

BARONSMEAD

Baronsmead VCT 2 plc

2011

Half-yearly report
for the six months ended
31 March 2011



Investment Objective

Baronsmead VCT 2 plc is a tax efficient listed company which aims to achieve long-term investment returns for private investors, including tax free dividends.

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 of Baronsmead VCT 2 aims 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 including the 2.5p interim dividend, has been 6.3p per share (equivalent to a pre-tax return of 8.3p per share for a higher rate taxpayer). For shareholders who claimed tax reliefs on initial subscription of 20 per cent, 30 per cent or 40 per cent, their returns would have been higher.

Secondary market in the shares of Baronsmead VCT 2 plc

The existing shares of the Company are listed on the London Stock Exchange and can be bought and sold using a stockbroker in the same way as shares of any other listed company.

Qualifying investors* who invest in the existing shares of the Company can benefit from:

- Tax free dividends;
- Realised gains are not subject to capital gains tax (although any realised losses are not allowable);
- No minimum holding period; and
- No need to include VCT dividends in annual tax returns.

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 a capital gain in respect of new shares acquired prior to 6 April 2004.

* UK income tax payers, aged 18 or over, who acquire no more than £200,000 worth of VCT shares in a tax year.

www.baronsmeadvct2.co.uk

If you have sold or otherwise transferred all of your ordinary shares in Baronsmead VCT 2 plc, please forward this document as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Financial Headlines

7.6%

Increase in Net asset value (“NAV”) per share during the period to 98.73p before deduction of the interim dividend.

2.5p

Tax free interim dividend payable on 17 June 2011, for the six month period to 31 March 2011.

81.4p

Cumulative tax free dividends per share for founder shareholders since 1998, equivalent to an average annual dividend of 6.3p.

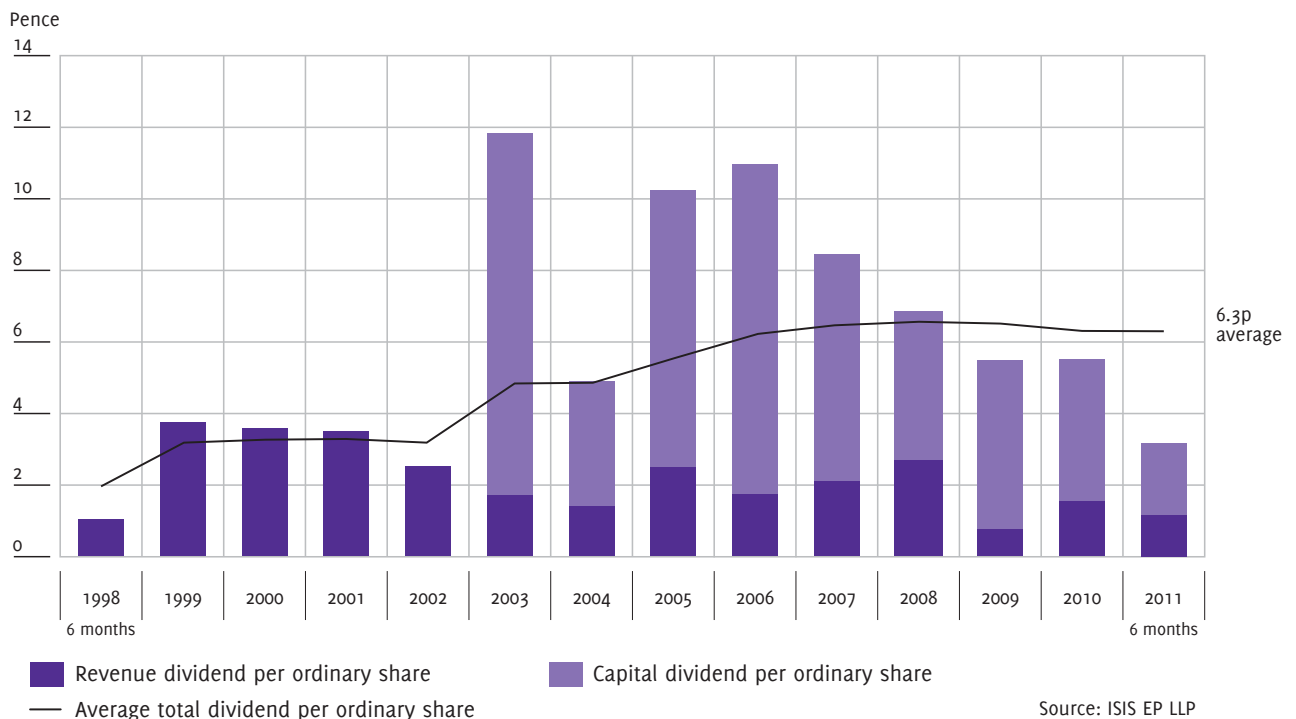
223.7p

NAV total return to shareholders for every 100p invested since launch. The Share price total return over the same time period is 218.5p. If the tax reliefs available on initial investment were taken into account this return would be improved still further.

6.3%

Tax free return of 6.3 per cent has been received by qualifying shareholders, based on the 5.5p dividends paid over the last 12 months, and the mid share price of 86.88p at the period end. The gross equivalent annual yield for a higher rate tax payer is 8.4 per cent.

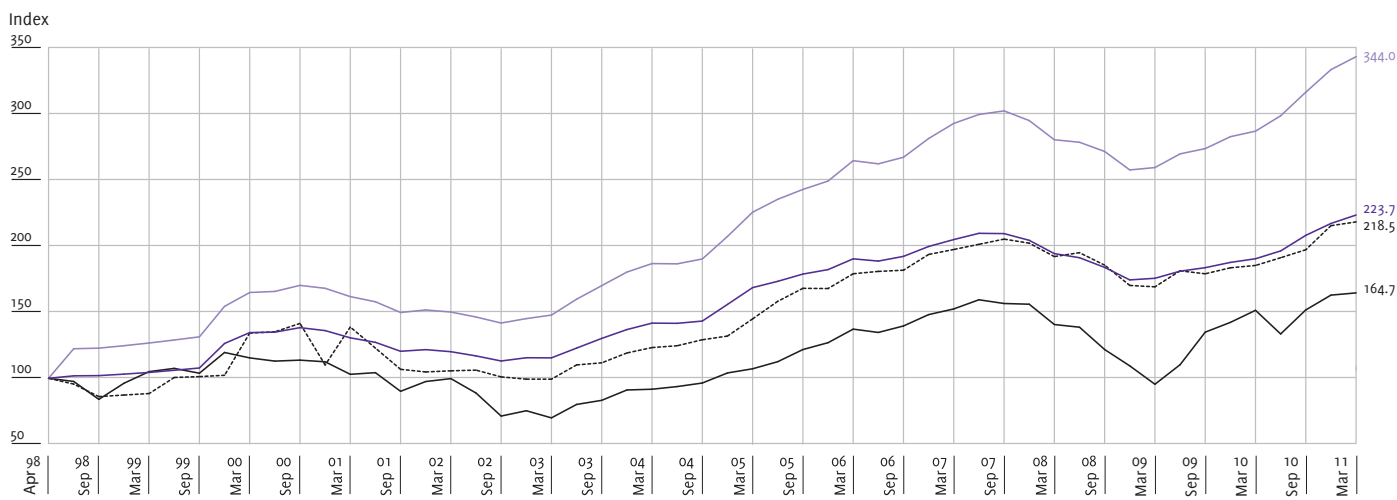
Dividend history since launch



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



- Adjusted NAV Total Return (gross dividends re-invested) rebased to 100p at launch – ordinary shares. For illustrative purposes only these returns have been adjusted to show the impact of the initial 20% tax relief available to VCT qualifying founder shareholders and of reinvesting gross dividends assuming a higher rate of income tax.
- NAV Total Return (gross dividend re-invested) rebased to 100p at launch – ordinary shares
- FTSE All-Share Index Total Return rebased to 100p at launch
- Share Price Total Return rebased to 100p at launch – ordinary shares

Source: ISIS EP LLP and AIC

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 2011

Total return*	6 month %	1 year %	3 years %	5 years %	10 years %	Since launch %
Net Asset Value [†]	7.4	17.4	15.0	17.4	71.2	123.7
Share Price [†]	10.7	17.8	13.7	21.9	41.3	118.5
FTSE All-Share	8.5	8.7	17.0	20.0	58.0	64.7

* 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 equivalent yield [†] %
1998 (April) – Ordinary	100.0	20.0	80.0	81.4	7.8	10.4
1999 (May) – Ordinary	102.0	20.4	81.6	77.9	8.1	10.7
2000 (February) – Ordinary	137.0	27.4	109.6	74.7	6.1	8.2
2000 (March) – Ordinary	130.0	26.0	104.0	74.7	6.5	8.6
2004 (October) – C	100.0	40.0	60.0	32.9	8.4	11.2
2009 (April)	91.6	27.5	64.1	13.5	10.6	14.1

C Share dividend calculated using conversion ratio of 0.9657 which is the rate the c shares were converted into ordinary shares.

* Includes interim dividend of 2.5p to be paid 17 June 2011.

± Represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

† The gross equivalent yield had the dividends been subject to higher rate tax (32.5 per cent. on dividend income at 31 March 2011). The new additional rate of tax on dividend income of 42.5 per cent which came into force from the 2010 / 11 tax year for those shareholders who earn more than £150,000 has not been included. For those shareholders who would otherwise pay this additional rate of tax on dividends, the future gross equivalent yield will be higher than the figures shown.

Chairman's Statement

I am pleased to report a 7.6 per cent growth in Net Asset Value per share continuing the positive trend achieved since the banking crisis in autumn 2008. The growth is due to a number of increased valuations across the portfolio companies arising principally from a combination of reduced levels of debt and improving profits. The 2.5p interim dividend is largely funded by past and recent profits realised on the sale of investments.

Results

In the six months to 31 March 2011, the Net Asset Value ("NAV") per share increased by 7.6 per cent from 91.79p to 98.73p before payment of a 2.5p per share interim dividend. This increase compares favourably with the FTSE All-Share Index which increased by 7.0 per cent. The share price total return for Baronsmead VCT 2 over the same period was 10.7 per cent compared with the FTSE All-Share Index total return of 8.5 per cent.

The 2.5p interim dividend is being paid largely from the capital profits realised in recent years. As explained below we successfully sold Reed & Mackay on 18 April 2011 at 4.76 times the original cost and this will add considerably to reserves available for future dividend payments. The interim results reflect the full proceeds of the Reed & Mackay sale which are included in the investment valuation at 31 March 2011.

All of the VCT qualifying tests have been met throughout the six months to 31 March 2011.

Long term performance and Shareholder returns

We have achieved a significant milestone for founder shareholders – dividends paid now total more than the net cost of their original investment (allowing for the initial VCT tax relief of 20% available at that time). After taking account of the 2.5p interim dividend qualifying founder shareholders will have received tax free dividends totalling 81.4p per share since April 1998. For Shareholders who invested in the Company's four subsequent prospectus offers the cumulative dividends and respective subscription prices are shown in the table of Cash Returned to Shareholders on page 2. In all cases Shareholders have received good after tax returns on their investments.

The Net Asset Value total return at 31 March 2011 is 223.7p for each 100p invested since inception (excluding any VCT tax reliefs). The comparable figure for the FTSE All-share index total return over the same period is 164.7p. The NAV total return for qualifying founder shareholders would be 344.0p if this measure of performance was adjusted to take account of 20% initial income tax relief available at inception and reinvesting gross dividends assuming a higher rate of income tax.

VCT dividends are tax free for qualifying shareholders and do not need to be declared in a tax return. This means that qualifying shareholders in Baronsmead VCT 2, who are higher and additional rate tax payers do not have to pay income tax equivalent to 25 per cent and 36.1 per cent respectively on the cash dividend they receive from the Company. To generate the same after-tax dividends, it would be necessary for the dividend received from a non-VCT investment to be 33.3 per cent or 56.5 per cent higher, respectively.

Portfolio review

In the quarter to 31 December 2010 three investments were sold: Advanced Computer Software Plc (2.1x cost), Credit Solutions Limited (1.8x) and Mount Engineering plc (1.2x). In the quarter to 31 March 2011, a further two investments were sold: Craneware plc (2.7x) and Chemistry Communications Group plc (0.8x). In total £3.0 million was received from the sale of investments, realising total net profits of £0.7 million.

Shortly after the end of the period, the investment in Reed & Mackay was also sold achieving a net profit of £3.8 million on cash proceeds of £5.0 million. Including previous loan repayments and interest this represents a return of 4.76 times original cost and adds considerably to Baronsmead VCT 2's capacity to continue paying dividends to its shareholders in line with the stated dividend policy.

Chairman's Statement

At 31 March 2011, 50 per cent of the portfolio by value was invested in unquoted companies, 23 per cent in AIM-traded and listed companies, 4 per cent in Wood Street Microcap Investment Fund and the balance of 23 per cent remained in cash, interest bearing securities or government securities. The trading of the sixty six portfolio companies remained consistent over the six months with the performance of 85 per cent of investee companies now being classified as steady or growing.

The value of the unquoted portfolio increased by 8.5 per cent over the six months under review with good gains in value being achieved by CSC (World) Limited which experienced strong export growth supplying software for structural engineers and Getting Personal Limited, the online retailer of personalised gifts. The AIM-traded portfolio increased by 9.7 per cent including a significant increase in value by IDOX plc, which provides software and IT services.

Wood Street Microcap Investment Fund also made good progress in the six month period. The Net Asset Value increased by 18 per cent and the underlying portfolio is now spread across thirty investments. Wood Street Microcap was established by ISIS Equity Partners in May 2009 to provide flexibility for the Baronsmead VCTs to invest in mainly larger and more liquid non-VCT qualifying AIM-traded and Small Cap quoted opportunities. As an open ended investment company, it is providing a means of earning better returns than can be achieved on cash while offering liquidity available to support the VCT qualifying portfolio when necessary or opportune. Baronsmead VCT 2 invested a further £1 million in Wood Street Microcap during the period making the total amount now invested by the Company £2.5 million. This was valued at £3.1 million on 31 March 2011. ISIS receives no additional fee for managing this fund.

New investment

During the six months to 31 March 2011 a total of £3.6 million was invested in five new investments (one unquoted and four AIM-traded companies), three further funding rounds and four market purchases in existing portfolio investments.

The Baronsmead VCTs invested a total of £6.5 million in Valldata Group Limited in January 2011, with Baronsmead VCT 2 providing £1.62 million. Wiltshire based Valldata is the UK's leading provider of outsourced donation processing and fulfilment services for the UK not-for-profit market, servicing over fifty of the largest UK charities. Every year Valldata manages over 8 million interactions with donors and efficiently processes over £100 million of donated funds.

The four new AIM-traded investments were in Accumuli plc, Brady plc, Hangar8 plc and Tristel plc. Further investments were completed in Electric Word plc, Green Compliance plc and IS Pharma plc as part of fund raising rounds to support acquisitions within their individual buy and build strategies.

Shareholder matters

The Board provides a variety of choices to shareholders in an effort to help them meet their personal investment and tax planning requirements. These include opportunities to subscribe for further shares, purchases through the market, share buy back arrangements and the dividend reinvestment plan.

In November 2010, existing shareholders were able to top-up their investment in the Company through an offer for subscription to raise the sterling equivalent of up to €2.5m. The offer was fully subscribed resulting in 2,068,746 shares being allotted on 16 December 2010 at a price of 102.5p per share, raising gross proceeds of £2.12 million. I will write to shareholders when the quarterly fact sheet to 30 June 2011 is published in August 2011 to advise whether a similar opportunity will be provided in the 2011/12 tax year.

The number of shares bought back by the Company in the six months to 31 March 2011 fell to 360,000 as compared with 1.06 million in the comparable period last year. The level of third party purchases (61,250 shares) coupled with the lower number of shares bought back by the Company are positive indications that private investors recognise the merits of holding Baronsmead VCT 2 shares within their portfolios for the longer term. 281,300 existing shares were also acquired by participants of the dividend reinvestment plan in January 2011. Buying and selling of existing shares is normally facilitated by the Company's brokers, Matrix, who maintain a narrow difference in the spread of prices and limited this to approximately 1.0p over the six month period.

Chairman's Statement

Board succession

Godfrey Jillings retired from the Board in September 2010 in order to ensure Baronsmead VCT 2 plc did not breach the revised listing rule relating to the independence of directors. The listing rules which now apply to venture capital trusts have made this necessary and the Directors would like to thank him for his very valuable contribution to the Board since the Company's launch in 1998. Godfrey had experience of being a financial regulator and also of the IFA community giving the Board a valuable insight and wise counsel for the benefit of shareholders, in part due to his understanding as a large shareholder in the Company.

I am delighted to welcome Christina McComb to the Board, which she joined in February 2011. She is an experienced venture capital investor and fund manager, spanning both private and public sectors. Christina is currently a director of Partnerships UK plc ("PUK"), a public private partnership, where she is responsible for PUK's investment activities, investing in early stage companies emerging from UK universities and research organisations.

VCT legislation

In the Budget on 23 March 2011 the Chancellor announced welcome proposals to change VCT legislation. This is excellent news both for entrepreneurs and for private investors seeking to invest in the growth of genuine smaller enterprises. We are pleased that the Government has recognised the importance of VCTs in providing financial and advisory support to this important sector of the UK economy.

- The Association of Investment Companies ("AIC"), on behalf of its VCT members, has undertaken significant research into the funding of private sector companies, especially since the banking crisis. Over the past twelve months, the AIC has published papers illustrating the economic impact of VCTs: 'Supporting enterprise and growth: the role of VCTs' in March 2010; responses to 'Financing a Private Sector Recovery' in September 2010; and 'Closing the finance gap: VCT funding for SMEs' in January 2011. Baronsmead VCT 2 is a member of the AIC and has provided considerable supporting data from its portfolio for these studies. Gillian Nott is also one of the deputy Chairmen of the AIC and provides the board with valuable insight.

The government also announced that there is to be a consultation to refocus VCTs to ensure they are targeted at genuine risk investment. ISIS Equity Partners, along with the AIC and the British Venture Capital Association will be fully engaged in this consultation and future dialogue with HM Treasury.

Outlook

The proposals set out in the 2011 Budget recognise that entrepreneurial companies, like those backed by Baronsmead VCT 2, are critical to creating the UK economic growth, jobs, and wealth that are so essential for Britain's future prosperity. We have the ability to invest in dynamic, entrepreneurial businesses and there is a solid platform within our existing portfolio for further growth. Existing and potential investments can help sustain our performance and generate tangible returns for shareholders.

The outlook for the UK economy remains uncertain with many commentators anticipating slower growth as public sector cuts, tax rises and continued high levels of unemployment impact both the corporate and consumer sectors. However, the Baronsmead VCT 2 portfolio on the whole continues to trade well, demonstrating the Manager's ability to select and give ongoing support to companies with good management, operating in attractive markets and with the organisational discipline to enable them to withstand the current economic pressures. ISIS, encouraged by the Board, remains committed to seeking out similar investment opportunities which, in turn, should provide future investment returns for the shareholders.

Clive Parritt

Chairman

19 May 2011

Table of Investments and Realisations

Investments in the six months to 31 March 2011

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
New				
Valldata Group Limited	Melksham	Business Services	Payment processing for Charity Sector	1,616
Total unquoted investments				1,616
AIM-traded & listed investments				
New				
Accumuli plc	Salford	IT & Media	Managed IT security	333
Brady plc	Cambridge	IT & Media	Commodities trading software	176
Hangar8 plc	Oxford	Business Services	Business jet management	44
Tristel plc	Newmarket	Healthcare & Education	Infection control	217
Follow on				
Driver Group plc	Rosendale	Business Services	Dispute Resolution	64
Electric Word plc	London	IT & Media	Business to business publisher	238
Green Compliance plc	Cirencester	Business Services	Small business compliance	375
IS Pharma plc	Chester	Healthcare & Education	Specialist hospital medicines group	278
Netcall plc	St Ives	IT & Media	Communications software	156
STM Group plc	Gibraltar	Financial Services	Offshore trust & administration services	22
Tangent Communications plc	London	Business Services	Digital direct marketing	88
Total AIM-traded & listed investments				1,991
Collective investment vehicle				
Follow on				
Wood Street Microcap Investment Fund				1,000
Total collective investment vehicle				1,000
Total investments in the period				4,607

Realisations in the six months to 31 March 2011

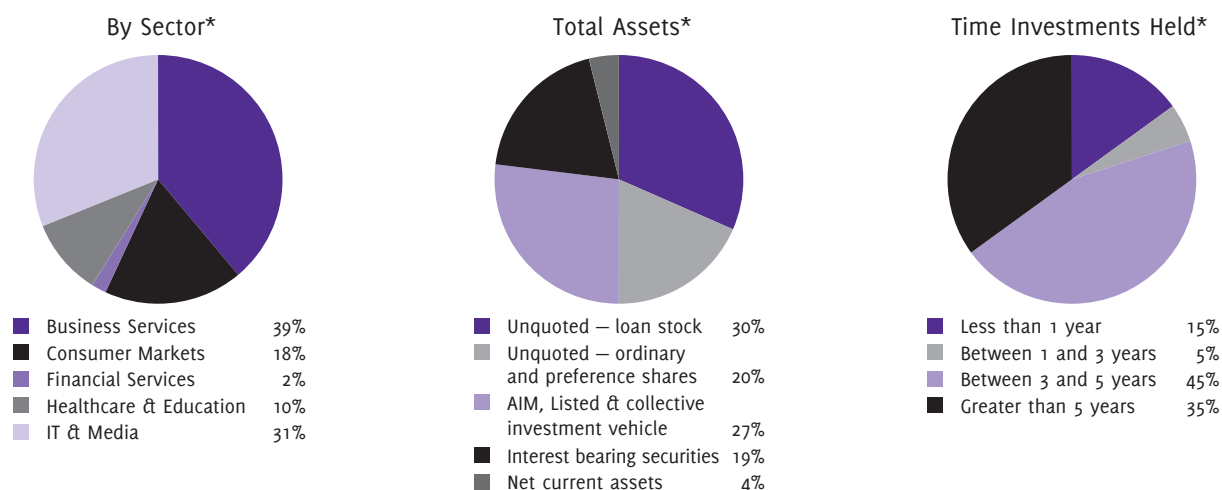
Company		First investment date	30 September 2010 valuation £'000	Realised profit/(loss) this period £'000	Overall multiple return*
Unquoted realisations					
Credit Solutions Limited	Trade sale	May 05	1,253	40	1.8
MLS Limited	Loan repayment	Jul 06	42	-	1.0
Reed & Mackay Limited	Loan repayment	Nov 05	182	-	1.0
Total unquoted realisations			1,477	40	
AIM-traded, listed & PLUS realisations					
Chemistry Communications Group plc	Full trade sale	Dec 00	136	266	0.8
Mount Engineering plc	Full trade sale	Jun 07	413	39	1.2
Advanced Computer Software Group plc	Full market sale	Jul 08	494	31	2.1
Craneware plc	Full market sale	Sep 07	302	(4)	2.7
Total AIM-traded, listed & PLUS realisations			1,345	332	
Total realisations in the period			2,822	372†	

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

† Proceeds of £23,000 were also received in respect of an investment, Country Artists, which had been written off in a prior period.

Investment Portfolio

Investment Classification at 31 March 2011



* at 31 March 2011 valuation

Company	Sector	Book cost £'000	30 September 2010 valuation £'000†	31 March 2011 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
Unquoted							
Reed & Mackay Limited [^]	Business Services	1,030	4,247	4,813	7.1	9.5	40.0
Nexus Vehicle Holdings Limited	Business Services	2,367	4,197	4,500	6.6	12.6	57.3
CableCom Networking Holdings Limited	IT & Media	1,381	2,200	2,543	3.7	10.6	48.0
Crew Clothing Company Limited	Consumer Markets	984	2,519	2,493	3.7	5.4	22.8
Quantix Limited	IT & Media	1,194	1,984	2,266	3.3	11.4	48.0
Kafevend Holdings Limited	Consumer Markets	1,252	1,786	2,023	3.0	15.8	66.5
Independent Living Services Limited	Healthcare & Education	1,161	1,755	1,882	2.8	16.2	68.1
CSC (World) Limited	IT & Media	1,606	1,687	1,845	2.7	8.8	40.0
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,777	1,777	2.6	10.5	44.0
Getting Personal Limited	Consumer Markets	988	988	1,762	2.6	8.3	37.5
Valldata Group Limited	Business Services	1,616	-	1,616	2.4	8.9	40.6
MLS Limited	IT & Media	739	1,136	1,081	1.6	5.3	22.5
Playforce Holdings Limited	Business Services	1,033	1,024	1,052	1.5	9.7	44.0
Inspired Thinking Group Limited	Business Services	796	979	991	1.4	5.0	22.5
Empire World Trade Limited	Business Services	1,297	833	936	1.4	£	£
Surgi C Limited	Healthcare & Education	1,102	1,102	933	1.4	9.8	44.7
TVC Group Limited	IT & Media	1,233	698	747	1.1	13.0	59.3
Carnell Contractors Limited	Business Services	1,499	674	337	0.5	8.3	37.5
Kidsunlimited Group Limited	Business Services	113	113	113	0.2	-	-
Xention Discovery Limited	Healthcare & Education	316	55	0	0.0	0.4	3.0
Total unquoted		23,130	29,754	33,710	49.6		
AIM							
IDOX plc	IT & Media	1,038	1,276	1,969	2.9	3.3	9.8
Staffline Group plc	Business Services	249	1,534	1,606	2.4	4.2	8.5
Netcall plc	IT & Media	869	504	891	1.3	4.1	20.2
Murgitroyd Group plc	Business Services	319	711	803	1.2	3.1	6.2
Jelf Group plc	Financial Services	761	548	707	1.0	1.4	6.3
Electric Word plc	IT & Media	616	450	624	0.9	5.2	28.8
PROACTIS Holdings plc	IT & Media	619	563	563	0.8	5.4	26.5
IS Pharma plc	Healthcare & Education	524	217	560	0.8	1.3	6.9
Green Compliance plc	Business Services	781	656	500	0.7	3.4	17.0
Brulines Group plc	Business Services	646	621	476	0.7	1.8	9.6
Accumuli plc	IT & Media	333	-	435	0.6	4.7	26.6
Plastics Capital plc	Business Services	473	180	392	0.6	1.7	9.8
FFastFill plc	IT & Media	251	288	371	0.6	0.9	6.5

† The total investment valuation at 30 September 2010 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

* All VCT funds managed by the same investment manager, ISIS EP LLP including Baronsmead VCT 2.

^ Following a restructuring, the effective ownership percentage is dependent on final exit proceeds.

^ Reed & MacKay Limited was sold on 18 April 2011.

Investment Portfolio

Company	Sector	Book cost £'000	30 September 2010 valuation £'000†	31 March 2011 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds*
AIM (continued)							
Kiotech International plc	Healthcare & Education	275	321	339	0.5	2.2	16.0
InterQuest Group plc	Business Services	310	309	338	0.5	1.8	7.3
EG Solutions plc	IT & Media	375	397	335	0.5	3.1	14.2
Tasty plc	Consumer Markets	469	364	292	0.4	2.5	17.1
Begbies Traynor Group plc	Financial Services	231	425	259	0.4	0.6	2.5
Dods Group plc	IT & Media	666	246	233	0.3	1.7	4.4
Brady plc	IT & Media	176	-	223	0.3	0.6	3.2
Real Good Food Company (The) plc	Consumer Markets	620	101	216	0.3	0.7	2.3
Sanderson Group plc	IT & Media	387	170	209	0.3	1.8	6.9
Tristel plc	Healthcare & Education	217	-	209	0.3	1.0	5.4
Prologic plc	IT & Media	310	103	207	0.3	4.1	15.0
Quadnetics Group plc	Business Services	296	196	203	0.3	0.6	2.1
Tangent Communications plc	Business Services	268	42	193	0.3	2.0	10.3
Stagecoach Theatre Arts plc	Consumer Markets	419	198	189	0.3	4.5	9.1
Bglobal plc	Business Services	176	218	169	0.3	0.5	2.7
Driver Group plc	Business Services	503	120	157	0.2	3.5	16.2
Praesepe plc	Consumer Markets	525	155	137	0.2	0.6	3.1
Autoclenz Holdings plc	Business Services	400	122	122	0.2	3.1	12.3
STM Group plc	Financial Services	161	49	88	0.1	0.8	4.9
Cohort plc	Business Services	179	74	77	0.1	0.3	1.4
Colliers International UK plc	Financial Services	470	63	43	0.1	0.3	0.8
Strategic Thought Group plc	IT & Media	35	36	42	0.1	0.4	2.1
Hangar8 plc	Business Services	44	-	40	0.1	0.5	2.6
AorTech International plc	Healthcare & Education	285	25	31	0.1	0.3	0.6
Clarity Commerce Solutions plc	IT & Media	50	48	31	0.1	0.3	6.0
Adventis Group plc	IT & Media	361	163	30	0.0	3.1	20.7
Zoo Digital Group plc	IT & Media	438	36	27	0.0	0.2	0.9
RTC Group plc	Business Services	355	37	26	0.0	4.2	8.5
Highams Systems Services Group plc	Business Services	197	6	5	0.0	0.3	1.0
Total AIM		16,677	11,572	14,367	21.1		
Listed							
Vectura Group plc	Healthcare & Education	578	615	732	1.0	0.4	1.3
Chime Communications plc	IT & Media	369	343	458	0.7	0.2	1.5
Marwyn Value Investors plc	Financial Services	64	59	54	0.1	1.3	6.0
Total listed		1,011	1,017	1,244	1.8		
New York Stock Exchange							
Alere Inc	Healthcare & Education	157	150	187	0.3	0.0	0.0
Total New York Stock Exchange		157	150	187	0.3		
Interest bearing securities							
UK T-Bill 26/04/11		1,000	-	1,000	1.5		
BlackRock Cash Market OEIC		7,000	7,000	7,000	10.3		
JP Morgan Europe OEIC		4,800	4,800	4,800	7.0		
Total interest bearing securities		12,800	11,800	12,800	18.8		
Collective investment vehicles							
Wood Street Microcap Investment Fund		2,525	1,654	3,079	4.5		
Total collective investment vehicles		2,525	1,654	3,079	4.5		
Total investments		56,300	55,947	65,387	96.1		
Net current assets				2,623	3.9		
Net assets				68,010	100.0		

† The total investment valuation at 30 September 2010 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

* All VCT funds managed by the same investment manager, ISIS EP LLP including Baronsmead VCT 2.

Unquoted, AIM, Listed and NYSE Portfolio Concentration Analysis as at 31 March 2011

Investment ranking by valuation	Book cost £'000	Valuation £'000	% of quoted portfolio
Top Ten	13,436	26,111	52.7
11-20	9,008	11,671	23.6
21-30	6,460	5,802	11.7
31+	12,071	5,924	12.0
Total	40,975	49,508	100.0

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 2011 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 2011 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.

Simon Pashby
for and on behalf of
KPMG Audit Plc
Chartered Accountants
Edinburgh
19 May 2011

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.

By Order of the Board,
Clive Parritt
Chairman
19 May 2011

Unaudited Income Statement

For the six months to 31 March 2011

	Six months to 31 March 2011			Six months to 31 March 2010			Year to 30 September 2010*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	-	4,055	4,055	-	944	944	-	4,924	4,924
Realised gains on investments	-	395	395	-	960	960	-	1,875	1,875
Income	1,096	-	1,096	932	-	932	2,218	-	2,218
Investment management fee	(163)	(490)	(653)	(151)	(454)	(605)	(304)	(910)	(1,214)
Other expenses	(189)	-	(189)	(161)	-	(161)	(360)	-	(360)
Profit on ordinary activities before taxation	744	3,960	4,704	620	1,450	2,070	1,554	5,889	7,443
Taxation on ordinary activities	(166)	166	-	(98)	98	-	(354)	354	-
Profit on ordinary activities after taxation	578	4,126	4,704	522	1,548	2,070	1,200	6,243	7,443
Return per share:									
Basic	0.84p	6.04p	6.88p	0.76p	2.27p	3.03p	1.77p	9.19p	10.96p

* These figures are audited

Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 31 March 2011

	Six months to 31 March 2011 £'000	Six months to 31 March 2010 £'000	Year to 30 September 2010* £'000
Opening shareholders' funds	63,673	61,215	61,215
Profit for the period	4,704	2,070	7,443
Purchase of shares for treasury	(314)	(830)	(1,225)
Increase in issued share capital	2,121	-	-
Expenses of share issues and buybacks	(97)	(3)	(6)
Dividends paid	(2,077)	(2,062)	(3,754)
Closing shareholders' funds	68,010	60,390	63,673

* These figures are audited

Notes

- The unaudited interim results which cover the six months to 31 March 2011 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 year to 30 September 2010.
- Return per share is based on a weighted average of 68,331,711 ordinary shares in issue (30 September 2010 – 67,917,384 ordinary shares, 31 March 2010 – 68,375,739 ordinary shares).
- Earnings for the six months to 31 March 2011 should not be taken as a guide to the results of the full financial year to 30 September 2011.
- During the six months to 31 March 2011 the Company purchased 360,000 ordinary shares to be held in treasury at a cost of £314,000. At 31 March 2011 the Company holds 7,913,906 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 68,885,034 ordinary shares in issue at 31 March 2011 (30 September 2010 – 67,176,288 ordinary shares, 31 March 2010 – 67,676,288 ordinary shares).
- The interim dividend of 2.5p per share (0.75p revenue and 1.75p capital) will be paid on 17 June 2011 to shareholders on the register on 3 June 2011. The ex-dividend date is 1 June 2011.
- The financial information contained in this Half-yearly Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year to 30 September 2010 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2010, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2010 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the Half-yearly Report have been made available to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Unaudited Balance Sheet

As at 31 March 2011

	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 30 September 2010 £'000*
Fixed assets			
Unquoted investments	33,710	24,649	31,007
Traded on AIM	14,367	11,856	12,781
Traded on PLUS	-	130	136
Listed on LSE	1,244	862	1,017
Traded on NYSE	187	225	150
Collective investment vehicle – Wood Street Microcap Investment Fund	3,079	1,034	1,654
Interest bearing securities	12,800	17,798	14,994
Investments	65,387	56,554	61,739
Current assets			
Debtors	550	207	479
Cash at bank and on deposit	2,516	3,990	1,868
Creditors (amounts falling due within one year)	3,066 (443)	4,197 (361)	2,347 (413)
Net current assets	2,623	3,836	1,934
Net assets	68,010	60,390	63,673
Capital and reserves			
Called-up share capital	7,680	7,473	7,473
Share premium account	14,391	12,573	12,573
Capital redemption reserve	9,254	9,254	9,254
Capital reserve	26,307	29,180	27,590
Revaluation reserve	9,087	844	5,378
Revenue reserve	1,291	1,066	1,405
Equity shareholders' funds	68,010	60,390	63,673

* These figures are audited

	As at 31 March 2011	As at 31 March 2010	As at 30 September 2010*
Net asset value per share	98.73p	89.23p	94.79p
Number of shares in issue	68,885,034	67,676,288	67,176,288
Treasury net asset value per share	97.51p	88.24p	93.42p
Number of ordinary shares in issue	68,885,034	67,676,288	67,176,288
Number of ordinary shares held in treasury	7,913,906	7,053,906	7,553,906
Number of listed ordinary shares	76,798,940	74,730,194	74,730,194

* These figures are audited

Unaudited Statement of Cash Flows

For the six months to 31 March 2011

	Six months to 31 March 2011 £'000	Six months to 31 March 2010 £'000	Year to 30 September 2010* £'000
Net cash inflow from operating activities	43	136	420
Capital expenditure and financial investment	951	5,078	4,764
Equity dividends paid	(2,077)	(2,062)	(3,754)
Net cash (outflow)/inflow before financing	(1,083)	3,152	1,430
Net cash inflow/(outflow) from financing	1,731	(846)	(1,246)
Increase in cash	648	2,306	184
Reconciliation of net cash flow to movement in net cash			
Increase in cash	648	2,306	184
Net cash at beginning of period	1,868	1,684	1,684
Net cash at end of period	2,516	3,990	1,868
Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities			
Profit on ordinary activities before taxation	4,704	2,070	7,443
Gains on investments	(4,450)	(1,904)	(6,799)
Changes in working capital and other non-cash items	(211)	(30)	(224)
Net cash inflow from operating activities	43	136	420

* 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 to 30 September 2010. 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 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 to 30 September 2010. During the period the Company has incurred management fees of £653,000 and secretarial fees of £60,000 payable to the Manager.

Going Concern

After making enquires, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 31 March 2011 the Company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £15,316,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants.

Shareholder Information and Contact Details

Shareholder communication

BARONSMEAD



Baronsmead VCT 2's website is www.baronsmeadvct2.co.uk.

The Board has a policy of regular and open communication with shareholders based around quarterly statutory reporting.

The Manager for Baronsmead VCT 2 plc is **ISIS EP LLP**.

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

By email: michael.probin@isisep.com ; margaret.barff@isisep.com

By telephone: Michael Probin 020 7506 5796; Margaret Barff 020 7506 5630.

Internet: www.isisep.com

For comparative performance data of Baronsmead VCT 2 and other generalist VCTs please visit the AIC performance statistics page at:

www.theaic.co.uk/statistics-publications



The Registrar for Baronsmead VCT 2 is Computershare Investors Services PLC.

To change the details held by Computershare in respect of your shareholding, including change of address, bank account details, joining the DRIP, please contact them as follows:

Baronsmead shareholder helpline: 0870 703 0137

(calls charged at geographical and national rates)

The Baronsmead shareholder helpline is available on UK business days between Monday and Friday, 8.30a.m. to 5p.m. If you wish to speak to someone please press '0'. The automated self-service system is available 24 hours a day, 7 days a week. You will need your Shareholder Reference Number (SRN), which for security reasons you should always keep confidential and is available on your share certificate and dividend tax voucher, in order to:

- 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

Managing online your own shareholding via the

Investor Centre: www.investorcentre.co.uk

Computershare's secure website, Investor Centre, enables shareholders to manage their shareholding online. Using your SRN you will be able to do the following:

- **Holding Enquiry** – view balances, values, history, payments and reinvestments
- **Payments Enquiry** – view your dividends and other payment types
- **Address Change** – change your registered address
- **Bank Details Update** – choose to receive your dividend payments directly into your bank account instead of by cheque
- **e-Comms sign-up** – choose to receive email notification when your shareholder communications become available instead of paper communications
- **Outstanding Payments** – reissue payments using our online replacement service
- **Downloadable Forms** – including dividend mandates, stock transfer, dividend reinvestment and change of address forms
- **By email** – web.queries@computershare.co.uk

Shareholder Information and Contact Details

Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's 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 via a stockbroker. As buying and selling existing shares in VCTs is complex, Shareholders should seek to trade shares on a "best execution" basis if appropriate.

The marketmakers in the shares of Baronsmead VCT 2 plc are:

Matrix Corporate Capital LLP	020 3206 7000 (the Company's broker)
Singer Capital Markets Limited	020 3205 7500
Winterflood Securities Limited	020 3400 0251

Financial Calendar

August 2011	Quarterly Fact Sheet to 30 June 2011
November 2011	Results for the year to September 2011 announced and annual report and accounts sent to shareholders
January 2012	Fourteenth Annual General Meeting

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.

Corporate Information

Directors

Clive Parritt (Chairman)
Howard Goldring*
Christina McComb
Gillian Nott OBE‡^†

Secretary

ISIS EP LLP

Registered Office

100 Wood Street
London EC2V 7AN

Investment Manager

ISIS EP LLP
100 Wood Street
London EC2V 7AN

Investor Relations

Michael Probin
020 7506 5796

Registered Number

03504214

*Chairman of the Audit Committee

†Chairman of Nomination Committee

‡Chairman of Management Engagement and
Remuneration Committee

^Senior Independent Director

Registrars and Transfer Office

Computershare Investor Services PLC
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Tel : 0870 703 0137

Brokers

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Auditors

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

Solicitors

Martineau
No 1 Colmore Square
Birmingham B4 6AA

VCT Status Adviser

PricewaterhouseCoopers LLP
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London WC2N 6RH

Website

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Notes

