

BARONSMEAD

Baronsmead VCT 2 plc

Quarterly update

For the 3 month period from 1 April 2012 to 30 June 2012



Financial Headlines

- £6.3 million invested in nine companies
- 2.1% increase in underlying Net Asset Value

Performance Summary

	As at 30 June 2012	As at 31 March 2012
Capital return		
Ordinary shares		
Net assets	£71.62m	£72.17m
Net asset value per share	99.58p	97.50p*
Share price	87.25p	87.38p
Discount to NAV	(12.4%)	(10.4%)
Dividends paid ¹	7.00p	
Dividend yield ²	8.0%	
Gross yield ³	10.7%	

* Adjusted for 2.5p interim dividend for comparative purposes.

	3 Months (%)	1 Year (%)	5 Years (%)	10 Years (%)
Total return				
Ordinary shares				
Net asset value ⁴	2.1	4.0	18.3	112.2
FTSE All-Share ⁵	(2.6)	(3.1)	2.0	80.9

¹ Dividends paid in the twelve months to 30 June 2012

² Dividends paid expressed as a percentage of the share price as at 30 June 2012

³ Gross equivalent yield if the dividends had been subject to higher rate tax (currently 32.5% on dividend income). For shareholders who pay the additional rate of tax (currently 42.5% on dividend income) the gross equivalent yield would be 12.6%.

⁴ NAV total return = NAV + reinvested dividends; Source: ISIS EP LLP

⁵ 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.

Investment Performance

The unquoted portfolio valuation increased by 2.9% during the quarter and the AIM portfolio increased in value by 4.0% over the same period. The net asset value total return of the company was 2.1% during the quarter as compared with the FTSE All-Share Total Return which showed a negative return of 2.6% over the same period.

Top Ten Investment Holdings

Position as at 30 June 2012	Position as at 31 March 2012	Company	Percentage of NAV as at 30 June 2012
1	1	Nexus Vehicle Holdings Limited	6.6
2	3	IDOX plc	6.2
3	2	CableCom Networking Holdings Limited	5.4
4	4	Crew Clothing Holdings Limited	4.3
5	7	Fisher Outdoor Leisure Holdings Limited	3.9
6	9	Independent Living Services Limited	3.7
7	6	CSC (World) Limited	3.2
8	8	Kafévend Holdings Limited	3.1
9	5	Staffline Group plc	3.1
10	10	Valldata Group Limited	2.4
Total			41.9

Analysis of Total Assets

	Percentage of total assets at 30 June 2012	Percentage of total assets at 31 March 2012
Unquoted investments	49	42
AIM, Listed & Collective Investments	36	33
Listed Interest Bearing Securities	14	37
Net Current Assets	<u>1</u>	<u>(12)</u>
Total Liquid Assets	<u>15</u>	<u>25</u>
Total Assets	100	100

Analysis of Investment Portfolio by Sector

(excluding liquid assets)

	Percentage of total investments at 30 June 2012	Percentage of total investments at 31 March 2012
Business Services	33	35
Consumer Markets	18	17
Financial Services	2	2
Healthcare & Education	15	14
Technology, Media & Telecommunications	32	32
Total	100	100

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Investment Activity

A total of approximately £6.3 million was invested in the three months to 30 June 2012. The four new unquoted investments totalling £3.8 million include investments in three "acquisition" companies formed to enable investments into established trading entities over the next two years. One "follow-on" investment of £0.4 million into an existing unquoted portfolio company was also completed. £1.1 million was invested into AIM traded companies and a further investment of £1.0 million was made into the existing collective investment vehicle, Wood Street Microcap Investment Fund.

After the period end the Company invested £1.0 million in Pho, an unquoted restaurant group specialising in Vietnamese street food.

Investments made

Company	Date	Cost (£'000)
Dods Group plc*	Apr 2012	678
Happy Days Consultancy Limited	Apr 2012	833
Ingleby (1885) Limited	Apr 2012	1,000
Ingleby (1886) Limited	Apr 2012	1,000
Ingleby (1887) Limited	Apr 2012	1,000
Inspired Energy plc*	Apr 2012	100
Wood Street Microcap Investment Fund*	Apr 2012	1,000
Zattikka plc	Apr 2012	316
Crew Clothing Holdings Limited*	May 2012	360
Total Investments		6,287

* Follow on investments

During the period three AIM investments were realised in full. In addition one unquoted investment, MLS Limited, was partially redeemed and further proceeds from the sale of TVC Group Limited, realised in March, were received.

Realisations

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple of cost
MLS Limited (partial realisation)	May 2012	22	22	1.0
Prologic plc	May 2012	310	151	0.5
Real Good Food Company (The) plc	May 2012	306	120	0.4
Stagecoach Theatre Arts plc	Apr 2012	419	293	0.7
TVC Group Limited (further proceeds)	Jun 2012	-	49	n/a
Total Realisations		1,057	635	

Investment Objective

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.

Events after the period end

Other than the event described above, the Board is not aware of any significant events or transactions which have occurred between 1 July 2012 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 fact sheets, can be found at the Company's website www.baronsmeadvct2.co.uk

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 2012 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.