

# BARONSMEAD

## Baronsmead VCT 2 plc Quarterly update

For the 3 month period from 1 April 2013 to 30 June 2013

### Headlines

- 6.5p second interim dividend declared, payable on 20 September to shareholders on the register as of 6 September 2013
- £2.0 million invested in 4 new and 2 follow-on investments
- £5.2 million realised from the sale of investments

### Performance Summary

	As at 30 June 2013	As at 31 March 2013	Movement
<b>Capital return</b>			
Total net assets	£76.68m	£79.41m	
Net asset value per share	105.09p*	105.72p	(0.6%)
Share price	97.38p	99.50p	(2.1%)
Discount to NAV	(7.3%)	(5.9%)	

\* Adjusted for 3.0p first interim dividend for comparative purposes. Actual NAV per share was 102.09p.

	3 Months (%)	1 Year (%)	5 Years (%)	10 Years (%)	Since launch (%)
<b>Total return</b>					
Net asset value <sup>1</sup>	(0.6)	10.6	43.5	123.5	174.6

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

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 varied between 20% and 40%, so any adjusted performance measure including this relief will vary depending on the date of subscription. There is also the additional ongoing benefit of receiving VCT dividends tax free.

### Analysis of Total Assets

	Percentage of total assets at 30 June 2013	Percentage of total assets at 31 March 2013
Unquoted investments	48	49
AIM, Listed, PLUS & Collective Investment Vehicles	38	38
Listed Interest Bearing Securities	8	7
Net Current Assets	6	6
Total Liquid Assets	14	13
<b>Total Assets</b>	<b>100</b>	<b>100</b>

### Analysis of Investment Portfolio by Sector

(excluding liquid assets)

	Percentage of total investments at 30 June 2013	Percentage of total investments at 31 March 2013
Business Services	38	37
Consumer Markets	17	17
Financial Services	2	2
Healthcare & Education	12	15
Technology, Media & Telecommunications	31	29
<b>Total</b>	<b>100</b>	<b>100</b>

### Investment Performance

In the three months to 30 June 2013, Baronsmead VCT 2's net asset value per share decreased by 0.6% as a result of slight reductions in the value of the unquoted and quoted portfolios.

The Company's net assets as at 30 June 2013 were £76.7 million. This figure takes into account the valuation of the Company's investments as at 30 June 2013 and the first interim dividend of 3.0p per share paid on 14 June 2013 (£2.3 million).

### Top Ten Investments

Position as at 30 June 2013	Position as at 31 March 2013	Company	Percentage of NAV as at 30 June 2013
1	1	CableCom Networking Holdings Limited	7.0
2	2	Nexus Vehicle Holdings Limited	6.0
3	8	CSC (World) Limited	3.7
4	7	Kafevend Holdings Limited	3.5
5	6	Crew Clothing Holdings Limited	3.2
6	5	IDOX plc	3.2
7	3	Staffline Group plc	3.0
8	9	Valldata Group Limited	2.8
9	10	Netcall plc	2.5
10	11	Inspired Thinking Group Limited	2.4
<b>Total</b>			<b>37.3</b>

### Investment Activity

In the three months to 30 June 2013, Baronsmead VCT 2 invested a total of £2.0 million in 4 new and 2 follow on investments as set out in the table below:

Investments made	Date	Cost (£'000)
Eque2 Limited	Apr 2013	877
Playforce Holdings Limited*	Apr 2013	163
One Media iP Group plc	Apr 2013	56
Tangent Communications plc*	May 2013	39
Armstrong Craven Limited	Jun 2013	673
Bioventix plc	Jun 2013	227
<b>Total investments</b>		<b>2,035</b>

\* Follow on investments



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## Investment Activity (continued)

The two new unquoted investments in the quarter were £0.9 million in Eque2, which delivers software expertise to the construction and contracting sector and £0.7 million in Armstrong Craven, a provider of research services to Human Resource departments of leading global corporations. Following the period end, Consumer Investment Partners Limited, an existing portfolio company established in 2012 to seek investments in the Consumer Markets sector, invested £0.96 million in Luxury for Less, an online bathroom products retailing business and a new unquoted investment of £0.95 million was made in Key Travel, a travel management company focused on the not-for-profit sector.

The Company's investment strategy has been to invest in larger, established companies and this strategy has been implemented through a policy of co-investing with other funds managed by ISIS EP LLP, the Company's Manager. Since 2004, the Company has co-invested with the other Baronsmead VCTs although prior to that time the Company also invested in unquoted investments alongside the Manager's other institutional clients. Commencing with the Company's investment in Armstrong Craven in June 2013, new unquoted investments will, once again, be made alongside an institutional fund managed by ISIS EP LLP. The Baronsmead VCTs and the institutional fund will invest in all new unquoted investments that fit the investment criteria of the Baronsmead VCTs on the same terms. This will enhance the Company's ability to invest in larger, established companies by being able to participate in investments where the initial commitment exceeds £5 million.

## Realisations

In the three months to 30 June 2013, Baronsmead VCT 2 realised a total of £5.2 million as set out in the table below.

The sale of Baronsmead VCT 2's holding in Independent Living Services Limited in April 2013 realised a return of 2.5 times its original cost. During the period the final proceeds from the sale of Kidsunlimited in 2008 were received. In addition, £1.6 million was received from a partial realisation of the Company's holding in Staffline Group plc through market sales.

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple of cost*
Independent Living Services Limited	Apr 2013	1,599	3,426	2.5
Kidsunlimited Group Limited	Apr 2013	113	176	**
Staffline Group plc	Apr 2013	104	1,575	6.0
<b>Total Realisations</b>		<b>1,816</b>	<b>5,177</b>	

\* Includes interest/dividends received, loan note redemptions and partial realisations accounted for in prior periods.

\*\* Kidsunlimited Group Limited was realised in April 2008. As part of the consideration, Baronsmead VCT 2 received £113,000 in loan stock, which was redeemed in April 2013. The overall multiple return for the investment in Kidsunlimited was 4.9 times original cost.

## Dividend Declaration

Following recent profitable sales of investments, the Directors have declared a second interim dividend of 6.5p per share in lieu of a final dividend for the year to 30 September 2013. This dividend will be paid on 20 September to shareholders on the register as of 6 September 2013. Dividends totalling 9.5p for the year to 30 September 2013 have either been paid or declared.

## Net Asset Value as at 31 July 2013

The net asset value as at 31 July 2013 was 103.31p per share. This is stated before taking into account the second interim dividend of 6.5p per share payable on 20 September 2013.

## Fundraising Update

The Board is currently considering raising further funds in the current tax year. It is currently anticipated that the subscription documentation, which will contain the full terms and conditions, will be available in early 2014. Shareholders will be sent the subscription documentation as soon as it is published.

## Investment Objective

Baronsmead VCT 2 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 events described above, the Board is not aware of any significant events or transactions which have occurred between 30 June 2013 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)

## Contact

For further information please contact the Company's Investment Manager, ISIS EP LLP as follows:

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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 Conduct Authority (FCA). ISIS EP LLP manages five Baronsmead VCTs.

All information sources are provided by ISIS EP LLP and all figures are as at 30 June 2013 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.