

BARONSMEAD

Baronsmead VCT 2 plc
Quarterly update
For the 3 month period to
30 June 2015

Headlines

- **5.1% increase in NAV to 102.72p per share**
- **£3.5 million invested in new and follow-on investments**
- **4.0p second interim dividend declared payable on 18 September 2015 to shareholders on the register as of 4 September 2015**



Performance Summary

Capital return	As at 30 June 2015	As at 31 March 2015	Movement
Total net assets	£84.96m	£83.39m	
Net asset value per share	102.72p	97.74p*	5.1%
Share price	95.38p	94.25p	1.2%

* Adjusted for 2.5p first interim dividend for comparative purposes paid on 19 June 2015. NAV at 31 March 2015 excluding effect of dividend was 100.24 pence per share.

Total Return	3 months (%)	1 year (%)	5 years (%)	10 years (%)	Since launch (%)
Net asset value ⁽¹⁾	5.0	7.3	73.2	96.2	240.3

Key:

(1) NAV total return = NAV + reinvested dividends; Source: Livingbridge VC 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.

Investment Performance

In the three months to 30 June 2015, Baronsmead VCT 2's net asset value per share increased by 5.1%. Over the quarter, the unquoted portfolio valuation increased by 7.5% including capitalised income received on loan note redemptions. The quoted portfolio increased by 8.1% and Wood Street Microcap Fund increased by 7.1%.

The Company's net assets as at 30 June 2015 were £85.0 million. This figure takes into account the valuation of the Company's quoted and unquoted investments as at 30 June 2015 and the payment of the first interim dividend of 2.5p per share paid on 19 June 2015 (£2.1 million).

Top Ten Investments

Position at 30 June 2015	Position at 31 Mar 2015	Company	Percentage of NAV as at 30 June 2015
1	1	Nexus Vehicle Holdings Ltd	5.4
2	2	Staffline Group plc	4.8
3	3	Netcall plc	3.1
4	5	Crew Clothing Holdings Ltd	3.1
5	4	IDOX plc	2.8
6	8	Tasty plc	2.1
7	6	Create Health Ltd	2.0
8	9	TLA Worldwide plc	1.9
9	10	Pho Holdings Ltd	1.8
10	12	Valldata Group Ltd	1.7
Total			28.7

Analysis of Total Assets (by Value)

	Percentage of total assets at 30 June 2015	Percentage of total assets at 31 March 2015
Unquoted investments	34	30
AIM & collective investment vehicle	44	43
Listed interest bearing securities	10	12
Net current assets	12	15
Total liquid assets	22	27
Total assets	100	100

Analysis of Investment Portfolio by Sector

(excluding liquid assets)

	Percentage of Total investments at 30 June 2015	Percentage of total investments at 31 March 2015
Business Services	45	39
Consumer Markets	16	15
Healthcare & Education	9	11
Technology, Media & Telecommunications	30	35
Total	100	100

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Investment Activity

In the three months to 30 June 2015, Baronsmead VCT 2 invested approximately £3.5 million in five new and two follow on investments as set out in the table below. The three new unquoted investments totalling £2.9m were in "acquisition" companies formed to enable investments into established trading entities over the next two years.

Investments made	Date	Cost (£'000)
Ingleby (1973) Ltd	Apr 2015	956
Ingleby (1974) Ltd	Apr 2015	956
Ingleby (1975) Ltd	Apr 2015	956
CentralNic Group plc	Jun 2015	396
MXC Capital Ltd	Jun 2015	113
Pinnacle Technology Group plc*	May 2015	50
Castleton Technology plc*	Jun 2015	34
Total investments		3,461

* Follow on investments

Realisations

In the three months to 30 June 2015, Baronsmead VCT 2 realised total proceeds of £2.4 million from the sale of one investment in a quoted company along with loan note redemptions in two unquoted companies as set out in the table below.

Company	Date	Cost (£'000)	Proceeds‡ (£'000)	Multiple* (X)
Accumuli plc	Jun 2015	505	2,140	4.5
Create Health Ltd (Loan redemption)	May 2015	112	213	1.9
Kingsbridge Ltd (Loan redemption)	May 2015	48	77	1.6
Total realisations		665	2,430†	

‡ Proceeds at time of realisation including redemption premium and interest.

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

† Deferred consideration of £88,000 was also received in respect of CSC (World) Ltd.

Dividend Declaration

Following recent profitable sales of investments, the Directors have declared a second interim dividend of 4.0p per share in lieu of a final dividend for the year to 30 September 2015. This dividend will be paid on 18 September to shareholders on the register as of 4 September 2015. This means that dividends totalling 6.5p will have been paid or declared for the year to 30 September 2015.

Net Asset Value as at 31 July 2015

The net asset value as at 31 July 2015 was 104.08 pence per share. This is based on valuation of the Company's unquoted investments as at 30 June 2015 and quoted investments as at 31 July 2015.

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.

VCT Legislation

In the successive March and Summer Budgets 2015, the Chancellor announced legislative changes that are designed to ensure that VCTs continue to be approved by the European Union ("EU") and remain effective in giving small and growing businesses access to finance. In order to meet EU requirements the UK government has proposed introducing new criteria regarding the age of companies that will be eligible as investments, a lifetime cap on the total amount of state aided investment that an investee company can receive and rules that require that the investment be used for the "organic" growth of the investee company. The legislation is subject to EU State aid approval and is expected to take effect from the date of Royal Assent later this year.

The objective of these changes is to direct VCT investments into younger companies that will use the investment to grow their businesses "organically" rather than by acquiring another business or trade. The Manager believes that if the proposed legislation is enacted by the UK as drafted it will present a number of challenges for the VCT industry. However, the Manager, with its long track record of successful investing and experienced team, should be well placed to adapt to these new rules. The draft legislation is complex and it is not yet clear how the rules will affect the VCT industry. It is expected that more detail will be provided in the next quarter about the rules generally and how they impact this trust in particular.

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 2015 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 can be found at the Company's website www.baronsmeadvct2.co.uk

Contact

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Baronsmead VCT 2 plc is managed by Livingbridge VC LLP, which is Authorised and regulated by the Financial Conduct Authority (FCA). Livingbridge VC LLP manages five Baronsmead VCTs.

All information sources are provided by Livingbridge VC LLP and all figures are as at 30 June 2015 unless otherwise stated. Livingbridge VC 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.



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