehicle Holdings Limited	8.8
2	2	CableCom Networking Holdings Limited	5.8
3	3	Crew Clothing Holdings Limited	4.2
4	4	IDOX plc	4.1
5	6	Kafévend Holdings Limited	3.1
6	5	CSC (World) Limited	3.0
7	8	Fisher Outdoor Leisure Holdings Limited	2.8
8	9	Valldata Group Limited	2.6
9	7	Staffline Group plc	2.6
10	10	Inspired Thinking Group Limited	2.1
<b>Total</b>			<b>39.1</b>

#### Investment Activity

A total of £2.579m was invested in the period under review. One new unquoted investment of £1.346m was made in Independent Community Care Management Limited. Five investments in AIM traded companies totalling £1.233m were completed in four new and one existing portfolio company.

#### Investments made

Company	Date	Cost (£'000)
Independent Community Care Management Limited	Oct 11	1,346
FFastFill plc*	Nov 11	63
GB Group plc	Nov 11	150
Inspired Energy plc	Nov 11	200
TLA Worldwide plc	Nov 11	620
Paragon Entertainment Limited	Dec 11	200
<b>Total Investments</b>		<b>2,579</b>

\* Follow on investment

#### Realisations

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple of cost
MLS Limited	Nov 11	20	20	1.0
<b>Total Realisations</b>		<b>20</b>	<b>20</b>	

#### Fundraising Update

On 12 January 2012 the Company launched an offer for subscription to raise £4.135m, this being the sterling equivalent of just less than €5m ("the Offer"). The Offer became fully subscribed on 1 February 2012. As a result, the Company raised £3.938m after expenses.

#### Events after the period end

Other than the events described above, the Board is not aware of any significant events or transactions which have occurred between 31 December 2011 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](http://www.baronsmeadvct2.co.uk)

#### Future Contact

For further information please contact:

Michael Probin, VCT Investor Relations Director,  
020 7506 5600 or [michael.probin@isisep.com](mailto: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.

All information sources are provided by ISIS EP LLP and all figures are as at 31 December 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.

**ISIS**  
EQUITY PARTNERS  
Investment Manager  
T: 020 7506 5600  
[www.isisep.com](http://www.isisep.com)