Baronsmead VCT 2 plc

Annual Review & Report
Year ending 31 March 2001

2001

FRIENDS
IVORY & SIME

Investment Objective

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

Investment Policy

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

Contents

- 15 new investments made during the year taking the total equity portfolio to 29 companies
- Dividends totalling 3.90 pence per share for the year
- Net asset value down by 6.1 per cent to 112.3 pence per share versus FTSE All-Share index down 10.7 per cent
- Total return since launch 30.7 per cent

Baronsmead VCT 2 plc
Net asset value and net asset value total return
(figures restated to 100 at 31 March 1998)

Performance summary

	31 March 2001	31 March 2000	% change
Ordinary share – capital values			
Net asset value per share (net of issue expenses)	**112.30p**	119.59p	(6.1)
Share price	**125.00p**	125.00p	0.0
Premium	**11.30%**	4.5%	–
Net asset value total return*	**(2.90%)**	28.9%	–
Total assets (net of issue expenses)	**£45.0m**	£31.0m	45.2
	Year to 31 March 2001	Year to 31 March 2000	
Revenue and dividends			
Earnings per ordinary share	**3.94p**	3.36p	17.3
Dividends per ordinary share	**3.90p**	3.20p	21.9

*Net asset value total return assuming gross dividends reinvested.

£10m capital committed and diversity increased as portfolio grows to 29 companies

Achieved results | The NAV at 31 March 2001 was 112.3p per share compared to 119.6p at the previous year-end. Over the year to 31 March 2001, this represents a decrease of 6.1 per cent. If the effect of dividends paid to shareholders during the year is added back, the NAV per share would have been 116.2p, which represents a fall of 2.8 per cent over the year. This compares to a reduction in the FTSE All-Share index of 10.7 per cent over the same period.

The Board recommends a final dividend of 2.2p per share, which together with the interim dividend of 1.7p per share, makes total dividends of 3.9p per share. This higher level of dividends compared to last year's 3.2p per share was in part possible because running costs were reduced to 2.6 per cent of average NAV per share as a result of the larger size of your Company following the fund raising that closed in April 2000. It is important to note that, as we invest for growth in portfolio companies, the level of cash and fixed interest securities will fall. This is likely to result in a significant reduction in our gross income. In turn this may lead to lower distributable profits being available for dividends for shareholders in future years.

The total return since launch in April 1998 is 30.7 per cent, which compares to the FTSE All-Share index return of 4.7 per cent over the same three-year period. The total return for your Company is substantially higher for qualifying shareholders if the VCT tax reliefs are taken into account.

Investment environment | Stock markets and confidence in economic conditions deteriorated progressively throughout the year. This showed first in the DotCom companies and then other technology businesses before affecting the corporate sector more widely. DotComs have never been part of the investment portfolio of Baronsmead VCT 2 and the technology related investees within the portfolio have shown good trading progress.

The main priority of the Investment Managers has been to invest the initial share capital raised from private investors into sound companies during the three years to March 2001. During the financial year investments were made in ten new unquoted companies, five AiM/OFEX subscriptions and three further investments in existing investee companies. The portfolio grew to 29 equity investments, up from 16 at March 2000.

The average aggregate size of the funds raised by each of the ten new unquoted companies at over £5 million is much higher than most VCTs and is possible because of the co-investment policy between the three Baronsmead VCTs (Baronsmead VCT 3 was launched in January 2001) and other institutional clients of the Investment Managers. The Board believes that the increased size of the investee companies and their managerial competency can lead to greater resilience during difficult trading conditions.

The team at Friends Ivory & Sime Private Equity is now one of the largest in the VCT market place with fourteen investment professionals and it is also able to draw on the expertise of the AiM team at

Clive Parritt
Chairman

Friends Ivory & Sime. A further addition to the portfolio team is planned to help monitor and build portfolio companies prior to realisation when market conditions are more propitious.

Meeting shareholder needs | At the last AGM in July 2000, shareholders gave their consent to the Directors issuing up to approximately 4 million new shares whether for dividend reinvestment or to 'top up' the investment demand of existing shareholders who wish to satisfy their own financial and tax planning needs. Such new shares are entitled to the full VCT tax reliefs.

It will be the Board's intention in future, subject to annual shareholder consent at each AGM, to make these 'top up' offers every six months when the latest information on the portfolio is available in the interim and annual reports. Shareholders will then have the most up to date information on which to base their investment decisions.

At this time, I have written to all shareholders setting out the terms of an Offer for Subscription of up to 4.0 million new shares. As required under the rules governing VCTs, more than 70 per cent of this new share capital, net of expenses, will then be invested in qualifying investments in the three accounting periods ending March 2004.

The policy of the Board is to use its buy-back authority to reduce any imbalance in the supply and demand for existing shares in the Company, which may occur from time to time. Three share buy-backs totalling 45,000 shares took place during the last year.

Teather & Greenwood have been appointed as brokers to the Company. We expect then to stimulate greater interest in the market making of existing shares and also to provide more external information about your Company. The summary of VCT tax reliefs on pages 14 to 15 gives more detail about the financial and tax planning opportunities available for private investors.

One of the functions of the Board, under the guidance of the Turnbull Report, is to review and assess risks to which the Company is exposed. We have sought to make this process a positive one for all concerned and you will find details of our review in the Directors' Report.

Outlook | The next year is likely to be a period of economic uncertainty. The greater diversity of the portfolio built up so far and its relative strength will help to counter this. The tax-free environment of VCTs for qualifying investors also adds some protection and the payment of tax-free dividends provides a tangible cash return.

The Investment Managers are experiencing a sustained level of deal-flow and it will be the quality of new investments at lower prices than last year that, together with the existing portfolio, can generate shareholder value. Two portfolio companies will make presentations at the third AGM on 25 June at 10.30 a.m. when I look forward to meeting as many shareholders as possible.

Clive Parritt
Chairman
23 May 2001

Keith Hannay
Company Secretary

David Thorp
Investment Manager

Michael Probin
Investor Relations Manager

Managers' Review

High level of investment activity across a good spread of industry sectors

Performance | The NAV per share fell to 112.3p per share having remained steady throughout the year until the share prices of the technology related stock market companies decreased during March 2001. SDL (full list), AorTech and Sirius (formerly PolicyMaster) on AiM all showed advances in their trading results and plans but their share prices were marked substantially lower.

AorTech's share price suffered on announcement of a large proposed share placing while the introduction of a new version of its main software at Sirius produced a similar effect. SDL showed excellent growth in the year to 31 December 2000 and exceeded its broker's sales and profit forecast substantially in the first full year since flotation; this was not reflected in its share price. Both AorTech and Sirius have recently announced their intention to join the full list of the London Stock Exchange.

Good progress at Tricom and Fat Face resulted in increases in their unquoted valuations but these gains were off-set by partial provisions for the investments in 4:2:2, James Gilbert and Marcrist, which have not met their business plans. £5.4m of unquoted investments were retained at cost as the investments had been held for less than 12 months in accordance with BVCA valuation guidelines.

Building the portfolio | The number of investments grew to 29 by the year-end, net of two realisations following the trade sale of Atalink and the failure of XS Leisure which went into receivership. The payment terms for Atalink are spread over three years and an internal rate of return of some 25 per cent has been achieved to date.

The following schedule sets out the fifteen new investments made during the year and the three companies where further capital was subscribed.

New and additional investments during the year

	Location	Sector	Activity	Cost (£'000)	Further facility (£'000)
4:2:2*	Bristol	Media	Multimedia TV	260	85
ATA*	Bristol	Bus. Service	Technical recruitment	255	
BioFocus**	Sittingbourne	Healthcare	Drug discovery	251	
Blue 8	Nottingham	IT	Emergency services software	315	143
Cambridge Drug Discovery	Cambridge	Healthcare	Drug discovery	427	323
Conclusive	Maidenhead	IT	Internet security	334	
Conder Environmental**	Southampton	Bus. Service	Environmental	340	
Demica	London	IT	Banking software	749	
Giardino**	Enfield	Consumer	Restaurants	288	
James Gilbert	Rugby	Consumer	Rugby equipment	896	104
Imerge	London	IT	Audio & visual servers	500	
Interactive Agency***	London	Bus. Service	Direct Mail	500	
Inter Link Foods*	Blackburn	Consumer	Cake maker	484	
Job Opportunities	Berkhamsted	Media	Free newspapers	643	142
Kondor	Ringwood	Consumer	Mobile telephone accessories	1,000	
NMT**	Livingston	Healthcare	Safety syringes	351	
Staffline	Nottingham	Bus. Service	Temporary recruitment	814	
Thomas Sanderson	Waterlooville	Consumer	Conservatory blinds	667	
Totals				9,074	797

* further investment. ** traded on AiM. *** traded on OFEX

Together with the existing portfolio, the aggregate of VCT qualifying investments was more than double the £6.6 million level required to satisfy the VCT tests at 31 March 2001 in respect of the initial subscriptions.

Portfolio diversity | The combined portfolio of 29 investee companies is now well diversified both by sector and asset class as summarised on page 8. The 20 largest investments are also listed on pages 10 to 13 where current trading progress based on the latest audited results is shown.

The new investments during the year illustrate the sector-focused philosophy of Friends Ivory & Sime Private Equity. The common thread through these sectors is the manager's belief in their ability to generate high margins as well as possessing good growth prospects. Healthcare and Life-sciences have been added because of the growth opportunities and impact of the human genome project to stimulate activity. Four healthcare investees are now in the portfolio of which BioFocus and NMT have shown strong share price performance since summer 2000. The chart below illustrates the changing mix by sector over the last three years.

The investment policy includes selective investments in qualifying companies, which have the ability to transform and adapt their activities through technological innovation. The Board guidelines are that up to 25 per cent of the equity portfolio can be invested in these earlier stage companies. Presently some 20 per cent of the portfolio is invested in six such situations: information technology (Conclusive, Demica and Imerge), healthcare (NMT and Cambridge Drug Discovery) and media (Job Opportunities).

The quoted fixed rate portfolio is being converted progressively into qualifying investments. The value increased as interest rates moved favourably and reversed the small deficit from the previous year.

Investor relations | A series of monthly workshops has been organised by the Investment Managers for shareholders in all the three Baronsmead VCTs starting in May 2001. The aim of these workshops is to assist shareholders and their advisors in understanding the role of the managers and the VCT tax reliefs. Demand has been such that the workshops in 2001 are now full. The third and fourth newsletters titled 'Creating shareholders' choice' and 'Shareholder communications – building long-term relationships' were published during the year. An open invitation is extended to all shareholders to visit the Investment Managers at their London Offices at a convenient time to discuss investment policy and process.

Outlook | During the next year, our intention is to build the portfolio to 40 equity investments and beyond, increasing the level of diversity. The investment managers are active in both their due diligence of new investments and subsequent management of the portfolio companies, which are both important when general economic conditions point to lower UK growth and increased uncertainty. Generally realisation opportunities are likely to be slower in the next year but when better exit conditions return, we shall want to take advantage of opportunities to crystallise value for shareholders.

We recognise that Baronsmead VCT 2 is by its nature a long term shareholding for its investors and we aim to stay at the forefront of VCT developments in providing shareholders with greater financial and tax planning choices. We look forward to meeting as many shareholders as possible at the regular VCT workshops and the AGM, which helps us to understand shareholders' priorities.

David Thorp
Investment Manager
for Friends Ivory & Sime Private Equity plc
23 May 2001

Venture Capital Trust Status

Summary of the tests to be satisfied:

VCT condition	% required
Minimum income from shares and securities	70% of total income
Maximum retention of income	15% of total investment income
Maximum investment in one company or group	15% of the company's value
*Minimum investment in qualifying companies	70% of the company's value
*Minimum investment in ordinary shares in qualifying companies	30% of total investment in qualifying companies

*For accounting period beginning 1.4.2001 relative to £6.6 million

Three Year Summary
Capital

At 31 March	Shareholders' funds £'000	Net asset value per share p	Net asset value total return* p	Share price p	Premium/ (discount) (note 1) %
1999	8,501	94.31	104.44	90.00	(11.1)
2000	31,045	119.59	134.62	125.00	4.5
2001	45,017	112.30	130.66	125.00	11.3

* Source: Friends Ivory and Sime plc.
(note 1) Premium/(discount) is the difference between Baronsmead VCT 2's quoted price and its underlying net asset value.

Revenue

Year to 31 March	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share net (note 2) p	Dividend per ordinary share net p
1999	453	219	3.17	3.00
2000	1,397	791	3.36	3.20
2001	2,680	1,576	3.94	3.90

(note 2) The calculation of earnings per ordinary share is based on the revenue per ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 7, page 27).

Investment Classification

Company Investments
(excluding fixed Interest portfolio)

Sector Analysis as at 31 March 2001

Total Investments

Market Analysis as at 31 March 2001

Portfolio Valuation at 31 March 2001

Company	Sector	Book Cost £'000	Valuation £'000	% of Total Assets
Unquoted				
Tricom	Business services	700	1,774	3.94
Kondor	Consumer markets	1,000	1,000	2.22
Fat Face	Consumer markets	500	883	1.96
Staffline	Business services	814	814	1.81
Demica	Information technology	749	749	1.66
4:2:2	Media	1,235	711	1.58
Thomas Sanderson	Consumer markets	667	667	1.48
Job Opportunities	Media	643	643	1.43
Imerge	Information technology	500	500	1.11
Marcrist	Business services	1,000	450	1.00
James Gilbert	Consumer markets	896	436	0.97
Cambridge Drug Discovery	Healthcare	427	427	0.95
Conclusive Logic	Information technology	334	334	0.74
*Blue 8	Information technology	315	315	0.70
Total unquoted		**9,780**	**9,703**	**21.55**
Quoted on AiM				
Inter Link Foods	Consumer markets	627	925	2.06
Landround	Business services	566	867	1.92
NMT Group	Healthcare	350	654	1.45
AorTech International	Healthcare	285	653	1.45
BioFocus	Healthcare	251	429	0.95
*Giardino Group	Consumer markets	288	324	0.72
*Charterhouse Communications	Media	355	311	0.69
*ATA Group	Business services	355	275	0.61
*Maclellan Group	Business services	172	267	0.59
Policy Master Group	Information technology	150	220	0.49
*Conder Environmental	Business services	340	213	0.47
*Premier Direct Group	Consumer markets	202	177	0.39
*Highams Systems Services Group	Information technology	197	34	0.08
Total AiM		**4,138**	**5,349**	**11.87**
OFEX				
Interactive Agency	Business services	**500**	**494**	**1.10**
Listed				
SDL	Information technology	**270**	**1,515**	**3.37**
Fixed interest securities				
UK Treasury 7¾% (08/09/06)		2,257	2,264	5.03
UK Treasury 7% (06/11/01)		2,183	2,174	4.83
UK Treasury 6½% (07/12/03)		2,030	2,078	4.62
UK Treasury 5% (07/06/04)		1,697	1,754	3.90
Sun America 6½% (26/11/04)		1,535	1,549	3.44
UK Treasury 7% (07/06/02)		1,326	1,330	2.96
Halifax 8¾% (10/07/06)		1,122	1,128	2.50
Bayerische Landesbank 8½% (26/02/03)		1,037	1,054	2.34
Morgan Guaranty Trust 7¾% (30/12/03)		1,047	1,052	2.34
Abbey National 7⅝% (30.12.02)		1,051	1,036	2.30
Toyota Motor Credit 6¼% (07/12/07)		1,024	1,033	2.29
Federal National Mortgage 6⅞% (07/06/02)		1,034	1,019	2.26
DSL Bank 6% (16/06/04)		995	1,018	2.26
European Investment Bank 8½% (06/11/01)		1,024	1,017	2.26
British Telecom 7⅛% (15/09/03)		1,047	1,016	2.26
Bayerische Landesbank Giro 7⅜% (28/12/01)		1,009	1,014	2.25
LKB Baden Wurttenburg 7⅜% (28/12/01)		1,035	1,013	2.25
UK Treasury 9¾% (27/08/02)		1,018	1,011	2.25
General Electric Capital Corporation 6⅜% (27/02/02)		996	1,009	2.24
Federal Home Loan Bank 5⅝% (10/06/03)		994	1,008	2.24
KWF International Finance 5½% (18/06/04)		963	1,006	2.24
General Electric Capital Corporation 5⅛% (12/01/04)		941	995	2.21
Heleba 5% (18/02/02)		485	498	1.11
Landwirtschaftliche Rentenbank 6¾% (24/05/02)		249	254	0.56
Total fixed interest		**28,099**	**28,330**	**62.94**
Total investments		**42,787**	**45,391**	**100.83**
Net current liabilities			**(374)**	**(0.83)**
Total assets less current liabilities			**45,017**	**100.00**

A provision of £1,534,000 has been made against unquoted investments as at 31 March 2001 (2000: £Nil)

*Additional details of Equity Share Capital percentage held by other funds managed by Friends Ivory & Sime Private Equity plc:

ATA Group: 4.8 per cent held by Baronsmead VCT plc
Charterhouse Communications: 1.6 per cent held by Baronsmead VCT plc
Blue 8: 4.7 per cent held by Baronsmead VCT plc and 23.6 per cent held by FIS Private Equity 2001 LP
Conder Environmental: 4.6 per cent held by Baronsmead VCT plc
Giardino Group: 1.1 per cent held by Baronsmead VCT plc
Highams Systems Services Group: 2.3 per cent held by Baronsmead VCT plc
Maclellan Group: 1.2 per cent held by Baronsmead VCT plc
Premier Direct Group: 2.5 per cent held by Baronsmead VCT plc
Details for other investments is set out on pages 10 to 13

Twenty Largest Investments

Company	Head Office	Valuation Basis	Cost	Valuation
Tricom Supplies Limited	**Bedford**	**Price Earnings**	**£700,000**	**£1,774,000**

Investment made November 1998

Tricom is a chain of builders merchants supplying plumbing, heating and sanitary ware goods to independent merchants and installers. In November 1998, £2.05 million of institutional equity was raised to finance a management buy-out from its German parent company.

For the year ended 31 December 2000, pre-tax profits were £1.8 million on a turnover of £108.5 million. Net assets at were £6.1 million and retained profits were £1.3 million.

Baronsmead VCT 2 plc holds 16.2% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and Surrey County Council hold 23.2% and 8.1% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
SDL PLC	**Maidenhead**	**Middle Market price**	**£270,000**	**£1,515,000**

Investment made October 1998

SDL is a provider of globalisation solutions which was established in 1992 adapting websites and software into different languages and cultures. In June 1997 the company raised £1.6 million from institutional shareholders to expand its activity both in the UK and overseas.

The company listed on the London Stock Exchange in December 1999.

For the year ended 31 December 2000, pre-tax profits were £1.1 million on a turnover of £29.7 million. Net assets were £31.6 million and retained profits were £0.4 million.

Baronsmead VCT 2 plc holds 1.5% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 3.3% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Kondor Limited	**Ringwood**	**Cost**	**£1,000,000**	**£1,000,000**

Investment made May 2000

Kondor is a value added distributor of mobile telephone accessories. In May 2000, £6.9 million of institutional equity was raised as replacement capital.

For the year ended 31 December 1999, pre-tax profits were £4.3 million on a turnover of £10.5 million. Net assets were £0.07 and retained losses were £0.6 million.

Baronsmead VCT 2 plc holds 3.6% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 2000 LP hold 3.6% and 17.7% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Inter Link Foods PLC	**Blackburn**	**Middle Market price**	**£627,000**	**£925,000**

Investments made August 1998 and January 2001

Inter Link Foods manufactures and sells own label cakes and pastry products to major retail groups. The company joined AiM in August 1998 and raised net proceeds of £2.1 million for expansion including additional product machinery.

For the year ended 30 April 2000, pre-tax profits were £1.1 million on a turnover of £12.0 million. Net assets were £2.5 million and retained profit £0.7 million.

Baronsmead VCT 2 plc holds 3.5% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 4.3% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Fat Face Limited	**Havant**	**Price Earnings**	**£500,000**	**£883,000**

Investment made February 2000

Fat Face is a multi-channel retailer supplying branded clothing and accessories to the outdoor active lifestyle market. In February 2000, the company raised £3.5 million to fund expansion and a share reorganisation.

For the 5 month period to 31 May 2000, pre-tax profits were £0.2 million on a turnover of £1.8 million. Net assets were £0.9 million and retained profits were £0.07 million.

Baronsmead VCT 2 plc holds 5.7% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 1999 LP hold 5.7% and 28.6% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Landround PLC	**Chester**	**Middle Market Price**	**£566,000**	**£867,000**

Investment made July 1999 and January 2000

Landround specialises in travel-based sales promotion assisting a number of major companies to promote their products and services. The company joined AiM in August 1997 and raised £0.3 million net proceeds to expand its business.

For the year ended 30 September 2000, pre-tax profits were £1.3 million on a turnover of £7.5 million. Net assets were £3.5 million and retained profits were £1.3 million.

Baronsmead VCT 2 plc holds 5.0% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 6.8% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Staffline Recruitment Limited	**Nottingham**	**Cost**	**£814,000**	**£814,000**

Investment made July 2000

Staffline is a provider of temporary staff to the blue collar/light industrial sector. In July 2000, £5.7 million of institutional equity was raised to finance a management buy-out/buy-in.

For the trading period 22 July 2000 to 31 December 2000 (unaudited), pre-tax profits were £0.4 million on a turnover of £14.6 million. Net assets were £1.1 million and retained profits were £0.1 million.

Baronsmead VCT 2 plc holds 7% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 2000 LP hold 7% and 35% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Demica plc	**London**	**Cost**	**£749,000**	**£749,000**

Investment made August 2000

Demica designs and supplies internal financial flow software solutions under its Citadel brand to banking and corporate customers. In August 2000, £6.2 million was raised from institutional investors to restructure and develop the business.

For the year ended 30 June 2000, pre-tax losses were £1.8 million on a turnover of £2.3 million. Net liabilities were £4.6 million and retained losses were £1.8 million.

Baronsmead VCT 2 plc holds 2.3% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 2000 LP hold 2.3% and 11.5% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
4:2:2 Limited	**Bristol**	***(see below)**	**£1,235,000**	**£711,000**

Investment made December 1999 and January 2001

4:2:2 is a provider of digital videographic services to the TV industry established in 1989. In December 1999 £2.25 million of institutional equity was raised to finance a management buy-out.

For the year ended 30 June 2000, pre-tax profits were nil on a turnover of £5.0 million. Net assets were£0.6 million and retained losses were £0.2 million.

Baronsmead VCT 2 plc holds 18.2% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 18.2% of the equity share capital.

*Initial investment – 50% provision on Loan Stock
– 100% provision on Ordinary Shares
Further investment – cost

Company	Head Office	Valuation Basis	Cost	Valuation
Thomas Sanderson	**Waterlooville**	**Cost**	**£667,000**	**£667,000**

Investment made March 2001

Thomas Sanderson is the UK market leader for the fabrication and supply of pleated conservatory blinds. In March 2001 £6 million of institutional equity was raised to finance a management buy-out/buy-in.

For the 16 month period to 31 December 2000, pre-tax profits were £2.2 million on a turnover of £21.5 million. Net assets were £3.3 million and retained profits were £1.5 million.

Baronsmead VCT 2 plc holds 5.6% of the equity share capital of this company and has equivalent voting rights. Baronsmead VCT plc, Baronsmead VCT 3 plc and FIS Private Equity 2001 LP hold 5.6%, 5.6% and 33.3% respectively of the equity share capital.

	Cost	Valuation
Ten largest investments	**£7,128,000**	**£9,905,000**
Percentage of total investments	**16.6**	**21.8**
Percentage of total investments, excluding fixed interest	**48.5**	**58.1**

Twenty Largest Investments

Company	Head Office	Valuation Basis	Cost	Valuation
NMT Group PLC	**Livingston**	**Middle Market Price**	**£350,000**	**£654,000**

Investment made June 2000

NMT Group focuses on the advancement of safety in the medical industry. The company's principal product is the Zero-Stik technology system, an automatic needle retraction technology, which helps to prevent needlestick injuries. The company joined AiM in December 1996 and raised net proceeds of £20 million in July 2000 to expand its business.

For the year ended 31 December 2000, pre-tax losses before exceptional items were £10.2 million on a turnover of £0.4 million. Net assets were £26.6 million and retained losses were £13.2 million.

Baronsmead VCT 2 plc holds 1.0% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 1.0% of the equity share capital.

AorTech International PLC	**Glasgow**	**Middle Market Price**	**£285,000**	**£653,000**

Investment made July 1999 and February 2000

AorTech manufactures and distributes cardiovascular products worldwide, including heart valves and cardiac output monitors. The company joined AiM in February 1997 and in August 1999 raised a further £2.9 million net proceeds to finance the development of the cardiac monitoring equipment.

For the year to 31 March 2000, pre-tax losses were £1.8 million on a turnover of £3.5 million. Net assets were £41.6 million and retained losses were £1.8 million.

Baronsmead VCT 2 plc holds 0.5% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 0.4% of the equity share capital.

Job Opportunities	**Berkhamsted**	**Cost**	**£643,000**	**£643,000**

Investment made September 2000

Job Opportunities publishes free pick-up recruitment magazines. The company raised £5.5 million from institutional shareholders to extend the range of titles across the UK.

For the year ended 31 December 1999, pre-tax losses were £0.9 million on a turnover of £1.7 million. Net liabilities were £0.3 million and retained losses were £0.9 million.

Baronsmead VCT 2 plc holds 3.2% of the equity share capital of this company and has equivalent voting rights. In addition Baronsmead VCT plc and FIS Private Equity 2000 LP hold 3.2% and 16.1% respectively of the equity share capital.

Imerge	**London**	**Cost**	**£500,000**	**£500,000**

Investment made December 2000

Imerge designs and licenses proprietary software for audio-visual digital media storage and management. In December 2000, £3.4 million was raised from institutional shareholders to develop the business.

For the year ended 31 December 1999, pre-tax losses were £0.5 million on a turnover of £0.3 million. Net assets were £0.4 million and retained losses were £0.5 million.

Baronsmead VCT 2 plc holds 3.8% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 2000 LP hold 3.8% and 7.6% respectively of the equity share capital.

Interactive Agency	**London**	**Middle Market Price**	**£500,000**	**£494,000**

Investment made December 2000

The Interactive Agency is the holding company for the merged interests of TPDi and Manifesto, a media agency that provides a full range of interactive and direct marketing services. In January 2001, the company joined OFEX and raised £1.7 million to acquire a web-based solutions activity.

No audited accounts are yet available.

Baronsmead VCT 2 plc holds 4.8% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 4.8% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Marcrist Holdings Limited	**Doncaster**	**50% provision on Loan Stock 100% provision on Ordinary Shares**	**£1,000,000**	**£450,000**

Investment made July 1999

Marcrist specialises in supplying and distributing 'Marcrist' diamond cutting tools for the European construction industries. In July 1999, £7.4 million of institutional equity was raised to finance a management buy-out.

For the year to 28 February 2000, pre-tax profits before exceptional items were £1.5 million on a turnover of £12.9 million. Net assets at 28 February 2000 were £3.4 million and retained profits were £0.2 million.

Baronsmead VCT 2 plc holds 7.1% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc and FIS Private Equity 1999 LP hold 7.1% and 38.3% respectively of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
James Gilbert	**Rugby**	**50% provision on Loan Stock 100% provision on Ordinary Shares**	**£896,000**	**£436,000**

Investment made September 2000

James Gilbert designs and supplies sporting goods, particularly the 'Gilbert' rugby balls. In September 2000, £4.3 million of institutional equity was raised to finance a management buy-in.

For the year ended 31 March 2000 pre-tax profits were £0.6 million on a turnover of £6.2 million. Net assets were £1.7 million and retained profits were £0.4 million.

Baronsmead VCT 2 plc holds 13.0% of the equity share capital of this company and has equivalent voting rights. In addition, FIS Private Equity 2000 LP holds 49.9% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
BioFocus	**Sittingbourne**	**Middle Market price**	**£251,000**	**£429,000**

Investment made August 2000

BioFocus provides integrated chemistry services for drug discovery to the pharmaceutical and biotechnology industries. The Group's expertise is focused in Combinatorial, Computational and Medicine Chemistry. The company joined AiM in August 2000 and raised £4 million to develop its business.

For the year ended 31 December 2000, pre-tax profits were £1.4 million on a turnover of £5.6 million. Net assets were £6.2 million and retained profits were £1.4 million.

Baronsmead VCT 2 plc holds 0.8% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 0.8% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Cambridge Drug Discovery	**Cambridge**	**Cost**	**£427,000**	**£427,000**

Investment made January 2001

Cambridge Drug Discovery provides services to large and small pharmaceutical companies in the early stages of drug discovery. In January 2001, the company raised £7.5 million of institutional equity to extend its activities into medicine chemistry.

Unaudited accounts for the year ended 31 December 2000, pre-tax losses were £3.6 million on a turnover of £1.6 million. Net assets were £2.6 million and retained losses were £3.5 million.

Baronsmead VCT 2 plc holds 1.9% of the equity share capital of this company and has equivalent voting rights. In addition, Baronsmead VCT plc holds 1.9% of the equity share capital.

Company	Head Office	Valuation Basis	Cost	Valuation
Conclusive Logic	**Maidenhead**	**Cost**	**£334,000**	**£334,000**

Investment made July 2001

Conclusive Logic develops and supplies software that protects data and secures communication across the Internet. In June 2000, the company raised £6.5 million of institutional equity to develop its activity.

For the year ended 31 December 2000, pre-tax losses were £2.5 million on a turnover of £0.1 million. Net assets were £3.5 million and retained losses were £2.6 million.

Baronsmead VCT 2 plc holds 1.8% of the equity share capital of this company and has equivalent voting rights. In addition Baronsmead VCT plc holds 1.8% of the equity share of capital.

	Cost	Valuation
Twenty largest investments	**£12,314,000**	**£14,925,000**
Percentage of total investments	**28.8**	**32.9**
Percentage of total investments, excluding fixed interest	**83.8**	**87.5**

Tax benefits for individuals

This following is a summary of the main tax benefits available to individuals who subscribe for or purchase shares in a VCT. Investors are recommended to take professional advice as to how these might apply to their own circumstances.

Venture Capital Trusts are fully listed companies whose shares are traded on the London Stock Exchange. VCTs invest in small unquoted companies, which includes companies whose shares are traded on AIM, that carry on qualifying trading activities mainly in the UK.

To obtain VCT tax reliefs, a VCT investor must be an individual 'qualifying individual' over the age of 18 with UK taxable income who is UK resident for tax purposes. An eligible investor can invest up to £100,000 per annum in VCT shares. This annual limit includes subscriptions for new VCT shares and investments in existing shares and includes shares issued through a VCT dividend reinvestment scheme.

No tax is payable by a VCT on any income (other than interest) that arises within the VCT and any gains it makes on the disposal of its investments are free of tax. Furthermore, provided the VCT has sufficient realised capital reserves, these gains can be distributed tax-free to shareholders.

Tax reliefs on subscription for new VCT shares

The following tax reliefs are available on subscription for new shares provided no more than £100,000 is invested in VCT shares in any one tax year.

1. Initial Income Tax relief of 20%.

   This initial income tax relief will be withdrawn if the investor does not hold the shares for a minimum period of five years for VCT shares issued before 5 April 2000 and three years for shares issued thereafter ('the holding period').

2. Capital Gains Tax (CGT) deferral.

   The investor can defer paying the CGT on all or part of a realised capital gain. Such a gain may arise either from the disposal of an asset or from a gain coming into charge that had previously been deferred. That disposal or chargeable event must have occurred during the 12 months before or during the 12 months after the date of the issue of the VCT shares. The CGT deferral is conditional on the investor having an income tax liability and obtaining some initial income tax relief.

   The deferred gain becomes chargeable when there is a disposal of the VCT shares; the investor becomes non-UK resident within the holding period; or the initial income tax relief is withdrawn because of a breach of the VCT rules.

3. VCT dividends (including capital distributions of realised gains on investments) are not subject to income tax.

4. Capital gains on disposal of VCT shares are tax free, whenever the disposal occurs.

Sources of new VCT shares

- Offers for subscription
- Dividend reinvestment scheme for the existing shareholders of a VCT

Consequences of selling shares that were new VCT shares when acquired

- Provided the VCT shares have been held for the holding period, no initial income tax relief is withdrawn. If the VCT shares are sold within the holding period, initial income tax relief is withdrawn.
- No CGT payable on any profit made on the VCT shares (no allowable loss for losses made on disposal).

- If a gain was deferred at the time of the subscription to the VCT, it comes back into charge as a gain in the year of disposal.
- For part disposals, the part of the gain deferred, which relates to the part of the holding sold, becomes chargeable to tax as a gain in the tax year of disposal. If the gain deferred was less than the amount subscribed, the part of the shareholding on which no gain was deferred, is treated as having been disposed of first.

Tax reliefs on VCT shares purchased through the market (listed VCT shares)

1. VCT dividends (including capital distributions of realised gains on investments) are not subject to income tax.
2. Tax-free capital gains on disposal of VCT shares, whenever the disposal occurs.

These tax reliefs are available regardless of the length of time the shares are held. Individuals who are most likely to buy existing VCT shares are those who:

- Anticipate an increase in the NAV per share and the share price
- Require tax-free income
- Do not have capital gains to shelter
- Need an additional and/or flexible scheme for pension planning
- Want venture capital exposure within a self administered pension scheme.

Source of listed VCT shares

The shares in an existing VCT can be bought and sold via a stockbroker, just like shares in any other listed company. Prior to the relevant anniversary of the issue of shares, there may be a limited supply of shares, as the original subscribers, in order to retain initial income tax relief, may not wish to dispose of their shares during the holding period.

Consequences of disposing of shares which were existing shares when bought

- No CGT payable on profits made on VCT shares (no allowable loss for losses made on disposal)
- There is no required holding period for these shares but on a part disposal, shares acquired earliest (subscribed or purchased) will be treated as disposed of before later acquisitions.

Estate Planning

If an investor dies owning VCT shares they form part of their estate for inheritance tax purposes because they are quoted shares. If a qualifying individual inherits VCT shares, VCT reliefs are retained provided the value of the shares inherited and acquired in that tax year does not exceed the £100,000 limit.

On death, no CGT is payable on any gain that was deferred at the time of the investment or on any increase in the value of VCT shares themselves.

If death occurs within the holding period, the initial income tax relief is not withdrawn.

Board of Directors
at 31 March 2001

Clive Parritt
(Chairman)
(age 58) is Chief Executive of The Business Exchange plc, and Non-Executive Chairman of Downing Classic VCT plc, Downing Classic VCT 2 plc and i-Net VCT. He is a member of the Council of the Institute of Chartered Accountants in England and Wales. He was previously a Managing Partner and Chairman of Baker Tilly. He is also a Director of Herald Investment Trust plc.

Godfrey Jillings
(age 60) is Deputy Chairman of DBS Management plc and Gladedale Holdings plc, and a Director of Baronsmead VCT plc. He was Chief Executive of FIMBRA and a Deputy Chief Executive of the Personal Investment Authority. Prior to that, he held a number of senior executive appointments in National Westminster Bank plc.

Nicholas Timpson
(age 60) was the founder, Chairman and Managing Director of Furnitureland Holdings plc. He is Chairman of the Country Buildings Protection Trust Limited and a Director of Scottish and Southern Energy plc. Before founding Furnitureland Holdings plc in 1973, he worked as a Management Consultant for McKinsey & Co.

Gillian Nott
(age 55) was until March 1999 Chief Executive of ProShare (UK) Limited. She is Director of the Financial Services Authority and on the board of a number of listed and unlisted companies including Foreign and Colonial Pacific Investment Trust plc. Previously she worked for the BP Group where she managed their venture capital portfolio. She is Chairman of Baronsmead VCT plc and a Director of Baronsmead VCT 3 plc.

Results and Dividends

The Directors submit the third Report and Accounts of the Company for the year ended 31 March 2001.

	£'000
Revenue for the year ended 31 March 2001 available for dividends was	1,576
Interim dividend of 1.7p per share paid on 21 December 2000	(681)
Final dividend for the year of 2.2p per ordinary share payable on 6 July 2001 to shareholders on the register at 8 June 2001	(882)
Transferred to revenue reserve	13

Principal Activity and Status

The Company is registered as a Public Limited Company under the Companies Act 1985. The Company is an investment company as defined in section 266 of the Companies Act 1985 and has received provisional approval as a Venture Capital Trust from the Inland Revenue. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with Section 842AA of the Income and Corporation Taxes Act 1988. A review of the Company's business during the period is contained in the Chairman's Statement and Managers' Review.

Issue and Buy-Back of Shares

During the year the Company issued 14,171,223 ordinary shares and raised net proceeds of £17,590,000. The Company bought back 44,603 ordinary shares (being 0.1% of closing issued share capital) during the year, at a cost of £47,000.

Directors

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

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

		31 March 2001 Ordinary 10p shares	31 March 2000 Ordinary 10p shares
Clive A Parritt	Beneficial and family	22,307	20,000
Godfrey F Jillings	Beneficial and family	102,946	102,464
Gillian Nott	Beneficial and family	10,000	10,000
Nicholas G L Timpson	Beneficial and family	250,000	250,000

There have been no changes in the holdings of the Directors between 31 March 2001 and 23 May 2001.

No Director has a service contract with the Company.

All Directors are members of the Audit, Remuneration and Nomination Committees. Mr Jillings and Mrs Nott are Directors of Baronsmead VCT plc and Mrs Nott is also a Director of Baronsmead VCT 3 plc which are both managed by Friends Ivory & Sime Private Equity plc.

Corporate Governance

The Board consists solely of independent Non-Executive Directors. The Board has access to a Company Secretary who also attends Board Meetings which are held five times a year. Informal meetings with management are also held between Board Meetings as required. The Company Secretary provides full information on the Company's assets, liabilities and other relevant information to the Board in advance of each Board Meeting. The Board has appointed Mr Timpson as Senior Non-Executive Director in accordance with the Combined Code of Best Practice ('the Code').

The Audit Committee is comprised of all members of the Board. The Committee operates within clearly defined terms of reference. The Committee meets twice a year to review the Interim Financial Statement, Annual Report and Accounts and the terms of appointment of the auditors together with their remuneration.

The Remuneration and Nomination Committees comprise all Directors and have written terms of reference. The Remuneration Committee is responsible for reviewing the terms of the Investment Manager's contract and sets the Directors' remuneration using external comparisons and advice. The Nomination Committee reviews the composition and balance of the Board and would make nominations in the event of a vacancy.

A management agreement between the Company and its Manager, sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board of Directors. The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

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

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

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

Internal Control

The Board is responsible for ensuring that the Company is managed so that risks to its profitability and assets are minimised. In the pursuit of profit for shareholders it is impossible to eliminate risk. The Board has considered specifically the high level risks which face the Company in areas such as investment management, custody of assets and regulatory matters to ensure that these are fully recognised in the operating methods of the Managers. Furthermore, to fulfil its obligations for maintaining an effective system of internal control, the Board has established an ongoing formal process to ensure that risk exposure is reviewed thoroughly.

The process is based principally on a review of the Managers' existing risk-based approach to internal control. The key functions carried out by the Managers are identified, the individual activities undertaken within those functions are reviewed and the risks associated with each activity as well as the controls employed to minimise those risks are assessed. The resulting matrix is updated by the Managers on a rolling basis and the Board is provided with reports highlighting all material changes to the risk ratings and confirming the action, which has, or is, being taken. A formal annual review of these procedures is carried out by the Board and this includes consideration of FRAG 21 and similar reports issued by the Managers and other service providers. A second meeting in the year receives formal updates on any material changes in the risk environment and the action taken, and in addition the Board has instituted a review of major risks at each meeting.

These review procedures have been in place since 11 September 2000 up to the date of approval of the Annual Report and the Board is satisfied with the effectiveness of internal controls. By their nature these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company at each board meeting. They also review the Company's activities since the previous board meeting to ensure that the Managers adhere to the agreed investment policy and approved investment guidelines. If necessary, changes to such policy and guidelines are agreed with the Managers.

The Board has reviewed the need for an internal audit function. The Board has concluded that the systems and procedures employed by the Managers, including the Managers' own internal audit function and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Relations with Shareholders

The Company welcomes the views of Shareholders, and the Annual General Meeting of the Company provides a forum both formal and informal for investors to meet and discuss issues with Directors of the Company. Details of the resolutions to be proposed at the Annual General Meeting on 25 June 2001 can be found in the Notice of Meeting on pages 34 and 35.

Management

Baronsmead Fund Management 2 Limited ('the Manager') manages the investments in unquoted UK companies for the Company. Friends Ivory & Sime Private Equity plc has undertaken to ensure the performance of the obligations of the Manager under the management agreement and will provide the Manager with the necessary resources and personnel to fulfil its obligations. The Manager will also provide or procure the provision of secretarial, administrative and custodian services to the Company. The management agreement was for an initial fixed term of three years ending on 2 March 2001 and may now be terminated by either party on one year's notice to expire at the end of any calendar month. Under the management agreement, the manager receives a fee of 2 per cent per annum of the net assets of the Company. In addition, the Manager receives an annual administration fee of £30,000 and a variable fee of 0.125% on net assets over

£5,000,000, subject to annual review. Annual running costs are capped at 3.5 per cent of the net assets of the Company, any excess being refunded by the Manager by way of an adjustment to its management fee.

Cazenove Fund Management Limited is the manager of funds invested in fixed interest securities and cash deposits. The Cazenove agreement is terminable on one month's written notice by the Company or Cazenove and provides for a fee to Cazenove of 0.1 per cent per annum plus VAT of the amount invested in fixed interest securities.

Performance Incentive

The Manager may become entitled to receive a performance fee from the Company calculated by reference to cash distributions made to Shareholders. No performance fee will be paid until after the end of the fifth accounting period of the Company and until cumulative cash distributions to Shareholders exceed a return equivalent to simple interest on the initial subscription price of £1 at a rate of 7.2 per cent per annum, calculated up to the last day of the relevant accounting period. A performance fee will be paid for the fifth and each subsequent accounting period of 20 per cent of the amount by which cumulative distributions exceed this hurdle rate.

Friends Ivory & Sime Private Equity plc – Arrangement Fees

During the year to 31 March 2001, Friends Ivory & Sime Private Equity plc received net income of £86,000 from investee companies in connection with arrangement fees and abort costs.

VCT Status Adviser

The Company has retained BDO Stoy Hayward to advise it on compliance with VCT requirements. BDO Stoy Hayward reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. BDO Stoy Hayward works closely with the Manager but reports directly to the Board.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms.

The Company did not have any trade creditors at the year end.

Auditors

Pannell Kerr Forster changed its name to PKF on 1 November 2000 and has signed its audit report in its new name. PKF has expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Substantial Interests

At 23 May 2001 the Company was not aware of any beneficial interests exceeding 3 per cent of the issued Ordinary Share capital.

Directors' Authority to Allot Shares and to Disapply Pre-emption Rights

The authority proposed under Resolution 5 to be proposed to the AGM is necessary if the Directors are to offer Shareholders the opportunity to add to their investment in the Company in a tax efficient manner without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of Shareholders generally and will not dilute their existing interest. Any such issues would only be made at prices greater than net asset value per share and therefore would increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy and may be used, in part, to purchase Ordinary Shares in the market.

It renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances (see Dividend Reinvestment on page 36). This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution, or if earlier, the conclusion of the next Annual General Meeting of the Company, to issue ordinary shares for cash without pre-emption rights applying by way of offer to existing Shareholders, under the dividend reinvestment scheme, or otherwise up to a maximum of 4,008,697 ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 23 May 2001) on a non-dilutive basis.

Dividend Reinvestment

The Directors offer to Shareholders the opportunity to reinvest their dividends by subscribing for new ordinary shares in the Company.

The substantial tax reliefs detailed on pages 14 and 15 should be available to qualifying investors reinvesting their dividends in these new ordinary shares. Such reliefs will not be available in any tax year where a Shareholder has already subscribed £100,000 for venture capital trust shares. In the event of the Company being wound up within five years of Shares being issued (under dividend reinvestment or otherwise) then Shareholders may be required to repay their initial income tax relief. This period falls to three years in respect of shares issued on or after 6 April 2000.

The extension of the Directors' authority to allot equity securities for cash without pre-emption rights applying referred to above (see Directors' Authority to Allot Shares and to Disapply Pre-emption Rights) will enable the Directors to allot ordinary shares when dividends are reinvested.

Directors' Authority to Purchase Shares

The current authority of the Company to make purchases of up to approximately 10 per cent of its issued share capital expires at the end of the Annual General Meeting and Resolution 6 seeks renewal of such authority until the Annual General Meeting in 2002 (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value of 10p per share nor more than 5 per cent above the average of the market values of those shares for the five business days before the shares are purchased. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of Shareholders as a whole. Any shares repurchased under this authority will be cancelled.

By Order of the Board,

K P Hannay

Keith P Hannay
for Friends Ivory & Sime plc
Secretary

One Charlotte Square
Edinburgh EH2 4DZ
23 May 2001

Statement of Total Return

(Incorporating the Revenue Account of the Company) for the Year Ended 31 March 2001

	Notes	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
Gains/(losses) on investments	8	–	(3,090)	(3,090)	–	5,782	5,782
Income	2	2,680	–	2,680	1,397	–	1,397
Investment management fee	3	(235)	(705)	(940)	(126)	(378)	(504)
Other expenses	4	(243)	–	(243)	(195)	–	(195)
Return on ordinary activities before tax		2,202	(3,795)	(1,593)	1,076	5,404	6,480
Tax on ordinary activities	5	(626)	211	(415)	(285)	102	(183)
Return attributable to equity shareholders	14	1,576	(3,584)	(2,008)	791	5,506	6,297
Dividends in respect of equity shares	6	(1,563)	–	(1,563)	(783)	–	(783)
Transfer to/(from) reserves		13	(3,584)	(3,571)	8	5,506	5,514
Return per ordinary 10p share							
Basic	7	3.94p	(8.97)p	(5.03)p	3.36p	23.37p	26.73p

The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.

The accompanying notes are an integral part of this statement.

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	8	**45,391**	27,769
Current assets			
Debtors	9	**1,082**	881
Cash at bank and on deposit		**439**	3,484
		1,521	4,365
Creditors: amounts falling due within one year	10	**(1,895)**	(1,089)
Net current (liabilities)/assets		**(374)**	3,276
Total assets less current liabilities		**45,017**	31,045
Capital and reserves			
Called-up share capital	11	**4,009**	2,596
Share premium account	12	**39,049**	22,919
Other reserves			
Capital reserve – realised	12	**(823)**	54
– unrealised	12	**2,753**	5,460
Revenue reserve	12	**29**	16
Equity shareholders' funds	13, 14	**45,017**	31,045
Net asset value per ordinary share	13	**112.30p**	119.59p

The financial statements on pages 22 to 32 were approved by the Board of Directors on 23 May 2001 and were signed on its behalf by:

Clive A Parritt (Chairman)

The accompanying notes are an integral part of this balance sheet.

Cash Flow Statement

For the Year Ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Operating activities			
Investment income received		**1,790**	697
Deposit interest received		**290**	168
Underwriting commission received		**1**	–
Investment management fee charged to revenue		**(216)**	(99)
Other cash payments		**(234)**	(194)
Net cash inflow from operating activities	16	**1,631**	572
Taxation			
Advance corporation tax paid		**–**	(15)
Income tax recovered		**192**	–
Tax recovered/(paid)		**192**	(15)
Capital expenditure and financial investment			
Purchase of investments		**(32,631)**	(27,228)
Disposal of investments		**12,116**	11,647
Investment management fee charged to capital		**(651)**	(294)
Net cash outflow from capital expenditure and financial investment		**(21,166)**	(15,875)
Ordinary dividends paid		**(1,145)**	(463)
Net cash outflow before financing		**(20,488)**	(15,781)
Financing			
Issue of ordinary shares		**18,411**	17,058
Expenses of issue		**(921)**	(728)
Buy-back of ordinary shares		**(47)**	(163)
Net cash inflow from financing		**17,443**	16,167
(Decrease)/increase in cash		**(3,045)**	386
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash in the year		**(3,045)**	386
Net cash at 1 April 2000		**3,484**	3,098
Net cash at 31 March 2001	15	**439**	3,484

The accompanying notes are an integral part of these statements.

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

(a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts are prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) Valuation of investments

Quoted investments are valued at middle market prices. Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the British Venture Capital Association guidelines:

1. Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors.

2. Investments which have been held for more than 12 months are valued using a price earnings ratio (at a significant discount to an appropriate stock market price earnings ratio) in the absence of overriding factors. Where such factors apply, alternative methods of valuation will include application of an arm's length third party valuation, cost, a provision on cost, or a net asset basis.

(c) Income

Interest income on loan stock and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful.

Dividends on quoted shares are recognised as income on the date that the related investments are marked ex dividend.

Income from fixed interest securities and deposit interest is included on an accruals basis.

(d) Expenses

All expenses are recorded on an accruals basis. Expenses are charged through the revenue account except where incurred in connection with the maintenance or enhancement of the value of the Company's assets taking account of the expected long term returns as follows:

- management fees payable are allocated 25 per cent to revenue and 75 per cent to capital.

(e) Capital reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital Reserve – Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end.

2. Income

	2001 £'000	2000 £'000
Income from investments		
UK franked	**103**	20
UK unfranked	**2,287**	1,209
	2,390	1,229
Other income		
Deposit interest	**289**	168
Underwriting commission	**1**	–
Total income	**2,680**	1,397
Total income comprises:		
Dividends	**103**	20
Interest	**2,576**	1,377
Other income	**1**	–
	2,680	1,397
Income from investments:		
Listed UK	**2,016**	1,055
Unlisted UK	**374**	174
	2,390	1,229

3. Investment management fee

	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
Investment management fee	**235**	**705**	**940**	126	378	504

The management agreement may be terminated by either party on one year's notice to expire at the end of any calendar month. The manager receives a fee of 2 per cent per annum of the net assets of the Company.

4. Other expenses

	2001 £'000	2000 £'000
Directors' fees	**41**	36
Remuneration for the auditors and their associates:		
– audit	**6**	4
– other services to the Company	**2**	1
Other	**194**	154
	243	195

The auditors also received £Nil (2000: £723) in respect of services provided in connection with the Offers for Subscription. During the year the Chairman received Directors' fees at the rate of £14,000 (2000: £12,000) per annum and the other Directors £9,000 (2000: £8,000) per annum.

5. Tax on ordinary activities

	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
UK corporation tax	**626**	**(211)**	**415**	285	(102)	183

6. Dividends

	2001 £'000	2000 £'000
Dividends on equity shares:		
– ordinary – interim 1.7p per share on 40,056,899 shares paid on 21 December 2000 (2000: 1.3p on 24,525,716 shares)	**681**	319
– ordinary – final proposed 2.2p per share on 40,086,980 shares payable on 6 July 2001 (2000: 1.9p on 24,437,156 shares)	**882**	464
	1,563	783

7. Return per ordinary share

	2001 Revenue p	2001 Capital p	2001 Total p	2000 Revenue p	2000 Capital p	2000 Total p
Basic	**3.94**	**(8.97)**	**(5.03)**	3.36	23.37	26.73

Basic revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £1,576,000 (2000: £791,000), and on 39,957,070 (2000: 23,557,284) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital losses for the financial year of £3,584,000 (2000: gain £5,506,000), and on 39,957,070 (2000: 23,557,284) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

8. Investments

	2001 £'000	2000 £'000
Listed investments	**1,515**	2,515
Quoted on the Alternative Investment Market	**5,349**	5,106
Quoted on OFEX	**494**	–
Unquoted investments	**9,703**	4,776
Listed fixed interest investments	**28,330**	15,372
Total investments	**45,391**	27,769

	Listed £'000	Traded on AiM £'000	Traded on OFEX £'000	Unquoted £'000	Listed fixed interest £'000	Total £'000
Opening book cost	270	2,474	–	3,825	15,740	22,309
Opening unrealised appreciation/ (depreciation)	2,245	2,632	–	951	(368)	5,460
	2,515	5,106	–	4,776	15,372	27,769
Movements in the year:						
Purchases at cost	–	1,947	500	6,605	23,784	32,836
Sales – proceeds	–	–	–	(669)	(11,306)	(11,975)
– realised (losses)/gains on sales	–	(283)	–	19	(119)	(383)
(Decrease)/increase in unrealised appreciation	(1,000)	(1,421)	(6)	(1,028)	599	(2,856)
Closing valuation	**1,515**	**5,349**	**494**	**9,703**	**28,330**	**45,391**
Closing book cost	270	4,138	500	9,780	28,099	42,787
Closing unrealised appreciation/ (depreciation)	1,245	1,211	(6)	(77)	231	2,604
Closing valuation	**1,515**	**5,349**	**494**	**9,703**	**28,330**	**45,391**

	2001 £'000	2000 £'000
Realised (losses)/gains on sales	**(383)**	413
(Decrease)/increase in unrealised appreciation	**(2,856)**	5,369
Deferred consideration on sale of investment	**149**	–
	(3,090)	5,782

	2001 £'000	2000 £'000
Equity shares	**11,310**	9,266
Fixed income securities	**34,224**	18,503
	45,534	27,769

9. Debtors

	2001 £'000	2000 £'000
Amounts due from brokers	–	141
Income tax recoverable	**215**	295
ACT recoverable	–	31
Prepayments and accrued income	**718**	414
Other debtors	**149**	–
	1,082	881

10. Creditors (amounts falling due within one year)

	2001 £'000	2000 £'000
Amounts due to brokers	**315**	110
Dividends	**882**	464
Taxation	**416**	216
Management and secretarial fees due to the managers	**242**	164
Other creditors	**40**	135
	1,895	1,089

11. Called-up share capital

	£'000
Authorised:	
50,500,000 ordinary shares of 10p each	**5,050**
Allotted, called-up and fully paid:	
25,960,360 ordinary shares of 10p each at 31 March 2000	**2,596**
14,054,373 ordinary shares of 10p each during April 2000	**1,405**
49,097 ordinary shares of 10p each during July 2000	**5**
67,753 ordinary shares of 10p each during January 2001	**7**
(44,603) ordinary shares of 10p each bought back during the year	**(4)**
40,086,980 ordinary shares of 10p each at 31 March 2001	**4,009**

12. Reserves

	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 31 March 2000	22,919	54	5,460	16
Arising from shares issued during April 2000	16,865			
Arising from shares issued during July 2000	54			
Arising from shares issued during January 2001	75			
Arising from shares bought back during the year	(43)			
Expenses of issue	(821)			
Loss on realisation of investments		(383)		
Decrease in unrealised appreciation			(2,856)	
Deferred consideration on sale of investment			149	
Management fees charged to capital		(705)		
Tax on management fees charged to capital		211		
Retained net revenue for the year				13
	39,049	**(823)**	**2,753**	**29**

13. Net asset value per share

The net asset value per share and the net asset values attributable to the ordinary shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	Attributable net asset value per share		Attributable net asset value	
	2001 pence	2000 pence	**2001 £'000**	2000 £'000
Ordinary shares (basic)	**112.30**	119.59	**45,017**	31,045

The movements during the year of the assets attributable to the ordinary shares were as follows:

	Ordinary shares (basic) £'000
Total net assets attributable at beginning of the year	31,045
Capital subscribed	18,411
Expenses of issue and buy-back of shares	(868)
Total recognised losses for the year	(2,008)
Dividends appropriated in the year	(1,563)
	45,017

Basic net asset value per ordinary share is based on £45,017,000 (2000: £31,045,000) net assets, and on 40,086,980 (2000: 25,960,360) ordinary shares, being the number of ordinary shares in issue at the year-end.

14. Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Opening shareholders' funds	**31,045**	9,487
Premium resulting from issue and buy-back of shares	**16,994**	15,438
Increase in share capital	**1,417**	1,620
Expenses of issue and buy-back of shares	**(868)**	(1,014)
Dividends in respect of equity shares	**(1,563)**	(783)
Total recognised gains and losses before dividends	**(2,008)**	6,297
Closing shareholders' funds	**45,017**	31,045

15. Analysis of changes in cash

	At 1 April 2000 £'000	Cash outflow £'000	At 31 March 2001 £'000
Cash at bank and on deposit	3,484	(3,045)	**439**

16. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2001 £'000	2000 £'000
Net revenue before finance costs and taxation	**2,202**	1,076
Investment management fee charged to capital	**(56)**	(83)
Increase in prepayments and accrued income	**(303)**	(316)
Decrease in other debtors	–	28
Increase in other creditors	**85**	98
Tax on investment income	**(297)**	(231)
Net cash inflow from operating activities	**1,631**	572

17. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees and financial commitments of the Company as at 31 March 2001.

18. Significant interests

There are no interests of 20 per cent or more of any class of share capital.

19. Financial instruments

During the course of the year the Company held fixed asset investments and cash balances. The Company holds financial assets to invest in profitable UK unquoted companies and companies raising new share capital on the Alternative Investment Market. The fair value is not materially different from the carrying value for all financial assets and liabilities. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13.

20. Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed in the awareness of such risk and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment in unquoted and AiM listed companies, by its nature, involves a higher degree of risk than investment in the main market. These securities may be more difficult to realise. Further information on the investment portfolio is set out on pages 9 to 13.

21. Interest rate and liquidity risk

Floating rate

When the Company retains cash balances the majority of the cash is held on deposit accounts. The benchmark rate which determines the interest payments raised on cash balances is the bank base rate.

	2001			2000		
	Total fixed portfolio £'000	**Weighted average interest rate %**	**Weighted average time for which rate is fixed days**	Total fixed portfolio £'000	Weighted average interest rate %	Weighted average time for which rate is fixed days
Fixed rate						
Financial assets	**28,330**	**6.91**	**850**	15,372	6.93	1,087

Directors' Responsibility Statement

The Directors are required by law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the revenue of the Company for that year.

They are also responsible for maintaining adequate accounting records and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied and the Board believes that reasonable and prudent judgements and estimates have been made in the preparation of the accounts. Applicable UK accounting standards have been followed.

Report of the Auditors to the members of Baronsmead VCT 2 plc

Report on the Financial Statements

We have audited the financial statements on pages 22 to 32.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and Accounts. As described above this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 18 and 19 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards and issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF

PKF
Registered Auditors
London
23 May 2001

Notice of Annual General Meeting

Notice is hereby given that the Third Annual General Meeting of Baronsmead VCT 2 plc will be held at The Brewery, Chiswell Street, London EC1Y 4SD, on 25 June 2001 at 10.30 am for the following purposes:

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

Ordinary Business

1. That the Report and Accounts for the period to 31 March 2001 be received.
2. That the payment of a final dividend of 2.2 pence per ordinary share be approved for shareholders on the register on 8 June 2001.
3. That Mrs G Nott, who retires by rotation at the Annual General Meeting, be re-elected as a Director.
4. That PKF be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

Special Business

Special Resolutions

5. That:

   (a) the Directors of the Company (the "Directors") be and are hereby empowered, pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities for cash pursuant to the authority given in accordance with section 80 of the Act by that resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with:

      (i) an offer of securities, open for acceptance for a period fixed by the Directors, to holders of ordinary shares of 10p each in the Company and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);

      (ii) the dividend reinvestment plan as more particularly described in the Report of Directors;

      (iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £400,869;

   and shall expire on the date falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry;

   (b) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

6. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 10p each in the Company ("Ordinary Shares"), provided that:

   (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 4,008,698;

(b) the minimum price which may be paid for each Ordinary Share is 10p;

(c) the maximum price which may be paid for an Ordinary Share shall be not more than 5 per cent above the average of the market values of the Ordinary Shares for the five business days before the purchase is made;

(d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company in 2002 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.

By Order of the Board

K P Hannay

Keith P Hannay
for Friends Ivory & Sime plc
Secretary
One Charlotte Square
Edinburgh EH2 4DZ
23 May 2001

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.
To be valid, a Proxy Card must be lodged with the Company's Registrar, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ at least 48 hours before the meeting. A Proxy Card for use by ordinary shareholders is enclosed. Completion of the Proxy Card will not prevent a shareholder from attending the meeting and voting in person.
No Director has a contract of service with the Company.

Dividends

An interim dividend is paid to shareholders in December. The final dividend is paid in July. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained from the Company's registrar, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA.

Dividend Reinvestment

The Company operates a dividend reinvestment scheme. The shares issued via this scheme are new shares and attracted VCT tax relief for eligible investors. Details of the dividend reinvestment scheme can be obtained from Michael Probin (Investor Relations Manager).

Share Prices

The Company's ordinary shares are listed on the London Stock Exchange. Prices are given daily in the *Financial Times* for the ordinary shares under "Investment Companies".

Change of Address

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

Financial Calendar

25 June 2001	Annual General Meeting
6 July 2001	Final dividend paid to shareholders on the register on 8 June 2001
July/August 2001	VCT newsletter sent to shareholders
November 2001	Posting of interim report for the six months ended 30 September 2001
December 2001	Interim dividend paid

Shareholder Enquiries

Call Michael Probin, Investor Relations Manager for Baronsmead VCT 2, on 020-7506 1651 or e-mail to michael.probin@friendsis.com

Baronsmead VCT 2 plc is managed by Friends Ivory & Sime Private Equity plc a wholly owned subsidiary of Friends Ivory & Sime plc which is regulated by IMRO. 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.

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

Secretary
Friends Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Registered Office and Investment Managers
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Auditors
PKF
New Garden House
Hatton Garden
London EC1N 8AJ

Solicitors
Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Friends Ivory & Sime Private Equity – Investment Managers

Friends Ivory & Sime Private Equity plc is a wholly owned subsidiary of Friends Ivory & Sime plc, itself part of the Friends Provident Group. Its focus is on investments in unquoted companies for clients of the Friends Ivory & Sime Group. It is a member of the British Venture Capital Association and is regulated by the Investment Management Regulatory Organisation (IMRO).

Friends Ivory & Sime is listed on the London Stock Exchange and, with offices in London, Edinburgh and Hong Kong is well-positioned as a global player in the investment business.

With some £35 billion of assets under management, the Friends Ivory & Sime Group is committed to providing its clients with superior investment return and outstanding service.

Investor Relations Manager
Michael Probin 020-7506 1651

Pillans & Wilson, Edinburgh 64708