

Baronsmead VCT 2 plc

2004

Summary annual report
for the year ended
31 March 2004



Investment Objective

Baronsmead VCT 2 is a tax efficient listed company which aims to achieve long-term capital growth and generate tax free dividends and capital distributions for private investors.

Investment Policy

- To invest primarily in a diverse portfolio of established and profitable UK unquoted companies which are seeking to raise expansion capital or are the subject of a management buy out or buy in.
- Investments include companies raising new share capital on the Alternative Investment Market.
- Selective investments can also be made in companies which demonstrate their ability to transform and adapt their activities through the use of technology innovation.

www.baronsmeadvct2.co.uk

VCT Tax Benefits for Shareholders beyond 6 April 2004

To obtain VCT tax reliefs up to £200,000 per annum, a VCT investor must be a 'qualifying' individual over the age of 18 with UK taxable income. The tax reliefs since 6 April 2004 are:

- Income tax relief of 40% on subscription into new shares, which is retained by shareholders if the shares are held for more than three years. This relief is available for the two tax years 2004/05 and 2005/06.
- VCT dividends (including capital distributions of realised gains on investments) are not subject to income tax.
- Capital gains on disposal of VCT shares are tax free, whenever the disposal occurs.

Financial Highlights

- NAV per share increased by 13.6 per cent to 101.9p after payment of dividends
- Dividends totalling 8.5p per share (equivalent to 12.6p per share for higher rate tax payers) were paid during the year
- The total return since launch is now 43.6 per cent, which compares with a fall of 8.3 per cent in the FTSE All-Share over the comparable period
- Portfolio increased to 54 companies following 17 new investments and 8 complete realisations

Financial Summary

	31 March 2004	31 March 2003	% change
Ordinary Share – capital values			
Net asset value per share (net of issue expenses)	101.88p	89.65p	+13.6
Share price	90.00p	80.00p	+12.5
Discount	(11.7%)	(10.8%)	–
Net asset value total return*	24.3%	(3.9%)	–
Total net assets (net of issue expenses)	£41.6m	£36.7m	+13.6

	Year to 31 March 2004	Year to 31 March 2003	% change
--	-----------------------------	-----------------------------	----------

Dividends

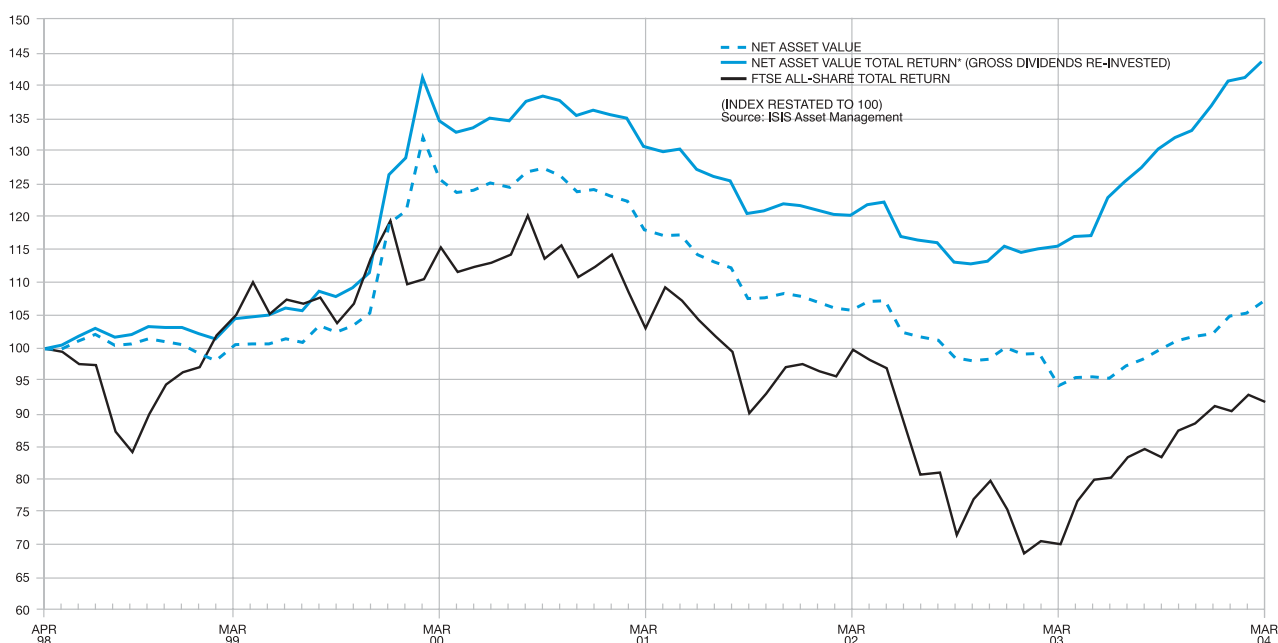
Revenue dividends per Ordinary Share	1.20p	2.10p	(42.9)
Capital dividends per Ordinary Share	7.30p	4.90p	+49.0

	31 March 2004		31 March 2003	
	High	Low	High	Low
Share price	91.0p	80.0p	92.5p	79.5p
Net asset value	101.9p	86.0p	101.9p	87.7p

*Being the growth in net assets assuming gross dividends reinvested.

Baronsmead VCT 2 plc

Net asset value, net asset value total return* and FTSE All-Share total return



Six Year Summary

Year ended 31 March	Net asset value per Share p	Dividends per Ordinary Share net p	Cumulative dividends per Ordinary Share net p	Net asset value total return* p	FTSE All-Share Total Return p
1999	94.31	3.00	3.00	104.44	105.06
2000	119.59	3.20	6.20	134.62	115.45
2001	112.30	3.90	10.10	130.66	103.02
2002	100.54	2.80	12.90	120.15	99.76
2003	89.65	7.00	19.90	115.49	70.02
2004	101.88	8.50	28.40	143.56	91.72

*Source: ISIS Asset Management plc. Net asset value (NAV) plus dividends reinvested at the month end NAV.

Cash Returned to Shareholders

The Board is also aware that shareholders are concerned that the original capital subscribed into Baronsmead VCT 2 has been maintained. The table below shows the cash returned to shareholders dependent on their subscription cost, including their income tax reclaimed on subscription.

Year subscribed	Subscription price p	Income tax reclaim p	Net cash invested p	Cumulative dividends paid p	Net annual yield* %	Gross yield† %
1998	100	20.0	80.0	28.9	6.0	8.8
1999	102	20.4	81.6	25.4	6.2	9.2
2000 (March)	130	26.0	104.0	22.2	5.3	7.9
2000 (February)	137	27.4	109.6	22.2	5.1	7.5

Note 1 – The total returns could be higher for those shareholders who were able to defer a capital gain on subscription and the net sum invested may be less.

Note 2 – The share price of Baronsmead VCT 2 has fluctuated between 80p and 91p over the year under review.

*Net annual yield represents the cumulative dividends paid expressed as a percentage of the net cash invested.

†The gross equivalent yield had the dividends been subject to higher rate taxation.

Chairman's Statement

I am pleased to report an increase in the Net Asset Value per share of 13.6 per cent and the payment of 8.5p per share tax-free dividends over the last 12 months (equivalent to 12.6p per share for higher rate tax payers). Significant growth has been achieved in portfolio size and diversity.

Shareholders agreed on 22 March 2004 to extend the life of Baronsmead VCT 2 to 2011.



Clive Parritt
Chairman

- When comparisons are made with its peer group of 8 other generalist VCTs, the total return of Baronsmead VCT 2 is 50 per cent ahead of its peer group average.

Achieved results

During the year to 31 March 2004 the NAV per share rose by 13.6 per cent from 89.65p to 101.88p after allowing for tax-free dividend payments of 8.5p per share (equivalent to 12.6p per share for higher rate tax payers). The total return (assuming all dividends were reinvested) of Baronsmead VCT 2 is now 43.56 per cent since launch. This compares with a FTSE All-share return on a comparable basis of minus 8.3 per cent. The total return above has been stated net of all costs, which have been contained at 2.7 per cent of average net assets which is one of the lowest cost ratios for generalist VCTs.

The dividends paid during the year comprised 1.2p per share from income and 7.3p per share from the distribution of the profits realised from the successful sale of a number of unquoted and Aim investments.

Performance measurement

The performance of Baronsmead VCT 2 has continued to progress well in absolute and comparative terms over the year. Page 2 provides full details of the various performance measures:

- Returns to shareholders continue to be well ahead of the FTSE All-share regardless of the date of subscription.
- The Company has consistently been one of the top two VCTs when compared with the other 33 generalist VCTs.

Investment environment

Corporate buyers have begun to show interest in the acquisition of smaller growth companies and so the private equity world has seen increased activity with both new acquisitions and exits. The Managers have benefited from this renewed market confidence in both the numbers of new investments and realisations made. The health of the residual portfolio is measured quarterly and the overall trends remain positive as detailed in the Manager's Review.

The Aim index has risen substantially in capital terms since March 2003 and this section of the portfolio has benefited with a 41 per cent uplift. There is currently a strong flow of Aim flotations, although many of these do not meet either the VCT qualifying rules or the selection criteria of the Managers. The majority of Aim investing by Baronsmead VCT 2 has been into new share placings by existing Aim-traded companies where their market position and the capabilities of their directors/management are clearer.

New investment and realisations

The high level of new investment during the year enabled all cash in the non-interest bearing accounts to be invested and currently 76 per cent of the capital raised by 31 March 2002 is invested in qualifying holdings. The portfolio grew to 54 investments after eight complete disposals. The Manager's report comments more fully on the portfolio and its increased diversity both by sector and differing stages of development.

The sale of four unquoted companies realised net profits of £2.2m although £1.8m was written off in two other companies. The sale of Premier Direct and top slicing other quoted shareholdings added another £0.9m capital profit. In all the net realised profits totalled £1.3m for the year.

Chairman's Statement

Meeting shareholder objectives and priorities

The shareholder survey conducted in April 2004 received some 300 replies. The majority of respondents confirmed that their priority was to achieve capital growth and receive attractive tax-free dividends. 90 per cent of responding shareholders did not intend to sell their shares in the foreseeable future.

57 per cent of respondents indicated that they intended to subscribe for further new issues of shares over the next two years, which supports the Board's decision to raise new capital as described below.

Shareholders will have noted that the level of dividends depends more on successful realisations than income. As anticipated, and advised to shareholders previously, the level of maintainable revenue has reduced progressively as the fund has become more fully invested in growth companies.

Conversely, there has been a flow of successful realisations which has enabled good dividends to be paid. Since launch the average annual tax-free dividend paid to shareholders has been 4.5p a share (equivalent to 6.7p per share for higher rate tax payers). The Board aims to sustain this level of average dividend if possible. However, shareholders will appreciate that this depends primarily on the level of realisations achieved and it cannot therefore be guaranteed. Indeed there will be variations in the amount of dividends paid from year to year.

482 shareholders representing 98 per cent of the votes cast at the EGM held on 22 March 2004 approved the extension of the life of Baronsmead VCT 2 from 2005 to 2011. This gives certainty to new subscribers by ensuring that there will be sufficient time for them to retain their income tax relief on subscription and for the new investments made to mature and become realisable.

Subsequently 881,768 new shares were issued to existing shareholders on 2 April 2004 at 105p per share and 837,297 shares were issued under the dividend reinvestment scheme during the year. Under the Board's buy-back policy, 845,000 shares were bought back at a discount of approximately 10 per cent to NAV per share. The Board will continue to price share issues or buybacks to ensure that the interests of existing shareholders are not diluted.

Fund raising

Baronsmead VCT 2 is close to being 80 per cent invested which is the level targeted in the original prospectuses issued between 1998 and 2000. The Board believes that raising new share capital now, will expand the portfolio at an advantageous time in the economic cycle. It will also increase diversity and reduce running costs as a percentage of shareholders' funds. The Board proposes to raise approximately £20m, recognising that 70 per cent of the net proceeds will need to be invested prior to 31 March 2007. The resolutions seeking shareholder authority to raise these funds will be set out in an Extraordinary General Meeting (EGM) circular which will be forwarded shortly to shareholders. If fully subscribed, your Company is currently set to become the largest VCT.

Investment management

The Investment Manager, ISIS Equity Partners plc, has continued to invest in building greater skills and UK coverage. It is one of the largest private equity teams in the VCT market place with regional offices in Birmingham and Manchester, now recognised as the key private equity centres outside London.

The lead manager, David Thorp, has been chairman of the external VCT Fund Managers committee which has been in regular dialogue with HM Treasury and the Inland Revenue. He is actively supported by Michael Probin, your investor relations manager. Together with the other members of the ISIS Equity Partners team, the Investment Manager has continued to be at the forefront of VCT development and the Board was particularly delighted that ISIS Equity Partners was awarded the accolade of UK Private Equity House of the year at the Real Deals/BVCA awards in April 2004. This is a well deserved recognition of their efforts to meet shareholder objectives.

The Board too has stimulated strategy discussions as to how Baronsmead VCT 2 can build on what has been achieved to date. Together with the Managers, the combined ambition is to sustain our strong position and demonstrate that Baronsmead VCT 2 provides one of the best ways for shareholders to invest in private equity.

The Board believes that it is important for the objectives of the shareholders and the remuneration of the manager to be closely

Chairman's Statement

aligned. For that reason we consider that it is more appropriate for the remuneration of the manager to bear a direct relationship to the overall performance of the assets under management.

It is proposed therefore to base the manager's performance fee on the increase in the total return (net asset value plus dividends reinvested) rather than solely on the level of dividends paid.

Achieving a consistent return of 2 per cent above base rate is a significant challenge in the private equity market. The proposal requires the manager to exceed this hurdle in each separate accounting period using the NAV total return at 1 April of each year as a base. If successful they will then receive 20 per cent of the excess subject to certain limits. The Board hopes that returns in excess of this level will be achieved consistently and that, if they are, shareholders will support the principle of rewarding the manager for outstanding performance.

The EGM circular will contain full details of the proposed change to the Manager's performance fee being recommended by the Board. If approved the revised basis should take effect from 1 July 2004.

Outlook

Our intention is to build on the progress of last year and continue to meet the objectives of capital growth and pay attractive dividends. Both depend on the Manager selecting the right investments in the first place and then playing an active role as portfolio companies grow towards eventual realisation. We wish to provide appropriate services for shareholders to help them meet their differing financial priorities in line with the recent changes in VCT tax reliefs. The dialogue with shareholders has been invaluable in helping to set the policy to meet your priorities.

We hope many of you will attend our Annual General Meeting to be held on 16 June 2004 at 11.00 am at the offices of ISIS Equity Partners plc, 100 Wood Street, London EC2V 7AN. The Investment Manager, David Thorp, will give a presentation on the investment portfolio and current prospects. We have also invited the Managing Director of Language Line (new investment in August 2003) to present that Company's story. A buffet lunch will follow the presentations and a short workshop will be available for those shareholders who wish to understand more about private equity and the financial planning possibilities for a shareholder in Baronsmead VCT 2.

Clive Parritt

Chairman

17 May 2004

Manager's Review

The last year has been very active with a high level of investment and the realisation of several unquoted and Aim-traded investments.



David Thorp

Lead Investment Manager



Michael Probin

Investor Relations Manager



Gary Fraser

Company Secretary

New investments

£10.4m was invested across 17 new investments of which nine were into unquoted companies and the balance into Aim-traded businesses. There were seven management buy-outs in which Baronsmead VCT 2 on average invested/committed £1.0m alongside co-investment by the other three Baronsmead VCTs. In two of the large transactions, Americana and Language Line, the institutional clients of ISIS Equity Partners were also investors.

In line with the investment policy the four new investments in healthcare (two unquoted and two on Aim) were much smaller as they tend to be younger, higher risk companies with a greater technological dimension. This also applies to a lesser extent to the three new Aim investments into the IT sector.

Company	Location	Sector	Activity	Investment cost (£'000)
New unquoted investments				
Americana	Manchester	Consumer	Branded fashion clothing	698
Ardana	Cambridge	Healthcare	Drug delivery	350
Art Group	London	Media	Art content	1,576
ASSA	Tyne & Wear	Business services	Work place training	1,371
Language Line	London	Business services	Language services	785
Hawksmere	London	Business services	Training courses	942
Martin Audio	High Wycombe	Business services	Professional loudspeaker systems	1,045
Oxxon Pharmaccines	Oxford	Healthcare	Drug discovery	250
Spaform	Portsmouth	Consumer	Portable spa baths	844
Follow-on investments				
Air Music and Media	Berkhamsted	Media	Music copyright licensor	371
Huveaux	London	Media	Publishing group	53
i-documentsystems	London	IT	Document systems	200
Job Opportunities	Berkhamsted	Media	Free recruitment magazines	166
Medal Entertainment	London	Media	Audio-visual publishing	11
Top Ten	St Albans	Consumer	Bingo halls	477
New AiM-traded investments				
Cardpoint	Lytham	Business services	Operators of cash machines	114
Cobra Biomanufacturing	Keele	Healthcare	DNA/virus products	210
Micap	Warrington	Healthcare	Encapsulation	375
Polaron	Watford	IT	Electronic equipment	296
Quadnetics	Nottingham	Business services	CCTV security systems	296
Real Good Food	Devizes	Consumer	Chilled foods	620
Universe	Southampton	IT	Payment systems	195
Zoo digital	Sheffield	IT	DVD software	438
Total investments in period				£11,683

Manager's Review

Portfolio performance

The NAV per share grew steadily throughout the year, up some 23 per cent prior to the payment of dividends. The increase came from across the portfolio with unquoted companies growing 26 per cent and the Aim investees showing a 41 per cent uplift. Within the unquoted portfolio, Fat Face, kidsunlimited, RLA Media plus two new investments in Americana and Martin Audio showed strong progress combining growth in both revenues and operating profits. The ambitious plans of companies are not always met and provisions were made against four companies.

The realisations are scheduled below. The three profitable sales of Thomas Sanderson, AIMS Group and Blue 8, all to trade buyers, were reported at the interim stage. Over winter 2003/2004, there were firmer market conditions for the smaller quoted companies and £0.9m aggregate profit was taken from the sale of Premier Direct and part sale of four other investments.

Realisations		First investment date	Cost (£'000)	Proceeds (£'000)	Multiple return
Premier Direct	Market sales	1998	202	682	3.4
SDL	Part sale	1998	92	272	3.0
Thomas Sanderson	Trade sale	2001	667	1,689	2.5
Inter Link Foods	Part sale	1998	107	253	2.4
Landround	Part sale	1998	100	212	2.1
Blue 8	Trade sale	2001	319	647	2.0
AIMS Group	Trade sale	2002	1,000	1,924	1.9
NeuTec Pharma	Part sale	2002	89	168	1.9
R&R	Trade sale	2002	527	479	0.9
Giardino	Trade sale	2000	288	184	0.6
Conclusive Logic	Liquidation	2000	457	–	–
4:2:2	Liquidation	1999	1,322	–	–
Totals			5,170	6,510	1.3

The portfolio is now 54 strong and well diversified across the chosen sectors. The overall health of the portfolio has continued to improve as judged by the trend in profitability of the companies. 44 investees have increased or show steady operating profits (81 per cent) compared to 35 a year ago (75 per cent).

The top ten investments are now split with three each in consumer, business services and media. The tenth investment is in Searchspace, which provides anti-money laundering and fraud detection software and has successfully raised a further round of capital at higher valuations than the original cost. The IT portfolio is now spread across eleven investees and the healthcare across another eight. The outcome from these investments is more uncertain than for the other sectors and so the policy has been to build smaller but more investments in IT and healthcare.

Investor relations

The web site for Baronsmead VCT 2 is now easier to access via the Internet. www.baronsmeadvct2.co.uk contains a number of reports including not only the statutory reports and fact sheets but also the presentations at the annual general meeting and shareholder workshop. We intend to publish generic information concerning financial planning for VCT investors.

Outlook

The portfolio is likely to fluctuate between 50 to 60 companies. The underlying performance of the portfolio companies will dictate overall investment performance and so we continue to concentrate on being highly selective in both unquoted and Aim companies and remain an influential shareholder where possible.

Baronsmead VCT 2 has a well-diversified portfolio from which the intention is to satisfy both the increase in NAV per share and the level of realised reserves from which dividends can be paid.



David Thorp
Investment Manager
ISIS Equity Partners

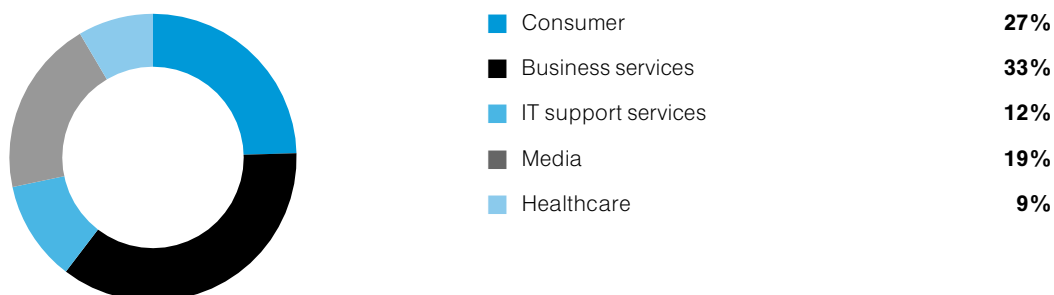
17 May 2004

Investment Classification

Portfolio by Sector ...

Company Investments (excluding fixed interest portfolio)

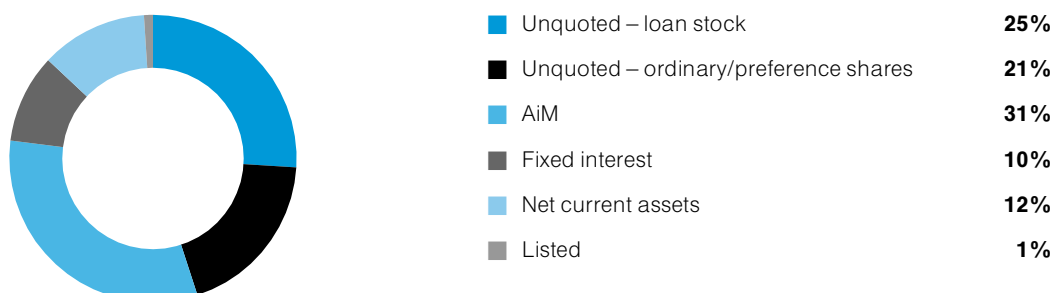
Sector Analysis as at 31 March 2004



... and by Asset Classification

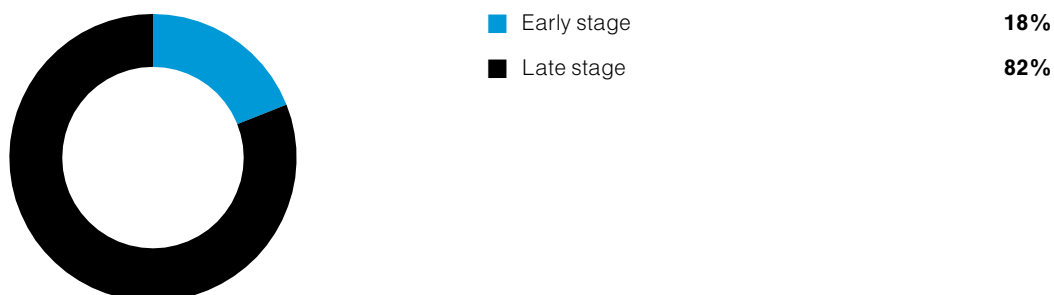
Total Investments

Market Analysis as at 31 March 2004



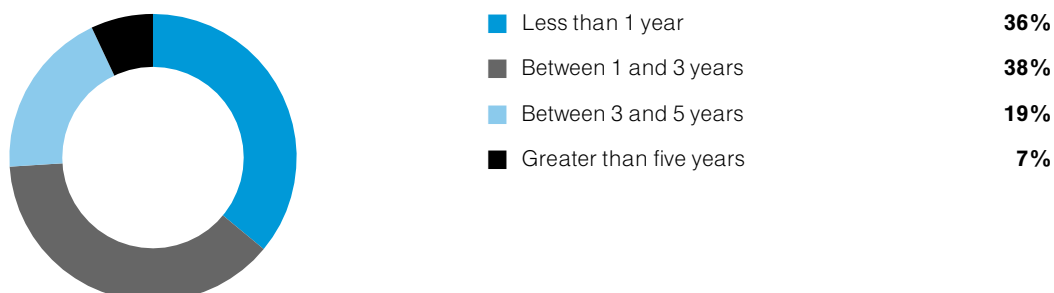
... and by Development Stage

by Value as at 31 March 2004



... and by Time Investments Held

by Value as at 31 March 2004



Investment Portfolio

Portfolio Valuation at 31 March 2004

Company	Sector	Book Cost £'000	Valuation £'000	% of Total Assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by Other Funds*
Unquoted						
Fat Face	Consumer markets	50	1,883	4.5	5.7	34.3
Martin Audio	Business services	1,045	1,798	4.3	16.0	30.6
Art Group	Media	1,576	1,576	3.8	8.6	16.4
Americana	Consumer markets	698	1,515	3.6	4.0	32.4
RLA Media	Media	886	1,314	3.2	11.3	18.7
Brownsword	Business services	1,081	1,124	2.7	17.3	22.7
Searchspace	IT support services	500	1,037	2.5	1.3	9.2
kidsunlimited	Business services	481	1,024	2.5	4.1	46.9
Hawksmere	Business services	942	942	2.3	12.8	24.7
ASSA	Business services	1,371	925	2.2	7.6	14.6
Kondor	Consumer markets	1,000	900	2.2	3.7	21.8
Language Line	Business services	785	785	1.9	7.4	60.6
SpaForm	Consumer markets	844	760	1.8	12.5	27.5
Vectura	Healthcare	705	705	1.7	2.0	9.9
Job Opportunities	Media	952	643	1.5	7.8	46.7
Fretwell Downing	IT support services	527	589	1.4	4.3	20.2
BodyCare International	Consumer markets	1,000	500	1.2	11.7	23.3
Staffline	Business services	814	366	0.9	7.0	42.0
Ardana	Healthcare	350	350	0.8	1.1	1.4
Oxxon Pharmaccines	Healthcare	250	250	0.6	0.8	0.8
Imerge	IT support services	500	–	–	3.3	9.8
Total Unquoted		16,357	18,986	45.6		
OFEX						
Chemistry Communications	Business services	500	94	0.2	4.8	4.8
Total OFEX		500	94	0.2		
Quoted on AiM						
Huveaux	Media	711	1,480	3.6	3.9	5.0
Inter Link Foods	Consumer markets	522	1,323	3.2	2.8	2.2
Landround	Business services	467	908	2.2	3.9	4.0
The Real Good Food Group	Consumer markets	620	668	1.6	3.6	8.1
Air Music & Media	Media	575	667	1.6	4.2	7.1
Top Ten	Consumer markets	477	648	1.6	2.5	2.5
Murgitroyd Group	Business services	500	612	1.5	5.0	5.0
Fitzhardinge	Business services	470	537	1.3	1.3	2.7
i-documentsystems	IT support services	600	520	1.2	3.5	5.2
Medal Entertainment & Media	Media	371	510	1.2	4.1	6.2
Stagecoach Theatre Arts	Consumer markets	419	507	1.2	4.6	4.6
Micap	Healthcare	375	477	1.1	2.4	3.6
Biofocus	Healthcare	680	432	1.0	1.3	1.3
NeuTec Pharma	Healthcare	228	422	1.0	0.6	0.6
Zoo Digital	IT support services	438	417	1.0	1.5	4.2
ATA Group	Business services	355	393	0.9	4.6	4.8
VI Group	IT support services	500	378	0.9	6.2	8.0
Quadnetics	IT support services	296	369	0.9	1.0	2.3
Polaron	IT support services	296	296	0.7	1.5	3.5
Cardpoint	Business services	114	291	0.7	0.7	1.3
Universe Group	Business services	195	208	0.5	1.4	2.7
Conder Environmental	Business services	340	200	0.5	4.6	4.6
Cobra Biomanufacturing	Healthcare	210	175	0.4	1.3	–
Blooms of Bressingham	Consumer markets	320	138	0.3	1.4	1.4
Xpertise Group	Business services	296	121	0.3	2.6	4.4
Sirius Financial Solutions	IT support services	150	86	0.2	0.6	–
Capcon Holdings	Business services	137	78	0.2	1.7	3.4
Charterhouse Communications	Media	355	67	0.2	1.2	1.6
Highams Systems Services	IT support services	197	32	0.1	1.2	2.3
AorTech International	Healthcare	285	27	0.1	0.4	0.3
NMT Group	Healthcare	351	17	0.0	0.3	0.3
Total AiM		11,850	13,004	31.2		
Listed						
SDL	IT support services	181	476	1.1	0.7	1.7
Total Listed		181	476	1.1		
Fixed interest						
UK Treasury 5% 07/06/04		2,105	2,154	5.2		
UK Treasury 7.5% 07/12/06		302	290	0.7		
UK Treasury 8.5% 07/12/05		223	213	0.5		
Total fixed interest		2,630	2,657	6.4		
OEICs & Unit Trusts						
OE Money Market 2		1,551	1,517	3.7		
Total OEICs		1,551	1,517	3.7		
Total investments		33,069	36,734	88.2		
Net current assets			4,909	11.8		
Total assets less current liabilities			41,643	100.0		

Provisions of £2,387,000 have been made against unquoted investments at 31 March 2004 (31 March 2003: £2,918,000; 31 March 2002: £3,550,000).

*Funds managed by ISIS Equity Partners plc.

Ten Largest Investments

Fat Face Limited *Havant*

		Year ended 31 May	2003	2002
			£ million	£ million
First Investment:	February 2000			
Cost:	£50,000			
Valuation:	£1,883,000	Sales	30.5	21.5
Valuation Basis:	Discounted price earnings	Profit before tax	2.3	1.7
		Retained profit	1.1	0.8
		Net assets	3.0	1.9

Fat Face is a multi-channel retailer supplying branded clothing and accessories to the outdoor active lifestyle market. The company raised £3.5 million to fund expansion and a share reorganisation.



Martin Audio Limited *High Wycombe*

		Year ended 30 June	2003	2002
			£ million	(15 months) £ million
First Investment:	August 2003			
Cost:	£1,045,000			
Valuation:	£1,798,000	Sales	9.5	9.9
Valuation Basis:	Discounted price earnings	Profit before tax	1.0	1.2
		Retained profit/(loss)	–	(0.2)
		Net assets	1.3	1.3

Martin Audio designs, assembles and markets high performance speaker systems for use in the concert and public entertainment markets, in the UK and overseas. It raised £3 million to support a management buy-out.



The Art Group Limited *London*

		Year ended 31 December	2002	2001
			£ million	£ million
First Investment:	October 2003			
Cost:	£1,576,000			
Valuation:	£1,576,000	Sales	16.7	17.1
Valuation Basis:	Cost	Profit before tax	1.6	0.8
		Retained profit	1.1	0.4
		Net assets	2.5	2.0

The Art Group is a market leading publisher of art content on cards, posters and canvas prints sold to retailers in over 50 countries such as IKEA and Habitat. It raised £4.5 million to support a management buy-out.



Americana Holdings Limited *Manchester*

		Year ended 31 December	2002	2001
			£ million	£ million
First Investment:	July 2003			
Cost:	£698,000			
Valuation:	£1,515,000	Sales	25.3	16.1
Valuation Basis:	Discounted price earnings	Profit before tax	4.9	2.1
		Retained profit	3.4	1.4
		Net assets	5.4	2.0

Americana is a fashion clothing business aimed at the youth market wholesaling and retailing under the brand names 'Bench' and 'Hooch'. It raised £6.4 million to support a management buy-out.



Huveaux Plc *London*

		Year ended 31 December	2003	2002
			£ million	£ million
First Investment:	March 2003			
Cost:	£711,000			
Valuation:	£1,480,000	Sales	4.6	1.1
Valuation Basis:	Middle market price	Profit before tax	1.2	0.4
		Retained profit	0.3	0.1
		Net assets	21.6	6.1

Huveaux is a publishing and media group with a strategy to expand into the government and educational sectors. The Group raised £7.6 million to purchase Lonsdale Publishing and support the Group's buy and build strategy.



Ten Largest Investments

Inter Link Foods PLC *Blackburn*

First Investment:	August 1998	Year ended 30 April	2003	2002
Cost:	£522,000		£ million	£ million
Valuation:	£1,323,000	Sales	51.4	46.0
Valuation Basis:	Middle market price	Profit before tax	3.0	2.7
		Retained profit	1.5	1.5
		Net assets	18.6	10.5



Inter Link Foods manufactures and sells own label cakes and pastry products to major retail groups. The company joined AIM in August 1998 and has made a number of acquisitions adding both production capacity and new clients. In 2001 it was voted AIM company of the year.

RLA Media Limited *Bournemouth*

First Investment:	December 2002	Year ended 31 May	2003*	2002
Cost:	£886,000		£ million	£ million
Valuation:	£1,314,000	Sales	4.5	9.4
Valuation Basis:	Discounted price earnings	Profit before tax	0.4	0.4
		Retained profit	0.1	0.1
		Net assets	5.3	1.4



RLA is a regional marketing services agency, predominantly servicing national and multinational brands selling through local outlets. It raised £2.4 million as replacement capital.

*for the period 19 November 2002 to 31 May 2003

Brownsword *Manchester*

First Investment:	December 2002	Year ended 31 July	2003*	2002
Cost:	£1,081,000		£ million	£ million
Valuation:	£1,124,000	Sales	3.0	4.0
Valuation Basis:	Discounted price earnings	(Loss)/profit before tax	(0.1)	0.8
		Retained (loss)/profit	(0.1)	0.3
		Net assets	0.2	0.8



Brownsword provide outsourced road traffic accident investigation services to insurance companies. £4.0 million was raised as replacement capital.

*for the period 19 November 2002 to 31 July 2003

Searchspace *London*

First Investment:	April 2001	Year ended 31 March	2003	2002*
Cost:	£500,000		£ million	£ million
Valuation:	£1,037,000	Sales	11.9	6.3
Valuation Basis:	Discounted price earnings	Loss before tax	(4.3)	(11.7)
		Retained loss	(4.0)	(10.7)
		Net liabilities	(14.3)	(10.3)



Searchspace is a developer of intelligent enterprise system software. £10 million of institutional monies was raised for further development.

*for the period 19 January 2001 to 31 March 2002

Kidsunlimited Limited *Wilmslow*

First Investment:	June 2001	Year ended 30 April	2003	2002
Cost:	£481,000			(10 months)
Valuation:	£1,024,000		£ million	£ million
Valuation Basis:	Comparable sector earnings multiple plus capitalised interest	Sales	13.8	9.2
		Loss before tax	(1.3)	(1.6)
		Retained loss	(1.3)	(1.6)
		Net liabilities	(2.3)	(1.1)



Kidsunlimited is a provider of day care facilities to children under five years old. The company operates a combination of owned nurseries and those located within the workplace. It raised £4 million to fund expansion and a share reorganisation.

Board of Directors

as at 31 March 2004



Clive Parritt (Chairman)

(age 61) is a chartered accountant with over 25 years' experience of providing strategic, financial and commercial advice to medium sized businesses. Until February 2001 he was chairman of Baker Tilly having been its national managing partner for ten years until June 1996. He is a member of the Council of the Institute of Chartered Accountants in England and Wales, a Director of Herald Investment Trust plc and chairman of BG Consulting Group Limited. He is also a director of The Business Exchange plc (a leading independent corporate finance house where he was chief executive until July 2003). Previously he has chaired or been a director of a number of investment trusts, VCTs and media businesses.



Godfrey Jillings

(age 63) is a non-executive Director/Chairman of several fast growth unquoted companies. He held a range of senior executive appointments at NatWest including responsibility for their retail stockbroking, unit trust and PEP operations. He was a CEO of FIMBRA, the regulatory body for IFAs and a Deputy CEO of its successor, the PIA (1990–1994). He was deputy Chairman of DBS plc (1996–2002), the leading IFA network prior to its take-over and is also a Director of Baronsmead VCT plc.



Gillian Nott

(age 58) joined the Board as a Director in 1998. Gill has in-depth experience of private investors as Chief Executive of ProShare (1994–99). Previously she was responsible for the private equity portfolios at BP and latterly has been a non-executive Director of investment trusts at Foreign & Colonial and Martin Currie. Gill is Chairman of Baronsmead VCT and a non-executive Director of Baronsmead VCT 3. She has been a board member of the FSA since 1998 and a non-executive Director of several venture-backed investees.



Nicholas Timpson

(age 63) was the founder, Chairman and Managing Director of Furnitureland Holdings plc. He is Chairman of Whitemeadow Furniture Ltd and a Director of The Vestey Group Ltd. He brings to the Board long experience in the development of private companies. Before founding Furnitureland Holdings plc in 1973, he worked as a Management Consultant for McKinsey & Co.

As a fully listed Company, Baronsmead VCT 2 is required to comply with the Combined Code relating to its Corporate Governance. This Code requires the Company to be headed by an effective Board of Directors who lead and control the Company's affairs.

The Directors of a VCT and investment managers are required under the listing and continuing obligations of the London Stock Exchange to have sufficient and satisfactory experience in the management of a portfolio of unquoted investments of the size and type in which the VCT proposes to invest.

Summary Financial Statement

This summary financial statement has been prepared voluntarily by the Directors in accordance with the relevant requirements of section 251 of the Companies Act 1985. It does not contain sufficient information to allow a full understanding of the results and state of affairs of the Company. For further information, the full Annual Financial Statements, the Auditors' Report on those financial statements and the Directors' Report should be consulted. A copy of the Annual Report, which may be obtained free of charge from the Company Secretary, will be delivered to the Registrar of Companies after the Annual General Meeting. Shareholders wishing to receive the full Annual Report in future years may opt to do so by sending signed, written notice to the Company Secretary. PKF have reported on the Company's annual accounts and the auditable part of the Directors' Remuneration Report for the year ended 31 March 2004; this report was unqualified and contained no statement under section 237(2) and (3) of the Companies Act 1985.

Summary Directors' Report

Principal Activity and Status

The Company is registered as a Public Limited Company under the Companies Act 1985. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with Section 842AA of the Income and Corporation Taxes Act 1988 and the Company has received full approval as a Venture Capital Trust from the Inland Revenue for the year to 31 March 2003. A review of the Company's business during the period is contained in the Chairman's Statement and Managers' Review.

Results and Dividends

	£'000
Profit on ordinary activities after taxation	2,115
Interim capital dividend of 4.7p per share paid on 4 July 2003	(1,920)
Second interim capital dividend of 0.6p per ordinary share paid on 12 December 2003	(246)
Interim revenue dividend of 0.6p per share paid on 12 December 2003	(246)
Third interim capital dividend of 2.0p per share paid on 26 March 2004	(818)
Second interim revenue dividend of 0.6p per share paid on 26 March 2004	(246)
Transferred from profit and loss account	(1,361)

Issue and Buy-Back of Shares

During the year the Company issued 837,297 ordinary shares and raised proceeds of £771,000. The Company bought back

845,000 ordinary shares (being 2.1 per cent of closing issued share capital) during the year, at a cost of £724,000.

Directors

Mrs G Nott retires at the sixth Annual General Meeting of the Company and, being eligible, offers herself for re-election.

The Directors who held office at the end of the year, and their interests in the ordinary shares of the Company were:

		31 March 2004 Ordinary 10p Shares	31 March 2003 Ordinary 10p Shares
Clive A Parritt	Beneficial and family	27,652	26,617
Godfrey F Jillings	Beneficial and family	144,651	123,985
Gillian Nott	Beneficial and family	10,000	10,000
Nicholas G L Timpson	Beneficial and family	250,000	250,000

There have been no other changes in the holdings of the Directors between 31 March and 17 May 2004.

No Director has a service contract with the Company.

All Directors are members of the Audit, Remuneration and Nomination Committees. Mr G Jillings and Mrs G Nott are Directors of Baronsmead VCT plc and Mrs G Nott is also a Director of Baronsmead VCT 3 plc which are both managed by ISIS Equity Partners plc.

Corporate Governance

The Board consists solely of independent Non-Executive Directors. The Board has appointed Mr Timpson as Senior Non-Executive Director in accordance with the Combined Code of Best Practice ('the Code').

Apart from the matters referred to in the following paragraph the Company has complied with the Code throughout the year under review.

In view of its non-executive nature and the requirements of the Articles of Association that all Directors retire by rotation at the Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. There is no formal training programme for Directors. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change.

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

The Board has considered the provisions of the new Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ('the new Code') which are effective for reporting years beginning on or after 1 November 2003. The Board's intention is to apply the provisions of the new Code, as far as practicable, during the year ended 31 March 2005.

Relations with Shareholders

The Company welcomes the views of Shareholders, and the Annual General Meeting of the Company provides a forum both formal and informal for investors to meet and discuss issues with Directors of the Company. Details of the resolutions to be proposed at the Annual General Meeting on 16 June 2004 can be found in the Notice of Meeting on page 18.

Summary Directors' Remuneration Report

Policy on Directors' Fees

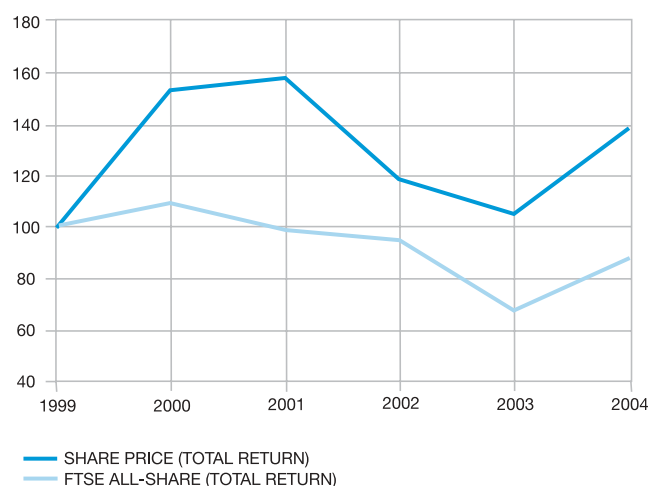
The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant venture capital trusts that are similar in size and have similar investment objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 31 March 2005 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £50,000 per annum (as varied by the UK Retail Prices Index from year to year) and the approval of shareholders in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the 'Report of the Directors'. The graph below compares for the five financial years ending 31 March 2004, the percentage change over each period in the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the percentage change over each period in total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes, as it represents a widely understood broad equity market index against which investors can measure the relative performance of the fund. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price and The FTSE All-Share Index Performance Graph



Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2004 £	Fees 2003 £
C Parritt	15,000	15,000
G Jillings	10,000	10,000
G Nott	10,000	10,000
N Timpson	10,000	10,000
Total	45,000	45,000

On behalf of the Board,

C A Parritt
Chairman
17 May 2004

Independent Auditors' Statement

Independent Auditors' Statement to the members of Baronsmead VCT 2 plc

We have examined the Summary Financial Statement of Baronsmead VCT 2 plc.

This statement is made solely to the Company's members, as a body, in accordance with Section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Summary Annual Report in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Summary Annual Report with the full Annual Financial Statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of Opinion

We conducted our work in accordance with Bulletin 1999/6 'The Auditors' Statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Financial Statements, the Directors' Report and the Directors' Remuneration Report of Baronsmead VCT 2 plc for the year ended 31 March 2004 and complies with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

PKF

London

Registered Auditors

17 May 2004

The maintenance and integrity of the Baronsmead VCT 2 web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Profit and Loss Account

for the year ended 31 March 2004

	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
Gains/(losses) on investments	–	1,920	1,920	–	(267)	(267)
Income	1,256	–	1,256	1,809	–	1,809
Investment management fee	(195)	(583)	(778)	(193)	(580)	(773)
Other expenses	(284)	–	(284)	(295)	–	(295)
Profit/(loss) on ordinary activities before taxation	777	1,337	2,114	1,321	(847)	474
Taxation on ordinary activities	(131)	132	1	(349)	187	(162)
Profit/(loss) on ordinary activities after taxation	646	1,469	2,115	972	(660)	312
Dividends paid	(492)	(2,984)	(3,476)	(858)	(2,004)	(2,862)
Retained gains/(losses) transferred to/(from) reserves	154	(1,515)	(1,361)	114	(2,664)	(2,550)
Earnings/(loss) per Ordinary 10p Share	1.58p	3.58p	5.16p	2.37p	(1.61)p	0.76p

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2004

	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
Profit/(loss) on ordinary activities after taxation	646	1,469	2,115	972	(660)	312
Unrealised gain/(loss) on revaluation of investments	–	6,306	6,306	–	(1,926)	(1,926)
Total recognised gain/(loss) during the period	646	7,775	8,421	972	(2,586)	(1,614)
Total recognised gain/(loss) per ordinary share	1.58p	18.96p	20.54p	2.37p	(6.31)p	(3.94)p

Note of Historical Cost Profits and Losses

for the year ended 31 March 2004

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	2,114	474
Realisation of revaluation (losses)/gains of previous years	(662)	303
Historical cost profit on ordinary activities before taxation	1,452	777
Historical cost loss for the period retained after taxation and dividends	(2,023)	(2,247)

All items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

Balance Sheet

As at 31 March 2004

	2004 £'000	2003 £'000
Fixed assets		
Investments	36,734	26,645
Current assets		
Debtors	370	533
Cash at bank and on deposit	4,856	9,889
	5,226	10,422
Creditors (amounts falling due within one year)	(317)	(416)
Net current assets	4,909	10,006
Total assets less current liabilities	41,643	36,651
Capital and reserves		
Called-up share capital	4,088	4,089
Share premium account	745	57
Other reserves:		
Revaluation reserve	3,665	(3,472)
Capital redemption reserve	100	16
Profit and loss account	33,045	35,961
Equity shareholders' funds	41,643	36,651
Net asset value per Ordinary Share – Basic	101.88p	89.65p

The summary financial statement was approved by the Board of Directors on 17 May 2004 and was signed on its behalf by:



CLIVE A PARRITT (Chairman)

Notice of Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting of Baronsmead VCT 2 plc will be held at the offices of ISIS Asset Management plc, 100 Wood Street, London EC2V 7AN, on 16 June 2004 at 11.00 am for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

Ordinary Business

1. That the Report and Accounts for the year to 31 March 2004 be received.
2. That the Directors' Remuneration Report for the year to 31 March 2004 be approved.
3. That Mrs G Nott, who retires by rotation at the Annual General Meeting, be re-elected as a Director.
4. That PKF, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
5. That in Article 101 of the Company's Articles of Association, the references to Directors' remuneration of £50,000 be amended to £75,000.

Special Business

Ordinary Resolutions

6. That the authorised share capital of the Company be increased to £8,000,000 by the creation of 29,500,000 additional shares of 10p each.
7. That:
 - (a) the Directors of the Company (the "Directors") be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £3,805,588 during the period commencing on the passing of this resolution and expiring on 15 June 2009 (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry; and
 - (b) all previous authorities given to the Directors in accordance with section 80 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

8. That subject to the passing of resolutions 6 and 7 set out in the notice of this meeting:
 - (a) the Directors of the Company (the "Directors") be and are hereby empowered, pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities for cash pursuant to the authority given in accordance with section 80 of the Act by that resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with:
 - (i) an offer of securities, open for acceptance for a period fixed by the Directors, to holders of ordinary shares of 10p each in the Company and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);
 - (ii) the dividend reinvestment plan as more particularly described in the Report of Directors;
 - (iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £3,805,588; and shall expire on the date falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry;
 - (b) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.
9. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 10p each in the Company ("Ordinary Shares"), provided that:
 - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 6,287,423;
 - (b) the minimum price which may be paid for each Ordinary Share is 10p;
 - (c) the maximum price which may be paid for an Ordinary Share shall be not more than 5 per cent above the average of the market values of the Ordinary Shares for the five business days before the purchase is made;
 - (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company in 2005 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
 - (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.

By Order of the Board

Gary Fraser

for ISIS Asset Management plc, *Secretary*
80 George Street
Edinburgh EH2 3BU
17 May 2004

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.

To be valid, a Proxy Card must be lodged with the Company's Registrar, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ at least 48 hours before the meeting. A Proxy Card for use by ordinary shareholders is enclosed. Completion of the Proxy Card will not prevent a shareholder from attending the meeting and voting in person.

I/We _____
 (BLOCK LETTERS PLEASE)

of _____
 being a member of Baronsmead VCT 2 plc, hereby appoint the Chairman of the meeting, or*

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held on 16 June 2004, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	For	Against
1. To receive the Report and Accounts for the year to 31 March 2004.		
2. To approve the Directors' Remuneration Report for the year to 31 March 2004.		
3. To re-appoint Mrs G Nott as a Director.		
4. To re-appoint PKF as Auditors, and to authorise the Directors to determine their remuneration.		
5. That the limit for Directors' remuneration be increased from £50,000 to £75,000.		
6. That the authorised share capital be increased from £5,050,000 to £8,000,000.		
7. To renew the Directors' authority to allot shares.		
Special Resolutions		
8. To renew the Directors' authority to disapply statutory pre-emption rights.		
9. To renew the Directors' authority to buy-in Shares.		

Signature _____

Dated this _____ day of _____ 2004

Notes

*You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.

In the case of a corporation, the proxy must be either under its common seal or under the hand of an officer.

In order to have effect, the proxy must be deposited at the Company's Registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA at least 48 hours before the time of the meeting or any adjournment thereof together where appropriate with the power of attorney under which it is signed or a notarially certified copy of such power.

In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the Register will be counted.

Any alterations made in this proxy should be initialled.

Completion of a proxy shall not prevent a shareholder from attending the Annual General Meeting and voting in person should you decide to do so.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence HF106

2



Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0JQ

FIRST FOLD

THIRD FOLD AND TUCK IN

Shareholder Information

Dividends

Interim dividends are ordinarily paid to shareholders in December. Final dividends are ordinarily paid to shareholders in July. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained by telephoning the Company's registrar, Northern Registrars Limited.

Dividend Reinvestment Scheme

The Company operates a dividend reinvestment scheme to enable shareholders to buy shares using their dividends. The shares issued via this scheme are new shares and attract VCT tax reliefs for eligible investors. Details can be obtained from the Company's Investor Relations Manager, Michael Probin.

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange. The mid-price of the Company's Ordinary Shares is given daily in the *Financial Times* in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

Trading Shares

The Company's Ordinary Shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. The market makers for Baronsmead VCT 2 plc are:

- Teather & Greenwood
- UBS Warburg

Please call Michael Probin if you or your adviser have any questions about this process.

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Northern Registrars Limited, under the signature of the registered holder.

Enquiries

Contact Michael Probin, VCT Investor Relations Manager for Baronsmead VCT 2 plc:

Telephone: 020 7506 1651*
Fax: 020 7601 1787
e-mail: michael.probin@isisam.com
website: www.baronsmeadvct2.co.uk

*Telephone calls may be recorded.

Financial Calendar

16 June 2004	Annual General Meeting
August 2004	VCT factsheet sent to shareholders
November 2004	Posting of interim report
December 2004	Interim dividend paid

VCT Workshops

A Workshop for shareholders and their advisers will be held at the offices of the Investment Managers, 100 Wood Street, London EC2V 7AN, at 1.30 pm on 16 June 2004 following the Annual General Meeting.

Please call Michael Probin if you or your adviser would wish to attend a workshop.

Corporate Information

Directors

Clive Anthony Parritt (Chairman)
Godfrey Frank Jillings
Gillian Nott
Nicholas George Lawrence Timpson

Secretary

ISIS Asset Management plc
80 George Street
Edinburgh EH2 3BU

Registered Office and Investment Managers

ISIS Equity Partners plc
100 Wood Street
London EC2V 7AN

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrars and Transfer Office

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Brokers

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Auditors

PKF
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Solicitors

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

ISIS Equity Partners plc – Investment Managers

ISIS Equity Partners plc is a wholly owned subsidiary of ISIS Asset Management plc, itself part of the Friends Provident Group. Its focus is on investments in unquoted companies for clients of the ISIS Asset Management Group. It is a member of the British Venture Capital Association and is regulated by the FSA.

ISIS Asset Management plc is listed on the London Stock Exchange and has offices in London and Edinburgh.