

BARONSMEAD

Baronsmead Second Venture Trust plc

2016

Audited Annual Report and Accounts for the period from
1 January 2016 to 30 September 2016



About Baronsmead Second Venture Trust plc

Our Investment Objective

Baronsmead Second Venture Trust is a tax efficient listed company which aims to achieve long-term investment returns for private investors.

Investment Policy

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

Dividend Policy

The board of Baronsmead Second Venture Trust has the objective to maintain a minimum annual dividend level of around 4.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

Key Elements of the Business Model

Access to an attractive, diverse portfolio

Baronsmead Second Venture Trust gives shareholders access to a diverse portfolio of growth businesses.

Each business has already demonstrated profitable success from its business model before investment to provide a degree of stability and a foundation from which to build. Each business is led by an entrepreneurial management team that are aspiring to achieve above average growth from attractive and differentiated market positions.

The Manager's approach to investing

The Manager, Livingbridge, aspires to select the best opportunities and applies distinctive selection criteria based on:

- Businesses that demonstrate, or have the potential for, market leadership in their niche.
- Management teams that can develop and deliver profitable and sustainable growth.
- The business' potential to become an attractive asset appealing to a range of buyers at the appropriate time to exit.

In order to ensure a strong pipeline of opportunities, Livingbridge invests in sector knowledge and networks and undertakes significant pro-active marketing to interesting target companies in preferred sectors. This is building a database of businesses that are keen to maintain a relationship with Livingbridge ahead of possible investment opportunities.

Livingbridge as an influential shareholder

For unquoted investments, Livingbridge is an involved shareholder (on behalf of the Baronsmead family of VCTs) and representatives of the Manager join the investee board. The role of Livingbridge is to ensure that strategy is clear, the business plan is implementable and the management resources are in place to deliver profitable growth. The intention is to build on the initial platform and grow the business into an attractive target able to be either sold or floated in the medium term.

The investment strategy for AIM-traded companies has increasingly focused on taking more influential stakes through the collective shareholdings of the Baronsmead family of VCTs.

The Board believes that the Investment Manager, Livingbridge, is performing well and have confirmed their continuing appointment.

A more detailed explanation of how the business model is applied is provided in the Other Matters section of the Strategic Report on pages 18 to 21. The full investment policy can be found on page 57.

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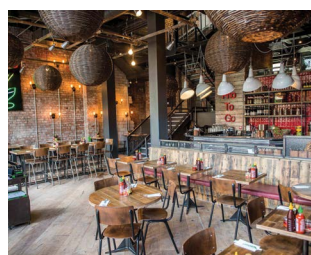
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Some examples of our Investments



Create Health Ltd

Create Health is a renowned fertility clinic specialising in Natural and Mild In Vitro Fertilisation ("IVF"). Natural and Mild IVF uses lower levels of drugs making it cheaper, safer and healthier for the mother and baby. Create has facilities in London, Hertfordshire, Bristol and Birmingham.



Pho Holdings Ltd

Pho is a fast casual restaurant chain serving authentic Vietnamese food. Pho – a noodle soup – is the national dish of Vietnam. Pho offers an array of Vietnamese dishes.

Pho was founded in 2005 and now operates from 19 sites including London high streets sites, regional sites and food courts in shopping malls.



Netcall plc

Netcall is one of the UK's leading providers of customer engagement solutions. They support organisations to deliver outstanding customer service and achieve a realistic return on their investment. It has 700 customers across the public, private and healthcare markets.



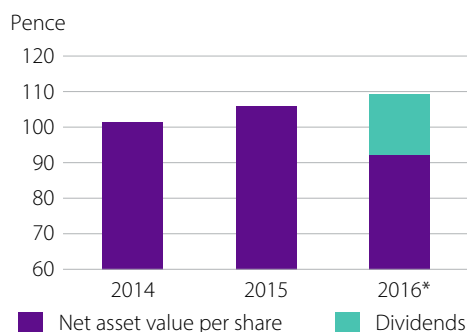
IDOX plc

IDOX group is a leading software and information management solutions provider, providing local authorities with software and managed services. These deliver seamless integration and automation from consumer websites through to document storage. In the private sector, its engineering information management software combines McLaren and CTSpace, who are leaders in their markets.

If you have sold or otherwise transferred all of your shares in Baronsmead Second Venture Trust plc, please forward this document and the accompanying form of proxy 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.

Strategic Report

Financial Headlines

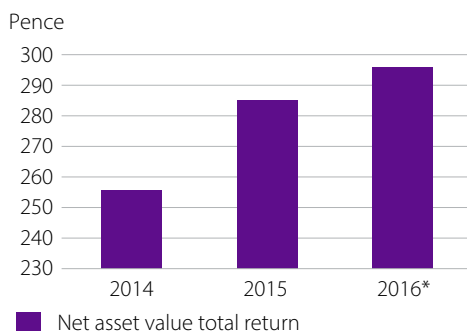


Net asset value per share

Net asset value ("NAV") per share increased 2.5 per cent to 109.17p before deduction of dividends in the period ended 30 September 2016.

2.5%

* nine months to 30 September 2016.

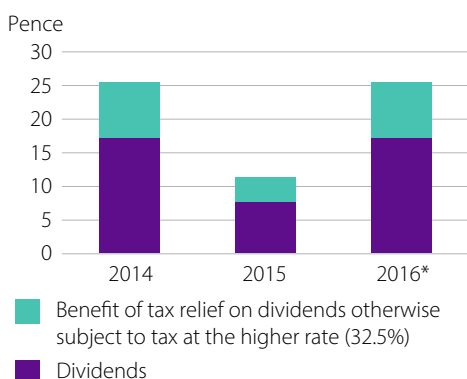


NAV total return

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

295.8p

* nine months to 30 September 2016

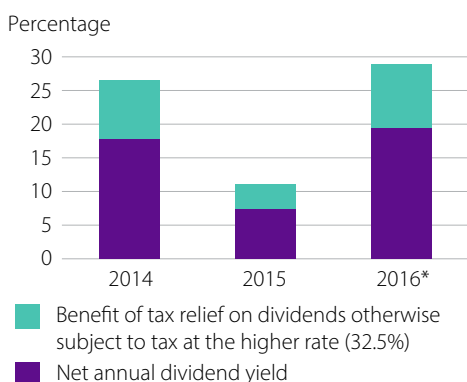


Dividends in the period

Dividends totalled 17.0p in the period to 30 September 2016, after the second interim dividend of 10.0p paid on 30 September 2016.

17.0p

* nine months to 30 September 2016.



Dividend yield in the period

Net dividend yield of 19.5 per cent and gross yield of 28.9 per cent for higher rate tax payers in the nine month period.

19.5% **

* nine months to 30 September 2016.

** includes dividends totalling 17.0p per share which should be regarded as exceptional.

Performance Summary

Net Asset Value in the last ten years



* Net asset value total return (gross dividends reinvested) rebased to 100p.

Source: Livingbridge VC LLP

Cash Returned to Shareholders by Date of Investment

The chart and table below show the cash returned to shareholders based on the subscription price and the income tax reclaimed on subscription.



Strategic Report

This Chairman's Statement forms part of the Strategic Report.

Chairman's Statement



**Anthony
Townsend**

Chairman

I am pleased to report a 2.5 per cent (2.7p) increase in NAV per share for the nine months to 30 September 2016 before dividend payments.

Tax free dividends totalling 17.0p per share were paid during the period: an interim dividend of 7.0p was paid in June 2016 and a second interim dividend of 10.0p was paid in September 2016, in lieu of a final dividend. Other than in the year to 31 December 2014 when dividends totalling 17.0p per share were also paid, in eight of the previous nine years the Company paid annual dividends of 7.5p per share. The dividends paid in the nine months to 30 September 2016 should therefore be viewed as exceptional.

Merger Information and Financial Reporting

On 11 March 2016, Baronsmead VCT 3 plc ("BVCT3") merged with Baronsmead VCT 4 plc ("BVCT4") (the "BVCT4 Merger") and the enlarged BVCT3 changed its name to Baronsmead Second Venture Trust plc ("BSVT" or the "Company").

In addition, on 17 October 2016 the Company and Baronsmead VCT 5 plc ("BVCT5") published circulars in connection with recommended proposals for their merger (the "BVCT5 Merger") and convened general meetings at which these proposals would be voted on by their respective shareholders. At the general meetings held by the Company and BVCT5 on 8 November 2016, the Company's shareholders and the shareholders of BVCT5 voted in favour of their respective resolutions concerning the BVCT5 Merger proposals. At the time of writing, the proposed merger with BVCT5 remains subject to the shareholders of BVCT5 approving the resolution to place BVCT5 into members' voluntary liquidation to be proposed at a

general meeting to be held on 30 November 2016. Should this resolution be approved, the BVCT5 Merger would become effective resulting, in the Company having a combined NAV of approximately £180.0m making it one of the largest VCTs in the industry.

The BVCT4 Merger was undertaken by way of the transfer of the assets and liabilities of BVCT4 in consideration for the issue of new shares in BSVT, on a NAV for NAV basis, to the shareholders of BVCT4. As a result, these mergers are accounted for as acquisitions in the Company's financial reports. If approved, the BVCT5 Merger will be completed on similar terms to the BVCT4 Merger.

In August 2016, the Company changed its financial year end to 30 September. As a result, this report and accounts cover the nine months to 30 September 2016 during which the BVCT4 Merger became effective. Consequently, the comparative figures in these accounts only relate to the Company prior to the BVCT4 Merger and are therefore not a true comparison to the period under review.

Baronsmead Second Venture Trust was formed from the merger of Baronsmead VCT 3 and Baronsmead VCT 4

Results

During the nine months to 30 September 2016, the Company's NAV per share increased 2.5 per cent from 106.46 to 109.17p before dividends.

	Pence per ordinary share
NAV as at 1 January 2016	106.46
Valuation increase (2.5 per cent)	2.71
NAV as at 30 September 2016 before dividends	109.17
<i>Less:</i>	
Interim dividend paid on 3 June 2016	(7.00)
Second interim dividend paid on 30 September 2016	(10.00)
NAV as at 30 September 2016 after dividends	92.17

Historically, the Company's annual dividend payments have exceeded the dividend policy target of 4.5p as annual dividends have averaged 7.6p per share since the Company's launch in 2001. To achieve this, the Directors have sought to spread the distribution of realised capital profits from years when more gains are realised to years of fewer gains. However, the fiscal rules for VCTs do penalise the Company for holding cash. As a result, during a period when the amount realised from the sale of investments has exceeded the amount invested in new investments, we have paid a much higher dividend out of necessity.

Future dividends are, of course, subject to our ability to achieve profitable realisations as well as the impact of VCT rules. The dividends will therefore vary from time to time although we will strive to deliver the average dividend in accordance with our policy.

Portfolio Review

At 30 September 2016, the Company's portfolio comprised investments in 68 unquoted and AIM-traded companies. In addition, the Company's investment in Wood Street Microcap provides investment exposure to a further 42 AIM-traded and fully listed companies.

The underlying value of the unquoted portfolio increased by 13.8 per cent over the period with many of the current investments trading well. However, volatility has been a feature of the quoted markets since the beginning of 2016. As a result, there were modest increases in the value of the AIM-traded portfolio and the investment in Wood Street Microcap of 1.3 per cent and 0.7 per cent respectively.

Investments And Divestments

In the period to 30 September 2016, the Company invested a total of £2.0m in 2 new and 1 follow-on investment. The amount invested is lower than in previous years principally due to the introduction of new, more restrictive VCT rules in November 2015. These changes have required the Investment Manager to adapt its investment strategy to focus on the provision of development capital to younger companies. As a result, in common with other VCTs, the rate of new investment has slowed since their introduction. In the meantime, the Company continues to comply with the 70 per cent test and will continue to search for quality investments.

17p per share in total dividend payments for the period.

£8.3m proceeds realised during the period.

NAV total return of 296p per 100p invested for founder shareholders.

Strategic Report

The Investment Manager has an active programme for directly approaching prospective investee companies and continues to invest in its capabilities to identify a supply of new and attractive investment opportunities. The pipeline of suitable investment opportunities is improving, although it is now taking longer to establish compliance with the new VCT rules and the subsequent conversion to completed investments has proved difficult. The Investment Manager has a long track record of delivering good investment opportunities and is working hard to ensure a good supply of new investments which will, should they prove successful, secure the Company's future investment performance.

A total of £8.3m was realised from the sale of investments during the period, taking account of amounts realised by Baronsmead VCT 4 plc prior to the merger with the Company. This includes the sale of Kingsbridge Risk Solutions which generated a return of 3.2 times the original cost of the investments. Against this success, losses were realised on underperforming investments such as Valldata Group and Fisher Outdoor Leisure Holding.

Full details about the investments and divestments during the period are set out in the tables on pages 10 and 11 and in view of the new VCT rules, the Company has updated and simplified its Investment Policy which is set out on page 57.

Fundraising

The Company raised £9.7m net of expenses in February 2016 and realised approximately £8.3m from the sale of investments in the nine months to 30 September 2016. As a result, it is unlikely that the Company will seek to raise new funds in the current tax year, preferring to continue investing from the currently available cash resources.

Annual General Meeting

I look forward to meeting as many shareholders as possible at the Annual General Meeting to be held on 23 March 2017 at 10.00 at Saddlers Hall 40 Gutter Lane, London, EC2V 6BR. As well as my own review of the year, there will be presentations from the Manager. Should the BVCT5 Merger become effective, the invitation to the Company's Annual General Meeting will be extended to those BVCT5 shareholders who are not already shareholders of the Company and they will be especially welcome to attend.

Outlook

The impact of Brexit on the UK economy has yet to be determined as its form and timetable is not yet known. This uncertainty will undoubtedly lead to much commentary in the press and increased volatility in financial markets. In particular, it is too early to determine what the implications will be with regard to the VCT rules that have been heavily influenced by the EU State Aid rules since 2007.

In the meantime, the short to medium term outlook for the companies in our diverse investment portfolio remains good. Not only has it increased substantially through the BVCT4 Merger but the steady progress of those companies' trading activity seems set to continue with a number of investments nearing maturity. The VCT industry continues to adapt to the new VCT investment rules introduced a year ago and the number of investment opportunities being considered by the Investment Manager is growing. The Manager is one of the most experienced in the sector with a track record of investing for the long term and we remain confident that it has the skills and experience necessary to deliver good quality investments that will sustain the Company's investment performance track record in the years to come.

Anthony Townsend

Chairman

17 November 2016

Manager's Review



Andrew Garside
Head of Unquoted Investments



Ken Wotton
Head of Quoted Investments



Sheenagh Egan
Chief Operating Officer



Michael Probin
Investor Relations

The nine month period has seen another strong performance from the unquoted portfolio. There have been a number of successful divestments across the portfolio including some longer held unquoted and quoted companies.

PORTFOLIO REVIEW

Overview

The net assets of £140.9m were invested as follows:

Asset class	NAV (£m)	% of NAV*	Number of investees	% return in the 9 month period**
Unquoted	49.3	35	18	13.8
AIM-traded companies	58.1	41	50	1.3
Wood Street Microcap Investment Fund	9.2	7	42	0.7
Liquid assets	24.3	17	N/A	
Totals	140.9	100	110	

* By value as at 30 September 2016.

** Return includes interest received on unquoted realisations during the period.

During the period there were:

- 2 new and 1 follow on investments in quoted companies totalling £2.0m
- 4 unquoted realisations delivered proceeds totalling £7.8m

Each quarter the direction of general trading and profitability of all investee companies is assessed so that the Board can monitor the overall health and trajectory of the portfolio. At 30 September 2016, 88 per cent of the 68 companies directly held in the portfolio (excluding the investments held by Wood Street Microcap) were progressing steadily or better.

The tables on pages 10 and 11 show the breakdown of new investments and realisations over the course of the nine month period and overleaf is commentary on some of the key highlights in both the unquoted and quoted portfolios.

Strategic Report

Investment Activity

During the nine month period, £2.0m was invested in 3 companies including 2 new additions to the portfolio and 1 follow on investment:

- **Eden Research (quoted)** is focused on IP exploitation in the area of crop science where it has strong patents around micro encapsulation which is a method of safely and effectively delivering active ingredients to particular crops focused on disease prevention. Our investment will be used to fund product development.
- **LoopUp Group (quoted)** is an audio conferencing software and services provider. We had tracked the business from an early stage player through to profitability and invested as part of its AIM IPO to fund its rapid growth and development.

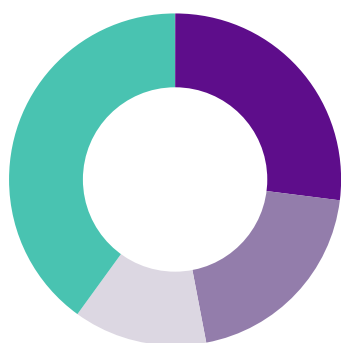
- **SysGroup (quoted)** was a follow on investment into a promising business in the IT managed services sector. As part of the transaction we secured the right to appoint a director which has subsequently been taken up.

Unquoted Portfolio

The unquoted portfolio performance has been strong, growing by around 14 per cent over the nine month period. This includes capitalised interest received on the sale of investments. The portfolio is valued by the Board using a consistent process every quarter. The majority of the value created by portfolio companies comes from trading and operational improvements including revenue and margin growth, rather than financial leverage.

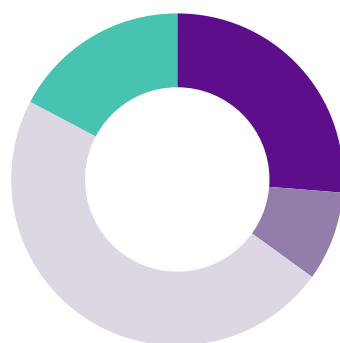
Investment Diversification at 30 September 2016

Sector by value



Business Services	27%
Consumer Markets	20%
Healthcare & Education	13%
Technology, Media & Telecommunications ("TMT")	40%

Total assets by value



Unquoted - loan note	26%
Unquoted - equity	9%
AIM & collective investment vehicle	48%
Net current assets (principally cash)	17%

Time investments held by value



Less than 1 year	5%
Between 1 and 3 years	30%
Between 3 and 5 years	30%
Greater than 5 years	35%

Unquoted Divestment Activity

During the period there were five full realisations which returned proceeds of approximately £7.8m for Baronsmead Second Venture Trust.

- **Kingsbridge Risk Solutions** generated a return of 3.2x its original cost when it was sold in May 2016 after a relatively short investment period of only 28 months. Kingsbridge Risk Solutions is a specialist insurance broker providing services to freelance contractors in professions such as engineering and IT.
- **Fisher Outdoor Leisure Holdings** is a distributor of cycle accessories which Baronsmead Second Venture Trust has held since 2006. The investment was realised in April 2016 for 0.8x cost which was a recovery from the full provision in 2014.
- Following a period of strong realisations, there have been two less successful exits to report. **Independent Community Care Management** (high acuity care) has been partially realised recovering 0.5x the original cost. Additionally, there was no recovery of the investment in **Valldata Group**, (payment processing for not-for-profit sector) which was sold to an investor.

While it is disappointing to have two poor realisations in one financial period, it is in the nature of private equity investment that some investments will fail to achieve their full potential. Our track record of realisations over many years remains strong.

Quoted Portfolio (AIM-traded investments)

The quoted portfolio has remained flat with a small increase in value of 1 per cent over the nine month period following a number of years of strong performance. This performance reflects the volatility of the quoted markets particularly in the months since the following the Brexit decision. The Manager is satisfied that the quoted portfolio is well diversified and positioned for longer term prospects, notwithstanding volatility which affects quoted markets from time to time.

Quoted Divestment Activity

£0.5m was received in proceeds from the realisation of Tangent Communications and delivered a return of 0.5x cost.

Wood Street

Wood Street Microcap Investment Fund ("Wood Street") was established by Livingbridge in May 2009 to provide flexibility for the Baronsmead VCTs to invest in larger and more liquid non VCT qualifying AIM and Small Cap opportunities. It represents another innovation introduced by the Livingbridge Quoted Team to seek performance improvement. At 30 September 2016, Baronsmead Second Venture Trust's £3.5m investment was valued at £9.2m, following a gain of a further 1 per cent over the period. As at 30 September 2016, Wood Street held investments in 42 AIM-traded and listed companies.

Liquid assets (cash and near cash)

Baronsmead Second Venture Trust had cash of approximately £24.0m at the period end. This asset class is conservatively managed to take minimal or no capital risk, a strategy outlined in prospectuses that have been issued in the past.

Outlook

The current portfolio is diversified and provides a good foundation for the Company. The immediate challenge as highlighted in the Chairman's statement is to continue adapting to the new VCT regulations and increase the new investment rate whilst keeping a close eye on the risk/reward balance of the new investment activity.

Livingbridge VC LLP
Investment Manager

17 November 2016

Strategic Report

Investments in the period

Company	Location	Sector	Activity	Book cost £'000
AIM-traded investments				
New				
Eden Research plc	Gloucestershire	Business Services	Developer of biological fungicides and bio equivalents	900
LoopUp Group plc	London	TMT*	Audio conferencing solutions	504
Follow on				
SysGroup plc (formerly Daily Internet plc)	Liverpool	TMT*	IT managed services and hosting	612
Total investments in the period				2,016[†]

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

† BSVT acquired the BVCT4 investment portfolio (total £51,334,000) on 11 March 2016.

Realisations in the period

Company		First investment date	Proceeds‡ £'000	Overall multiple return*
Unquoted realisations				
Kingsbridge Risk Solutions Ltd	Full trade sale	Jan 14	5,196	3.2
Fisher Outdoor Leisure Holdings Ltd	Full trade sale	Jun 06	2,013	0.8
Independent Community Care Management Ltd	Full trade sale	Oct 11	548	0.5
Valldata Group Ltd	Full trade sale	Jan 11	0	0.5
Total unquoted realisations			7,757	
AIM-traded realisations				
Tangent Communications plc	Full market sale	Mar 07	500	0.5
Total AIM-traded realisations			500	
Total realisations in the period			8,257[†]	

‡ Proceeds at time of realisation including interest.

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

† Deferred consideration of £56,000 was received in respect of CableCom II Networking Holdings, which had been sold in a prior period. Carnell Contractors was fully realised on receipt of final earn-out dividend of £686,000.

With the exception of Kingsbridge Risk Solutions, Fisher Outdoor Leisure Holdings, Valldata Group and Tangent Communications all realisations were made before the acquisition of the BVCT4 investment portfolio and proceeds shown relate to those made prior to 11 March 2016.

Strategic Report

The top ten investments by current value at 30 September 2016 illustrate the diversity and size of investee companies within the portfolio. This financial information is taken from publicly available information, which has been audited by the auditors of the investee companies.

Ten Largest Investments



1 IDOX plc Berkshire

Quoted
www.idoxgroup.com

IDOX group is a leading software and information management solutions provider, providing local authorities with software and managed services. These deliver seamless integration and automation from consumer websites through to document storage. In the private sector, its engineering information management software combines McLaren and CTSpace, who are leaders in their markets.

The Baronsmead VCTs first invested in IDOX in 2002, approximately two years after the company floated on AIM. Over the last decade IDOX has shown strong growth through a combination of organic growth and acquisition, and has diversified from its core local authority markets.

All funds managed by Livingbridge

First investment: May 2002
Total original cost: £1,641,000
Total equity held: 4.80%

Baronsmead Second Venture Trust only

Original book cost: £1,028,000
Valuation: £7,555,000
Valuation basis: Last Traded
% of equity held: 3.15%

Year ended 31 October

	2015	2014
	£ million	£ million
Sales :	62.6	60.7
EBITA :	17.4	15.6
Net Assets :	53.6	48.6
No of Employees :	572	554

(Source: IDOX plc Annual Report & Accounts 2015)

2 Netcall plc Hertfordshire

Quoted
www.netcall.com

Netcall is one of the UK's leading providers of customer engagement solutions. They support organisations to deliver outstanding customer service and achieve a realistic return on their investment. Some of the challenges their solutions can help overcome include customer contact across multiple channels, resource utilisation, improving customer satisfaction ratings, process automation, unifying communications effectively and maximising available budget.

Currently over 700 organisations in the Public, Private and Healthcare markets use one or more of the Netcall solutions which include contact management, business process management, workforce optimisation and enterprise content management.

All funds managed by Livingbridge

First investment: July 2010
Total original cost: £4,354,000
Total equity held: 17.83%

Baronsmead Second Venture Trust only

Original book cost: £1,738,000
Valuation: £5,249,000
Valuation basis: Bid Price
% of equity held: 7.15%

Year ended 30 June

	2016	2015
	£ million	£ million
Sales :	16.6	17.2
EBITA :	4.3	5.0
Net Assets :	22.6	22.7
No of Employees :	156	148

(Source: Netcall plc, Annual Report and Accounts, 30 June 2016)

3 Crew Clothing Holdings Ltd London

Unquoted
www.crewclothing.co.uk

Crew Clothing Co. is an English clothing brand with a wide range of active, outdoor and casual wear for men and women. Since it was founded in 1993, the brand has evolved into the fast growing premium active and casual wear sectors, but retained its unique heritage and positioning. Today it is a well known, respected and aspirational clothing brand in the UK.

The business is a multi-channel retailer with its own significant retail estate, online sales, wholesale accounts and direct mail order channels. It is growing by expanding all these routes to market as the brand grows in presence.

All funds managed by Livingbridge

First investment: November 2006
Total original cost: £5,833,000
Total equity held: 28.10%

Baronsmead Second Venture Trust only

Original book cost: £2,904,000
Valuation: £5,023,000
Valuation basis: Earnings Multiple
% of equity held: 13.40%

Year ended 25 October

	2015	2014
	£ million	£ million
Sales :	55.0	59.2
EBITA :	2.0	1.1
Net Assets :	4.6	5.8
No of Employees :	411	401

(Source: Crew Clothing Holdings Limited, Report and Financial Statements 25 October 2015)

The top 10
investments
represent 41% of
the value of the
investment portfolio

IDOX plc

- Doubled group revenue and tripled earnings since 2010
- Long term core holding for Baronsmead since AIM IPO in 2000

Create Health Ltd

- Internationally renowned fertility clinic in natural and mild IVF
- Livingbridge backed Create Health in 2013 and supported the build of a new flagship facility at St Pauls in London
- Create Health now has five facilities across the UK



4 Create Health Ltd London

Unquoted
www.createhealth.org

Create Health is a renowned fertility clinic specialising in Natural and Mild In Vitro Fertilisation (IVF) and In Vitro Maturation (IVM). Natural and Mild IVF uses lower levels of drugs making it cheaper, safer and healthier for the mother and baby.

Its leading edge fertility service has an international reputation through its research and development of advanced ultrasound techniques, IVM and the one stop fertility MOT.

All funds managed by Livingbridge

First investment: March 2013
Total original cost: £4,253,000
Total equity held: 29.00%

Baronsmead Second Venture Trust only

Original book cost: £1,906,000
Valuation: £4,800,000
Valuation basis: Earnings Multiple
% of equity held: 11.48%

Year ended 31 March

	2015	2014
	£ million	£ million
Sales :	7.6	4.9
EBITA :	1.4	1.1
Net Assets :	4.5	3.3
No of Employees :	90	58

(Source: Create Health Ltd Abbreviated Accounts
31 March 2015)



5 Tasty plc London

Quoted
www.dimt.co.uk

Tasty plc is a branded restaurant operator in the UK casual dining market. Tasty's two core trading brands are dim t and Wildwood restaurants. Wildwood serves pizza, pasta and grills and offers customers a warm, homely and rustic feeling and trades across 50 sites nationally. dim t serves pan Asian food with Dim Sum and offers customers a modern, ethnic and relaxed feel, trading from seven units. It is primarily more London focused, positioned in high footfall areas. With both brands now established and the group having achieved critical mass Tasty is now continuing its national roll-out strategy. Tasty's highly regarded management team have prior experience of opening over 20 restaurants a year and have critical knowledge of the UK property market, which underpin this strategy.

All funds managed by Livingbridge

First investment: September 2006
Total original cost: £3,223,000
Total equity held: 14.40%

Baronsmead Second Venture Trust only

Original book cost: £1,188,000
Valuation: £4,045,000
Valuation basis: Bid Price
% of equity held: 5.00%

Year ended 27 December

	2015	2014
	£ million	£ million
Sales :	35.8	29.7
EBITA :	3.3	2.8
Net Assets :	22.3	19.6
No of Employees :	846	642

(Source: Tasty Plc, Report and Financial Statements
27 December 2015)

Strategic Report



6 Happy Days Consultancy Ltd Cornwall

Unquoted
www.happydaysnurseries.com

Happy Days is a leading child day care and early years education provider operating from 17 settings across the South West of England. The business focussed on delivering outstanding quality childcare in premium settings within its geographic markets.

The investment has enabled Happy Days to continue its UK organic expansion strategy through supporting the funding of developing new leasehold nursery settings in attractive markets.

All funds managed by Livingbridge

First investment: April 2012
Total original cost: £7,617,000
Total equity held: 65.00%

Baronsmead Second Venture Trust only

Original book cost: £3,420,000
Valuation: £4,005,000
Valuation basis: Earnings Multiple
% of equity held: 25.74%

Year ended 31 December

	2015 £ million	2014 £ million
Sales :	6.2	5.7
EBITA :	(0.5)	(0.4)
Net Assets :	8.8	5.5
No of Employees :	258	212

(Source: H. Days Annual Report and Financial Statements 31 December 2015)



7 Pho Holdings Ltd London

Unquoted
www.phocafe.co.uk

Pho is a fast casual restaurant chain serving Vietnamese food. Pho – a noodle soup – is the national dish of Vietnam. Pho offers an array of Vietnamese dishes.

Pho was founded in 2005 and now operates from 19 sites in an array of channels: London high street sites (e.g. Soho, Clerkenwell); regional sites (e.g. Brighton, Leeds); and food courts in malls (e.g. Westfield).

All funds managed by Livingbridge

First investment: July 2012
Total original cost: £4,415,000
Total equity held: 28.00%

Baronsmead Second Venture Trust only

Original book cost: £1,982,000
Valuation: £3,851,000
Valuation basis: Earnings Multiple
% of equity held: 11.09%

Year ended 1 March

	2015* £ million	2014 £ million
Sales :	14.1	9.7
EBITA :	0.9	0.4
Net Assets :	2.0	1.3
No of Employees :	290	205

(Source: Pho Holdings Ltd, Directors' Report and Financial Statements 1 March 2015)

* 53 week Period ended 1 March 2015.



8 Dods (Group) plc London

Quoted
www.dodsgroupplc.com

Dods (Group) operates in the political communications market, delivering quality information and intelligent solutions across all media platforms to both the public and private sectors. Their aim is to drive personal and professional improvement to enable their customers to know more and perform better. Dods provides political information and public affairs communications in the UK and European Union and learning and training to the UK public sector.

The group currently employs over 200 people and operates at the forefront of its selected growth markets in the UK, France and Belgium, providing their customers, partners and the public with the skills, intelligence and platforms needed to engage effectively across the spheres of politics, public sector administration and public affairs.

All funds managed by Livingbridge

First investment: March 2003
Total original cost: £5,289,000
Total equity held: 20.12%

Baronsmead Second Venture Trust only

Original book cost: £2,210,000
Valuation: £3,777,000
Valuation basis: Bid Price
% of equity held: 8.23%

Year ended 31 March

	2016 £ million	2015 £ million
Sales :	19.6	18.3
EBITA :	2.3	0.2
Net Assets :	25.7	24.6
No. of Employees :	210	268

(Source: Dods (Group) plc Annual Report 2016)

Year on year sales
growth of 16%
p.a. across the top
10 investments

Source: Top Ten Audited Financial Statements.



9 CableCom II Networking Holdings Ltd Clevedon

Unquoted
www.cablecomnetworking.co.uk

CableCom Networking are the market leaders in providing managed communication services to high density accommodation throughout the UK serving the student, keyworker and residential markets. Under long term contracts, it manages the full range of communication services including broadband, telephony and TV. Since investment, the proposition has been transformed by adding additional services such as a fully interactive web portal offering a wide range of services to both the accommodation owner and user.

In October 2013, BSVT realised a multiple of 4.8x the cost of its initial phase of investment and continues to support CableCom having reinvested a proportion of these proceeds in a minority stake in the Company.

All funds managed by Livingbridge

First investment: October 2013
Total original cost: £5,000,000
Total equity held: 10.54%

Baronsmead Second Venture Trust only

Original book cost: £2,500,000
Valuation: £3,187,000
Valuation basis: Earnings Multiple
% of equity held: 4.91%

Year ended 31 October

	2015	2014
	£ million	£ million
Sales :	17.5	17.9
EBITA :	1.9	2.0
Net Assets :	(17.5)	(10.9)
No of Employees :	104	83

(Source: Cablecom Bidco Limited Report and Financial Statements 31 October 2015)



10 Carousel Logistics Ltd Kent

Unquoted
<http://www.carousel.eu>

Carousel Logistics based in Kent, designs and manages bespoke supply chain management solutions for clients with time critical, challenging or high touch customer care needs. Carousel has a wide range of international clients for whom it delivers a complete integrated service including e-fulfilment, procurement, warehousing, distribution, reverse logistics and international in-night services. Livingbridge will support Carousel's continued business expansion within the UK and continental Europe.

All funds managed by Livingbridge

First investment: October 2013
Total original cost: £5,595,000
Total equity held: 40.00%

Baronsmead Second Venture Trust only

Original book cost: £1,912,000
Valuation: £3,062,000
Valuation basis: Earnings Multiple
% of equity held: 12.04%

Year ended 31 December

	2015	2014
	£ million	£ million
Sales :	16.8	16.3
EBITA :	1.7	1.6
Net Assets :	2.4	2.2
No. of Employees :	71	63

(Source: Carousel Logistics Limited Financial Statement 31 December 2015)

Netcall plc

- Livingbridge first invested in Netcall in 2010
- In the year to June 2010, Netcall had sales of £4.1m
- Sales have grown to £16.6m to June 2016

Pho Holdings Ltd

- A fast casual restaurant chain serving authentic Vietnamese food
- Livingbridge invested in 2012 when the group had 7 sites
- Now 19 sites operating across London and UK regional sites

Strategic Report

Principal Risks & Uncertainties

The Board has included below details of the principal risks and uncertainties facing the Company and appropriate measures taken in order to mitigate these risks as far as practicable.

Principal Risk	Context	Specific risks
Loss of approval as a Venture Capital Trust	The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns.	Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.
Legislative	VCTs were established in 1995 to encourage private individuals to invest in early stage companies that are considered to be risky and therefore have limited funding options. In return the state provides these investors with tax reliefs which fall under the definition of state aid.	A change in government policy regarding the funding of small companies or changes made to VCT regulations to comply with EU State Aid rules could result in a cessation of the tax reliefs for VCT investors or changes to the reliefs that make them less attractive to investors.
Investment performance	The Company invests in small, mainly UK based companies, both unquoted and quoted. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals and hence tend to be riskier than larger businesses.	Investment in poor quality companies with the resultant risk of a high level of failure in the portfolio.
Economic, political and external factors	Whilst the Company invests in predominantly UK businesses, its relies heavily on Europe as one of its largest trading partners. This, together with the increase in globalisation, means that economic unrest and shocks in other jurisdictions, as well as in the UK, can impact on UK companies, particularly smaller ones that are more vulnerable to changes in trading conditions.	Events such as economic recession, movement in interest or currency rates, civil unrest, war or political uncertainty or pandemics can adversely affect the trading environment for underlying investments and impact on their results and valuations.
Regulatory & Compliance	The Company is authorised as a self managed Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD") and is also subject to the Prospectus and Transparency Directives. It is required to comply with the Companies Act 2006 and the UKLA listing Rules.	Failure of the Company to comply with any of its regulatory or legal obligations could result in the suspension of its listing by the UKLA and/or financial penalties and sanction by the regulator or a qualified audit report.
Operational	The Company relies on a number of third parties, in particular the Investment Manager, to provide it with the necessary services such as registrar, sponsor, custodian, receiving agent, lawyers and tax advisers.	The risk of failure of the systems and controls of any of the Company's advisers leading to an inability to service shareholder needs adequately, to provide accurate reporting and accounting and to ensure adherence to all VCT legislation rules.

The financial risks faced by the Company are covered within the notes to the Financial Statements on pages 53 to 55.

Possible impact

Mitigation

The loss of VCT status would result in shareholders who have not held their shares for the designated holding period having to repay the income tax relief they had already obtained and future dividends and gains would be subject to income tax and capital gains tax.

The Board maintains a safety margin on all VCT tests to ensure that breaches are very unlikely to be caused by unforeseen events or shocks. The Investment Manager monitors all of the VCT tests on an ongoing basis and the Board reviews the status of these tests on a quarterly basis. Specialist advisors audit the tests on a bi-annual basis and report to the audit committee on their findings.

The Company might not be able to maintain its asset base leading to its gradual decline and potentially an inability to maintain either its buy back or dividend policies.

The Board and the Investment Manager engage on a regular basis with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue. In addition the Board and the Investment Manager have considered the options available to the Company in the event of the loss of tax reliefs to ensure that it can continue to provide a strong investment proposition for its shareholders despite the loss of tax reliefs.

Reduction in both the capital value of investors shareholdings and in the level of income distributed.

The Company has a diverse portfolio where the cost of any one investment is typically less than 5 per cent of NAV thereby limiting the impact of any one failed investment. The Board has appointed an Investment Manager that has a strong and consistent track record over a long period, invests in profitable companies in sectors in which it has specialised for the past eighteen years, undertakes extensive due diligence on all prospective investments, has an experienced value enhancement team who actively manage its investments and who take board seats and appoint experienced non executive Directors on all unquoted and significant quoted investments.

Reduction in the value of the Company's assets with a corresponding impact on its share price may result in the loss of investors through buybacks and may limit its ability to pay dividends.

The Company invests in a diversified portfolio of companies across a number of industry sectors which provides protection against shocks as the impact on individual sectors can vary depending upon the circumstances. In addition, the Manager uses a limited amount of bank gearing in its investments which enables its investments to continue trading through difficult economic conditions. The Company always maintains healthy cash balances so that it can support portfolio companies with further investment should the investment case support it. The Board reviews the make up and progress of the portfolio each quarter to ensure that it remains appropriately diversified and funded.

The Company's performance could be impacted severely by financial penalties and a loss of reputation resulting in the alienation of shareholders, a significant demand to buy back shares and an inability to attract future investment. The suspension of its shares would result in the loss of its VCT taxation status and most likely the ultimate liquidation of the Company.

The Board and the Investment Manager employ the services of leading regulatory lawyers, sponsors, auditors and other advisers to ensure the Company complies with all of its regulatory obligations. The Board has strong systems in place to ensure that the Company complies with all of its regulatory responsibilities. The Investment Manager has a strong compliance culture and employs dedicated compliance specialists within its team who support the Board in ensuring that the Company is compliant.

Errors in shareholders records or shareholdings, incorrect marketing literature, non compliance with listing rules, loss of assets, breach of legal duties and inability to provide accurate reporting and accounting all leading to reputational risk and the potential for litigation.

The Board has appointed an audit committee who, along with the external auditors, review the internal control (ISAE3402) and/or internal audit reports from all significant third party service providers, including the Investment Manager, on a bi-annual basis to ensure that they have strong systems and controls in place including Business Continuity Plans. The Board regularly reviews the performance of its service providers to ensure that they continue to have the necessary expertise and resources to provide a high class service and always where there has been any changes in key personnel or ownership.

Strategic Report

Other Matters

Applying the Business Model

This section of the Strategic Report sets out the practical steps that the Board has taken in order to apply the business model, achieve the investment objective and adhere to the investment policy. The investment policy, which is set out in full on page 57, is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs. As referred to in the Chairman's Statement, the investment policy has been updated and simplified, in light of the new VCT rules.

Investing in the Right Companies

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may have some trade overseas. Investments are selected in the expectation that the application of private equity disciplines, including an active management style for unquoted companies, will enhance value and enable profits to be realised from planned exits.

The Board has delegated the management of the investment portfolio to Livingbridge VC LLP ("Livingbridge" or the "Manager"). The Manager has adopted a 'top-down, sector-driven' approach to identifying and evaluating potential investment opportunities, by assessing a forward view of firstly the business environment, then the sector and finally the specific potential investment opportunity.

Based on its research, the Manager has selected a number of sectors that it believes will offer attractive growth prospects and investment opportunities. Diversification is also achieved by spreading investments across different asset classes and making investments for a variety of different periods.

The Manager's Review on pages 7 to 9 provides a review of the investment portfolio and of market conditions during the year, including the main trends and factors likely to affect the future development, performance and position of the business.

Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. The maximum the Company will invest in a single company (including a collective investment vehicle) is 15 per cent of its investments by value of its investments calculated in accordance with Section 278 of the Income Tax Act 2007 (as amended) ("VCT Value"). The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and permitted non qualifying investments as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks or preferred shares, while AIM-traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying investments, the Company's cash and liquid funds are held in permitted non qualifying investments.

VCTs are required to comply with a number of different regulations and the Company has appointed Philip Hare & Associates LLP as its VCT Tax Status Advisers to advise it on compliance with VCT requirements. Philip Hare & Associates reviews new investment opportunities, as appropriate, and regularly reviews the investment portfolio of the Company. Philip Hare & Associates works closely with the Manager but reports directly to the Board.

Environmental, Human Rights, Employee, Social and Community Issues

The Company seeks to conduct its affairs responsibly and the Manager is encouraged to consider environmental, human rights, social and community issues, where appropriate, with regard to investment decisions.

The Company is required, by company law, to provide details of environmental (including the impact of the Company's business on the environment), employee, human rights, social and community issues; including information about any policies it has in relation to these matters and the effectiveness of these policies. The Company does not have any employees and as a result does not maintain specific policies in relation to these matters.

Livingbridge as Manager has an Environmental, Social and Governance ("ESG") policy. As a responsible investor, Livingbridge fully incorporates ESG factors into its investment programme. The ESG policy focuses on environmental, social and corporate governance factors, including risks and opportunities, affecting both the Company and/or specific portfolio companies.

Livingbridge undertakes an in-house risk assessment questionnaire pre-investment to highlight any significant or material ESG issues. Should any such issues be identified, these are then addressed via specific due diligence pre-investment.

Upon completion of an investment the completed in-house questionnaires are assessed by an external consultant to corroborate risks identified, advise the company how to address any ESG issues and also to identify any potential upside opportunities (e.g. energy savings). Relevant ESG matters are then included in the portfolio company board meetings as appropriate and also in the standard Livingbridge portfolio progress reports allowing Livingbridge to assess the impact of any interventions or recommendations.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio.

Gender Diversity

The Board of Directors of the Company comprises three male Directors. The Manager has an equal opportunity policy and currently employs 45 men and 30 women.

Appointment of the manager

The Board expects the Manager to deliver a performance which meets the objective of achieving long-term investment returns, including tax free dividends. A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's Statement on pages 4 to 6. The Board assesses the performance of the Manager in meeting the Company's objective against the Key Performance Indicators ("KPIs").

The management agreement

Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets of the Company. In addition, the Manager is responsible for providing all secretarial, administrative and accounting services to the Company. The Manager has appointed Capita Sinclair Henderson to provide these services to the Company on its behalf. The Company is responsible for paying the fee charged by Capita Sinclair Henderson to the Manager in relation to the performance of these services.

Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee. The running cost as at 30 September 2016 was 2.9 per cent.

The management agreement may be terminated at any date by either party giving twelve months' notice of termination and, if terminated, the Manager is only entitled to the management fees paid to it and any interest due on unpaid fees.

Performance fees

A performance fee is payable to the Manager when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (simple). To the extent that the total return exceeds the threshold over the relevant period then a performance fee of 10 per cent of the excess will be paid to the Manager. The amount of any performance fee which is paid in an accounting period is capped at 5 per cent of net assets.

No performance fee was payable for the 9 month period to 30 September 2016 (2015: £nil).

Strategic Report

Management retention

The Board is keen to ensure that the Manager continues to have one of the best investment teams in the VCT and private equity sector. A co-investment scheme was introduced in November 2004 under which members of the Manager's investment team invest their own money into a proportion of the ordinary shares of each unquoted investment made by the Baronsmead VCTs. The Board regularly monitors the co-investment scheme arrangements but considers the scheme to be essential in order to attract, retain and incentivise the best talent. The scheme is in line with current market practice in the private equity industry and the Board believes that it aligns the interests of the Manager with those of the Baronsmead VCTs.

Executives have to invest their own capital in every unquoted transaction and cannot decide selectively which investments to participate in. In addition the co-investment only delivers a return after each VCT has realised a priority return built into the structure. The shares held by the members of the co-investment scheme in any portfolio company can only be sold at the same time as the investment held by the Baronsmead VCTs is sold. Any prior ranking financial instruments, such as loan stock, held by the Baronsmead VCTs have to be repaid in full together with the agreed priority annual return before any gain accrues to the ordinary shares. This ensures that the Baronsmead VCTs achieve a good priority return before profits accrue to the co-investment scheme.

The executives participating in the co-investment scheme subscribe jointly for a proportion (currently 12 per cent) of the ordinary shares available to the Baronsmead VCTs in each unquoted investment. The level of participation was increased from 5 per cent in 2007 when the Manager's performance fee was reduced from 20 per cent to its current level of 10 per cent.

Since the formation of the scheme in 2004, 58 executives have invested a total of £895,000 in 47 companies. At 30 September 2016, 30 of these investments have been realised generating proceeds of £259m for the Baronsmead VCTs and £13.4m for the co-investment scheme. For Baronsmead Second Venture Trust the average money multiple on these 30 realisations was 1.9 times cost. Had the co-investment shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been the equivalent of 4.3p a share (based on the current number of shares in issue). The Board considers this small cost to retain quality people to be in the best interests of shareholders.

Advisory fees

During the 9 month period to 30 September 2016, the Manager received income of £nil (2015: BVCT3 £57,000 & BVCT4 £57,000) in connection with advisory fees and incurred about fees of £12,000 (2015: BVCT3 £10,000 & BVCT4 £10,000), with respect to investments attributable to Baronsmead Second Venture Trust.

Directors' fees of £252,000 (2015: BVCT3 £207,000 & BVCT4 £207,000) were received by the Manager in relation to services provided to companies in the investment portfolio, during the year, with respect to investments attributable to Baronsmead Second Venture Trust.

Alternative Investment Fund Manager's Directive ("AIFMD")

The AIFMD regulates the management of alternative investment funds, including VCTs. On 22 July 2014 the Company was registered as a Small UK registered Alternative Investment Fund Manager under the AIFMD.

Viability Statement

In accordance with principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over the three year period to 30 September 2019. This period is used by the board during the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that we request from the Manager and the estimated time line for finding, assessing and completing investments.

In making this statement the Board carried out a robust assessment of the principal risks facing the Company, including those that might threaten its business model, future performance, solvency, or liquidity.

The Board also considered the ability of the Company to raise finance and deploy capital. Their assessment took account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact of the underlying risks.

This review has considered the principal risks as outlined on pages 16 and 17. The Board concentrated its efforts on the major factors which affect the economic, regulatory and political environment. The Board also paid particular attention to the importance of its close working relationship with the Manager, Livingbridge.

The Directors have also considered the Company's income and expenditure projections and find these to be realistic and sensible.

Based on the Company's processes for monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model, asset allocation and the portfolio risk profile, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 September 2019.

Returns to Investors

Dividend policy

The Board of Baronsmead Second Venture Trust has the objective to maintain a minimum annual dividend level of around 4.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

Since 2007, the average annual tax free dividend paid to shareholders has been 7.6p per ordinary share (equivalent to a pre-tax return of 11.3p per ordinary share on dividends otherwise subject to tax at the higher rate of 32.5 per cent). For shareholders who received up front tax reliefs of 20 per cent, 30 per cent or 40 per cent, their returns would have been even higher.

Shareholder choice

The Board wishes to provide shareholders with a number of choices that enable them to utilise their investment in Baronsmead Second Venture Trust in ways that best suit their personal investment and tax planning and in a way that treats all shareholders equally.

- **Fund raising** | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for costs. In February 2016, the Company's offer for subscription to raise £10.0m (£9.7m after costs) was fully subscribed.
- **Dividend Reinvestment Plan** | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 3,200,000 shares were bought in this way during the 9 month period to 30 September 2016.
- **Buy back of shares** | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid-share price discount of approximately 5 per cent to net asset value.
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 262,000 shares were bought by investors in the Company's existing shares in the 9 month period to 30 September 2016.

On behalf of the Board
Anthony Townsend
Chairman

17 November 2016

Report of the Directors

The Chairman's Statement on pages 4 to 6, the Corporate Governance Statement on pages 25 to 31 and the Strategic Report on pages 2 to 21 forms part of the Report of the Directors.

Board of Directors

As at 30 September 2016



Anthony Townsend	Chairman
Appointed:	4 August 2009
Past experience:	Anthony has over 40 years experience in financial services. He was previously a director of Rea Brothers Group plc, a non-executive director of Worldwide Healthcare Trust plc and was chairman of the Association of Investment Companies.
Other appointments:	He is chairman of British & American Investment Trust plc, F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc, Gresham House Plc and Miton Global Opportunities Trust plc, and a non-executive director of Hansa Capital Ltd.
Beneficial Shareholding:	177,444 Ordinary Shares



Malcolm Groat	Audit and Risk Committee Chairman
Appointed:	11 March 2016
Past experience:	Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Royal Society for the encouragement of Arts, Manufactures and Commerce. During his career, Malcolm has worked as finance director for global businesses in engineering, construction and financial services. He has also served as chairman or non-executive director in a number of significant businesses.
Other appointments:	Malcolm currently holds directorships at established companies Corps Security, Maritime House and Tekcapital plc, and at young ventures daVictus plc and Vale International Group Limited.
Beneficial Shareholding:	37,426 Ordinary Shares



Ian Orrock	Non-Executive Director
Appointed:	21 October 2010
Past experience:	Ian has wide experience having founded, developed and sold a number of businesses particularly focussing on the international media, technology and telecoms sectors ("TMT"), and has worked at board level in quoted global organisations. He was also a non-executive director of Henderson Private Equity Investment Trust plc.
Other appointments:	He is currently a director of a number of TMT businesses including Arkessa Limited, Iotic-Labs Ltd, Acrossair Limited and Silchester Limited.
Beneficial Shareholding:	41,430 Ordinary Shares



Robert Owen	Non-Executive Director
Appointed:	11 March 2016
Retired:	13 October 2016
Past experience:	Robert was previously a senior manager at Coutts and Co, responsible for the overall running of the venture capital investment portfolio. He was involved with tax efficient and private equity investment for many years as an adviser and commentator.
Other appointments:	n/a
Beneficial Shareholding:	136,950 Ordinary Shares

The Directors of Baronsmead Second Venture Trust plc (Reg: 04115341) present their Sixteenth Report and audited financial statements of the Company for the 9 month period to 30 September 2016.

Shares and Shareholders

Share capital

As a result of the reconstruction and winding up of Baronsmead VCT 4 plc, on 15 March 2016, the Company allotted 68,003,674 ordinary shares. On 15 March 2016, the Company also allotted a further 9,328,156 ordinary shares as a result of an offer for subscription.

During the year the Company bought back a total of 1,255,000 ordinary shares to be held in Treasury, representing 0.77 per cent of the issued share capital as at 30 September 2016, with an aggregate nominal value of £125,500. The total amount paid for these shares was £1,232,756.25. The Company's remaining authority to buy back shares from the 2016 Annual General Meeting ("AGM") is 21,488,696. During the year the Company also sold 2,400,000 ordinary shares from Treasury. These shares were sold for a total amount of £2,178,250.

As at the date of this report the Company's issued share capital was as follows:

Share	Total	% of Shares in issue	Nominal Value
In issue	161,960,010	100.00	£16,196,001
Held in Treasury	9,089,214	5.61	£908,921
In circulation	152,870,796	94.39	£15,287,079

The maximum number of shares held in Treasury during the year was 11,204,214. Shares will not be sold out of Treasury at a discount wider than the discount at which the shares were initially bought back by the Company.

Shareholders

Each 10p ordinary share entitles the holder to attend and vote at general meetings of the Company, to participate in the profits of the Company, to receive a copy of the Annual Report & Accounts and to a final distribution upon the winding up of the Company.

There are no restrictions on voting rights, no securities carry special rights and the Company is not aware of any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights. There are no agreements to which the Company is party that may affect its control following a takeover bid.

In addition to the powers provided to the Directors under UK company law and the Company's Articles of Association, at each AGM the shareholders are asked to authorise certain powers in relation to the issuing and purchasing of the Company's own shares. Details of the powers granted at the 2016 AGM, all of which remain valid, can be found in the previous Notice of AGM.

The Board is not, and has not been throughout the year, aware of any beneficial interests exceeding 3 per cent of the total voting rights.

Dividends

The Company paid the following dividends for the 9 month period to 30 September 2016:

Dividends	£'000
First interim dividend of 7.0p per ordinary share paid on 3 June 2016	10,553
Second interim dividend of 10.0p per ordinary share paid on 30 September 2016	15,142
Total dividends paid for the year	25,695

Annual General Meeting

The notice of the AGM of the Company to be held at 10.00am on Thursday, 23 March 2017 at Saddlers Hall, 40 Gutter Lane, London, EC2V 6BR will be sent to shareholders and will be available on the Company's website.

Report of the Directors

Directors

Appointments

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006. Further details in relation to the appointed Directors and the governance arrangements of the Board can be found on page 22 and in the Corporate Governance Statement.

Directors are not compensated by the Company for loss of office in the event of a takeover bid.

Directors' Indemnity

Directors' and Officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Save for such indemnity provisions in the Company's Articles of Association and in the Directors' letters of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of Interest

The Directors have declared any conflicts or potential conflicts of interest to the Board of Directors which has the authority to approve such situations. The Company Secretary maintains the Register of Directors' Conflicts of Interests which is reviewed quarterly by the Board, when changes are notified, and the Directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

Responsibility for Accounts and Going Concern

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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 30 September 2016, the Company held cash balances with a value of £24,110,000. 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 or covenants.

The Directors have chosen to include their report on global greenhouse emissions in the Strategic Report under the section on environmental, human rights, employee, social and community issues.

By Order of the Board
Livingbridge VC LLP
Secretary
100 Wood Street London EC2V 7AN

17 November 2016

Corporate Governance

This Corporate Governance statement forms part of the Report of the Directors

Arrangements in respect of corporate governance, appropriate to a venture capital trust, have been made by the Board. As part of this the Board has considered all the principles set out in the 2014 UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") ("the UK Code"). It has also considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in February 2014 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") which is available at www.theaic.co.uk.

The AIC Guide sets out the main principles of the UK Code, along with their supporting principles and provisions, and describes their relevance and applicability to investment companies. It also sets out the AIC Code and demonstrates how the AIC Code translates each element of the UK Code into principles and recommendations suitable to the industry's unique structure. The UK Code explains that externally managed investment companies typically have unique board structures which mean that not all of its provisions are appropriate.

The FRC, the body responsible for the UK Code, has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide will be meeting their Listing Rules obligations in relation to reporting against the UK Code and have issued a letter of endorsement to this effect.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC, Guide (which incorporates the UK Code) will provide better information to shareholders.

The tables on pages 25 to 29 provides an explanation of how the Company has complied with the AIC Code during the year and provides explanations where the Company has not complied. Since all the Directors are non-executive the provisions of the UK Code in respect of the role of the chief executive and Directors' remuneration are not relevant to the Company. For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers that these provisions are not relevant to the Company, being an externally managed venture capital trust.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
1	The Chairman should be independent.	The Board does not consider that Mr Townsend has any conflict of interest that compromises his independence and the Company's independent directors (excluding the Chairman) have determined that he remains an independent director. Mr Townsend's independence is regularly reviewed as part of the board evaluation process.
2	A majority of the board should be independent of the manager.	All of the Directors' appointments are non-executive and, having considered the performance and independence of each Director, the Board has determined that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement or impair their independence. As explained in the disclosure relating to AIC Code Provision 4, the Board does not believe that length of service has a bearing on independence and the nature of the Company's business is such that an individual director's experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole.
3	Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	The Board has agreed that each Director will retire and, if appropriate, seek re-election annually, in line with best practice.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
4	The board should have a policy on tenure, which is disclosed in the annual report.	The Board does not believe that the tenure of a director on a wholly non-executive board has any direct bearing on their independence and, in common with many VCTs, the Board ensure that its membership includes longer-serving directors who provide a balance of knowledge and experience that is not present in the absence of executive directors. In addition, the average period for holding private equity investments is considerably longer than for other types of investment. As a result the Nomination Committee considers the composition of the Board regularly and has determined that a formal policy on tenure would not be appropriate. As part of the merger process, the Board and BVCT5 Board have considered what the size and future composition of the board of the Enlarged Company should be.
5	There should be full disclosure of information about the board.	The Board is profiled on page 22 and biographies are available on the Company's website. Details of the Board's committees are set out from page 30. The recommendation of the AIC Code under Principle 5 state that the Chairman may be a member of, but not chair, the Remuneration Committee. Having taken account of the size of the Board and the remit of the Management Engagement and Remuneration Committee, which extends only to consideration of non-executive remuneration, the Board believes that Anthony Townsend remains the most suitable Director to chair the Committee. The Remuneration of the Chairman is considered by the Management Engagement and Remuneration Committee in his absence.
6	The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The profiles of each of the Directors is set out on page 22 and highlights their range of skills, experience, length of service and knowledge. The Board believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and the Board and its Nomination Committee give careful consideration to issues of board balance and diversity when considering the composition of the Board and making new appointments.
7	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	Each year the Chairman has individual performance review meetings with each of the Directors which centre around certain key themes, each designed to assess the strength of individual Directors, the Board and its Committees. The Directors also meet collectively to consider the output from the individual meetings. The performance of the Chairman is evaluated by the other Directors and includes a questionnaire designed specifically to assess the performance of the Chairman. Given the extensive review work undertaken as part of the merger process the Board has not carried out a formal performance evaluation this year, noting that the performance and independence of each Director was very carefully analysed to ensure the correct Board composition at the time of the merger. The Board will carry out a Board evaluation during the 2017 year end.
8	Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Board's Remuneration Committee considers at least annually the level of the Board's fees, in accordance with the Remuneration Policy approved by shareholders at the 2014 AGM. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 32 to 35.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
9	The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nomination Committee, which is comprised entirely of independent directors, is responsible for overseeing the recruitment of new directors. Potential candidates are identified through a combination of the appointment of a recruitment consultant and the Board's/ Manager's knowledge of available individuals.
10	Directors should be offered relevant training and induction.	New Directors are provided with an induction pack containing key information and governance documents relating to the Company when they are appointed. In addition they are offered a tailored induction programme with the Manager which covers the investment portfolio and the Manager's approach to investment. Directors receive detailed updates on market and regulatory developments and are provided periodically with training to enhance and refresh their knowledge.
11	The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.
12	Boards and managers should operate in a supportive, co-operative and open environment.	Formal Board meetings provide important forums for the Directors and key members of the Manager's team to interact and for Directors to receive reports and provide challenge to the Manager but interaction between the Board and the Manager is not restricted to these meetings. Between meetings the Manager continuously updates the Board on developments and responds to queries and requests by Directors as they arise. Informal meetings take place regularly between the Directors and the Manager and senior members of the Manager's team are also invited to the Board's annual strategy meeting.
13	The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	At each quarterly meeting, the Board receives a report on the performance of the Company, its investments and the VCT sector (including competitors). The report also outlines compliance with the 70 per cent test and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments that will/may impact upon the Manager's management of the investment portfolio. The Board has agreed with the Manager specific KPIs that enable both parties to monitor compliance with the agreed Investment Policy and Risk Management framework. Directors regularly seek additional information from the Manager to supplement these reports and formally review the performance measures and KPIs at their annual strategy meeting.
14	Boards should give sufficient attention to overall strategy.	The Board monitors performance against its agreed strategy on an ongoing basis and reviews its overall strategy, including the viability of the Company in its current form, at its annual strategy meeting.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
15	The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed fund).	The Management Engagement and Remuneration Committee reviews the overall performance of the Manager annually and considers both the appropriateness of the Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Manager. The Board believe that the Manager's track record in the VCT sector remains outstanding and that its ability to continue to achieve strong results by adapting to an ever changing regulatory environment has been particularly impressive. As a result, the Board has concluded that the continuing appointment of Livingbridge VC LLP remains in the best interest of shareholders as a whole.
16	The board should agree policies with the manager covering key operational issues.	<p>Certain matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board. Under the terms of a management agreement, the Board has delegated the management of the investment portfolio to the Manager. The management agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought.</p> <p>The Manager also provides or procures the provision of company secretarial, accounting, administrative and custodian services to the Company.</p> <p>In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principal approach to corporate governance. The Board has considered the adequacy of arrangements by which staff of the Manager or Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.</p>
17	Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Company has stated its aim to seek a mid-share price discount to NAV of no more than 5 per cent but keeps the share price discount policy under continuous review. The performance of the Company's share price and the discount to NAV is monitored continuously and 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 all shareholders.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
18	The board should monitor and evaluate other service providers.	The Board has established a framework for monitoring and evaluating the performance of its third party services providers and, on the Company's behalf, the Manager monitors the performance and systems and controls employed by the service providers. The Audit Committee receives service provider controls reports from the Manager and the Board considers if a provider should be replaced.
19	The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views for communicating the board's view to shareholders.	<p>As a VCT, the Company's share register is made up almost entirely of retail shareholders and the Board, through the Manager, remains in constant engagement with wealth managers and brokers to inform their understanding of its investor base. Periodically the Board canvasses the views of its shareholders as a whole by issuing a shareholder questionnaire.</p> <p>The Company's Annual Report & Accounts provides the Board with an opportunity to report on the performance and outlook for the Company and to update shareholders on developments. At the AGM shareholders have an opportunity to receive more detailed presentations from the Manager on specific investments and it also provides a forum to speak directly to the Directors and members of the Manager's team. The Directors welcome the views of shareholders and are happy to correspond directly with shareholders or make themselves available to meet shareholders. Shareholders seeking to communicate with the Board should contact the Manager in the first instance (see page 64 for contact details).</p> <p>The 2016 AGM was held on 19 April 2016 and the Company provided the 20 working days' notice, as required under the AIC Code.</p>
20	The board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board takes responsibility for approving the content and timing of communications regarding major corporate issues. Communications usually take the form of stock exchange announcements, press releases and direct correspondence with shareholders and the Board seeks the advice and guidance of the Manager when drafting such communications.
21	The board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	<p>The Company's annual report is drafted to provide shareholders with sufficient information to understand the nature of their investment in the Company. The format and content of the annual report is updated each year in response to changes in best practice and to improve the quality of the information available to shareholders.</p> <p>Details of the Company's full portfolio, as at 30 September 2016 can be found on the Company's website and on pages 60 and 61.</p> <p>Under the AIC Code the Company must provide an explanation regarding the prospects of the Company over a period of more than 12 months. The Company's viability statement can be found on pages 20 and 21.</p>

Corporate Governance

The Board's Committees

The Board has delegated certain responsibilities to its Audit & Risk, Management Engagement & Remuneration and Nomination Committees. Given the size and nature of the Board it is felt appropriate that all Directors are members of the Committees. The Board has established formal terms of reference for each of the Committees which are available from the Company Secretary upon request. An outline of the remit of each of the Committees and their activities during the year are set out in the below table:

Audit & Risk Committee

Chairman: Malcolm Groat

Key responsibilities:

1. reviewing the content and integrity of the Annual Report and Half-Yearly Accounts;
2. reviewing the Company's internal control and risk management systems;
3. reviewing the remuneration and terms of appointment of the external auditor;
4. ensuring auditor objectivity and independence is safeguarded in the provision of non-audit services; and
5. providing a forum through which the auditor may report to the Board.

This financial year has seen a large amount of the Committee's time dedicated to continually assessing probable risks associated with the impact of legislation changes resulting from the EU's review of the UK State Aid system. The Committee worked with the Manager to continue to review investments against the new legislation, which came into effect in November 2015, to assess the risk that the legislation posed to our continuing ability to meet the VCT qualifying tests, which I am glad to report showed that your Company remains in a strong position. We have continued to use the services of Phillip Hare & Associates LLP as our VCT Status advisors. Philip Hare is very well respected within the VCT industry, his firm being the VCT Status advisor for many VCTs and in regular discussions with HMT about changes to VCT legislation and we believe that having a team that specialises in VCT compliance will prove to be beneficial as we come to terms with the new legislation.

The Committee reviewed the Annual Accounts and although it did not identify any significant issues, it paid particular attention to:

- a. The valuation and existence of unquoted investments: the Manager and external auditor confirmed that the investment valuations had been performed consistently with prior years and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The Directors had met quarterly to assess the estimates and judgements made by the Manager in the valuations for their appropriateness.
- b. Venture capital trust status: the conditions for maintaining the status as an approved venture capital trust were reviewed regularly throughout the year. The position had also been reviewed by Philip Hare & Associates LLP in their capacity as adviser to the Company on taxation matters.

The Committee oversees the operation of the Company's system of internal controls and reviewed its effectiveness during the year. Procedures have been designed to identify and manage, rather than eliminate, risk. These procedures involve the maintenance of a risk register which records the risks to which the Company is exposed, including, among others, market, investment, operational and regulatory risks, and the controls employed to mitigate these risks. The residual risks are rated taking into account the impact of the mitigating factors. We identify changes and update the register as required and review this register at each Committee meeting. Where necessary, we also ensure that corrective action is taken. We carried out a formal review of the effectiveness of the risk management process during the year and concluded that this remained appropriate.

The Committee receives a Service Provider Control Report from the Manager that provides an overview of the main risks identified by our third party service providers and the mitigating actions put in place for these. The Committee reviewed the rolling audit plan in respect to the Manager's systems and processes. We believe this process provides additional rigour to the Committee's oversight and review of internal control and risk management processes.

The Committee also reviewed the need for an internal audit function. We concluded that the systems and procedures employed by the Manager provides sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. We therefore believe that an internal audit function, specific to the Company, is not currently required.

Following a review of the effectiveness of the audit, the Committee concluded that the Company's auditor KPMG LLP ("KPMG") had continued to carry out its duties in a diligent and professional manner maintained a good knowledge of the VCT market and continued to provide a high level of service.

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. Due to the current auditor's tenure, the Company was required to undertake an audit tender.

Following the Company's period end, the audit tender process took place in November 2016. Three firms were invited to tender, including KPMG. As KPMG have only been in office for 11 years and would only be required to retire following the 2026 audit, the auditor was able to participate in the tender process. Each firm was considered to offer extensive experience of VCTs, together with accounting, tax and financial reporting and governance expertise. Out of the three invited to the tender, only two of the audit firms presented to the Committee. The result of the tender was that, on the recommendation of the Committee, the Board has selected to continue with KPMG LLP. A resolution to re-appoint KPMG LLP as the Company's auditors will be proposed at the 2017 AGM.

As part of the tender process, the Committee carefully considered the independence of KPMG LLP and were satisfied that there was a clear division between audit and non-audit services. The Committee believes that the value of non-audit services provided by KPMG LLP, as reported on page 49, does not represent a conflict of interest.

Looking ahead to the work that will be undertaken by the Committee in the next financial year, we will continue to work with our advisors to understand the full extent of the legislative changes to ensure that these are factored into our VCT compliance forecast models and that the internal audit plan put in place this year provides the necessary comfort that principal risks are identified and managed effectively.

Management Engagement & Remuneration Committee

Chairman: Anthony Townsend

A summary of this Committee's key responsibilities and activities carried out during the year can be found in the Remuneration Report on page 32.

Nomination Committee

Chairman: Anthony Townsend

Key responsibilities:

1. considering the appointment of additional Directors as and when considered appropriate;
2. considering the resolutions relating to re-election of directors; and
3. considering the ongoing requirements of the Company and the need to have a balance of skills, experience, knowledge and diversity within the Board.

During the year and as part of the merger we reviewed the composition of the Board and Committees, including the chairmanship of each Committee. Due to the extensive review of the Board and Committees as part of the merger which took place in March 2016, we felt that a Board evaluation did not need to be undertaken and we remain satisfied with the performance of the Board, its sub-committees and that of individual Directors and the Chairman.

The Committee also reviewed the policy on director re-election. Previously, in accordance with the Articles of Association, Directors were re-elected by rotation, an annually after nine year's service. In line with best practice, the Committee have agreed that, going forward, all directors will be submitted for re-election on an annual basis.

The below table sets out the Directors' attendance at Board and Committee meetings held during the nine months ended 30 September 2016. In addition the Board established committees to approve financial statements and the payment of dividends. Other ad-hoc meetings were held as required. The Directors also attended quarterly meetings to consider in detail the valuations of the unquoted investments in the portfolio.

	Board of Directors		Audit Committee		Management Engagement and Remuneration Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Anthony Townsend	3	3	2	2	1	1	1	1
Andrew Karney*	1	1	1	1	1	1	1	1
Gillian Nott*	1	0	1	0	1	0	1	0
Ian Orrock	3	3	2	2	1	1	1	1
Robert Owen [^]	2	1	1	1	0	0	0	0
Malcolm Groat [^]	2	2	1	1	0	0	0	0

* Retired on 11 March 2016.

[^] Appointed on 11 March 2016.

Directors' Remuneration Report

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Company's auditor, KPMG, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the 'Independent Auditor's Report' on pages 37 to 39.

Ordinary resolutions for the approval of this report and the Directors' remuneration policy will be put to the members at the forthcoming AGM.

Annual Statement from the Chairman of the Management Engagement and Remuneration Committee

The Management Engagement and Remuneration Committee is chaired by Mr Townsend and comprises all the Directors of the Company. The Company has no executive Directors, and considers all the non-Executive Directors to be independent.

The Management Engagement and Remuneration Committee's key responsibilities are:

1. Determining and agreeing with the Board the remuneration policy for the Board and the fee cover for the Company's Chairman and non-executive Directors; and
2. Reviewing the appropriateness of the Manager's appointment (including key executives thereof) together with the terms and conditions of the appointment.

Each year the Committee reviews the Director's fee to make sure they are in line with others in the VCT industry, so that the Board can attract suitably qualified candidates to the Board. In addition they have regard to the workload that individual directors and the Chairman undertake as members of the Board. In recent years the Board has seen a significant increase in regulation in the industry which has in turn resulted in an increase in the workload of the Directors. In the forthcoming year the workload will be increased yet again by the legislative changes that were introduced in November 2015. In addition the Directors spend a considerable amount

of time monitoring the 70 per cent test, the other continuing VCT tests, and the co-investment scheme. They are also responsible for monitoring the key risks to the Company and for scrutiny of all costs. The Directors set the strategy for the Company's continuing success and decide when fundraising is appropriate. They then monitor the performance of the Company against the strategic objectives set.

Directors spend further time preparing for Board meetings, and the quarterly valuation meetings (at which a rigorous review of the unquoted investee companies is undertaken so as to arrive at the appropriate valuation) as well as a number of other ad hoc meetings. This work is in addition to the time taken up in the formal meetings of the Board.

Further details of the responsibilities of the Directors are provided in the Corporate Governance Statement on pages 25 to 31, all of which the Board believes should be taken into account when determining the remuneration of the Directors.

Directors' Fees

Given the current proposals to merge the Company with Baronsmead VCT 5 plc, the Management Engagement and Remuneration Committee have agreed to postpone any further review of directors fees until later in the year. As stated in the prospectus, the current levels of director fees are £29,500 for the Chairman, £24,000 for the Audit Chairman and £22,000 for other directors.

Directors' Remuneration Policy

Remuneration Policy

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

The remuneration policy was approved by the members at the 2014 AGM and will be submitted for re-approval at the forthcoming AGM. There are no proposed changes to the Policy and therefore it is intended that this policy will continue for the year ending 30 September 2017 and subsequent years. In accordance with the regulations, an ordinary resolution to approve the directors' remuneration policy will be put to shareholders at least once every three years.

The Directors are not eligible to receive pension entitlements or bonuses and no other benefits are provided. They are not entitled to participate in any long-term incentive plan or share option schemes. Fees are paid to the Directors on a monthly basis and are not performance related.

The Directors do not have service contracts and therefore have no notice period. As a result, the Company does not have a policy on termination payments.

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy. At the last AGM, over 92 per cent of shareholders voted for the resolution approving the Directors Remuneration Report (8 per cent against). At the 2014 AGM, when the remuneration policy was last put to a shareholder vote, over 90 per cent voted for the resolution (9 per cent against), showing significant shareholder support.

Director's Tenure

While the Directors do not have service contracts they are provided with a letter of appointment. The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. As outlined in the Nomination Committee Report, it has been agreed that all directors will submit themselves for annual re-election, in line with best practice.

Annual Remuneration Report

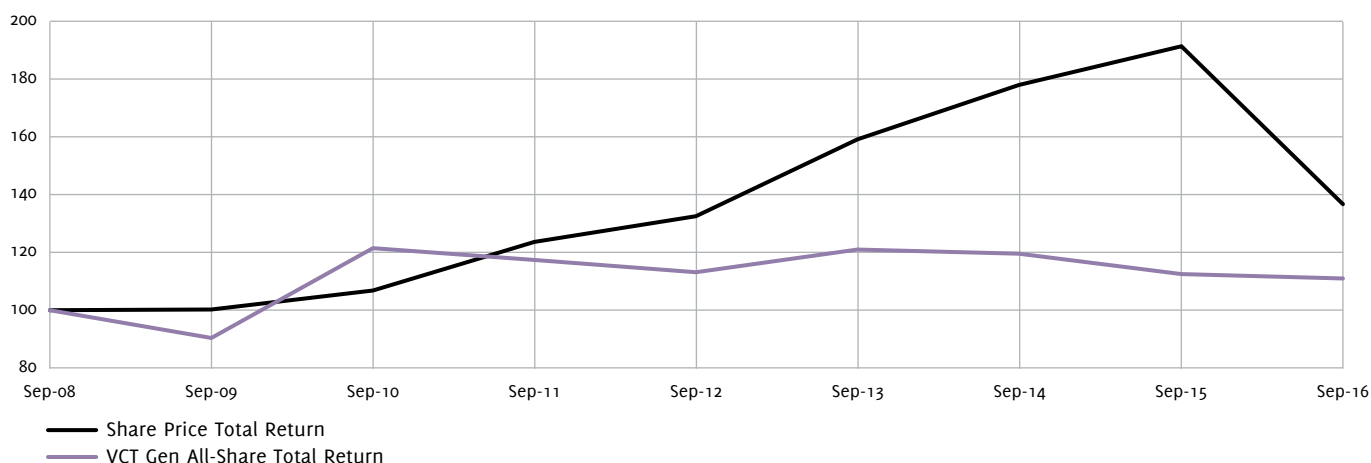
Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the 'Report of the Directors'. The graph overleaf compares, for the eight periods, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 70 generalist VCTs (source AIC), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Once a year the Management Engagement and Remuneration Committee formally reviews the performance of the Manager and the appropriateness of its continuing appointment. At this meeting they review the performance of the fund and all aspects of the service provided by the Manager. They also review the terms and conditions of the appointment, including the level of the Manager's fees.

Directors' Remuneration Report

Share Price and the VCT Generalist Share Price Total Return Performance Graph



Directors' emoluments for the year (audited)

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

	Nine months to 30 September 2016 Fees £	Year to 31 December 2015 Fees £
Anthony Townsend (Chairman)	22,100	29,500
Andrew Karney*	9,800	22,000
Gillian Nott*	10,700	24,000
Ian Orrock	16,500	22,000
Robert Owen [^]	13,000	–
Malcolm Groat [^]	13,900	–
Total	86,000	97,500

* Resigned on 11 March 2016. Fees for 2016 include ex-gratia payments equivalent to three months fees (Andrew Karney: £5,500; Gillian Nott: £6,000) in recognition of their contribution to the development of the Company.

[^] Appointed on 11 March 2016.

Relative Importance of Spend on Directors' Fees

	2016 £	2015 £	Percentage increase
Dividend	25,695,000*	5,576,000	360.8*
Total directors fees	86,000	97,500	(11.8)

* The dividends paid in the nine months to 30 September 2016 should be viewed as exceptional and such a level of dividends should not be expected going forward.

Directors' Interests

The interests of the Directors in the shares of the Company, at the beginning and at the end of the year, or date of appointment, if later, were as follows:

	30 September 2016 Ordinary 10p shares	Changes during period		31 December 2015 Ordinary 10p shares
		Received as part of fundraising	Received as part of the merger	
Anthony Townsend (Chairman)	177,444	18,656	7,589	151,199
Andrew Karney*	n/a	n/a	n/a	104,340
Gillian Nott*	n/a	n/a	n/a	93,962
Ian Orrock	41,430	9,328	952	31,150
Robert Owen^	136,950	9,328	116,913	10,709
Malcolm Groat^	37,426	23,320	14,106	n/a
Total	393,250			380,651

* resigned on 11 March 2016.

^ appointed on 11 March 2016.

There have been no changes in the holdings of the Directors between 30 September 2016 and 17 November 2016.

Approved by the Board of Directors and signed by:

Anthony Townsend

Chairman of the Management Engagement and Remuneration Committee

17 November 2016

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

On behalf of the Board

Anthony Townsend

Chairman

17 November 2016

Independent Auditor's Report

Baronsmead Second Venture Trust plc

Audited Annual Report & Accounts for the period from 1 January 2016 to 30 September 2016

Independent Auditor's Report to the Members of Baronsmead Second Venture Trust Plc Only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Baronsmead Second Venture Trust plc for the period ended 30 September 2016 set out on pages 40 to 56. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 31 December 2015):

Valuation of Unquoted Investments £49.3m (2015: £26.7m) Risk vs 2015 (◀▶)

Refer to page 30 (Audit & Risk Committee Report), page 45 (accounting policy) and pages 45 and 46 (financial disclosures)

- *The risk* – 34.7% (2015: 33.4%) of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value, being primarily earnings multiples. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.
- *Our response* – Our procedures included:
 - documenting and assessing the design and implementation of the investment valuation processes and controls in place;
 - attendance at quarterly valuation meetings with the Directors and investment manager to assess their discussion and review of the investment valuations;
 - assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
 - challenging the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors applied to earnings multiples, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
 - attending the year-end Audit & Risk Committee meeting where we assessed the effectiveness of the Audit & Risk Committee's challenge and approval of unlisted investment valuations; and
 - consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Independent Auditor's Report

Carrying amount of Quoted Investments £67.3m (2015: £41.2m) Risk vs 2015 (◀▶)

Refer to page 45 (accounting policy) and pages 45 and 46 (financial disclosures)

■ *The risk* – The Company's portfolio of quoted investments makes up 47.3% (2015: 51.6%) of the company's total assets (by value) and is considered to be one of the key drivers of performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

■ *Our response* – Our procedures over the completeness, valuation and existence of the company's quoted investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
- agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1,421,537 (2015: £798,038), determined with reference to a benchmark of total assets, of which it represents 1% (2015:1%).

We report to the Audit & Risk Committee any corrected and uncorrected identified misstatements exceeding £71,077 (2015:£39,902), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the Manager's, Livingbridge VC LLP, head office in London and at the administrator's, Capita Asset Services, office in Exeter.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability statement on pages 20 and 21, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the three year period to 30 September 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy; or
- the Audit Committee section of the Corporate Governance statement does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 20, 21 and 24, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 25 to 29 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Waterson (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

17 November 2016

Income Statement

For the period ended 30 September 2016

	Notes	Period ended 30 September 2016			Year ended 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movements in fair value of investments	2.3	–	5,920	5,920	–	5,788	5,788
Realised gains on disposal of investments	2.3	–	2,216	2,216	–	4,034	4,034
Income	2.5	1,221	–	1,221	1,627	–	1,627
Investment management fee	2.6	(616)	(1,847)	(2,463)	(477)	(1,430)	(1,907)
Other expenses	2.6	(810)	–	(810)	(475)	–	(475)
(Loss)/profit on ordinary activities before taxation		(205)	6,289	6,084	675	8,392	9,067
Taxation on ordinary activities	2.9	–	–	–	–	–	–
(Loss)/profit for the period, being total comprehensive income for the period		(205)	6,289	6,084	675	8,392	9,067
Return per ordinary share:							
Basic	2.2	(0.16p)	4.83p	4.67p	0.90p	11.23p	12.13p

All items in the above statement derive from continuing operations.

There are no recognised gains and losses other than those disclosed in the Income Statement.

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the realised and unrealised profit or loss on investments and the proportion of the management fee charged to capital.

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

Statement of Changes in Equity

Baronsmead Second Venture Trust plc

Audited Annual Report & Accounts for the period from 1 January 2016 to 30 September 2016

For the period ended 30 September 2016

Notes	Non-distributable reserves				Distributable reserves		Total £'000
	Called-up share capital £'000	Share premium £'000	Other reserve £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	
At 1 January 2016	8,463	8,815	–	15,460	45,758	700	79,196
Profit/(loss) on ordinary activities after taxation	–	–	–	8,897	(2,608)	(205)	6,084
Shares issued following the acquisition of Baronsmead VCT 4 plc	6,800	63,884	–	–	–	–	70,684
Net proceeds of share issues, share buybacks & sale of shares from treasury	933	8,767	–	–	939	–	10,639
Dividends paid 2.4	–	–	–	–	(25,695)	–	(25,695)
At 30 September 2016	16,196	81,466	–	24,357	18,394	495	140,908

For the year ended 31 December 2015

Notes	Non-distributable reserves				Distributable reserves		Total £'000
	Called-up share capital £'000	Share premium £'000	Other reserve £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	
At 1 January 2015	8,463	8,813	33,716	12,521	12,410	694	76,617
Movement between reserves	–	–	(33,716)	–	33,716	–	–
Profit on ordinary activities after taxation	–	–	–	2,939	5,453	675	9,067
Net proceeds of share buybacks & sale of shares from treasury	–	2	–	–	(914)	–	(912)
Dividends paid 2.4	–	–	–	–	(4,907)	(669)	(5,576)
At 31 December 2015	8,463	8,815	–	15,460	45,758	700	79,196

Balance Sheet

As at 30 September 2016

Company Number: 04115341

	Notes	As at 30 September 2016 £'000	As at 31 December 2015 £'000
Fixed assets			
Investments	2.3	116,579	67,849
Current assets			
Debtors	2.7	1,464	651
Cash at bank and on deposit		24,110	11,304
		25,574	11,955
Creditors (amounts falling due within one year)	2.8	(1,245)	(608)
Net current assets		24,329	11,347
Net assets		140,908	79,196
Capital and reserves			
Called-up share capital	3.1	16,196	8,463
Share premium	3.2	81,466	8,815
Capital reserve	3.2	18,394	45,758
Revaluation reserve	3.2	24,357	15,460
Revenue reserve	3.2	495	700
Equity shareholders' funds	2.1	140,908	79,196
NAV per share			
– Basic	2.1	92.17p	106.46p
– Treasury	2.1	91.89p	105.80p

The financial statements were approved by the board of Directors on 17 November 2016 and were signed on its behalf by:

Anthony Townsend

Chairman

Statement of Cash Flows

Baronsmead Second Venture Trust plc

Audited Annual Report & Accounts for the period from 1 January 2016 to 30 September 2016

For the period ended 30 September 2016

	Period ended 30 September 2016 £'000	Year ended 31 December 2015 £'000
Cash flows from operating activities		
Investment income received	1,757	1,266
Deposit interest received	59	36
Investment management fees paid	(2,371)	(1,891)
Other cash payments	(444)	(484)
Merger costs paid	(157)	–
Net cash outflow from operating activities	(1,156)	(1,073)
Cash flows from investing activities		
Purchases of investments	(28,999)	(40,761)
Disposals of investments	39,739	49,303
Net cash inflow from investing activities	10,740	8,542
Equity dividends paid	(25,695)	(5,576)
Net cash (outflow)/inflow before financing activities	(16,111)	1,893
Cash flows from financing activities		
Net proceeds of share issues, share buybacks & sale of shares from treasury	9,378	(912)
Net proceeds received from merger	19,539	–
Net cash inflow/(outflow) from financing activities	28,917	(912)
Increase in cash	12,806	981
Reconciliation of net cash flow to movement in net cash		
Increase in cash	12,806	981
Opening cash position	11,304	10,323
Closing cash at bank and on deposit	24,110	11,304
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities		
Profit on ordinary activities before taxation	6,084	9,067
Gains on investments	(8,136)	(9,822)
Decrease/(increase) in debtors	448	(322)
Increase in creditors	635	7
Written off expenses from merger	(187)	–
Interest reinvested	–	(3)
Net cash outflow from operating activities	(1,156)	(1,073)

Notes to the Financial Statements

We have grouped notes into sections under three key categories:

1. Basis of preparation
2. Investments, performance and shareholder returns
3. Other required disclosures

The key accounting policies have been incorporated throughout the notes to the financial statements adjacent to the disclosure to which they relate. All accounting policies are included within an outlined box.

1. Basis of Preparation

1.1 Basis of accounting

These Financial Statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the Association of Investment Companies ("AIC") in November 2014 and on the assumptions that the Company maintains VCT status. The Company has early adopted the amendments made to FRS 102 paragraph 34.22 issued in March 2016, revising the fair value hierarchy disclosure requirements.

The Financial Statements have been prepared on a going concern basis, under historical cost convention. The functional currency in which the Company operates is Sterling.

2. Investments, Performance and Shareholder Returns

2.1 NAV per share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30 September 2016 number	31 December 2015 number	30 September 2016 pence	31 December 2015 pence	30 September 2016 £'000	31 December 2015 £'000
Ordinary shares (basic)	152,870,796	74,393,966	92.17	106.46	140,908	79,196
Ordinary shares (including treasury)	161,960,010	84,628,180	91.89	105.80	148,827	89,533

The treasury NAV per share as at 30 September 2016 has been calculated by assuming that all shares held in treasury were sold to the market at the mid-share price of 87.13p at 30 September 2016 (31 December 2015: 101.00p).

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit on ordinary activities after taxation	
	30 September 2016 number	31 December 2015 number	30 September 2016 pence	31 December 2015 pence	30 September 2016 £'000	31 December 2015 £'000
Revenue	130,242,740	74,732,308	(0.16)	0.90	(205)	675
Capital	130,242,740	74,732,308	4.83	11.23	6,289	8,392
Total			4.67	12.13	6,084	9,067

2. Investments, Performance and Shareholder Returns (continued)

2.3 Investments

The Company has fully adopted sections 11 and 12 of FRS 102.

Purchases or sales of investments are recognised at the date of transaction.

Investments are measured at fair value. For AIM-traded securities this is either bid price or the last traded price, depending on the convention of the exchange on which the investment is traded.

In respect of unquoted investments, these are valued at fair value by the Directors using methodology which is consistent with the International Private Equity and Venture Capital Valuation guidelines ("IPEV"). This means investments are valued using an earnings multiple, which has a discount or premium applied which adjusts for points of difference to appropriate stock market or comparable transaction multiples. Alternative methods of valuation will include application of an arm's length third party valuation, a provision on cost or a NAV basis.

Gains and losses arising from changes in the fair value of the investments are included in the Income Statement for the period as a capital item. Transaction costs on acquisition are included within the initial recognition and the profit or loss on disposal is calculated net of transaction costs on disposal.

All investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the Income Statement. The details of which are set out in the box above.

The methods of fair value measurement are classified into a hierarchy based on reliability of the information used to determine the valuation.

- Level 1 – Fair value is measured based on quoted prices in an active market.
- Level 2 – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.
- Level 3 – Fair value is measured using a valuation technique that is not based on data from an observable market.

	30 September 2016 £'000	31 December 2015 £'000
Level 1		
Listed interest bearing securities	–	4,498
Investments traded on AIM	58,093	27,548
	58,093	32,046
Level 2		
Collective investment vehicle (Wood Street Microcap Investment Fund)	9,200	9,133
Level 3		
Unquoted investments	49,286	26,670
	116,579	67,849

Notes to the Financial Statements

2. Investments, Performance and Shareholder Returns (continued)

2.3 Investments (continued)

	Level 1		Level 2	Level 3	Total £'000
	Listed interest bearing securities £'000	Traded on AIM £'000	Collective investment vehicle £'000	Unquoted £'000	
Opening book cost	4,498	19,442	3,525	24,924	52,389
Opening unrealised appreciation	–	8,106	5,608	1,746	15,460
Opening valuation	4,498	27,548	9,133	26,670	67,849
Movements in the period:					
Transfer between levels	–	900	–	(900)	–
Purchases at cost	26,983	2,016	–	791	29,790
Holdings acquired following the acquisition of Baronsmead VCT 4 plc	–	26,295	–	25,039	51,334
Sale – proceeds	(31,481)	(500)	–	(8,549)	(40,530)
– realised gains on sales	–	248	–	1,968	2,216
Unrealised losses realised during the year	–	(444)	–	(2,533)	(2,977)
Increase in unrealised appreciation	–	2,030	67	6,800	8,897
Closing valuation	–	58,093	9,200	49,286	116,579
Closing book cost	–	47,957	3,525	40,740	92,222
Closing unrealised appreciation	–	10,136	5,675	8,546	24,357
Closing valuation	–	58,093	9,200	49,286	116,579
Equity shares	–	58,093	9,200	12,264	79,557
Loan notes	–	–	–	37,022	37,022
Closing valuation	–	58,093	9,200	49,286	116,579

The gains and losses included in the above table have all been recognised in the Income Statement on page 40.

For Level 3 unquoted investments, the effect on fair value of changing one or more assumptions to reasonably possible alternatives has been considered. The portfolio has been reviewed and both downside and upside reasonable possible alternatives have been identified and applied to the valuation of each of the investments. The inputs flexed in determining the reasonably possible alternative assumptions include the earnings stream and marketability discount.

Applying the downside alternatives the value of the unquoted investments would be £3.5 million or 7.1 per cent lower. Using the upside alternatives the value of the unquoted investments would be increased by £3.0 million or 6.0 per cent.

2. Investments, Performance and Shareholder Returns (continued)

2.4 Dividends

	Period ended 30 September 2016			Year ended 31 December 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Amounts recognised as distributions to equity holders in the period:						
For the period ended 30 September 2016						
– First interim dividend of 7.0p per ordinary share paid on 3 June 2016	–	10,553	10,553	–	–	–
– Second interim dividend of 10.0p per ordinary share paid on 30 September 2016	–	15,142	15,142	–	–	–
For the year ended 31 December 2015						
– First interim dividend of 3.0p per ordinary share paid on 18 September 2015	–	–	–	223	2,005	2,228
– Second interim dividend of 4.5p per ordinary share paid on 18 December 2015	–	–	–	446	2,902	3,348
	–	25,695	25,695	669	4,907	5,576

2.5 Income

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

Where the terms of unquoted loan notes only require interest or a redemption premium to be paid on redemption, the interest and the redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium should be recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. No redemption premiums were received in the period ended 30 September 2016.

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

Dividends on quoted shares are recognised as income when the related investments are marked ex-dividend and where no dividend date is quoted, when the Company's right to receive payment is established.

Notes to the Financial Statements

2. Investments, Performance and Shareholder Returns (continued)

2.5 Income (continued)

	Period ended 30 September 2016			Year ended 31 December 2015		
	Quoted securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments†						
UK franked	664	–	664	1,068	–	1,068
UK unfranked	30	470	500	24	495	519
UK unfranked – reinvested	–	–	–	–	3	3
	694	470	1,164	1,092	498	1,590
Other income‡						
Deposit interest			57			37
Total income			1,221			1,627
Total income comprises:						
Dividends			676			1,070
Interest			545			557
			1,221			1,627

† All investments have been included at fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

‡ Other income on financial assets not included at fair value through profit or loss.

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

	Period ended 30 September 2016			Year ended 31 December 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	616	1,847	2,463	477	1,430	1,907
Performance fee	–	–	–	–	–	–
	616	1,847	2,463	477	1,430	1,907

Management fees are allocated 25 per cent income and 75 per cent capital derived in accordance with the board's expected split between long term income and capital returns. Performance fees are allocated 100 per cent to capital.

The management agreement may be terminated by either party giving twelve months notice of termination.

2. Investments, Performance and Shareholder Returns (continued)

2.6 Investment management fee and other expenses (continued)

The Manager, Livingbridge VC LLP, receives a fee of 2.5 per cent per annum of the net assets of the Company, calculated and payable on a quarterly basis.

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (on a simple basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of the shareholders' funds at the end of the calculation period. No performance fee is payable for the period ended 30 September 2016 (31 December 2015: £nil).

Other expenses

	Period ended 30 September 2016 £'000	Year ended 31 December 2015 £'000
Directors' fees	86	98
Secretarial and accounting fees paid to the Manager	110	136
Remuneration of the auditors and their associates:		
– audit	29	24
– other services supplied pursuant to legislation (interim review)	6	6
– other services supplied relating to taxation	7	6
Merger costs	365	–
Other	207	205
	810	475

Information on Directors' remuneration is given in the Directors' emoluments table on page 34.

Charges for other services provided by the Auditors in the period ended 30 September 2016 were in relation to the interim review and tax compliance work (including iXBRL). The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained. The Directors consider that the Auditors were best placed to provide such services.

2.7 Debtors

	As at 30 September 2016 £'000	As at 31 December 2015 £'000
Prepayments and accrued income	203	651
Amounts due from sale of shares from treasury	1,261	–
	1,464	651

Notes to the Financial Statements

2. Investments, Performance and Shareholder Returns (continued)

2.8 Creditors (amounts falling due within one year)

	As at 30 September 2016 £'000	As at 31 December 2015 £'000
Management, secretarial and accounting fees due to the Manager	922	530
Merger costs	208	–
Other creditors	115	78
	1,245	608

2.9 Tax

UK corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation on the liability method, without discounting, on all timing differences calculated at the current rate of tax relevant to the benefit or liability.

The tax charge for the year is lower than the standard rate of corporation tax in the UK for a company. The differences are explained below:

	Period ended 30 September 2016			Year ended 31 December 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit on ordinary activities before taxation	(205)	6,289	6,084	675	8,392	9,067
Corporation tax at 20.0 per cent (31 December 2015: 20.25 per cent)*	(41)	1,258	1,217	137	1,699	1,836
Effect of:						
Non-taxable gains	–	(1,627)	(1,627)	–	(1,989)	(1,989)
Non-taxable dividend income	(135)	–	(135)	(217)	–	(217)
Losses carried forward	176	369	545	80	290	370
Tax charge/(credit) for the period	–	–	–	–	–	–

* The corporation tax rate applied is based on the average tax rates for the financial periods ended 30 September 2016 and 31 December 2015. The actual rates were 21 per cent until 31 March 2015 and 20 per cent from 1 April 2016.

At 30 September 2016 the Company had surplus management expenses of £6,728,994 (31 December 2015: £4,005,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future year in excess of the deductible expenses of that future year and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3. Other Required Disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
84,628,180 ordinary shares of 10p each listed at 31 December 2015	8,463
9,328,156 ordinary shares of 10p each issued during the period	933
68,003,674 ordinary shares of 10p each issued as consideration shares following the acquisition of BVCT4	6,800
161,960,010 ordinary shares of 10p each listed at 30 September 2016	16,196
10,234,214 ordinary shares of 10p each held in treasury at 31 December 2015	(1,024)
1,255,000 ordinary shares of 10p each repurchased during the period and held in treasury	(125)
(2,400,000) ordinary shares of 10p each sold from treasury during the period	240
9,089,214 ordinary shares of 10p each held in treasury at 30 September 2016	(909)
152,870,796 ordinary shares of 10p each in circulation* at 30 September 2016	15,287

* Carrying one vote each.

During the period the Company bought back into treasury 1,255,000 ordinary shares and sold from treasury 2,400,000 ordinary shares, representing (1.35) per cent of the ordinary shares in issue at the beginning of the financial period.

There were no changes in share capital between the period end and when the financial statements were approved.

Treasury shares

When the Company re-acquires its own shares, they are currently held as treasury shares and not cancelled.

Shareholders have authorised the board to re-issue treasury shares at a discount to the prevailing NAV subject to the following conditions:

- It is in the best interests of the Company;
- Demand for the Company's shares exceeds the shares available in the market;
- A full prospectus must be produced if required; and
- HMRC will not consider these 'new shares' for the purposes of the purchasers' entitlement to initial income tax relief.

Notes to the Financial Statements

3. Other Required Disclosures (continued)

3.2 Reserves

Gains and losses on realisation of investments of a capital nature are dealt with in the capital reserve. Purchases of the Company's own shares to be either held in treasury or cancelled are also funded from this reserve. 75 per cent of management fees are allocated to the capital reserve in accordance with the board's expected split between long term income and capital returns.

	Distributable reserves			Non-distributable reserves		
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve* £'000	Total £'000
At 1 January 2016	45,758	700	46,458	8,815	15,460	24,275
Gross proceeds of share issues	–	–	–	9,067	–	9,067
Shares issued as consideration following the acquisition of BVCT4	–	–	–	63,884	–	63,884
Purchase of shares for treasury	(1,233)	–	(1,233)	–	–	–
Sale of shares from treasury	2,178	–	2,178	–	–	–
Expenses of share issue and buybacks	(6)	–	(6)	(300)	–	(300)
Reallocation of prior year unrealised losses	(2,977)	–	(2,977)	–	2,977	2,977
Realised gain on disposal of investments [#]	2,216	–	2,216	–	–	–
Net increase in value of investments [#]	–	–	–	–	5,920	5,920
Management fee capitalised [#]	(1,847)	–	(1,847)	–	–	–
Revenue return on ordinary activities after taxation [#]	–	(205)	(205)	–	–	–
Dividends paid in the period	(25,695)	–	(25,695)	–	–	–
At 30 September 2016	18,394	495	18,889	81,466	24,357	105,823

* Changes in fair value of investments are dealt with in this reserve.

[#] The total of these items is £6,084,000 which agrees to the total profit on ordinary activities.

Distributable reserves include any net unrealised loss on investments whose prices are quoted in an active market and deemed readily realisable in cash.

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy to invest in a diverse portfolio of UK growth businesses.

The Company's investing activities expose it to a range of financial risks. These key risks and the associated risk management policies to mitigate these risks are described below.

Market risk

Market risk includes price risk on investments and interest rate risk on investments and other financial assets and liabilities.

Price Risk

The investment portfolio is managed in accordance with the policies and procedures described on pages 18 to 21 of the Strategic Report.

Investments in unquoted stocks and AIM-traded companies involve a higher degree of risk than investments in the main market. The Company aims to reduce this risk by diversifying the portfolio across business sectors and asset classes.

Management performs continuing analysis on the fair value of investments and the Company's overall market positions are monitored by the board on a quarterly basis.

	As at 30 September 2016			As at 31 December 2015		
	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000
AIM and CIV	58	3,365	(3,365)	54	1,834	(1,834)
Unquoted	42	2,464	(2,464)	39	1,334	(1,334)

Valuation methodology includes the application of earnings multiples derived from either listed companies with similar characteristics or recent comparable transactions. Therefore the value of the unquoted element of the portfolio may also indirectly be affected by price movements on the listed exchanges.

Notes to the Financial Statements

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Interest rate risk

The Company has the following investments in fixed rate financial assets:

	As at 30 September 2016			As at 31 December 2015		
	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed days	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed days
Fixed rate loan note securities	37,022	9.01	#	19,403	8.50	#
Fixed interest instruments	–	–	–	4,498	0.30	11
Cash at bank and on deposit	24,110	–	–	11,304	–	–
	61,132			35,205		

Due to the complexity of the instruments and uncertainty surrounding timing of realisation the weighted average time for which the rate is fixed has not been calculated.

Credit risk

Credit risk refers to the risk that counterparty will default on its obligation resulting to a financial loss to the Company. The Investment Manager monitors credit risk on an ongoing basis.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	As at 30 September 2016 £'000	As at 31 December 2015 £'000
Investments in fixed rate instruments	–	4,498
Cash at bank and on deposit	24,110	11,304
Interest, dividends and other receivables	1,464	651
	25,574	16,453

Credit risk on unquoted loan stock held within unlisted investments is considered to be part of market risk as disclosed earlier in the note.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Credit risk (continued)

All the assets of the Company which are traded on a recognised exchange are held by JP Morgan Chase ("JPM"), the Company's custodian. The board monitors the Company's risk by reviewing the custodian's internal controls reports as described in the Corporate Governance section of this report.

The cash held by the Company is held by JPM. The board monitors the Company's risk by reviewing regularly the internal control reports of these banks. Should the credit quality or the financial position of either bank deteriorate significantly the Investment Manager will seek to move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties at 30 September 2016 or 31 December 2015. No individual investment in a portfolio company exceeded 5.4 per cent of the net assets attributable to the Company's shareholders at 30 September 2016 (31 December 2015: 4.1 per cent).

Liquidity risk

The Company's financial instruments include investments in unquoted companies which are not traded in an organised public market, as well as AIM-traded equity investments, all of which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2016 these investments were valued at £24,110,000 (31 December 2015: £15,802,000).

3.4 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Livingbridge VC LLP, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors as disclosed in note 2.6. In addition, the Manager operates a Co-investment Scheme, detailed in the Management retention section of the Strategic Report on page 20, whereby employees of the Manager are entitled to participate in all unquoted investments alongside the Company.

During the period ended 30 September 2016, the Manager received income of £nil (31 December 2015: BVCT3 £57,000 & BVCT4 £57,000) in connection with advisory fees and incurred abort fees of £12,000 (31 December 2015: BVCT3 £10,000 & BVCT4 £10,000), with respect to investments attributable to Baronsmead Second Venture Trust.

Directors' fees of £252,000 (31 December 2015: BVCT3 £207,000 & BVCT4 £207,000) were received by the Manager in relation to services provided to companies in the investment portfolio, during the year, with respect to investments attributable to Baronsmead Second Venture Trust.

3.5 Segmental reporting

The Company has one reportable segment being investing in primarily a portfolio of UK growth businesses, whether unquoted or traded on AIM.

Notes to the Financial Statements

3. Other Required Disclosures (continued)

3.6 Post balance sheet event

On 17 October 2016 the Company and Baronsmead VCT 5 plc ("BVCT5") published circulars in connection with recommended proposals for their merger (the "BVCT5 Merger") and convened general meetings at which these proposals would be voted on by their respective shareholders. At the general meetings held by the Company and BVCT5 on 8 November 2016, the Company's shareholders and the shareholders of BVCT5 voted in favour of their respective resolutions concerning the BVCT5 Merger proposals. The proposed merger with BVCT5 remains subject to the shareholders of BVCT5 approving the resolution to place BVCT5 into members' voluntary liquidation to be proposed at a general meeting to be held on 30 November 2016. Should this resolution be approved, the BVCT5 Merger would become effective resulting in the Company having a combined NAV of approximately £180.0m, making it one of the largest VCTs in the industry.

Investment Policy

The Company's investment policy is to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM, which are substantially based in the UK, although many of these investees may have some trade overseas.

Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value and which will diversify the portfolio.

The Company will make investments in accordance with the prevailing VCT legislation which places restrictions, inter alia, on the type and age of investee companies as well as the maximum amount of investment that such investee companies may receive.

Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and permitted non-qualifying investments as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks or preference shares, while AIM-traded investments are primarily held in ordinary shares. No single investment may represent more than 15 per cent (by VCT value) of the Company's total investments.

Liquidity

Pending investment in VCT qualifying investments, the Company's cash and liquid funds are held in permitted non-qualifying investments.

Investment style

Investments are selected in the expectation that the application of private equity disciplines including active management of the investments will enhance value and enable profits to be realised on the sale of investments.

Co-investment

The Company typically invests alongside Baronsmead Venture Trust plc in companies sourced by Livingbridge VC LLP ("the Manager").

The Manager's members and staff invest in unquoted investments alongside the Company. This scheme is in line with current practice of private equity houses and its objective is to attract, recruit, retain and incentivise the Manager's team and is made on terms which align the interests of shareholders and the Manager.

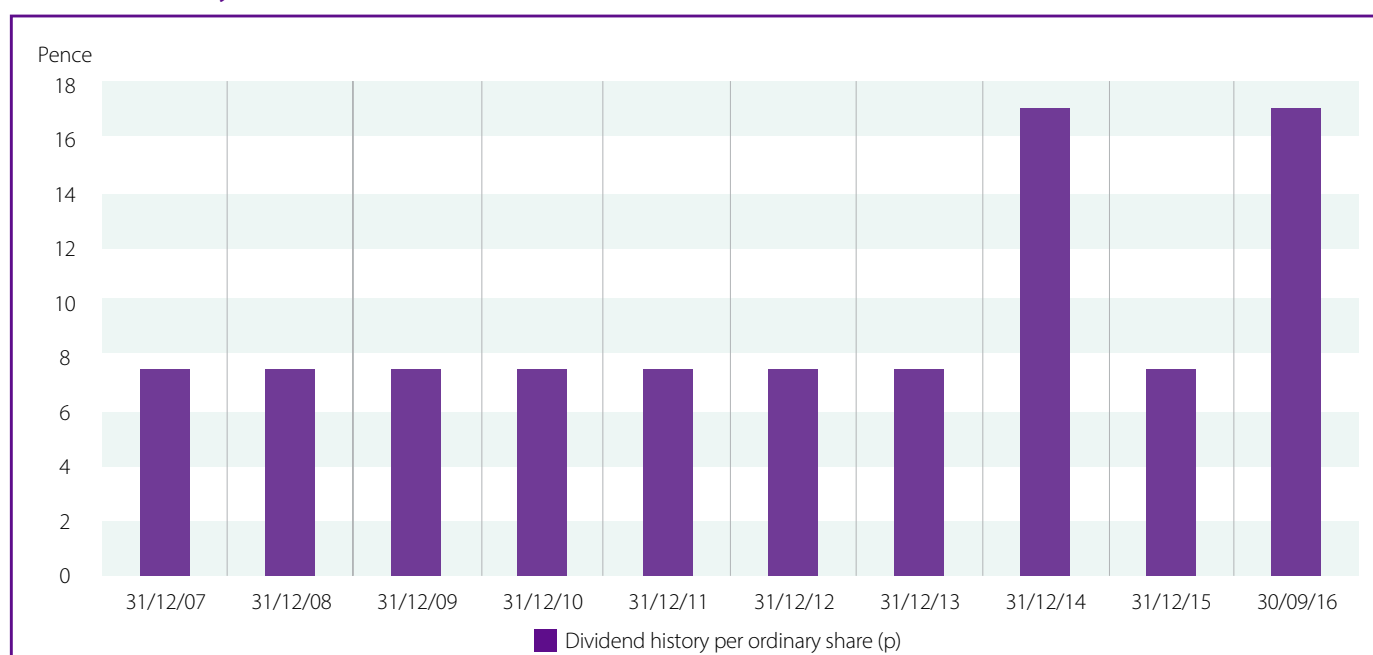
Borrowing powers

Should it be required the Company's policy is to use borrowing for short term liquidity purposes only up to a maximum of 25 per cent of the Company's gross assets, as permitted by the Company's articles of association.

Appendices

All comparative figures relate to Baronsmead VCT 3 plc prior to the merger with Baronsmead VCT 4 plc.

Dividend History in the Last Ten Years



Source: Livingbridge VC LLP

Dividends Paid Since Launch

Period ended	Ordinary share				
	Revenue (p)	Capital (p)	Dividend History per ordinary share (p)	Cumulative dividends (p)	Average total dividend per ordinary share (p)
31/12/2001	2.30	0.00	2.30	2.30	2.30
31/12/2002	2.80	0.00	2.80	5.10	2.55
31/12/2003	2.20	2.00	4.20	9.30	3.10
31/12/2004	1.20	3.30	4.50	13.80	3.45
31/12/2005	2.00	3.50	5.50	19.30	3.86
31/12/2006	1.75	4.75	6.50	25.80	4.30
31/12/2007	2.30	5.20	7.50	33.30	4.76
31/12/2008	2.40	5.10	7.50	40.80	5.10
31/12/2009	1.20	6.30	7.50	48.30	5.37
31/12/2010	2.00	5.50	7.50	55.80	5.58
31/12/2011	1.65	5.85	7.50	63.30	5.75
31/12/2012	0.50	7.00	7.50	70.80	5.90
31/12/2013	3.00	4.50	7.50	78.30	6.02
31/12/2014	1.95	15.05	17.00	95.30	6.81
31/12/2015	0.90	6.60	7.50	102.80	6.85
30/09/2016	0.00	17.00	17.00	119.80	7.61

Performance Record Since Launch

Period ended	Ordinary share				
	Total net assets (£m)	NAV per share (p)	Share price (p)	NAVTR per share (p)*	Ongoing charges %†
31/12/2001	31.1	93.85	88.00	101.21	2.9
31/12/2002	32.1	94.85	85.50	105.35	3.3
31/12/2003	33.0	97.15	90.00	112.65	3.1
31/12/2004	35.1	106.38	92.50	125.64	3.5
31/12/2005	56.2	117.31	100.50	144.77	3.5
31/12/2006	66.5	130.77	116.50	169.27	3.4
31/12/2007	65.2	120.44	111.50	170.56	3.4
31/12/2008	55.1	102.72	90.50	149.56	3.0
31/12/2009	52.9	97.50	86.25	159.89	3.1
31/12/2010	64.6	106.60	94.25	180.19	3.0
31/12/2011	60.1	100.16	91.25	189.74	3.0
31/12/2012	74.6	111.62	105.38	217.38	3.0
31/12/2013	74.9	113.40	106.25	245.38	3.0
31/12/2014	76.6	101.72	95.00	257.18	2.9
31/12/2015	79.2	106.46	101.00	288.38	3.0
30/09/2016	140.9	92.17	87.13	295.75	2.9

* Net asset value total return (gross dividends reinvested). Source: Livingbridge VC LLP.

† Figures from 31 December 2012 onwards are based on the new AIC guidelines for the calculation of ongoing charges.

Cash Returned to Shareholders

Period subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends (p)	Return on cash invested (%)
2001 (January)	100.00	20.00	80.00	119.80	139.8
2005 (March) – C share	100.00	40.00	60.00	81.10	121.1
2010 (March)	103.10	30.90	72.20	71.50	99.3
2012 (December)	117.40	35.20	82.20	53.50	75.6
2014 (March)	112.40	33.70	78.70	33.50	59.8
2016 (February)	107.20	32.20	75.00	17.00	45.9

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

Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (0.85642528).

Appendices

Full Investment Portfolio

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	30 September 2016 Valuation £'000	31 December 2015 Valuation+ £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
Unquoted								
Crew Clothing Holdings Ltd	Consumer Markets	2,904	3,695	5,023	4,484	3.6	13.4	28.1
Create Health Ltd	Healthcare & Education	1,906	3,176	4,800	4,446	3.4	11.5	29.0
Happy Days Consultancy Ltd	Healthcare & Education	3,420	3,591	4,005	3,762	2.8	25.7	65.0
Pho Holdings Ltd	Consumer Markets	1,982	2,579	3,851	3,176	2.7	11.1	28.0
CableCom II Networking Holdings Ltd	TMT*	2,500	2,731	3,187	2,962	2.2	4.9	10.5
Carousel Logistics Ltd	Business Services	1,912	2,287	3,062	2,662	2.2	12.0	40.0
Eque2 Ltd	TMT*	1,532	2,073	2,947	2,616	2.1	15.2	38.5
Armstrong Craven Ltd	Business Services	1,346	1,854	2,923	2,362	2.1	14.8	46.0
Key Travel Ltd	Business Services	1,908	2,327	2,918	2,744	2.1	9.4	48.0
Kirona Ltd	TMT*	1,908	2,038	2,675	2,166	1.9	7.5	37.5
Niche Finance Group (formerly Mortgages Made Easy Ltd)	Consumer Markets	1,911	1,911	2,442	1,911	1.7	6.7	38.0
Upper Street Events Ltd	Consumer Markets	1,906	2,128	2,281	2,350	1.6	16.0	70.1
Ten10 Group Ltd (formerly Centre 4 Testing Ltd)	Business Services	1,908	2,137	2,201	2,366	1.6	9.3	30.6
Kalyke Investments Ltd	Business Services	1,912	1,912	1,912	1,912	1.4	9.6	48.6
Yeo Bridge Ltd	Business Services	1,912	1,912	1,912	1,912	1.4	9.6	48.6
CR7 Services Ltd	TMT*	1,898	1,898	1,887	1,898	1.3	7.5	49.5
IP Solutions Ltd	TMT*	1,908	1,598	1,260	1,288	0.9	8.8	60.0
Xention Pharma Ltd	Healthcare & Education	893	893	0	0	0.0	1.7	2.9
Total unquoted		35,566	40,740	49,286		35.0		
AIM								
IDOX plc	TMT*	1,028	2,972	7,555	5,624	5.4	3.1	4.8
Netcall plc	TMT*	1,738	3,196	5,249	5,002	3.7	7.1	17.8
Tasty plc	Consumer Markets	1,188	2,805	4,045	5,118	2.9	5.0	14.4
Dods (Group) plc	TMT*	2,210	2,709	3,777	2,658	2.7	8.2	20.1
Cerillion plc	TMT*	1,800	1,800	2,984	1,800	2.1	8.0	17.8
TLA Worldwide plc	Business Services	1,466	2,260	2,981	3,126	2.1	5.1	12.5
Ideagen plc	TMT*	1,350	1,854	2,658	2,684	1.9	2.8	6.2
Inspired Energy plc	Business Services	574	1,519	2,509	2,464	1.8	3.8	9.5
Bioventix plc	Healthcare & Education	454	1,179	1,861	2,120	1.3	3.4	7.5
Plastics Capital plc	Business Services	1,586	1,557	1,783	1,512	1.3	4.5	11.6
Sanderson Group plc	TMT*	1,224	1,440	1,562	1,728	1.1	4.3	8.8
Venn Life Sciences Holdings plc	Healthcare & Education	1,224	1,171	1,413	1,236	1.0	9.8	21.7
SysGroup plc (formerly Daily Internet plc)	TMT*	1,292	1,320	1,202	716	0.9	9.4	20.8
Escher Group Holdings plc	TMT*	1,228	1,156	1,192	1,228	0.8	3.9	9.7
Anpario plc	Healthcare & Education	304	812	1,078	1,496	0.8	1.9	6.1
MartinCo plc	Consumer Markets	686	823	1,063	1,070	0.8	2.7	6.0
Electric Word plc	TMT*	1,408	1,513	1,053	1,474	0.8	10.3	27.6
Everyman Media Group plc	Consumer Markets	782	807	1,028	878	0.7	1.6	3.5
Driver Group plc	Business Services	1,126	1,327	1,026	1,462	0.7	6.9	16.1
CentralNic Group plc	TMT*	918	1,118	1,013	1,106	0.7	2.5	5.5
Eden Research plc	Business Services	900	900	988	-	0.7	4.8	10.6
Vianet Group plc	Business Services	1,292	1,138	963	1,014	0.7	3.7	9.6
EG Solutions plc	TMT*	1,428	1,193	900	1,016	0.6	8.4	19.1
Belvoir Lettings plc	Consumer Markets	752	665	851	708	0.6	1.8	4.1
Gama Aviation plc	Business Services	776	1,002	625	1,274	0.4	1.1	2.4
LoopUp Group plc	TMT*	504	504	605	-	0.4	1.2	2.7
Begbies Traynor Group plc	Business Services	448	482	528	517	0.4	1.1	2.1

Full Investment Portfolio (continued)

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	30 September 2016 Valuation £'000	31 December 2015 Valuation+ £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
AIM (continued)								
Castleton Technology plc	TMT*	202	399	496	588	0.4	1.0	2.2
Wey Education plc	Healthcare & Education	428	428	458	488	0.3	12.8	28.3
Plant Impact plc	Business Services	378	421	453	492	0.3	1.1	2.5
InterQuest Group plc	Business Services	620	726	439	946	0.3	3.0	6.0
Brady plc	TMT*	352	345	399	322	0.3	0.7	2.0
Synectics plc	Business Services	481	373	373	227	0.3	1.0	2.1
Science In Sport plc	Consumer Markets	288	260	341	272	0.2	1.1	2.5
Scholium Group plc	Consumer Markets	900	617	324	342	0.2	6.6	14.7
STM Group plc	Business Services	322	323	323	404	0.2	1.1	3.6
Crawshaw Group plc	Consumer Markets	400	543	309	780	0.2	1.2	5.7
Paragon Entertainment Ltd	Consumer Markets	516	345	304	216	0.2	7.2	19.1
MXC Capital Ltd	Business Services	226	268	261	280	0.2	0.3	0.6
Totally plc	Healthcare & Education	70	147	251	162	0.2	2.0	4.5
Adept4 plc (formerly Pinnacle Technology Group plc)	TMT*	438	322	226	400	0.2	1.2	2.6
Fulcrum Utility Services Ltd	Business Services	102	104	163	122	0.1	0.3	2.5
Mi-Pay Group plc	Business Services	800	474	154	166	0.1	1.5	3.1
Gresham House plc	TMT*	112	119	122	128	0.1	0.4	0.9
One Media iP Group plc	TMT*	226	166	66	156	0.1	3.1	6.9
CloudCall Group plc (formerly Synety Group plc)	TMT*	226	141	58	70	0.0	0.5	1.2
Ubisense Group plc	TMT*	260	160	56	60	0.0	0.3	0.6
APC Technology Group plc	Business Services	1,864	939	17	18	0.0	0.2	0.4
Zoo Digital Group plc	TMT*	817	586	8	7	0.0	0.3	0.6
Marwyn Management Partners plc	Business Services	1,050	529	0	8	0.0	0.0	0.1
Total AIM		40,764	47,957	58,093		41.2		
Collective investment vehicle								
Wood Street Microcap Investment Fund		3,525	3,525	9,200	9,133	6.5		
Total collective investment vehicle		3,525	3,525	9,200		6.5		
Total investments		79,855	92,222	116,579		82.7		
Net current assets				24,329		17.3		
Net assets				140,908		100.0		

† The original book cost column provides the pro-forma combined cost of investments made by BVCT3 & BVCT4 prior to the acquisition and re-naming of the VCT as BSVT.

BSVT acquired the investments of BVCT4 at fair value on 11 March 2016 (total cost – £51,334,000). The accounting book cost column for the combined BSVT reflects the original cost of BVCT3's assets plus the fair value cost at which BVCT4's assets were purchased.

The accounting cost column ties into the investment note on page 46 of these accounts however the original cost of the investment has been included to make it clearer for shareholders to review the portfolio.

+ For comparative purposes the valuation as at 31 December 2015 includes the fair value of the companies held by BSVT (formally BVCT3) and BVCT4.

All funds managed by the same investment manager, Livingbridge VC LLP & Livingbridge Enterprise LLP, including Baronsmead Second Venture Trust plc.

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

Shareholder Information and Contact Details

Shareholder Account Queries

The Registrar for **Baronsmead Second Venture Trust** 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:	0800 923 1534	<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	

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers for free company reports.

Please note that it is very unlikely that either the Company or the Company Registrar, Computershare, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company or the Registrar at the numbers provided above.

Share Price

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

Calendar

March 2017 Annual General Meeting

May 2017 Announcement of interim report and posting of half-yearly report

November Announcement of final results for year to 30 September 2017

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. Livingbridge VC LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead Second Venture Trust plc is managed by Livingbridge VC LLP which is Authorised and regulated by the FCA. Past performance is not necessarily a guide to future performance. Stock markets 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 Second Venture Trust plc

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker.

The market makers in the shares of Baronsmead Second Venture Trust plc are:

Panmure Gordon & Co. 020 7886 2500 (the Company's broker)

Winterflood 020 3400 0251

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

Anthony Townsend (Chairman)[†]
Ian Orrock
Malcolm Groat*

Secretary

Livingbridge VC LLP

Registered Office

100 Wood Street
London EC2V 7AN

Investment Manager

Livingbridge VC LLP
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London EC2V 7AN
020 7506 5717

Registered Number

04115341

Registrars and Transfer Office

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Bristol BS99 6ZZ
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Brokers

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London EC4M 9AF
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Auditors

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20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

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VCT Status Adviser

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Website

www.baronsmeadvcts.co.uk

[†] Chairman of Management Engagement and Remuneration Committee, Chairman of the National Committee.

* Chairman of the Audit Committee.



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