

BARONSMEAD

Baronsmead VCT 2 plc

2009

Half-yearly report
for the six months ended
31 March 2009



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 UK growth businesses, whether unquoted or traded on AiM.
- Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

Dividend policy

The Board will aim 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.

Since launch the average annual tax-free dividend paid to ordinary shareholders has been 6.4p per share (equivalent to a pre-tax return of 9.5p per share for a higher rate taxpayer).

Secondary market in the shares of Baronsmead VCT

Shares can be bought and sold using a stockbroker, just like shares in any other listed company. Qualifying purchasers (individuals over the age of 18 and UK resident for tax purposes) can receive VCT dividends (including capital distributions of realised gains on investments) that are not subject to income tax, and capital gains tax is not payable on disposal of the VCT shares.

There is no minimum time for which VCT shares bought in the secondary market need to be held, and they can be sold in the normal way. The UK tax treatment of VCTs is on a first in first out basis and therefore tax advice should be obtained before shareholders dispose of their shares and also if they deferred Capital Gains Tax in respect of new shares acquired prior to 6 April 2004.

It is important that shareholders consult their professional adviser to ensure that using VCT investments is appropriate for their particular circumstances and that any arrangements put in place have the intended effect.

www.baronsmeadvct2.co.uk

Financial Headlines

2.5p

Interim dividend of 2.5p per share payable on 26 June to shareholders on the register as at 29 May 2009.

-4.5%

NAV per ordinary share over the six month period to 31 March 2009 decreased by 4.5 per cent from 91.68p to 87.57p before payment of a 2.5p interim dividend.

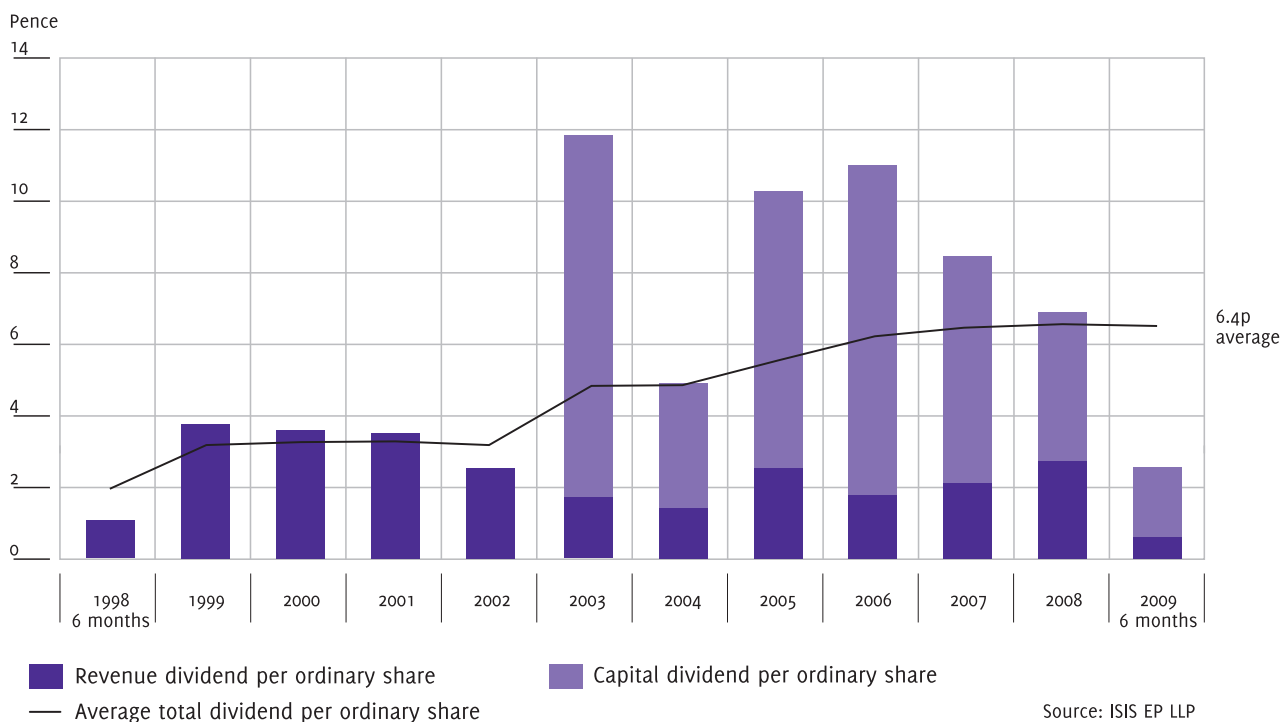
+75.8%

NAV total return to ordinary shareholders since launch in 1998, equivalent to an annualised total return of 5.3 per cent before 20 per cent income tax relief (on subscription, at launch) and 6.6 per cent afterwards.

6.4p

Average annual tax free dividend of 6.4p per ordinary share since inception, equivalent to 9.5p for higher rate tax payers.

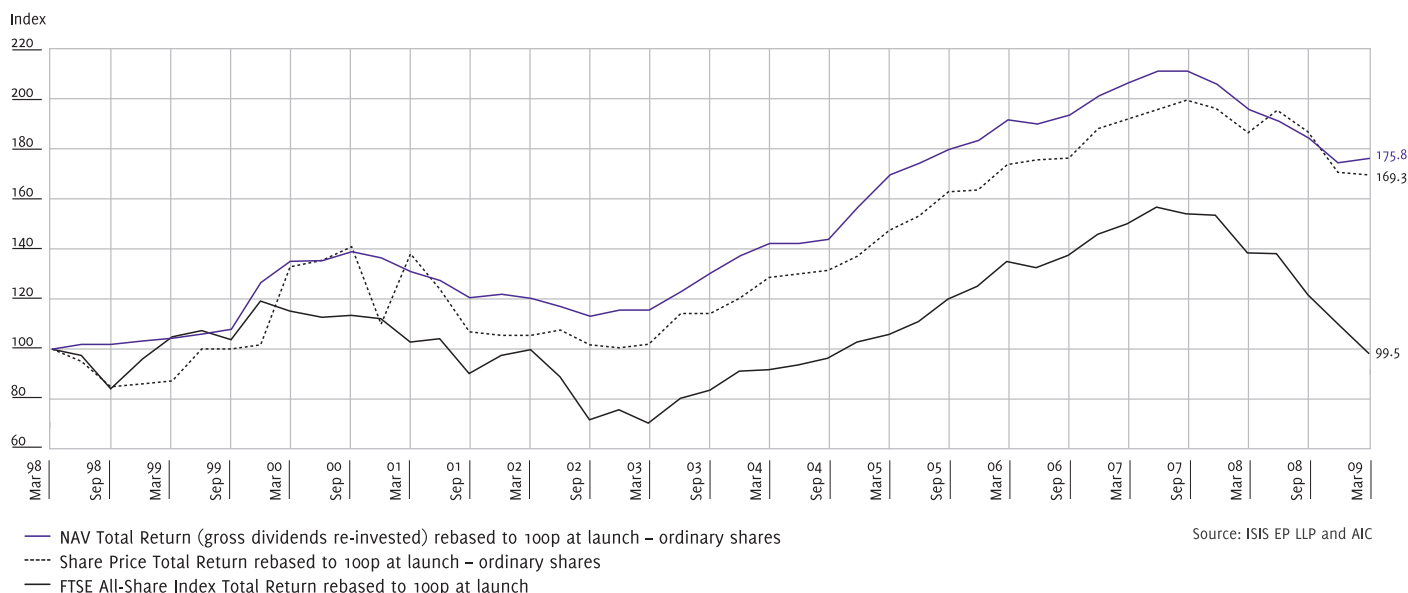
Dividend history since launch



Summary Since Launch

Baronsmead VCT 2 plc

Net asset value total return and share price total return since launch against the FTSE All-share Index total return



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from launch, assuming that dividends paid were re-invested at NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Performance Summary to 31 March 2009

Total return*	6 months %	1 year %	3 year %	5 year %	10 year %	Since launch % (2 April 1998)
Net Asset Value†	(4.5)	(9.6)	(7.7)	24.0	68.3	75.8
Share Price†	(8.9)	(12.0)	(5.6)	20.7	70.2	69.3
FTSE All Share	(18.3)	(29.3)	(27.5)	7.2	(6.4)	(0.5)

*Source: ISIS EP LLP and AIC.

†These returns for Baronsmead VCT 2 ignore upfront tax relief and the impact of receiving dividends tax free.

Cash Returned to Shareholders

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 (April) – Ordinary	100	20.0	80.0	70.4	8.0	11.9
1999 (May) – Ordinary	102	20.4	81.6	66.9	8.3	12.2
2000 (February) – Ordinary	137	27.4	109.6	63.7	6.3	9.3
2000 (March) – Ordinary	130	26.0	104.0	63.7	6.7	10.0
2004 (October) – C	100	40.0	60.0	22.3‡	8.3	12.2

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.

*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 income tax (currently 32.5%).

‡Includes 14.0p dividends paid post conversion, adjusted by the rate at which C shares were converted to ordinary shares (0.9657).

Chairman's Statement

Despite the current economic climate of increased uncertainty and high risk, the NAV per share has remained steady since the unprecedented turmoil in the worldwide financial markets last October. The overall decrease of 4.5 per cent can be compared to the fall of 20 per cent in the FTSE All-Share Index over the six month period.

Our joint offer with Baronsmead VCT closed on 3 April 2009. We are delighted to welcome the 819 new shareholders. In total 1,140 subscribers invested a total of £8.75 million (£8.26 million net) for Baronsmead VCT 2 giving increased capacity for further investment.

Results

In the six months to 31 March 2009, the Net Asset Value (NAV) per ordinary share decreased by 4.5 per cent from 91.68p to 87.57p before an interim dividend of 2.5p per share which will be paid on 26 June 2009 to shareholders on the register on 29 May 2009. This dividend comprises 2.0p per share of distributed capital profits and 0.5p per share of net revenue. The capital dividend is paid from the reserves accumulated from net profits realised in previous years.

Baronsmead VCT 2 continued to meet the six VCT operational tests during the period. Throughout the period comfortably over 70 per cent of the ordinary capital raised (net of launch costs) prior to 30 September 2006 was invested in VCT qualifying investments. Cash resources are estimated to be £18 million following the payment of the interim dividend and including the net proceeds from shares allotted up to 31 March from the fund raising. There is therefore significant liquidity in Baronsmead VCT 2 to provide capital for new investment and to withstand banking pressures on the existing portfolio.

The decrease in NAV per share of 4.5 per cent is nearly all represented by a fall of 25 per cent in the AIM portion of the portfolio, all of which occurred in autumn 2008. Since then prices have remained more stable. The valuation of the unquoted portfolio is also affected by market changes in price earnings multiples, but the overall good profitability of these unquoted companies has helped to balance valuation gains and falls. The comparable fall for the FTSE All-Share Index was 20 per cent.

As discussed in my Statement in the annual report and accounts to 30 September 2008, VAT is no longer to be charged on management fees and we have been able to reclaim VAT previously paid. I am pleased to say that £404,000 has been accrued in these accounts as a receivable in addition to the £740,000 that was included previously.

To ensure that new shares in the joint offer have been issued as equitably as possible, the Board has reviewed unquoted valuations on a monthly basis over this interim period. The resulting NAVs per share are shown below.

Portfolio review date	NAV per share (p)	Allotment price per share
30/09/08	91.68	
31/10/08	86.17	91.50p on 14/11/08
30/11/08	85.56	91.00p on 12/12/08
31/12/08	86.96	
31/01/09	85.96	91.00p on 13/02/09
28/02/09	86.01	91.50p on 13/03/09
18/03/09	86.74	92.00p on 30/03/09
31/03/09	87.57	

Unquoted investments are valued at fair value by the Directors in accordance with the International Private Equity and Venture Capital Association Guidelines. Valuations for unquoted investments are typically based on a combination of market sector ratings, price earnings multiples for a basket of comparable quoted companies and recent corporate transactions, all appropriately discounted.

At 31 March 2009, 81 per cent of the unquoted investments were valued on a discounted price earnings ratio, 4 per cent at cost, 14 per cent at values below cost and 1 per cent at third party valuation. The AIM investments were valued at their bid price as traded on the AIM market at the period end date.

Long term performance

The interim dividend takes the cumulative tax free dividends paid to founder shareholders to 70.40p per share in respect of their original £1 investment before tax relief.

To this cash returned to shareholders can also be added the VCT tax reliefs, which are designed to redress both the VCT constraints as well as the higher risks that relate to investing in smaller unquoted and AIM-traded companies. At a time of lower and sometimes negative investment returns, the proportional benefits from these reliefs are greater. For instance, the tax free nature of dividends for qualifying shareholders is significant when deposit rates on cash are almost non-existent as now.

There have been four prospectus fund raisings by Baronsmead VCT 2 prior to the recent joint offer. All

Chairman's Statement

shareholders from these previous offers have to date achieved positive absolute total returns. These returns, shown on page 2 of the accounts, are ahead of the FTSE All-Share Index over 1, 3, 5 and 10 years. The comparison over five years is favourable in that the share price total return was 120.7 (before any adjustment for VCT tax benefits) against the FTSE All-Share Index of 107.2 and the FTSE SmallCap index of 62.2.

These results also compare favourably with other VCTs and fuller comparisons have recently been facilitated by the Association of Investment Companies (AIC) who publish monthly data on their website, www.theaic.co.uk.

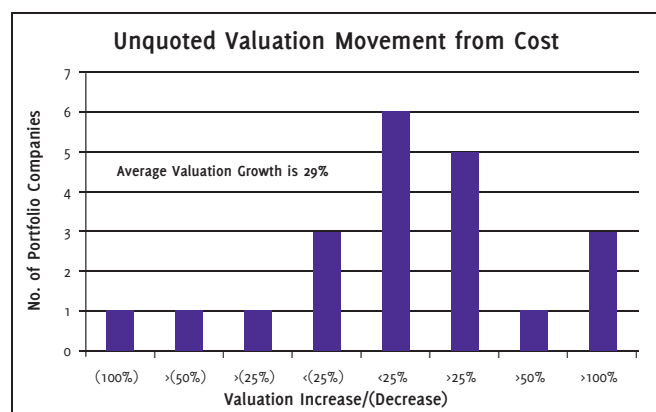
Portfolio review

The total portfolio at the year end consisted of 77 companies. This takes account of the follow on investment in IDOX, the full realisation of Universe and writing off 8 AIM investments. 47 per cent of the portfolio by value was invested in unquoted companies, 18 per cent in AIM investees and the balance of 35 per cent remained in cash or government securities.

The Board reviews the relative health of portfolio companies quarterly, in terms of profitability as well as other non-financial benchmarks. At the period-end, 66 per cent of the portfolio companies were reporting better or steady progress.

The chart below shows that, on average, the portfolio of unquoted investments is valued some 29 per cent higher than original cost.

The continuing fall in AIM values since the Autumn of 2008 slowed in the first quarter of 2009, largely as most distressed sellers had completed their realisations and more importantly purchasers have begun to see opportunities for good value.



Investment choices and active management of the unquoted portfolio

As the economy has weakened over the last two years or so, the Manager has concentrated new investments in sub-sectors that are less cyclical and with growth strategies that are less reliant on general economic growth. For instance, the proportion of the portfolio by value (including AIM-traded companies) for consumer businesses has more than halved to 14 per cent while IT & Media 25 per cent and Healthcare & Education 21 per cent have more than doubled.

In addition, financial structures have been designed to be prudent wherever possible with relatively low levels of external debt. There are several ways of measuring borrowings but the most common relates to the level of net borrowings divided by annual operating profits. At this level, the level of debt within the portfolio as a whole is low and considerably less than those typically used in larger private equity transactions.

As always, the Manager is involved actively in managing its private equity investments. Tight control of overheads, a focus on efficient working capital management and early communication with debt providing bankers for each investee have all helped to manage risk and minimise issues.

An important part of the investment process is to originate new opportunities through direct approaches to suitable businesses within targeted sectors. For that reason the manager makes considerable effort to build the right quality relationships with successful target companies who have ambition to grow, using private equity funding.

Presentations by investee companies are a regular feature at each AGM in order to help shareholders better understand the importance of maintaining a close relationship between the executive management of unquoted companies and the Manager. The Chairman of ILS, Scott Christie, based in Alloa presented to the AGM held in December 2008 attended by some 100 shareholders of Baronsmead VCT and Baronsmead VCT 2. Since first investment in autumn 2006, this domiciliary care business has grown both by acquisition and organically, now providing services to 18 Scottish Local Authorities. Over this time, trading profits have almost tripled and the management has become a highly developed professional team.

Revision of strategy for investing in AIM

The strategy for investing in AIM has been refined to incorporate more of the private equity investment process. In particular, we are focusing on taking more influential stakes

Chairman's Statement

in a smaller number of investments where a likely exit strategy to a trade buyer can be envisaged, while looking to sell the long tail of older investments as and when the constraints of the VCT legislation allow.

The AIM team utilises the knowledge and skills of the wider private equity team to provide input to the selection of new investments and during their ongoing development. The Manager expects that these refinements to the investment strategy for AIM investments together with opportunities offered by the current lower valuations will have a positive impact on returns over the coming years.

Shareholder matters

The joint offer with Baronsmead VCT opened in September 2008 and closed on 3 April 2009 with 1,140 applications including further investment from 321 existing shareholders. £17.5 million was raised and the net proceeds for Baronsmead VCT 2 amounted to £8.26 million.

Buy backs into Treasury totalled 762,366 ordinary shares. Unfortunately the main market maker for a number of years (Landsbanki) ceased to trade in October 2008. [By the period end, however, there were four market makers, namely Matrix Securities, Panmure Gordon, Singer Capital Markets and Winterflood.

The role that VCT shares can play for a private investor in retirement and inheritance planning was highlighted in a letter sent by the Manager to shareholders in March 2009. This explained how shareholders could benefit from VCT investment pre and post retirement and also the impact of

such investment on estate planning including the way in which subsequent beneficiaries could take advantage of the ongoing VCT tax reliefs.

Feedback from shareholders and advisers indicates that it is this aspect of the handing on of VCT shares and their tax advantages to beneficiaries which could be more widely articulated. The letter from ISIS stressed the role of professional advisers as so much depends on the circumstances of individual shareholders. However please email michael.probin@isisep.com if you wish to contribute to this topic and state what is important from your perspective as an interested shareholder.

Outlook

There has been extreme volatility in the UK economy during winter 2008/09 and this is likely to continue for a number of months or even years to come.

These difficult conditions are being countered by sustaining good investment diversity and ensuring that there is cash availability both within Baronsmead VCT 2 and the portfolio companies to cope with most eventualities. The Board and Manager share the belief that we are entering one of the best investment environments for many years and once greater stability has returned to UK financial and industrial markets there will be significant opportunities available.

Clive Parritt
Chairman
15 May 2009

Table of Investments and Realisations

Investments in the six months to 31 March 2009

Number	Company	Location	Sector	Activity	Investment cost (£'000)
Unquoted investments					
<i>follow on</i>					
1	Kafevend Holdings Ltd	Crawley	Consumer Markets	Vending services	6
2	Nexus Vehicle Holdings Ltd	Leeds	Business Services	Vehicle rental broker	499
3	Occam DM Ltd	Bath	IT & Media	Integrated data services	51
4	Xention Discovery	Cambridge	Healthcare & Education	Developer of ion channel modulating drugs	39
Total Unquoted investments					595
AiM-traded investments					
<i>follow on</i>					
1	Brulines Holdings plc	Stockton-on-Tees	Business Services	Pub management systems	299
2	Ffastfill plc	London	IT & Media	Trading platform software provider	120
3	IDOX plc	London	IT & Media	Public sector software and services	118
Total AiM-traded investments					537
Total investment in the period					1,132

Realisations in the six months to 31 March 2009

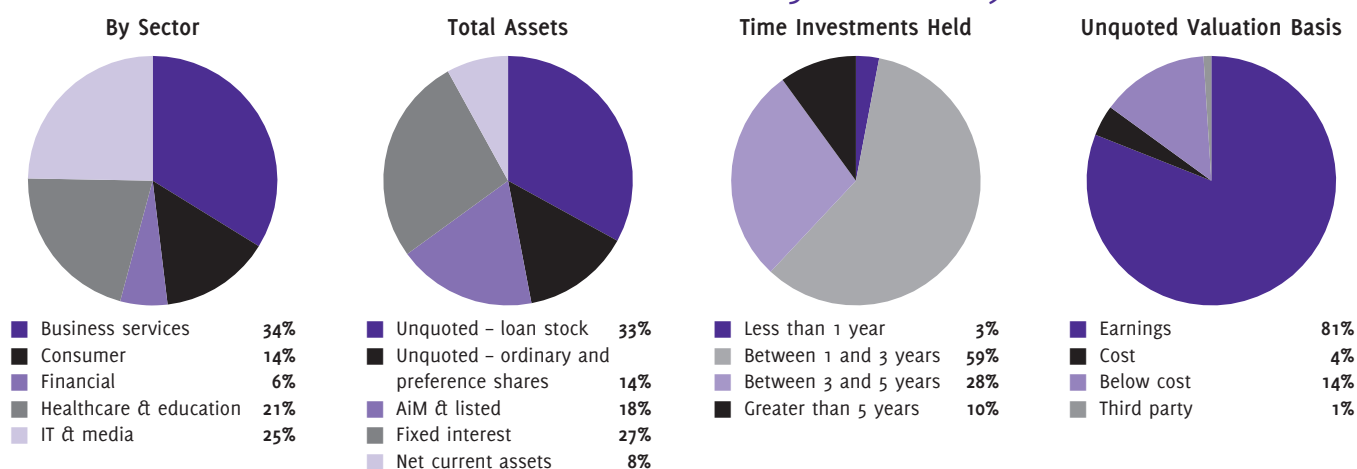
Number	Company		First investment date	Value at 30 September 2008 £'000	Realised profit/(loss) this period £'000	Overall Multiple return*
Unquoted realisations						
1	Scriptswitch	Partial loan note redemption	May 07	422	-	1.2
Total Unquoted realisations				422	-	
AiM-traded realisations						
1	Begbies Traynor Group plc	Part sale	Sep 04	129	1	4.0
2	Craneware plc	Part sale	Sep 07	192	(8)	1.7
3	Universe Group plc	Market sale	May 03	27	(6)	0.1
				348	(13)	
Written off						
1	Appian Technology plc		Dec 05	157	(157)	-
2	Conder Environmental plc		Nov 00	-	-	-
3	EBTM plc		May 07	77	(77)	-
4	FishWorks plc		Jun 05	35	(35)	-
5	IPT Holdings plc		Nov 04	18	(18)	1.6
6	Landround plc		Aug 97	16	(16)	0.4
7	Loanmakers (Holdings) plc		Jun 05	-	-	1.3
8	Micap plc		Jul 03	-	-	-
				303	(303)	
Total AiM-traded realisations				651	(316)	
Total Realisations				1,073	(316)	

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

Deferred proceeds were received for Kidsunlimited £1,000 and Language Line £32,000.

Investment Portfolio

Investment Classification at 31 March 2009



Company	Nature of business	Book cost £'000	Valuation £'000	% of Net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*	Total valuation*
Unquoted							
Scriptswitch	Healthcare & Education	746	3,150	5.4	7.2	32.5	13,861
Reed & Mackay	Business Services	1,211	2,701	4.6	9.3	39.2	11,123
Carnell Contractors	Business Services	1,499	2,415	4.1	8.3	37.5	10,017
Nexus Vehicle Holdings Ltd	Business Services	1,868	2,407	4.1	12.6	57.4	9,679
Independent Living Services	Healthcare & Education	801	2,211	3.8	14.4	60.5	9,156
CableCom Networking Holdings Ltd	IT & Media	1,381	1,723	2.9	10.6	48.0	6,915
Quantix Limited	IT & Media	1,194	1,603	2.7	11.4	48.0	6,469
Kafevend Holdings Ltd	Consumer markets	1,252	1,576	2.7	15.8	66.5	6,351
Fisher Outdoor Leisure Holdings Ltd	Consumer markets	1,423	1,433	2.4	10.5	44.0	5,733
Crew Clothing Company Ltd	Consumer markets	933	1,293	2.2	5.9	25.0	5,222
CSC (World) Limited	IT & Media	1,606	1,250	2.1	8.8	40.0	4,999
Credit Solutions	Financial Services	1,031	1,132	1.9	8.6	35.0	4,396
Playforce Holdings Limited	Business Services	1,033	1,033	1.8	9.7	44.0	4,189
Active Assistance	Healthcare & Education	679	995	1.7	7.4	33.5	4,143
MLS	IT & Media	781	933	1.6	5.3	22.5	3,743
Empire World Trade Limited	Business Services	1,297	765	1.3	7.1	30.0	3,059
Occam DM Ltd	IT & Media	517	486	0.8	5.8	55.2	4,772
TVC Group Limited	IT & Media	1,233	293	0.5	6.4	43.5	1,173
Xention Discovery	Healthcare & Education	316	253	0.4	1.2	5.6	1,238
Kidsunlimited Group Ltd	Business Services	113	113	0.2	0.0	0.0	1,400
Green Issues	IT & Media	497	0	0.0	9.5	40.0	0
Total Unquoted		21,411	27,765	47.2			
AiM							
IDOX plc	IT & Media	1,038	1,026	1.8	3.2	9.7	3,065
Begbies Traynor Group plc	Financial Services	231	677	1.2	0.6	2.5	2,654
Murgitroyd Group plc	Business Services	319	619	1.1	3.1	6.2	1,238
Advanced Computer Software plc	IT & Media	525	618	1.1	1.6	9.2	3,529
Brulines Holdings plc	Business Services	646	476	0.8	1.9	9.7	2,478
Driver Group plc	Business Services	438	456	0.8	2.4	11.1	2,093
Concateno plc	Healthcare & Education	397	410	0.7	0.5	2.5	2,212
Jelf Group plc	Financial Services	551	400	0.7	1.3	5.2	1,630
Mount Engineering plc	Business Services	385	363	0.6	2.3	12.9	2,074
Relax Group plc	Consumer markets	262	327	0.6	2.1	12.3	1,867
Staffline Recruitment Group plc	Business Services	249	316	0.5	4.5	9.0	2,011
Vero Software plc	IT & Media	500	279	0.5	6.2	14.3	639
Ffastfill plc	IT & Media	336	239	0.4	1.2	7.8	1,549
Praesepe plc	Consumer markets	525	239	0.4	1.4	8.1	1,364
MBL Group plc	Consumer markets	575	228	0.4	1.6	4.4	615
Research Now plc	Business Services	263	223	0.4	0.5	2.4	1,084
IS Pharma plc	Healthcare & Education	246	201	0.3	1.0	5.9	1,148
InterQuest Group plc	Business Services	310	197	0.3	1.8	7.4	788
Cohort plc	Business Services	179	189	0.3	0.3	1.4	919
Plastics Capital plc	Business Services	473	175	0.3	1.8	10.1	999
Stagecoach Theatre Arts plc	Consumer markets	419	162	0.3	4.6	9.1	324
Proactis Holdings plc	IT & Media	400	140	0.2	3.0	15.1	698

Investment Portfolio

Company	Nature of business	Book cost £'000	Valuation £'000	% of Net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*	Total valuation*
AiM (continued)							
Adventis Group plc	IT & Media	281	133	0.2	2.3	8.2	474
Prologic plc	IT & Media	310	132	0.2	4.1	15.0	480
Tasty plc	Consumer markets	356	129	0.2	1.7	13.0	987
Craneware plc	IT & Media	71	122	0.2	0.2	1.1	625
Huveaux plc	IT & Media	666	117	0.2	1.7	4.4	303
Quadnetics Group plc	Business Services	296	107	0.2	0.7	2.2	362
Kiotech International plc	Healthcare & Education	200	100	0.2	1.3	6.6	500
STM Group plc	Financial Services	140	84	0.2	0.5	3.8	586
Sanderson Group plc	IT & Media	387	77	0.1	1.8	7.1	300
Essentially Group Ltd	Business Services	495	76	0.1	1.9	12.1	474
Autoclenz Holdings plc	Business Services	400	74	0.1	3.1	12.3	294
WIN plc	IT & Media	263	65	0.1	1.3	4.9	248
RTC Group plc	Business Services	355	64	0.1	4.2	8.5	130
Mission Marketing Group (The) plc	IT & Media	247	60	0.1	0.6	1.5	159
EG Solutions plc	IT & Media	375	53	0.1	3.1	14.2	244
Claimar Care Group plc	Healthcare & Education	569	52	0.1	1.4	6.9	258
Colliers CRE plc	Financial Services	470	51	0.1	0.9	2.6	153
Brainjuicer Group plc	IT & Media	50	41	0.1	0.4	1.8	204
Tangent Communications plc	Business Services	180	37	0.1	0.8	4.7	218
Character Group plc	Consumer markets	144	34	0.1	0.3	2.1	246
Optimisa plc	IT & Media	298	27	0.1	1.5	8.8	157
AorTech International plc	Healthcare & Education	285	18	0.1	0.3	0.6	35
Real Good Food Company (The) plc	Consumer markets	620	12	0.0	0.7	2.3	41
Independent Media Distribution plc	IT & Media	15	10	0.0	0.1	0.7	68
Electric Word plc	IT & Media	17	8	0.0	0.2	1.4	55
Top Ten Holdings plc	Consumer markets	759	5	0.0	2.0	3.9	10
MKM Group plc	Business Services	284	5	0.0	0.7	2.5	17
Cobra Biomanufacturing plc	Healthcare & Education	210	5	0.0	0.6	0.6	5
Zoo Digital Group plc	IT & Media	438	4	0.0	0.3	1.0	14
INVU plc	IT & Media	35	3	0.0	0.1	1.8	55
Payzone plc	Consumer markets	109	2	0.0	0.0	0.1	7
Higham Systems Services Group plc	Business Services	197	2	0.0	0.3	1.0	5
Silverdell plc	Energy & Environmental	14	1	0.0	0.0	0.2	4
Total AiM		18,803	9,670	16.7			
Listed							
Vectura Group plc	Healthcare & Education	578	651	1.1	0.4	1.4	3,268
Total Listed		578	651	1.1			
PLUS							
Chemistry Communications Group plc	Business Services	500	82	0.1	3.1	6.3	163
Total PLUS		500	82	0.1			
Interest bearing securities							
UK Treasury 5.75% 07/12/09		1,568	1,584	2.7			
UK T-Bill 14/04/09		1,999	1,999	3.4			
UK T-Bill 08/06/09		2,497	2,497	4.3			
UK T-Bill 15/06/09		2,996	2,996	5.1			
UK T-Bill 07/09/09		2,493	2,493	4.3			
UK T-Bill 20/04/09		3,998	3,998	6.8			
Total interest bearing securities		15,551	15,567	26.6			
Total investments		56,843	53,735	91.7			
Net current assets less creditors			4,847	8.3			
Net assets			58,582	100.0			

AiM, Listed and PLUS Portfolio Concentration Analysis as at 31 March 2009		
Investment ranking by valuation	Valuation £'000	% of AiM, Listed and PLUS Portfolio
Top Ten	5,696	54.8
11-20	2,438	23.4
21-30	1,317	12.7
30+	952	9.2
Total	10,403	100

*All Funds managed by the same Investment Manager, ISIS EP LLP including Baronsmead VCT 2.

Independent Review Report to Baronsmead VCT 2 plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

Alastair Barbour
For and on behalf of,
KPMG Audit Plc
Chartered Accountants
Edinburgh
15 May 2009

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement 'Half-yearly financial reports' issued by the UK Accounting Standards Board;
- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 12 is a fair review of the information required by DTR 4.2. 7R; and
- the financial statements include a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,
Clive Parritt
Chairman
15 May 2009

Unaudited Income Statement

For the six months to 31 March 2009

	Six months to 31 March 2009			Six months to 31 March 2008			Year to 30 September 2008*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised losses on investments	-	(2,581)	(2,581)	-	(6,456)	(6,456)	-	(10,241)	(10,241)
Realised losses on investments	-	(283)	(283)	-	302	302	-	(105)	(105)
Income	715	-	715	1,898	-	1,898	2,834	-	2,834
Recoverable VAT	101	303	404	-	-	-	85	655	740
Investment management fee	(138)	(414)	(552)	(193)	(580)	(773)	(350)	(1,054)	(1,404)
Other expenses	(155)	-	(155)	(163)	-	(163)	(357)	-	(357)
Profit/(loss) on ordinary activities before taxation	523	(2,975)	(2,452)	1,542	(6,734)	(5,192)	2,212	(10,745)	(8,533)
Taxation on ordinary activities	(80)	80	-	(405)	405	-	(544)	544	-
Profit/(loss) on ordinary activities after taxation	443	(2,895)	(2,452)	1,137	(6,329)	(5,192)	1,668	(10,201)	(8,533)
Return per share:									
Basic	0.71p	(4.66p)	(3.95p)	1.84p	(10.25)p	(8.41)p	2.73p	(16.68p)	(13.95p)

*These figures are audited

Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 31 March 2009

	Six months to 31 March 2009 £'000	Six months to 31 March 2008 £'000	Year to 30 September 2008 £'000*
Opening shareholders' funds	54,822	68,745	68,745
(Loss)/profit for the period	(2,452)	(5,192)	(8,533)
Purchase of shares for treasury	(582)	(1,566)	(2,850)
Increase of shares	7,188	1,786	1,786
Expenses of share issues and buybacks	(398)	(60)	(81)
Dividends paid	4	-	(4,245)
Closing shareholders' funds	58,582	63,713	54,822

*These figures are audited

Notes

- The unaudited interim results which cover the six months to 31 March 2009 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the period ended 30 September 2008.
- Return per share is based on a weighted average of 62,168,370 ordinary shares in issue (30 September 2008 – 61,138,930 ordinary shares, 31 March 2008 – 61,719,450 ordinary shares).
- Earnings for the six months to 31 March 2009 should not be taken as a guide to the results of the full financial year to 30 September 2009.
- During the six months ended 31 March 2009 the Company issued 7,854,192 new ordinary shares raising proceeds of £7.2 million before costs. During this period the Company purchased 762,366 ordinary shares to be held in Treasury at a cost of £581,930. At 31 March 2009 the Company holds 5,993,906 ordinary shares in Treasury. These shares may be re-issued below Net Asset Value as long as the discount at issue is narrower than the average discount at which the shares were bought back.
Excluding treasury shares, there were 66,896,301 ordinary shares in issue at 31 March 2009 (30 September 2008 59,794,245 ordinary shares, 31 March 2008 61,216,015 ordinary shares).
- The interim dividend of 2.5p will be paid on 26 June 2009 to shareholders on the register on 29 May 2009.
- The financial information contained in this half year does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ended 30 September 2008 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2008, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2008 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the Interim Report have been mailed to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Unaudited Balance Sheet

	Six months to 31 March 2009 £'000	Six months to 31 March 2008 £'000	Year to to 30 September 2008 £'000*
Fixed assets			
Unquoted investments	27,765	30,586	27,050
Traded on AiM	9,670	15,632	13,002
Quoted on PLUS	82	66	95
Listed Investments	651	606	558
Listed interest bearing securities	15,567	12,431	9,486
	53,735	59,321	50,191
Current assets			
Debtors	4,146	944	1,378
Cash at bank and on deposit	1,526	4,515	4,123
	5,672	5,459	5,501
Creditors: amounts falling due within one year	(825)	(1,041)	(846)
Net current assets	4,847	4,418	4,655
Total assets less current liabilities	58,582	63,739	54,846
Creditors (amounts falling due after more than one year)	-	(26)	(24)
Net assets	58,582	63,713	54,822
Capital and reserves			
Called-up share capital	7,289	6,504	6,504
Share premium account	11,143	5,136	5,135
Capital redemption reserve	9,254	9,254	9,254
Revaluation reserve	(3,108)	1,941	(2,684)
Profit and loss account	34,004	40,878	36,613
Equity shareholders' funds	58,582	63,713	54,822

	Six months to 31 March 2009 £'000	Six months to 31 March 2008 £'000	Year to to 30 September 2008 £'000*
Net asset value per share	87.57p	104.08p	91.68p
Number of shares in issue at balance sheet date	66,896,301	61,216,015	59,794,245
Treasury net asset value per share	86.70p	103.52p	91.10p
Number of ordinary shares in issue	66,896,301	61,216,015	59,794,245
Number of ordinary shares held in Treasury	5,993,906	3,820,000	5,241,770
Number of listed ordinary shares	72,890,207	65,036,015	65,036,015

*These figures are audited

Unaudited Statement of Cash Flows

	Six months to 31 March 2009 £'000	Six months to 31 March 2008 £'000	Year to to 30 September 2008 £'000*
Net cash inflow/(outflow) from operating activities	227	758	1,212
Capital expenditure and financial investment	(6,301)	2,426	6,795
Equity dividends recovered/(paid)	4	3	(4,251)
Net cash inflow/(outflow) before financing	(6,070)	3,187	3,756
Issue of shares less buybacks	3,473	161	(800)
Increase/(decrease) in cash	(2,597)	3,348	2,956
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	(2,597)	3,348	2,956
Net cash at beginning of period	4,123	1,167	1,167
Net cash at end of period	1,526	4,515	4,123
Reconciliation of operating profit/(loss) before taxation to net cash flow from operating activities			
Loss on operating activities before taxation	(2,452)	(5,192)	(8,533)
Realised (gains)/losses on investments	283	(302)	105
Unrealised losses on investments	2,581	6,456	10,241
(Increase)/decrease in debtors	(152)	(175)	(465)
(Decrease)/increase in creditors	(33)	(29)	(136)
Net cash inflow from operating activities	227	758	1,212

*These figures are audited.

Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal risks, risk management and regulatory environment within the Business Review in the Company's Annual Report and Accounts for the year ended 30 September 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Related Parties

ISIS EP LLP ('the Manager') manages the investments of the Company. The Manager also provides opportunities or procures the provision of secretarial, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.0 per cent per annum of the net assets of the Company. This is described in more detail under the heading Management within the Report of the Directors in the Company's Annual Report and Accounts for the year ended 30 September 2008. During the period the Company has incurred management fees of £552,000 and secretarial fees of £59,000 payable to the Manager.

Shareholder Information and Contact Details

Enquiries

Shareholders should contact the following regarding queries:

Basic contact details, ie change of address, joining the DRIP, queries regarding share and tax certificates and bank mandate forms:

Computershare (Company Registrar)

www-uk.computershare.com/investor

Investors who hold ordinary shares in their own name can check their holdings on our Registrar's website www-uk.computershare.com. Please note that to access this facility investors will need to quote the reference number shown on their share certificate.

Alternatively, by registering for the Investors' Centre facility on Computershare's website, investors can view details of all their holdings for which Computershare is Registrar, as well as access additional facilities and documentation. Please see www.investorcentre.co.uk for further information.

Shareholder helpline

Tel: 0870 703 0137 (Calls charged at national rate).

The Shareholder Helpline is available on UK business days between Monday and Friday, 8.30 am to 5 pm. The helpline contains automated self-service functionality which is available 24 hours a day, 7 days a week. Using your Shareholder Reference Number which is available on your share certificate or dividend tax voucher, our self-service functionality will let you do the following things:

Automated functions

- confirm the latest share price
- confirm your current share holding balance
- confirm payment history
- order a change of address, dividend bank mandate or stock transfer form

e-mail: web.queries@computershare.co.uk



For information on asset allocations, dividend policies, investment process, DRIP mechanism, share price movements, the share price discount and selling shares:

ISIS EP LLP (the Investment Manager) at www.isisep.com

e-mail: michael.probin@isisep.com; paul.forster@isisep.com; margaret.barff@isisep.com

Tel: Michael Probin 020 7506 5796; Paul Forster 020 7506 5652; Margaret Barff 020 7506 5630.



The Baronsmead website (www.baronsmeadvcts.co.uk) links to helpful sites, contains details of the team and some case studies of investments.

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 shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange through a stockbroker.

The market makers in the shares of Baronsmead VCT 2 plc are:

Matrix Securities	020 3206 7000
Panmure Gordon	020 7459 3600
Singer Capital Markets	020 3205 7500
Winterflood	020 3100 0000

Financial Calendar

August 2009	Quarter end 30 June 2009 VCT factsheet sent to shareholders
November 2009	Final results for year to 30 September 2009 announced and annual report and accounts sent to shareholders
December 2009	Twelfth Annual General Meeting

Corporate Information

Directors

Clive Parritt (Chairman)*
Godfrey Jillings†
Gillian Nott OBE‡
Nicholas Timpson¶

Secretary

Paul Forster, FCIS

Registered Office

100 Wood Street
London EC2V 7AN

Investment Manager

ISIS EP LLP
100 Wood Street
London EC2V 7AN

Investor Relations

Michael Probin
Tel: 020 7506 5796

Registered Number

03504214

Website

www.baronsmeadvct2.co.uk

Registrars and Transfer Office

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 703 0137

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Auditors

KPMG Audit Plc
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

Martineau
No 1 Colmore Square
Birmingham B4 6AA

*Chairman of the Audit Committee

†Chairman of Nomination Committee

‡Chairman of Management Engagement and Remuneration Committee

¶Senior Independent Director

Additional Information

The information provided in this report has been produced in order for shareholders to be informed of the activities of the Company during the period it covers. ISIS EP LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead VCT 2 plc is managed by ISIS EP LLP which is Authorised and regulated by the FSA. Past performance is not necessarily a guide to future performance. Stockmarkets 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 and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.