

BARONSMEAD

Baronsmead VCT 2 plc

2013

Half-yearly report
for the six months ended
31 March 2013



Investment Objective

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

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 6.5p 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.

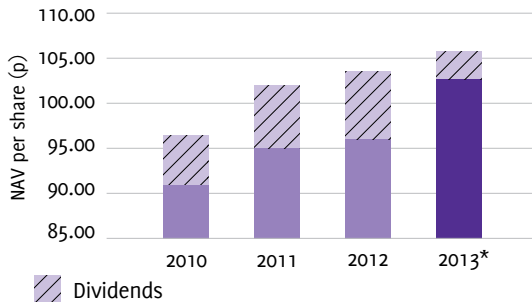
Since launch the average annual tax free dividend paid to ordinary shareholders including the 3.0p interim dividend, has been 6.4p per share (equivalent to a pre-tax return of 8.5p per share for a higher rate taxpayer). For shareholders who claimed tax reliefs on initial subscription of 20 per cent, 30 per cent or 40 per cent, their returns would have been higher.

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 stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Financial Headlines

Net asset value per share

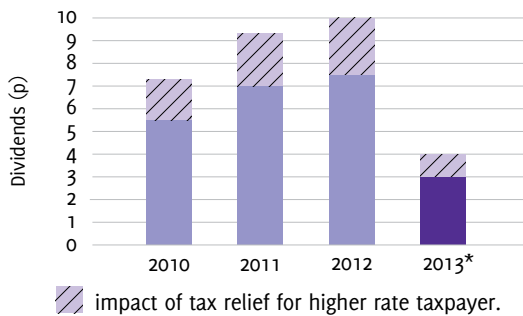


Net asset value ("NAV") per share increased 10.0 per cent to 105.7p in the six months ended 31 March 2013, before deduction of dividends.

+10.0%

* six months to 31 March 2013.

Dividends in the year



Interim dividend of 3.0p for the six month period to 31 March 2013.

3.0p

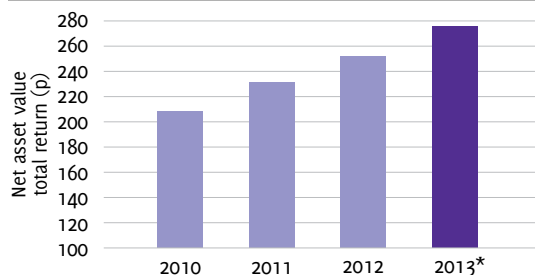
* six months to 31 March 2013.

Investments made

£2.5m

Invested in three new and six follow on investments in the six months to 31 March 2013.

Net asset value total return



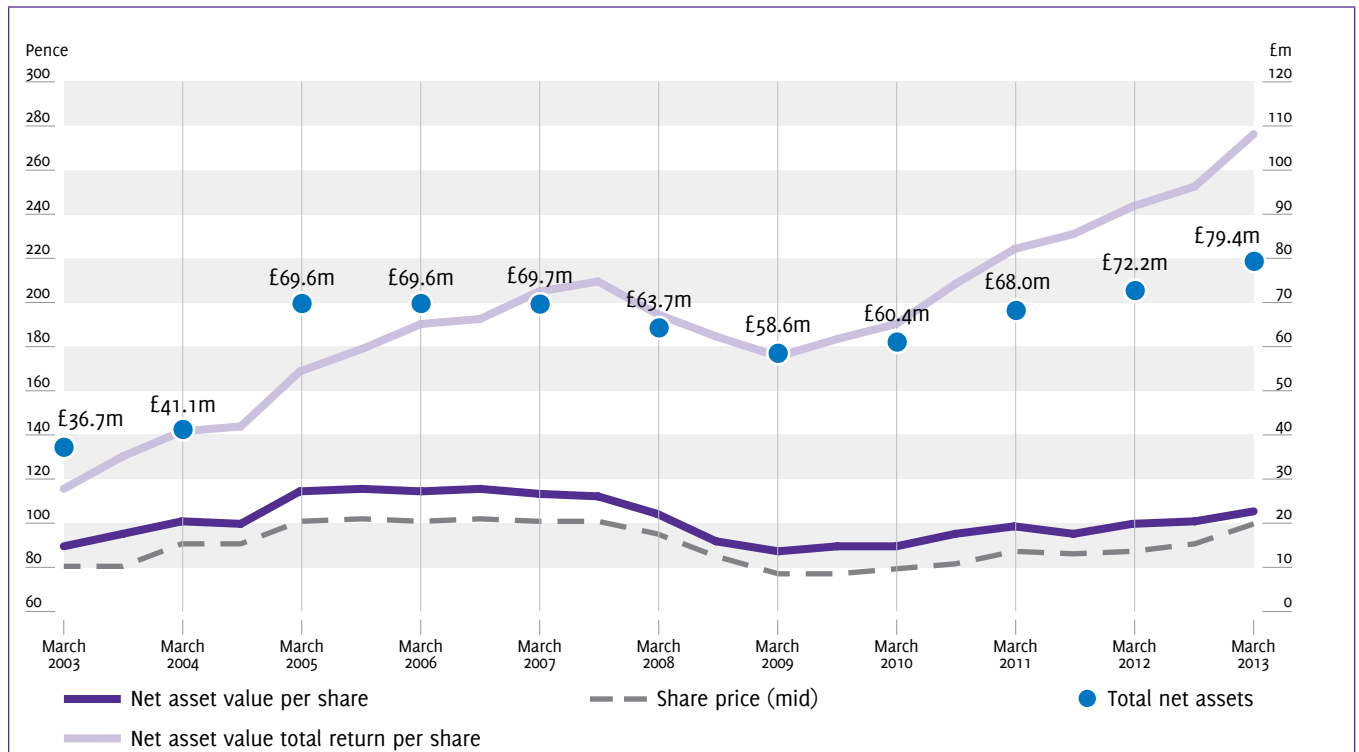
NAV total return to shareholders for every 100.0p invested at launch.

276.3p

* six months to 31 March 2013.

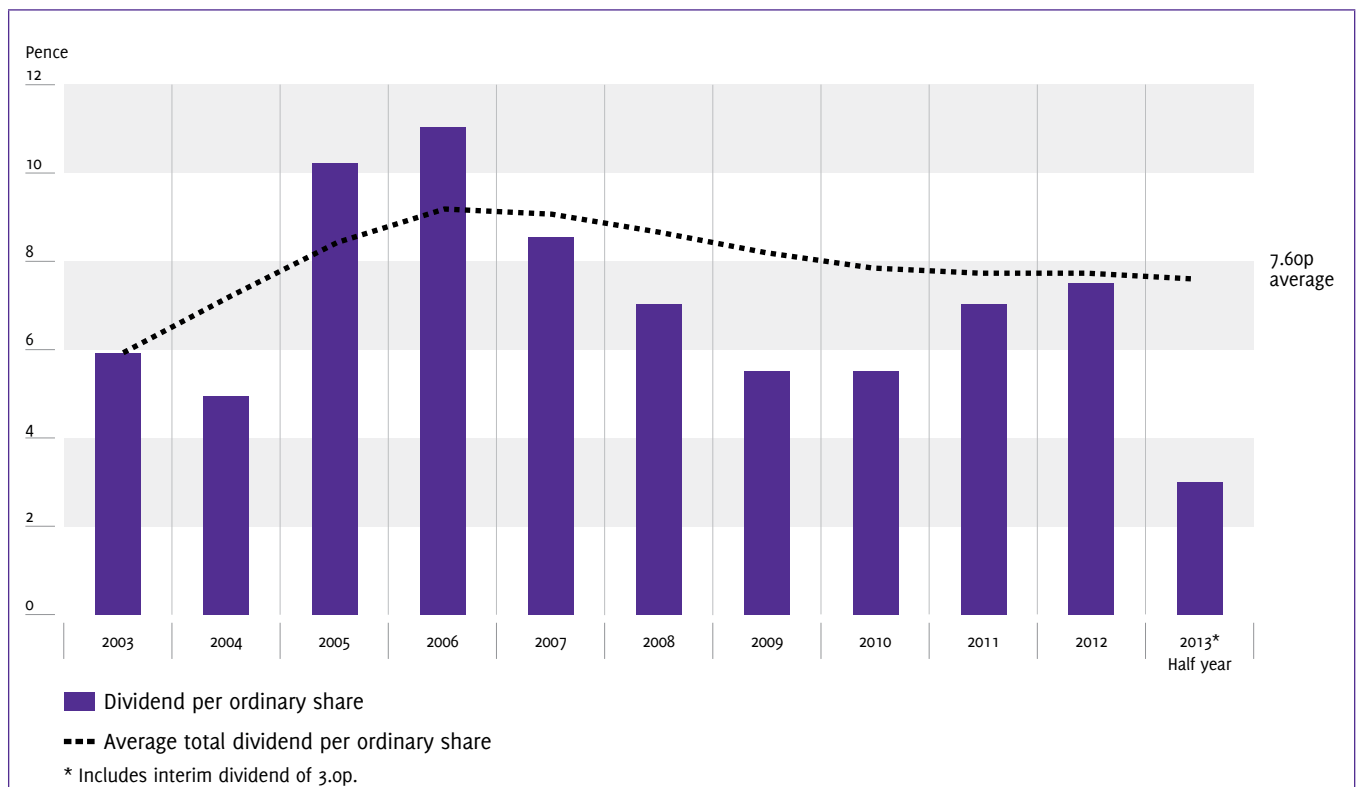
Performance Summary

Performance Record in the last ten years



Source: ISIS EP LLP

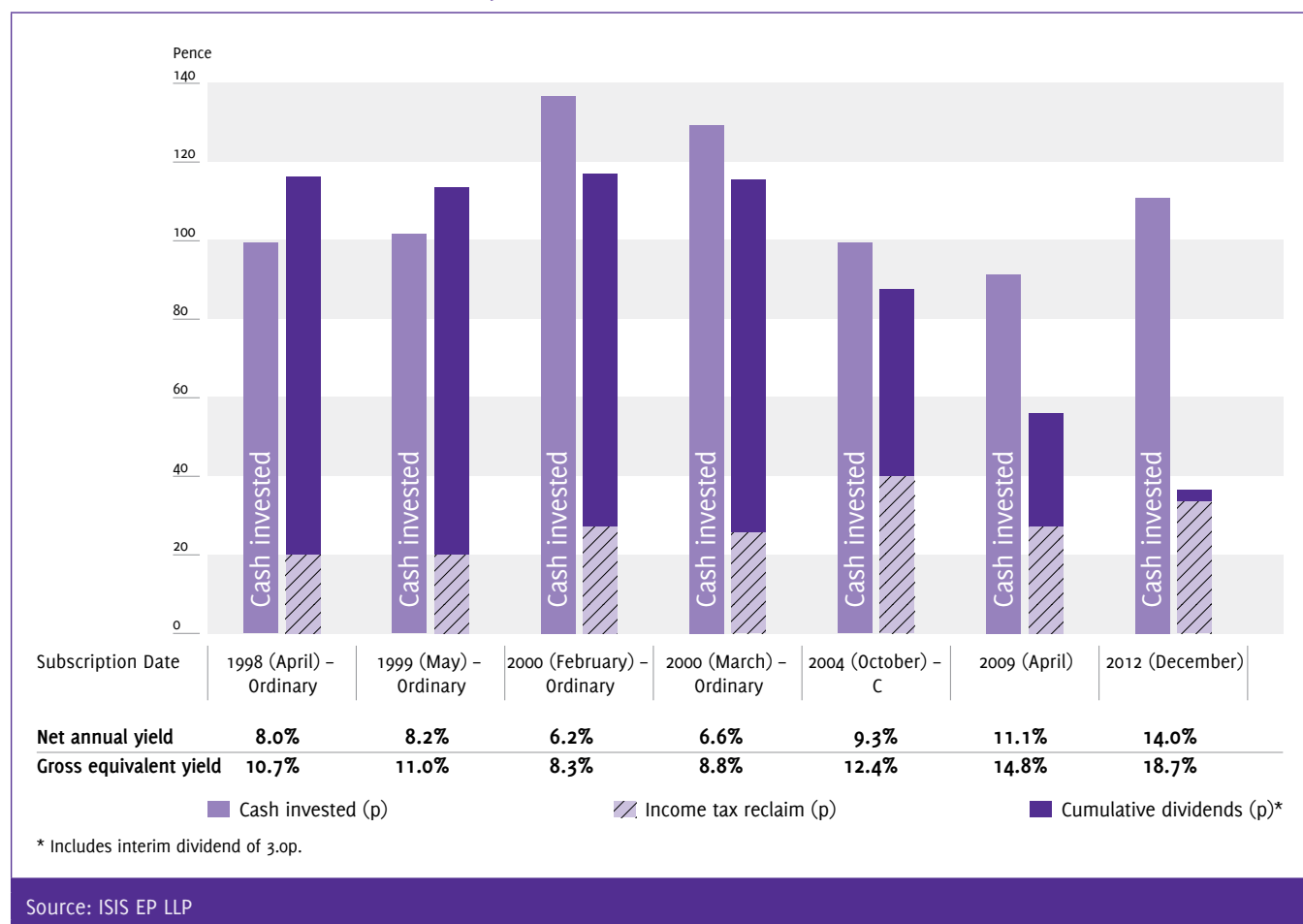
Dividend History in the last ten years



Source: ISIS EP LLP

Performance Summary

Cash Returned to Shareholders by date of investment



Chairman's Statement



Clive Parritt Chairman

This has been an excellent period for the Company. A 10.0 per cent increase in Net Asset Value per share for the six months to 31 March 2013 is attributable to increased valuations in both the unquoted and quoted portfolios. The performance of the AIM market has been particularly strong and this accounts for 70 per cent of the growth. At the same time, our unquoted portfolio continues to develop well. Three profitable realisations generated £4.3 million during the period. In December 2012, the Company raised £4.72 million net of expenses from 832 shareholders.

The Board has declared an interim dividend of 3.0p per share.

Results

Before taking account of the 3.0p per share interim dividend, the Net Asset Value increased to 105.72p per share, up 10.0 per cent from 96.10p per share.

	Pence per ordinary share
NAV as at 1 October 2012 (after deducting the final dividend of 5.0p)	96.10
Valuation uplift (10.0 per cent)	9.62
	105.72
Less interim dividend payable on 14 June 2013 (to shareholders on the register on 31 May 2013)	(3.00)
NAV as at 31 March 2013	102.72

All areas of the portfolio have increased in value during the six months under review.

- The gains have been led by the quoted portfolio (comprising AIM and Wood Street Microcap Investment Fund) which increased by 24.6 per cent (8.0p per share) benefiting from the improvement in quoted share prices generally (the FTSE All Share Total Return index increased by 14.5 per cent over the same period).
- The unquoted portfolio increased in value by 5.2 per cent (2.6p per share) reflecting the continuing steady progress made by these investments.
- The most significant change in the portfolio was the 76.6 per cent increase in the value of the Company's investment in Staffline, a national recruitment and outsourcing organisation. Baronsmead VCT 2 first invested in Staffline in 2000 when it was an unquoted company. Subsequently, Staffline floated on the AIM market in 2004 at a price of 80p and was trading at £3.92 as of 31 March 2013. Although not fully realised and so subject to

future sale proceeds, the return on the Company's investment in Staffline has been 5.9 times the cost of the original investment taking account of previous realisations and valuing the unrealised shares at the 31 March 2013 bid price.

When the interim dividend of 3.0p per share is added to the final dividend of 5.0p per share paid in January 2013, the current annual dividend yield based on a mid-market share price of 99.50p is 8.0 per cent after tax (equivalent to 10.7 per cent for a higher rate taxpayer).

Long Term Performance

The Company is a generalist investor and our investment objective and the investment and dividend policies are aimed at producing consistent returns over the long-term.

The NAV total return over the last ten years has been 239.3p (before taxation benefits) for each 100p invested compared with an average of 188.4p for the VCT generalist sector as a whole (source AIC). Over the same period, cumulative tax free dividends paid to shareholders, including the proposed final dividend of 3.0p, amount to 76.0p per share (equivalent to 101.3p for a higher rate taxpayer). The comparable return would be higher if the initial income tax relief available on subscription was included in the computation.

The FTSE All-Share Index grew to 275.29p using the same metrics but this index takes no account of the restricted nature of VCT investments or the benefit of tax reliefs available to qualifying investors in VCTs.

The Company's stated policy is to maintain a minimum annual dividend of around 6.5p per share if possible. The average annual tax free dividend paid to shareholders (including the interim dividend of 3.0p per share) in the past ten years has been 7.6p (6.4p since launch), comfortably ahead of the minimum target.

The full 15 year performance record is set out on our website, www.baronsmeadvct2.co.uk

Chairman's Statement

Portfolio Review

At 31 March 2013, the portfolio comprised 71 companies. The Board receives quarterly reports indicating the trading performance of those companies in order to monitor the health of the portfolio. At 31 March 2013, 83 per cent of companies in the portfolio were reporting steady or better progress.

The Company has also invested in Wood Street Microcap, a fund giving investment exposure to a further 36 AIM-traded and fully listed companies.

The net assets of £79.4 million were invested as follows:

- 25 Unquoted companies (49 per cent)
- 46 AIM-traded and other listed companies (32 per cent)
- Wood Street Microcap Investment Fund (6 per cent)
- Cash and fixed interest (13 per cent.)

New Investment

During the six months to 31 March 2013 a total of £2.5 million was invested in three new companies and in some additional funding for existing AIM investments.

An investment was made in Create Health, an unquoted London based company which is an internationally renowned fertility clinic specialising in Natural and Mild IVF using methods that are cheaper, safer, and healthier for the mother and baby. The Natural and Mild approach to IVF is common in advanced fertility markets overseas such as Scandinavia, South Korea and Japan, as well as in other parts of Europe.

After the period end, a further new unquoted investment of £0.9 million was made in Eque2, a construction industry Enterprise Resource Planning solutions provider.

We made two new AIM investments in Ideagen plc (compliance software solutions) and Pinnacle Technology Group plc, a B2B telecoms and IT retailer.

Sale of Investments

During the six months to 31 March 2013 a total of £4.3 million was realised from three investments.

- Unquoted – the Company's investment in Micro Librarian Systems Ltd ("MLS") was sold to Capita realising £1.1 million, a 2.8x multiple return (see below).
- AIM –
 - FFastFill was sold following a recommended offer received from Pattington (part of the ION Group) realising £0.9 million, representing 2.8 times return on the amount invested.
 - IDOX was partially sold through the market realising £2.3 million, representing 5.5 times return on the amount invested.

MLS is the leading provider of library and resource management systems to the UK education sector. Since Baronsmead VCT 2's investment in 2006 the turnover of MLS almost doubled while the values, culture and dedication to providing best in class systems and services were maintained. Its purchase (by Capita), which represented a return of 2.8 times on the amount invested, fits with Capita's strategy of developing capability in their target markets.

FFastFill had been an investment since 2007 and on sale achieved 2.8 times cost resulting in a profit of £0.6 million. In addition, the firmness of the share price in IDOX enabled a proportion of the holding to be sold at 5.5 times cost yielding a capital profit of £1.9 million.

Since the period end, the Company sold its unquoted investment in Independent Living Services ("ILS") realising £3.43 million, representing a return of 2.5 times the original cost of the investment. The realisation figure includes interest payments over the life of the investment and the redemption premium received. Part of the Company's quoted holding in Staffline Recruitment Group plc was also sold after the period end, realising £1.58 million.

Fund Raising and Shareholder Matters

The Company issued a prospectus on 20 November 2012 to raise up to £5 million before expenses. The Offer closed after 19 working days on 17 December 2012 fully subscribed. On behalf of the Board of Directors, I would like to thank the 426 existing shareholders' who subscribed to the recent fundraising and extend a warm welcome to the Company's 406 new shareholders.

Chairman's Statement

In October 2012, around 3,000 shareholders responded to the shareholder survey that was sent to approximately 10,000 investors in the five Baronsmead VCTs. Several of the questions repeated those asked in the previous survey carried out in October 2006 in order to measure any changes in shareholders' views. Key results included:

- An indication that the investment priority of shareholders had moved slightly from a modest preference for capital growth to a greater desire for income through dividends.
- Confirmation that a significant majority of shareholders intend to hold their shares for the long term.

The Board is very grateful to those shareholders who responded to the survey as it provides valuable information on which the Board can base its decisions. Following the shareholder survey, on 16 November 2012 the Directors announced that in an effort to minimise the discount between the share price and the NAV the Company would endeavour, in future, to buy back shares at a 5 per cent instead of at a 10 per cent discount to NAV. This revised share price discount policy will, of course, be kept under continuous review and may be subject to revision. Shares will be bought back depending on market conditions at the time and only where the Directors believe it to be in the best interests of shareholders as a whole.

We have made good progress during the period under review in reducing the difference between the share price and the net asset value of the Company's shares. At 31 March 2013 the discount was approximately 6.0 per cent. During the period the Company bought back 1,005,000 shares representing 1.2 per cent of the shares in issue at the period end.

The Company buys back its shares through the market and not directly from shareholders. This enables shareholders who wish to sell their shares to do so at a time which suits their own circumstance. It also maximises the opportunity for other investors to buy the Company's existing shares whilst minimising the number of shares bought back by the Company.

Outlook

The outlook for the UK economy remains mixed with many commentators expecting another drab year. Your Board does not indulge in economic forecasting and much prefers to view the outlook for your Company through the prism of the companies in which we have invested. From that perspective we have been encouraged to see a gradual improvement over the last year or so.

The portfolio is widely diversified, well resourced, adequately funded and the vitality and resilience of the entrepreneurial teams in which the Company has invested gives confidence that, mostly, they are well placed to grow profitably. Indeed, based on the experience of our portfolio, the negative views of some commentators regarding the UK economy seem out of place.

The progress in the portfolio is encouraging and, furthermore, there are signs of an increase in the number of investment opportunities available and we are hopeful that, over time, this will contribute further to the strength and diversity of the portfolio.

Clive Parritt
Chairman
17 May 2013

Summary Investment Portfolio

Investment Classification at 31 March 2013

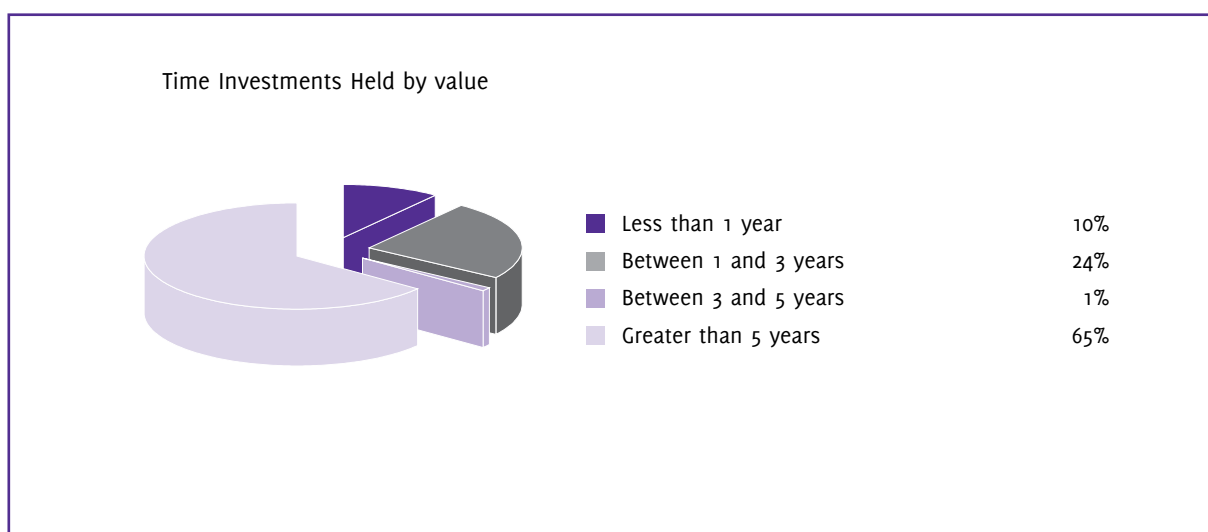
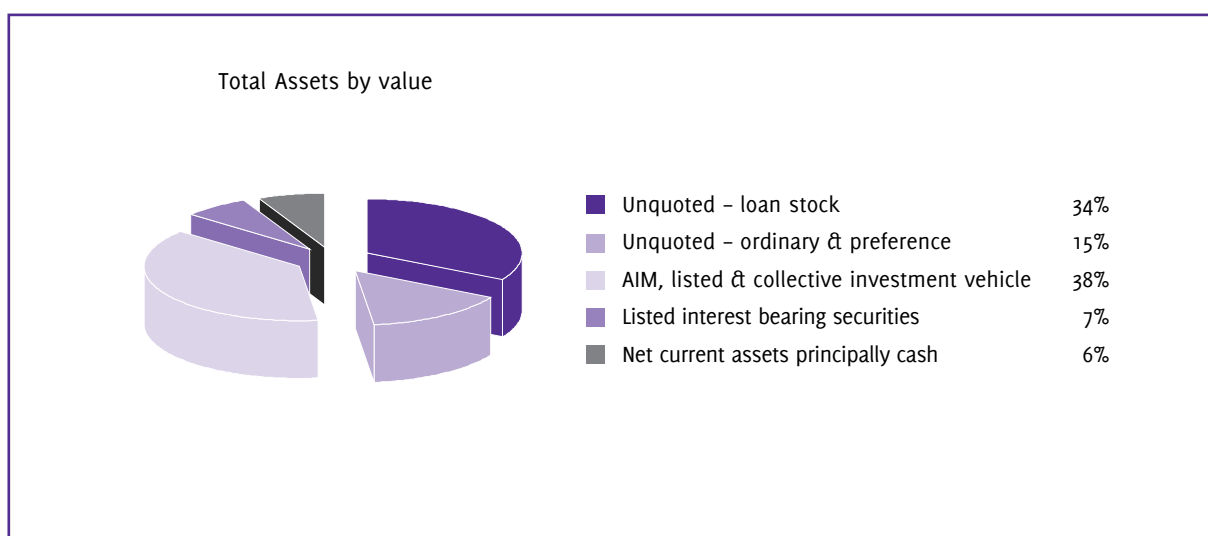
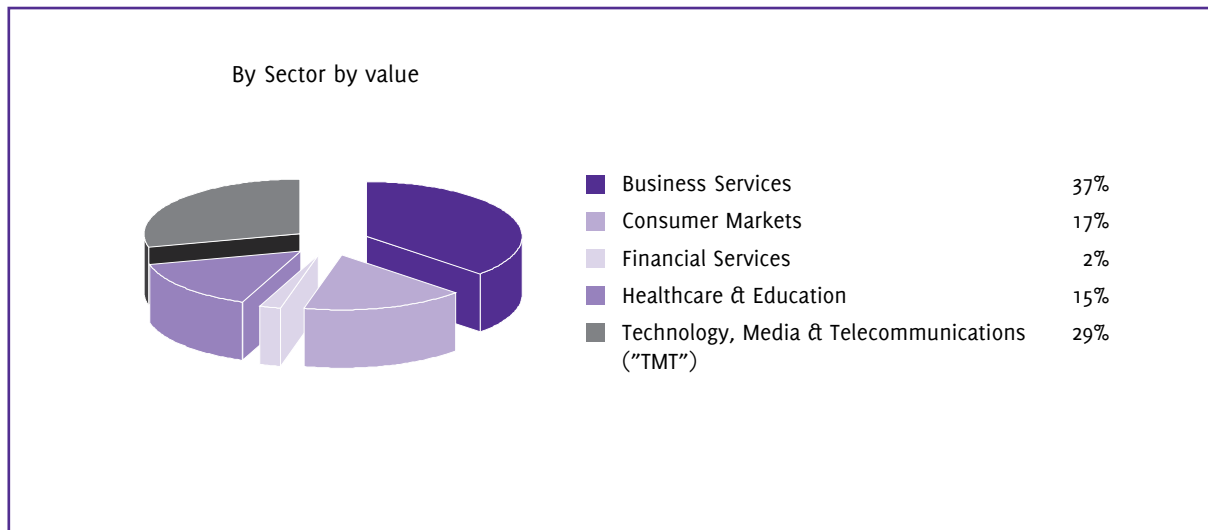


Table of Investments and Realisations

Investments in the six month period

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
<i>New</i>				
Create Health Limited	London	Healthcare & Education	Provider of fertility services	1,065
<i>Follow on</i>				
Impetus Holdings Limited	London	Business Services	Automotive consultancy and outsourced service provider	230
Total unquoted investments				1,295
AIM-traded & listed investments				
<i>New</i>				
Ideagen plc	Matlock	TMT*	Compliance software solutions	225
Pinnacle Technology Group plc	Stirlingshire	TMT*	B2B telecoms and IT reseller	169
<i>Follow on</i>				
Hangar8 plc	Oxford	Business Services	Business jet management	344
Tangent Communications plc	London	Business Services	Digital direct marketing	215
TLA Worldwide plc	London	Business Services	Baseball sports management and marketing business	113
Accumuli plc	Salford	TMT*	Managed IT security	95
Green Compliance plc	Worcester	Business Services	Small business compliance	50
Total AIM-traded & listed investments				1,211
Total investments in the period				2,506

* Technology, Media & Telecommunications ("TMT").

Table of Investments and Realisations

Realisations in the six month period

Company		First investment date	30 September 2012 valuation £'000	Realised profit/(loss) this period £'000	Overall multiple return
Unquoted realisations					
MLS Limited	Full trade sale	Jul 06	1,036	44	2.8
Total unquoted realisations			1,036	44	
AIM-traded & listed realisations					
IDOX plc	Market sale	Jan 09	990	566	5.5
FFastFill plc	Full trade sale	Jun 07	557	317	2.8
Total AIM-traded & listed realisations			1,547	883	
Total realisations in the period			2,583	927†	

† Proceeds of £2,000 were also received in respect of Adventis Group plc, which had been written off in the year ended 30 September 2012.

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 14 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

17 May 2013

Unaudited Income Statement

For the six months to 31 March 2013

	Six months to 31 March 2013			Six months to 31 March 2012			Year to 30 September 2012*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	-	6,998	6,998	-	3,402	3,402	-	5,842	5,842
Realised gains on investments	-	929	929	-	524	524	-	750	750
Income	952	-	952	362	-	362	1,101	-	1,101
Investment management fee	(186)	(1,469)	(1,655)	(164)	(492)	(656)	(337)	(1,011)	(1,348)
Other expenses	(229)	-	(229)	(203)	-	(203)	(381)	-	(381)
Profit/(loss) on ordinary activities before taxation	537	6,458	6,995	(5)	3,434	3,429	383	5,581	5,964
Taxation on ordinary activities	(74)	74	-	-	-	-	(16)	16	-
Profit/(loss) on ordinary activities after taxation	463	6,532	6,995	(5)	3,434	3,429	367	5,597	5,964
Return per ordinary share:									
Basic	0.63p	8.87p	9.50p	(0.01p)	4.97p	4.96p	0.52p	7.93p	8.45p

* Figures as at 30 September 2012 are audited.

Unaudited Reconciliation of Movements in Shareholders' Funds

For the six months to 31 March 2013

	Six months to 31 March 2013 £'000	Six months to 31 March 2012 £'000	Year to 30 September 2012* £'000
Opening shareholders' funds	72,433	64,999	64,999
Profit for the period	6,995	3,429	5,964
Gross proceeds of share issues	5,000	4,135	4,135
Purchase of shares for treasury	(964)	(191)	(652)
Expenses of share issue and buybacks	(280)	(197)	(199)
Other costs charged to capital	-	(10)	(10)
Dividends paid	(3,772)	-	(1,804)
Closing shareholders' funds	79,412	72,165	72,433

* Figures as at 30 September 2012 are audited.

Notes

- The unaudited interim results which cover the six months to 31 March 2013 have been prepared in accordance with applicable accounting standards and adopted the accounting policies set out in the statutory accounts of the Company for the year to 30 September 2012.
- Return per share is based on a weighted average of 73,664,418 ordinary shares in issue (30 September 2012 – 70,544,594 ordinary shares; 31 March 2012 – 69,096,100 ordinary shares).
- Earnings for the six months to 31 March 2013 should not be taken as a guide to the results of the full financial year to 30 September 2013.
- During the six months to 31 March 2013 the Company purchased 1,005,000 ordinary shares to be held in treasury at a cost of £964,000. At 31 March 2013 the Company holds 10,223,819 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 75,114,950 ordinary shares in issue at 31 March 2013 (30 September 2012 – 71,647,952 ordinary shares; 31 March 2012 – 72,167,952 ordinary shares).
- The interim dividend of 3.0p per share (0.6p revenue and 2.4p capital) will be paid on 14 June 2013 to shareholders on the register on 31 May 2013. The ex-dividend date is 29 May 2013.
- The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year to 30 September 2012 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2012, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2012 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 2013

	As at 31 March 2013 £'000	As at 31 March 2012 £'000	As at 30 September 2012* £'000
Fixed assets			
Unquoted investments	38,859	30,224	36,720
Traded on AIM	23,756	19,349	20,750
Listed on LSE	1,603	1,164	1,526
Collective investment vehicle – Wood Street Microcap Investment Fund	5,092	3,095	4,183
Listed interest bearing securities	5,619	26,635	5,939
	74,929	80,467	69,118
Current assets			
Debtors	1,820	227	310
Cash at bank	6,908	1,232	465
Cash on deposit	2,500	–	3,000
	11,228	1,459	3,775
Creditors (amounts falling due within one year)	(6,745)	(9,761)	(460)
Net current assets/(liabilities)	4,483	(8,302)	3,315
Net assets	79,412	72,165	72,433
Capital and reserves			
Called-up share capital	8,534	8,087	8,087
Share premium account	7,809	3,531	3,531
Capital reserve	44,947	51,198	47,452
Revaluation reserve	17,415	9,100	12,742
Revenue reserve	707	249	621
Equity shareholders' funds	79,412	72,165	72,433

* Figures as at 30 September 2012 are audited.

	As at 31 March 2013	As at 31 March 2012	As at 30 September 2012*
Net asset value per share	105.72p	100.00p	101.10p
Number of shares in circulation	75,114,950	72,167,952	71,647,952
Treasury net asset value per share	104.98p	98.64p	99.83p
Number of ordinary shares in circulation	75,114,950	72,167,952	71,647,952
Number of ordinary shares held in treasury	10,223,819	8,698,819	9,218,819
Number of listed ordinary shares in issue	85,338,769	80,866,771	80,866,771

* Figures as at 30 September 2012 are audited.

Unaudited Cash Flow Statement

For the six months to 31 March 2013

	Six months to 31 March 2013 £'000	Six months to 31 March 2012 £'000	Year to 30 September 2012* £'000
Net cash outflow from operating activities	(2)	(90)	(337)
Capital expenditure and financial investment	6,488	(2,914)	1,833
Equity dividends paid	(3,772)	-	(1,804)
Net cash inflow/(outflow) before financing	2,714	(3,004)	(308)
Net cash inflow from financing	3,229	3,694	3,231
Increase in cash	5,943	690	2,923
Reconciliation of net cash flow to movement in net cash			
Increase in cash	5,943	690	2,923
Opening cash position	3,465	542	542
Closing cash position	9,408	1,232	3,465
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities			
Profit on ordinary activities before taxation	6,995	3,429	5,964
Gains on investments	(7,927)	(3,926)	(6,592)
Changes in working capital and other non-cash items	930	407	291
Net cash outflow from operating activities	(2)	(90)	(337)

* Figures as at 30 September 2012 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 2012. 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 2012. During the period the Company has incurred management fees of £744,000 and secretarial fees of £68,000 payable to the Manager. A performance fee of £911,000 has been accrued at 31 March 2013 to reflect the potential fee that would be payable to the Manager at 30 September 2013 should the current investment performance continue to the end of the current financial year.

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 2013 the Company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £15,027,000. 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.

Appendix

Full Investment Portfolio

Company	Sector	Book cost £'000	31 March 2013 Valuation £'000	30 September 2012 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds [#]
Unquoted							
CableCom Networking Holdings Limited	TMT*	1,381	5,019	4,131	6.3	10.6	48.0
Nexus Vehicle Holdings Limited	Business Services	2,367	4,988	4,721	6.3	12.3	56.0
Independent Living Services Limited	Healthcare & Education	1,599	3,400	2,705	4.3	15.6	65.7
Crew Clothing Holdings Limited	Consumer Markets	1,344	2,986	3,049	3.8	6.1	25.5
Kafevend Holdings Limited	Consumer Markets	1,252	2,854	2,908	3.6	15.8	66.5
CSC (World) Limited	TMT*	1,606	2,631	2,295	3.3	8.8	40.0
Valldata Group Limited	Business Services	1,616	2,171	1,769	2.7	8.8	39.8
Inspired Thinking Group Limited	Business Services	796	1,788	1,571	2.2	5.0	22.5
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,682	2,329	2.1	10.5	44.0
Independent Community Care Management Limited	Healthcare & Education	1,346	1,489	1,346	1.9	10.9	55.0
Impetus Holdings Limited	Business Services	1,305	1,174	1,075	1.5	7.8	39.3
Pho Holdings Limited	Consumer Markets	987	1,155	987	1.5	5.5	28.0
Create Health Limited	Healthcare & Education	1,065	1,065	-	1.3	5.7	29.0
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.3	9.6	48.6
Consumer Investment Partners Limited	Consumer Markets	1,000	1,000	1,000	1.3	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.3	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.3	9.6	48.6
Riccal Investments Limited	Business Services	1,000	1,000	1,000	1.3	9.6	48.6
Happy Days Consultancy Limited	Healthcare & Education	833	833	833	1.0	8.4	42.5
Playforce Holdings Limited	Business Services	1,033	511	512	0.6	9.7	44.0
Kidsunlimited Group Limited	Business Services	113	113	113	0.1	N/A	N/A
Carnell Contractors Limited	Business Services	941	0	0	0.0	##	##
Empire World Trade Limited	Business Services	1,297	0	0	0.0	‡	‡
Music Festivals plc Loan note	Consumer Markets	400	0	0	0.0	N/A	N/A
Surgi C Limited	Healthcare & Education	1,102	0	340	0.0	13.3	57.5
Xention Discovery Limited	Healthcare & Education	316	0	0	0.0	0.4	3.0
Total unquoted		29,122	38,859		49.0		
AIM							
Staffline Group plc	Business Services	249	3,759	2,129	4.7	4.2	8.4
IDOX plc	TMT*	614	3,202	4,215	4.0	1.8	5.0
Netcall plc	TMT*	869	1,857	1,386	2.3	4.1	20.5
Murgitroyd Group plc	Business Services	319	1,251	1,066	1.6	3.0	5.9
Jelf Group plc	Financial Services	761	1,011	743	1.3	1.4	5.6
Escher Group Holdings plc	TMT*	614	976	770	1.2	1.9	9.7
Driver Group plc	Business Services	564	884	720	1.1	4.1	19.4
TLA Worldwide plc	Business Services	733	836	713	1.1	4.2	20.4
Accumuli plc	TMT*	504	789	611	1.0	4.5	24.7
Tasty plc	Consumer Markets	469	729	729	0.9	2.5	17.1
Dods (Group) plc	TMT*	1,344	597	559	0.7	4.4	20.1
Anpario plc	Healthcare & Education	275	526	430	0.7	2.0	14.7
Sinclair IS Pharma plc	Healthcare & Education	524	479	481	0.6	0.4	2.2
Tangent Communications plc	Business Services	483	453	316	0.6	2.0	10.3
Inspired Energy plc	Business Services	300	452	286	0.6	2.4	11.8
Hangar8 plc	Business Services	388	447	38	0.6	2.5	11.3
Vianet Group plc	Business Services	646	440	497	0.6	1.9	9.7
Synectics plc	Business Services	296	434	308	0.5	0.6	2.1
Sanderson Group plc	TMT*	387	410	286	0.5	1.8	6.9
Electric Word plc	TMT*	696	408	335	0.5	5.2	28.2
EG Solutions plc	TMT*	375	366	269	0.5	2.8	12.7
InterQuest Group plc	Business Services	310	366	191	0.5	1.7	6.8
Plastics Capital plc	Business Services	473	359	307	0.4	1.7	9.8
GB Group plc	TMT*	150	345	336	0.4	0.3	1.7
PROACTIS Holdings plc	TMT*	619	341	341	0.4	5.4	26.3
Paragon Entertainment Limited	Consumer Markets	200	275	350	0.3	3.1	17.3

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

* Technology, Media & Telecommunications ("TMT").

Following a restructuring and partial redemption the funds no longer hold equity in Carnell Contractors Limited.

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

Appendix

Full Investment Portfolio

Company	Sector	Book cost £'000	31 March 2013 Valuation £'000	30 September 2012 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds [#]
AIM (continued)							
Brady plc	TMT*	176	250	289	0.3	0.4	2.1
Ideagen plc	TMT*	225	231	-	0.3	1.0	4.3
Begbies Traynor Group plc	Financial Services	231	211	210	0.3	0.6	2.5
Pinnacle Technology Group plc	TMT*	169	174	-	0.2	1.8	7.8
Cohort plc	Business Services	179	157	149	0.2	0.3	1.4
Ubisense Group plc	TMT*	130	144	157	0.2	0.3	1.6
Zattikka plc	TMT*	316	126	348	0.2	1.4	7.1
STM Group plc	Financial Services	162	94	104	0.1	0.6	4.0
Aimshell Acquisitions plc	Business Services	400	90	93	0.1	3.1	12.3
Tristel plc	Healthcare & Education	217	80	130	0.1	1.0	5.4
Green Compliance plc	Business Services	932	71	101	0.1	3.2	15.7
RTC Group plc	Business Services	355	45	49	0.1	2.8	5.7
Active Risk Group plc	TMT*	159	43	90	0.1	1.1	5.6
Bglobal plc	Business Services	176	35	41	0.0	0.4	2.5
AorTech International plc	Healthcare & Education	285	9	9	0.0	0.3	0.6
Zoo Digital Group plc	TMT*	438	4	11	0.0	0.2	0.6
Total AIM		17,712	23,756		29.9		
Listed							
Vectura Group plc	Healthcare & Education	578	1,089	1,037	1.4	0.4	1.3
Chime Communications plc	TMT*	369	449	399	0.6	0.2	0.8
Marwyn Management Partners plc	Financial Services	525	36	56	0.0	0.3	1.6
Marwyn Value Investors Limited	Financial Services	64	29	34	0.0	1.3	6.0
Total listed		1,536	1,603		2.0		
Listed interest bearing securities							
UK T-Bill 29/04/13		4,999	4,999	-	6.3		
BlackRock ICS plc – Institutional Sterling Liquidity Fund		620	620	620	0.8		
Total listed interest bearing securities		5,619	5,619		7.1		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	5,092	4,183	6.4		
Total collective investment vehicle		3,525	5,092		6.4		
Total investments		57,514	74,929		94.4		
Net current assets			4,483		5.6		
Net assets			79,412		100.0		

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

* Technology, Media & Telecommunications (“TMT”).

Shareholder Information and Contact Details

Shareholder Account Queries



The Registrar for **Baronsmead VCT 2** is Computershare Investor Services PLC (“Computershare”).

The Registrar will deal with all of your queries with regard to your shareholder account, such as:

- Change of address
- Latest share price
- Your current share holding balance
- Your payment history, including any outstanding payments
- Your payment options (cheque, direct payment to your bank/building society account, reinvestment)
- Paper or electronic communications
- Request replacement cheques or share certificates (for which there may be additional administrative and other charges)

You can contact Computershare with your queries in several ways:

Telephone: 0870 889 3249 <i>(calls charged at geographical and national rates)</i>	<ul style="list-style-type: none"> • This is an automated self-service system • It is available 24 hours a day, 7 days a week • You should have your Shareholder Reference Number (“SRN”) to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons • Press ‘0’ if you wish to speak to someone • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line: Investor Centre www.investorcentre.co.uk	<ul style="list-style-type: none"> • Computershare’s secure website, Investor Centre, allows you to manage your own shareholding online • You will need to register to use this service on the Investor Centre web site • You should have your (“SRN”) to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email: web.queries@computershare.co.uk	
Post: Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	



The **Baronsmead VCT 2** website is www.baronsmeadvct2.co.uk

The Investment Manager for **Baronsmead VCT 2** plc is **ISIS EP LLP** who can be contacted as follows:

Email: baronsmeadvcts@isisep.com
Telephone: [020 7506 5717](tel:02075065717)
Facsimile: [020 7506 5718](tel:02075065718)

Shareholder Information and Contact Details

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 the link on the Company's website and 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:

Panmure Gordon	020 7886 2500
Singer Capital Markets	020 3205 7500
Winterflood	020 3400 0251

Financial Calendar

August 2013 Quarterly fact sheet to 30 June 2013

November 2013 Announcement and posting of final results for year to 30 September 2013

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.

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.

Corporate Information

Directors

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

Secretary

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Investment Manager

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020 7506 5717

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Registered Number

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Registrars and Transfer Office

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Edinburgh EH1 2EG

Solicitors

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VCT Status Adviser

PricewaterhouseCoopers LLP
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London WC2N 6RH

Website

www.baronsmeadvct2.co.uk

* Chairman of the Audit Committee

† Chairman of the Management Engagement and Remuneration Committee,
Chairman of the Nomination Committee and Senior Independent Director

Notes

