

BARONSMEAD

Baronsmead Second Venture Trust plc

2016

Half-yearly report for the six months ended
30 June 2016



About Baronsmead Second Venture Trust plc (formerly Baronsmead VCT 3 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 seeks to maintain a minimum annual dividend of 4.5p per ordinary share which primarily depends on the value of realisations achieved.

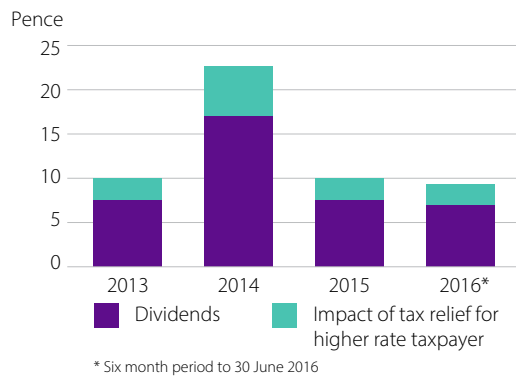
Following final shareholder approval on 11 March 2016 Baronsmead VCT 3 plc (now renamed Baronsmead Second Venture Trust plc ("BSVT")) acquired the assets of Baronsmead VCT 4 plc ("BVCT4") in consideration for the issue of new BSVT Shares for BVCT4 shareholders. **This is the first set of accounts since the two VCTs were combined and it is important to note the comparative prior year figures relate to the original Baronsmead VCT 3 plc.**

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 requirements 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 issue costs. This enables shareholders seeking additional investments to do so with taxation relief.
- **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.
- **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 market share price discount of approximately 5 per cent. to net asset value. In the six months to 30 June 2016, 1,255,000 shares were bought back representing 0.8 per cent. of the shares in issue at 30 June 2016 at prices which represent an average 5.1 per cent. discount to the latest published net asset value at the time the shares were bought back. By providing support to market pricing, this helps those shareholders who need to realise their investment.
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought or sold by shareholders using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 36,000 shares were bought by investors in the Company's existing shares in the six months to 30 June 2016.

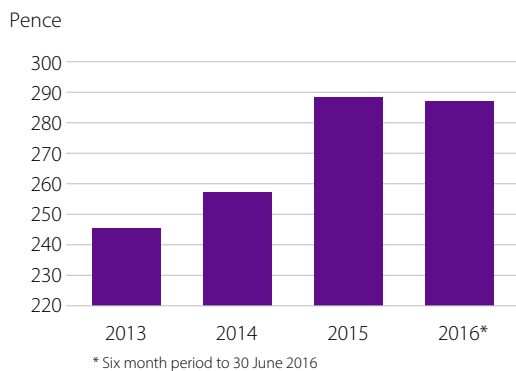
Financial Headlines



Dividends in the period

7.0p dividend paid in the six month period to 30 June 2016

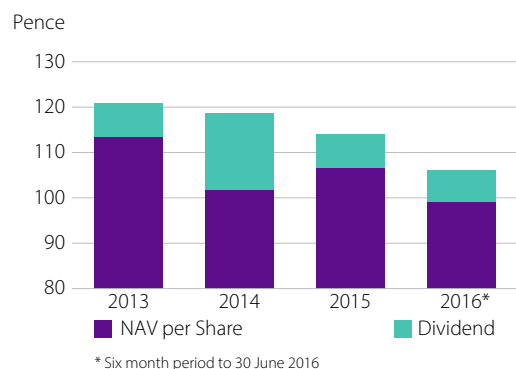
7.0p



Net asset value total return

Net asset value ("NAV") total return to shareholders for every 100.0p invested at launch

287.0p



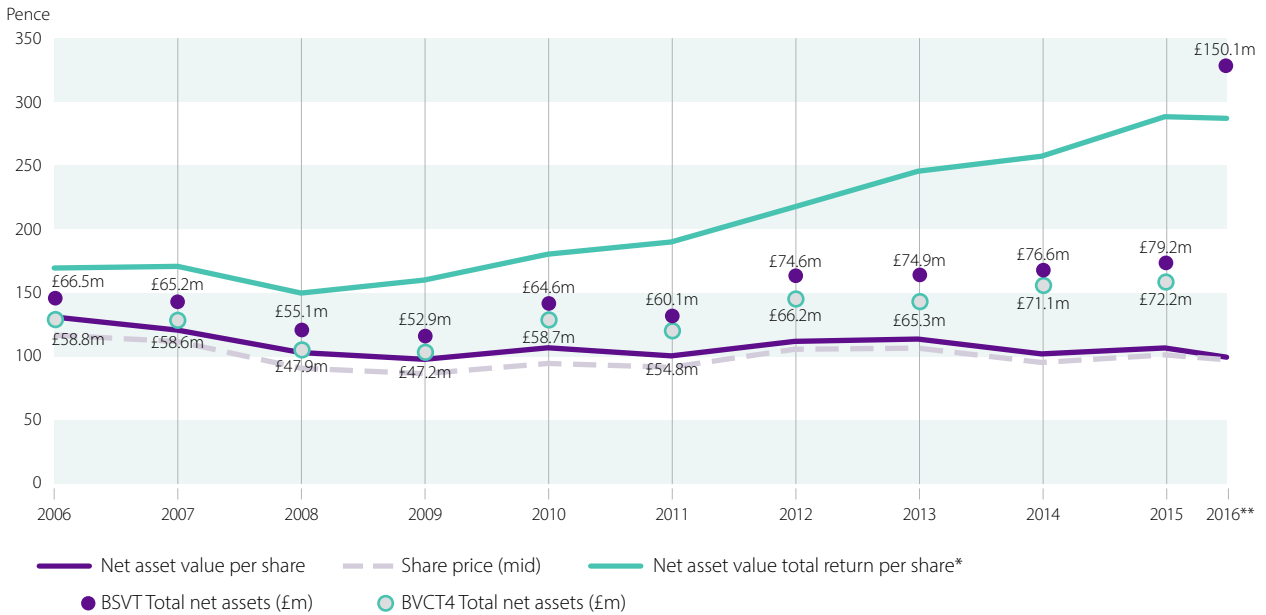
NAV per share

NAV per share decreased 0.3 per cent to 106.16p in the six month period to 30 June 2016 before the deduction of dividends

-0.3%

Performance Summary

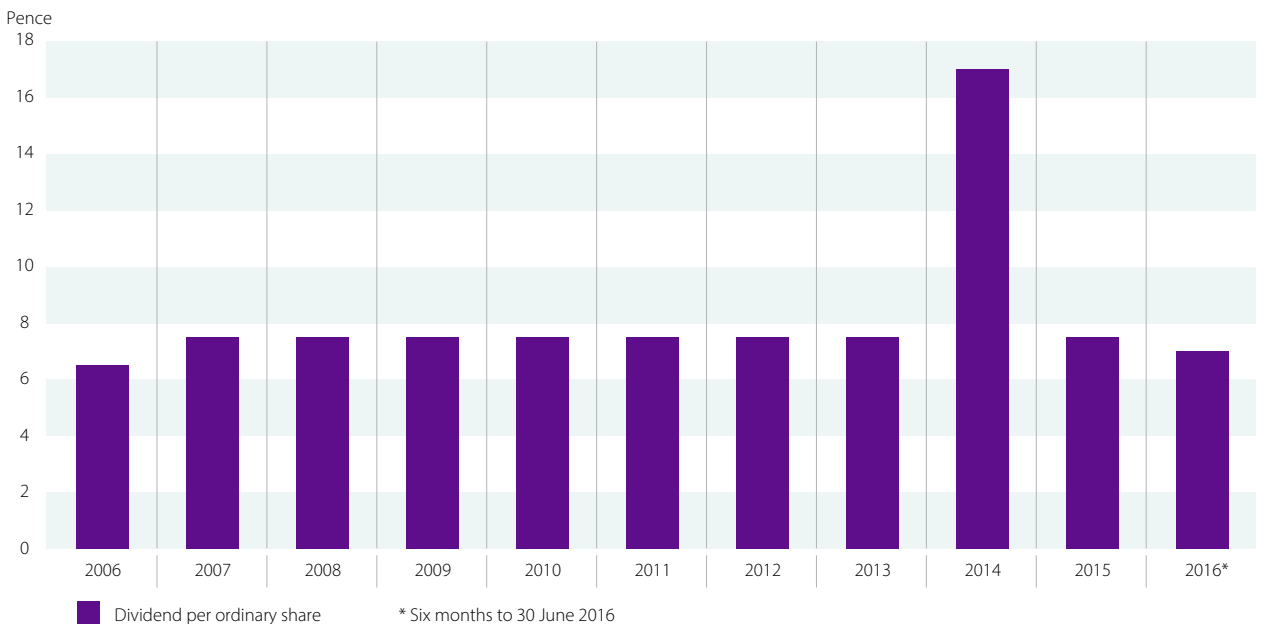
Net Asset Value in the last ten years



* Net asset value total return (gross dividends reinvested) rebased to 100p ** Six months to 30 June 2016

Source: Livingbridge VC LLP

Dividend History in the last ten years



Source: Livingbridge VC LLP

* Six months to 30 June 2016

The table below shows the cash returned to shareholders that invested in **Baronsmead Second Venture Trust plc** (formerly known as Baronsmead VCT 3 plc) dependent on their subscription cost, including the income tax available to be reclaimed on the subscription.

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative* dividends paid (p)	Return on cash invested (%)
2001 (January)	100.00	20.00	80.00	109.80	129.8
2005 (March) – C share	100.00	40.00	60.00	72.50	112.5
2010 (March)	103.09	30.93	72.16	61.50	89.7
2012 (December)	117.40	35.22	82.18	43.50	67.1
2014 (March)	112.40	33.70	78.70	23.50	50.9
2016 (March)	107.20	32.20	75.00	7.00	36.6

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

The table below shows the cash returned to shareholders that invested in **Baronsmead VCT 4 plc** dependent on their subscription cost, including the income tax available to be reclaimed on the subscription.

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative* dividends paid (p)	Return on cash invested (%)
2002	100.00	20.00	80.00	88.50	108.5
2006 (C shareholders) (March)	100.00	40.00	60.00	66.25	106.2
2010 (March)	95.94	28.78	67.15	50.50	82.6
2012 (December)	107.50	32.25	75.24	33.50	61.2
2013 (March)	102.70	30.81	71.88	29.50	58.7
2014 (March)	98.80	29.64	69.15	16.50	46.7

* Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (1.0372828).

For former BVCT4 shareholders, BSVT dividends paid/declared since 11 March 2016 are adjusted by a factor of approximately 0.92919, this being the basis on which shares in BSVT were issued for every BVCT4 share previously held by them.



Chairman's Statement

Despite the continued strong performance of most of the portfolio, it is disappointing to have to report a fall in the underlying Net Asset Value per share of 0.3 per cent. (0.3p). This was not unexpected however given the recent volatility on the quoted markets, particularly the market fall following the Brexit decision.

Anthony Townsend

Chairman

You will all be aware that on 11 March 2016, Baronsmead VCT 3 ("BVCT3") plc acquired the assets of Baronsmead VCT 4 ("BVCT4") plc in exchange for the issue of new shares to the BVCT4 shareholders (the Acquisition).

Following the Acquisition, on 14 March 2016, the enlarged BVCT3 changed its name to Baronsmead Second Venture Trust plc ("BSVT" or "the Company"). At 30 June 2016 the NAV of BSVT was £150 million making it one of the largest VCTs in the industry. I would like to extend a particularly warm welcome to those BVCT4 shareholders who had not previously held shares in BVCT3.

Since this is the first set of accounts prepared following the Acquisition, the comparative figures in the accounts relate only to BVCT3 prior to the Acquisition and are therefore not a true comparison to the period under review.

Results

During the six months to 30 June 2016, the Company's NAV per share decreased 0.3 per cent. from 106.46 to 106.16p before dividends.

	Pence per ordinary share
NAV as at 1 January 2016	106.46
Valuation decrease (0.3 per cent.)	(0.3)
NAV as at 30 June 2016 before dividends	106.16
Less:	
Interim dividend paid on 3 June 2016	(7.00)
NAV as at 30 June 2016 after dividends	99.16

The interim dividend of 7p paid in June 2016 was largely as a result of realisations in early 2016. It was paid in lieu of the dividend that would normally be declared on the publication of the Company's results for the six months to 30 June 2016. In the ordinary course of events a further dividend would be expected to be declared for the year 2016, subject to the level and timing of profitable realisations of investments.

Portfolio Review

At the date of the Acquisition, with the exception of BVCT3's holding in Wood Street Microcap ("WSM"), the investments held by BVCT3 and BVCT4 were common to both. As shown in the table below, as at 30 June 2016, the Company's net assets of £150m comprised investments in 67 unquoted and AIM-traded companies. In addition, the Company's investment in Wood Street Microcap provides investment exposure to a further 40 AIM-traded and fully listed companies.

Asset class	NAV (£)	Per cent. of net assets*	No. of investees	Per cent. return over the period**
Unquoted and AIM-traded companies	102.2m	68	67	2.6
Wood Street Microcap Investment Fund	8.2m	5	40	(10.1)
Liquid assets	39.7m	27	N/A	-
Totals	150.1m	100	107	

* By value as at 30 June 2016.

** Includes capitalised interest and redemption premium income received.

Steady progress was made in some of our more mature unquoted investments including Kingsbridge, Armstrong Craven and Kirona and the unquoted portfolio as a whole provided a return of 9.6 per cent. during the period. These gains, however, were more than offset by reductions in value of the Company's investments in AIM traded companies and Wood Street Microcap reflecting the volatility of the quoted markets which was particularly pronounced toward the end of June following the Brexit decision. As a result, the NAV per share at 31 July 2016 was 100.01p per share.

Investment and Divestments

Full details about the investments and divestments during the period are set out in the tables on page 8.

In the six months to 30 June 2016, the Company invested £0.9 million in Eden Research plc. Following the period end, the Company invested a total of a further £0.6m in one follow-on investment.

The reduced level of investment activity has been due to rules introduced in November 2015 which restricted investment by VCTs to the provision of development capital to younger companies for organic growth rather than acquisitions. These rules are complex and it has taken time for the market to reach an understanding as to how they will be interpreted and enforced by HMRC. They have required the Manager to adapt its investment strategy and as a result, in keeping with the entire VCT industry, its rate of investment has been low during the first half of 2016.

The Company has now completed an investment under the new rules and the Manager reports a steadily increasing flow of investment opportunities. The Manager is experienced at adapting its investment strategy in response to changes in the VCT rules and the Board believes that it will continue to be able to identify an adequate supply of new and attractive investment opportunities that will comply with the new VCT rules and still generate good returns for the Company. The new rules dictate that these companies will be younger and smaller than those in which the Company has previously invested in and, as a result, they may need to be held for longer periods. This may lead to some increased volatility of returns within a portfolio but the Manager remains confident that the overall portfolio will continue to generate appropriate returns.

A total of £8.2 million was realised through exits during the period. This includes the sale of Kingsbridge which generated a return 3.2 times its original cost and a deferred recovery from the previous disposal of Carnell which increased the return on this investment to 1.0 times cost. The disposals of Fisher Outdoor Leisure, Independent Community Care Management, Valldata and Tangent Communications each produced returns of between 0.5 and 0.8 times cost, however this had little impact on the NAV as at 30 June 2016 as provisions against their value had been made previously.

Acquisition and Fundraising

Proposals for the Acquisition of the shares of BVCT4 as well as a fundraising were published on 27 January 2016 and the Acquisition completed on 11 March 2016. Following the transfer of all of BVCT4's assets and liabilities to the Company, BVCT4 shareholders received approximately 0.92919 new shares in the Company ("New Shares") for every BVCT4 share previously held by them (rounded down to the nearest whole share). In aggregate, 68.0m shares were issued to BVCT4 shareholders in consideration for approximately £70.7 million of assets. In addition to the BVCT4 acquisition, the Company completed a further £10 million fundraising which was fully subscribed by existing shareholders and a further 9.3 million shares were issued on 15 March 2016.

Proposed merger with Baronsmead VCT 5

On 11 August 2016 the Board and the Board of Baronsmead VCT 5 plc announced that they have entered into discussions regarding a possible merger. It is intended that the merger would be effected on a NAV for NAV basis by way of a scheme of reconstruction under the Insolvency Act 1986. The boards believe that a merger would be in the best interests of the shareholders of both companies as it is expected that it would result in estimated annual costs savings of around £300,000 per annum, remove the duplication of communication with the many shareholders that are common to both companies and create a larger merged company with net assets of approximately £200 million. The Board and the Board of Baronsmead VCT 5 plc expect to write to their respective shareholders with further details on the terms of the proposed Merger in October 2016. It is currently intended that, subject to shareholder approval, the Merger would become effective in November 2016.

Change of Financial Year End

In August 2016, the Company announced that it had changed its financial year end from 31 December to 30 September. As a result, it is expected that the Company will publish its report and financial statements for the 9 months to 30 September 2016 in November 2016.

Outlook

It will take time for the impact of the Brexit referendum on the UK economy to become apparent and in turn what the impact on the Company and its investments will be. In particular, it is too early to determine what the implications will be with regard to the VCT rules that are heavily influenced by the EU State Aid rules and whether in time there will be any relaxation to these restrictions. We are therefore proceeding on the basis that this will not be the case as it is likely to be a number of years before there will be clarity on that matter.

Reassuringly, the current portfolio mix is diverse, gearing levels are low and so far trading activity has remained steady. This is a reflection of the fact that the portfolio is comprised of UK based companies whose trading activities are primarily UK based. There are a number of more mature investments that may be disposed of over the coming years that should assist in generating good returns for investors and enable the Company to continue to pay attractive dividends. The market is slowly adapting to the new VCT rules and the number of investment opportunities being considered 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 are therefore confident it can adapt to the challenges of the new VCT rules and any disruption that Brexit may bring.

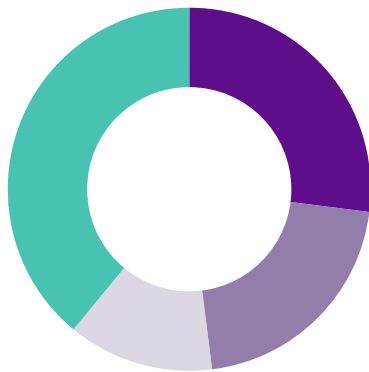
Anthony Townsend

Chairman

18 August 2016

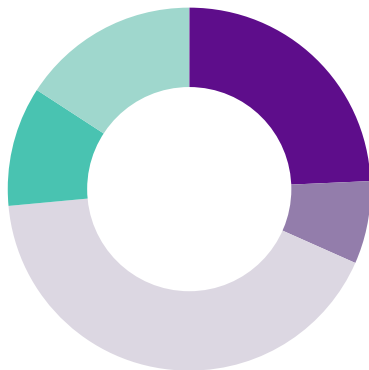
Investment Diversification at 30 June 2016

Sector by value



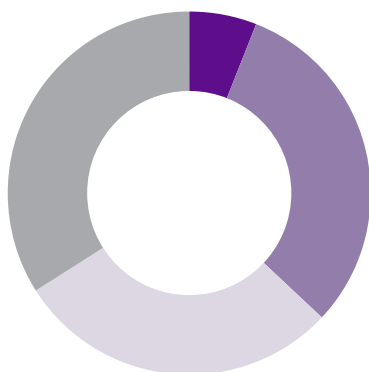
Business Services	27%
Consumer Markets	21%
Healthcare & Education	13%
Technology, Media & Telecommunications ("TMT")	39%

Total assets by value



Unquoted – loan stock	24%
Unquoted – equity	7%
AIM & collective investment vehicle	42%
Listed interest bearing securities	11%
Net current assets (principally cash)	16%

Time investments held by value



Less than 1 year	6%
Between 1 and 3 years	31%
Between 3 and 5 years	29%
Greater than 5 years	34%

Investments in the period

Company	Location	Sector	Activity	Book cost £'000
AIM-traded investments				
<i>New</i>				
Eden Research plc	Gloucestershire	Business Services	Developer of biological fungicides and bio equivalents	900
Total investments in the period				900

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	1,926	0.8
Independent Community Care Management Ltd	Full trade sale	Oct 11	548	0.5
Valldata Group Ltd	Write off	Apr 10	0	0.5
Total unquoted realisations			7,670	
AIM-traded realisations				
Tangent Communications plc	Full market sale	Mar 07	500	0.5
Total AIM-traded realisations			500	
Total realisations in the period			8,170†	

‡ Proceeds at time of realisation including redemption premium and 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 Ltd, which had been sold in prior periods. Carnell Contractors Ltd was fully realised on receipt of final earn-out dividend.

With the exception of Kingsbridge Risk Solutions Ltd, Fisher Outdoor Leisure Holdings Ltd and Tangent Communications, all realisations were made before the acquisition and the cost and proceeds shown relate to those made prior to the entities combining.

Independent Review Report to Baronsmead Second Venture Trust plc

Baronsmead Second Venture Trust plc

Half-yearly report for the six months
ended 30 June 2016

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2016 which comprises the Income Statement, Statement of Changes in Equity, Balance Sheet and Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with FRS 104 *Interim Financial Reporting*.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with FRS 104 *Interim Financial Reporting* and the DTR of the UK FCA.

John Waterson, Statutory Auditor for and on behalf of KPMG LLP

Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
18 August 2016

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the FRS104 '*Interim Financial Reporting*';
- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 16 is a fair review of the information required by DTR 4.2.7R; and
- the financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,

Anthony Townsend

Chairman

18 August 2016

Unaudited Income Statement

Baronsmead Second Venture Trust plc

Half-yearly report for the six months ended 30 June 2016

For the six months to 30 June 2016

	Notes	Six months to 30 June 2016			Six months to 30 June 2015			Year to 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movements in fair value of investments	7	–	855	855	–	4,142	4,142	–	5,788	5,788
Realised gains on disposal of investments	7	–	2,130	2,130	–	473	473	–	4,034	4,034
Income		702	–	702	711	–	711	1,627	–	1,627
Investment management fee		(398)	(1,194)	(1,592)	(233)	(700)	(933)	(477)	(1,430)	(1,907)
Other expenses		(650)	–	(650)	(246)	–	(246)	(475)	–	(475)
(Loss)/profit on ordinary activities before taxation		(346)	1,791	1,445	232	3,915	4,147	675	8,392	9,067
Taxation on ordinary activities		–	–	–	–	–	–	–	–	–
(Loss)/profit for the period, being total comprehensive income for the period		(346)	1,791	1,445	232	3,915	4,147	675	8,392	9,067
Return per ordinary share:										
Basic	2	(0.29p)	1.50p	1.21p	0.31p	5.21p	5.52p	0.90p	11.23p	12.13p

All items in the above statement derive from continuing operations.

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").

Unaudited Statement of Changes in Equity

For the six months to 30 June 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	-	-	-	3,832	(2,041)	(346)	1,445
Shares issued following the acquisition of Baronsmead VCT4 plc	4	63,884	-	-	-	-	70,684
Net proceeds of share issue, sale of shares from treasury & costs of buybacks	4	933	-	-	(322)	-	9,378
Dividends paid	6	-	-	-	(10,553)	-	(10,553)
At 30 June 2016	16,196	81,466	-	19,292	32,842	354	150,150

For the six months to 30 June 2015

	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/(loss) on ordinary activities after taxation	-	-	-	4,114	(199)	232	4,147
Costs of share buybacks	-	-	-	-	(1,052)	-	(1,052)
At 30 June 2015	8,463	8,813	-	16,635	44,875	926	79,712

For the year to 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 sale of shares from treasury & costs of buybacks	-	2	-	-	(914)	-	(912)
Dividends paid	6	-	-	-	(4,907)	(669)	(5,576)
At 31 December 2015	8,463	8,815	-	15,460	45,758	700	79,196

[#] On 18 December 2013 the court granted order allowing the Company to cancel its shares premium account and capital redemption reserve. The amounts of £22,866,000 (share premium) and £10,862,000 (capital redemption reserve) less costs paid became distributable during 2015.

Unaudited Balance Sheet

Baronsmead Second Venture Trust plc

Half-yearly report for the six months
ended 30 June 2016

As at 30 June 2016

	Notes	As at 30 June 2016 £'000	As at 30 June 2015 £'000	As at 31 December 2015 £'000	As at 30 June 2015* £'000
Fixed assets					
Unquoted investments	7	47,538	29,210	26,670	58,420
Traded on AIM	7	54,650	24,841	27,548	48,789
Collective investment vehicle	7	8,210	8,493	9,133	8,493
Listed interest bearing securities	7	15,987	7,992	4,498	17,482
Investments	7	126,385	70,536	67,849	133,184
Current assets					
Debtors		370	272	651	541
Cash at bank and on deposit		24,700	9,516	11,304	20,555
		25,070	9,788	11,955	21,096
Creditors (amounts falling due within one year)		(1,305)	(612)	(608)	(1,184)
Net current assets		23,765	9,176	11,347	19,912
Net assets		150,150	79,712	79,196	153,096
Capital and reserves					
Called-up share capital		16,196	8,463	8,463	
Share premium		81,466	8,813	8,815	
Capital reserve		32,842	44,875	45,758	
Revaluation reserve	7	19,292	16,635	15,460	
Revenue reserve		354	926	700	
Equity shareholders' funds		150,150	79,712	79,196	

* For comparative purposes, the amounts shown are the combined figures of BSVT and BVCT4 as at 30 June 2015.

	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Net asset value per share	99.16p	107.35p	106.46p
Number of ordinary shares in circulation	151,420,796	74,253,966	74,393,966
Treasury net asset value per share	99.03p	106.37p	105.80p
Number of ordinary shares held in treasury	10,539,214	10,374,214	10,234,214
Number of listed ordinary shares in issue	161,960,010	84,628,180	84,628,180

Unaudited Statement of Cash Flows

For the six months to 30 June 2016

	Six months to 30 June 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Net cash outflow from operating activities	(760)	(407)	(1,073)
Net cash (outflow)/inflow from investing activities	(4,217)	648	8,542
Equity dividends paid	(10,553)	–	(5,576)
Net cash (outflow)/inflow before financing activities	(15,530)	241	1,893
Net cash inflow/(outflow) from financing activities	28,926	(1,048)	(912)
Increase/(decrease) in cash	13,396	(807)	981
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	13,396	(807)	981
Opening cash position	11,304	10,323	10,323
Closing cash at bank and on deposit	24,700	9,516	11,304
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities			
Profit on ordinary activities before taxation	1,445	4,147	9,067
Gains on investments	(2,985)	(4,615)	(9,822)
Changes in working capital and other non-cash items	780	61	(318)
Net cash outflow from operating activities	(760)	(407)	(1,073)

Notes

- The condensed financial statements for the six months to 30 June 2016 comprise the statements set out on pages 11 to 14 together with the related notes on pages 14 to 16. The Company applied FRS 102 and the AIC's Statement of Recommended Practice issued in November 2014 for its financial year ending 31 December 2015 in its Financial Statements. The condensed financial statements for the six months to 30 June 2016 have therefore been prepared in accordance with FRS 104 'Interim Financial Reporting'. The accounts have been prepared on the same basis as the accounting policies set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2015.
- Return per share is based on a weighted average of 119,521,416 ordinary shares in issue (30 June 2015 – 75,135,817 ordinary shares; 31 December 2015 – 74,732,308 ordinary shares).
- Earnings for the first six months to 30 June 2016 should not be taken as a guide to the results of the nine months ending 30 September 2016.
- During the six months to 30 June 2016 the Company purchased 1,255,000 shares to be held in treasury and sold 950,000 shares from treasury. At 30 June 2016, the Company holds 10,539,214 ordinary shares in treasury. These shares may be re-issued below Net Asset Value as long as the discount at issue is narrower than the average discount at which the shares were bought back.
On 11 March 2016 the Company acquired all of the assets and liabilities of BVCT4 plc for the issue of 68,003,674 consideration shares, on a relative net asset basis. 9,328,156 shares were issued as part of a subsequent share issue.
- Excluding treasury shares, there were 151,420,796 ordinary shares in circulation at 30 June 2016 (30 June 2015 – 74,253,966 ordinary shares; 31 December 2015 – 74,393,966 ordinary shares).

Notes (continued)

6. The interim dividend of 7.0p per share (7.0p capital, nil revenue) was paid on 3 June 2016 to shareholders on the register on 20 May 2016. The ex-dividend date was 19 May 2016.

During the year to 31 December 2015, the Company paid a first interim dividend on 18 September 2015 of 3.0p per share (2.7p capital, 0.3p revenue) and a second interim dividend on 18 December 2015 of 4.5p per share (3.9p capital, 0.6p revenue).

7. All investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the Income Statement.

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

- Level a – Fair value is measured based on quoted prices in an active market.
- Level b – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.
- Level c – i) Fair value is measured using a valuation technique that is based on data from an observable market or;
ii) Fair value is measured using a valuation technique that is not based on data from an observable market.

	Level a		Level b	Level c (ii)	Total
	Listed interest bearing securities £'000	Traded on AIM £'000	Collective investment vehicle £'000	Unquoted £'000	£'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	900	–	–	27,883
Holdings acquired following the acquisition of Baronsmead VCT4 plc	–	26,295	–	25,039	51,334
Sales – proceeds	(15,494)	(500)	–	(7,672)	(23,666)
– realised gains on sales	–	248	–	1,882	2,130
Unrealised losses realised during the period	–	(444)	–	(2,533)	(2,977)
(Decrease)/increase in unrealised appreciation	–	(297)	(923)	5,052	3,832
Closing valuation	15,987	54,650	8,210	47,538	126,385
Closing book cost	15,987	46,841	3,525	40,740	107,093
Closing unrealised appreciation	–	7,809	4,685	6,798	19,292
Closing valuation	15,987	54,650	8,210	47,538	126,385
Equity shares	–	54,650	8,210	11,073	73,933
Loan notes	–	–	–	36,465	36,465
Fixed income securities	15,987	–	–	–	15,987
Closing valuation	15,987	54,650	8,210	47,538	126,385

There has been no significant change in the risk analysis as disclosed in the Company's annual accounts.

Notes (continued)

8. The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The information for the year to 31 December 2015 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2015, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2015 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
9. The Company has one reportable segment being investing in primarily a portfolio of UK growth businesses, whether unquoted or traded on AIM.
10. Copies of the half-yearly financial report have been made available to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, shares in collective investment schemes, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include loss of approval as a Venture Capital Trust, investment performance, regulatory and compliance, legislative, economic, political and other external factors and operational risks. These risks, and the way in which they are managed, are described in more detail in the Principal Risks & Uncertainties table within the Strategic Report section in the Company's Annual Report and Accounts for the year to 31 December 2015. The Company's principal risks and uncertainties have not changed materially since the date of that report, with the exception of the impact of Brexit as described in the Chairman's Statement on page 6.

Related Parties

Livingbridge VC LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, accounting, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.5 per cent. per annum of the net assets of the Company. This is described in more detail under the heading 'The Investment Management Agreement' within the Strategic Report in the Company's Annual Report and Accounts for the year to 31 December 2015. During the period the Company has incurred management fees of £1,592,000 (30 June 2015 – £933,000; 31 December 2015 – £1,907,000) and secretarial and accounting fees of £74,000 (30 June 2015 – £69,000; 31 December 2015 – £136,000) payable to the Manager.

Going Concern

After making enquiries, 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 June 2016 the Company held cash and readily realisable securities totalling £40,687,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants.

Full Investment Portfolio

Company	Sector	Original Book cost [†] £'000	Accounting Book cost [†] £'000	30 June 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								
Create Health Ltd	Healthcare & Education	1,906	3,176	4,773	4,446	3.2	11.5	29.0
Crew Clothing Holdings Ltd	Consumer Markets	2,904	3,695	4,726	4,484	3.1	13.4	28.1
Happy Days Consultancy Ltd	Healthcare & Education	3,420	3,591	3,971	3,762	2.6	25.7	65.0
Pho Holdings Ltd	Consumer Markets	1,982	2,579	3,510	3,176	2.3	11.1	28.0
CableCom II Networking Holdings Ltd	TMT*	2,500	2,731	3,111	2,962	2.1	4.9	10.5
Eque2 Ltd	TMT*	1,532	2,073	2,865	2,616	1.9	15.2	38.5
Armstrong Craven Ltd	Business Services	1,346	1,854	2,812	2,362	1.9	15.5	46.0
Key Travel Ltd	Business Services	1,908	2,327	2,804	2,744	1.9	9.4	48.0
Carousel Logistics Ltd	Business Services	1,912	2,287	2,732	2,662	1.8	12.0	40.0
Kirona Ltd	TMT*	1,908	2,038	2,672	2,166	1.8	7.5	37.5
Upper Street Events Ltd	Consumer Markets	1,906	2,128	2,261	2,350	1.5	16.0	70.1
Mortgages Made Easy Ltd	Consumer Markets	1,911	1,911	2,234	1,911	1.5	6.7	38.0
Ten10 Group Ltd (formerly Centre 4 Testing Ltd)	Business Services	1,908	2,137	2,057	2,366	1.4	9.4	30.6
Kalyke Investments Ltd	Business Services	1,912	1,912	1,912	1,912	1.3	19.3	48.6
Yeo Bridge Ltd	Business Services	1,912	1,912	1,912	1,912	1.3	19.3	48.6
CR7 Services Ltd	TMT*	1,898	1,898	1,898	1,898	1.3	8.3	49.5
IP Solutions Ltd	TMT*	1,908	1,598	1,288	1,288	0.8	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	47,538		31.7		
AIM								
IDOX plc	TMT*	1,028	2,972	6,865	5,624	4.6	3.1	4.9
Netcall plc	TMT*	1,738	3,196	4,754	5,002	3.2	7.1	17.8
Tasty plc	Consumer Markets	1,188	2,805	4,287	5,118	2.9	5.0	14.4
TLA Worldwide plc	Business Services	1,466	2,260	3,963	3,126	2.6	5.1	12.5
Dods (Group) plc	TMT*	2,210	2,709	3,777	2,658	2.5	8.2	20.1
Ideagen plc	TMT*	1,350	1,854	2,558	2,684	1.7	2.8	6.2
Cerillion plc	TMT*	1,800	1,800	2,368	1,800	1.6	8.0	17.8
Inspired Energy plc	Business Services	574	1,519	2,144	2,464	1.4	3.8	9.5
Bioventix plc	Healthcare & Education	454	1,179	1,601	2,120	1.1	3.4	7.6
Venn Life Sciences Holdings plc	Healthcare & Education	1,224	1,171	1,589	1,236	1.1	9.8	21.7
Sanderson Group plc	TMT*	1,224	1,440	1,562	1,728	1.0	4.3	8.8
Plastics Capital plc	Business Services	1,586	1,557	1,417	1,512	0.9	4.5	11.7
Electric Word plc	TMT*	1,408	1,513	1,327	1,474	0.9	10.3	27.6
CentralNic Group plc	TMT*	918	1,118	1,036	1,106	0.7	2.5	5.5
Anpario plc	Healthcare & Education	304	812	1,003	1,496	0.7	2.0	6.4
EG Solutions plc	TMT*	1,428	1,193	958	1,016	0.6	8.4	19.1
Vianet Group plc	Business Services	1,292	1,138	942	1,014	0.6	3.7	9.6
Escher Group Holdings plc	TMT*	1,228	1,156	940	1,228	0.6	3.9	9.7
MartinCo plc	Consumer Markets	686	823	844	1,070	0.6	3.1	6.9
Driver Group plc	Business Services	1,126	1,327	830	1,462	0.6	7.0	16.4
Everyman Media Group plc	Consumer Markets	782	807	773	878	0.5	1.6	3.5
Gama Aviation plc	Business Services	776	1,002	765	1,274	0.5	1.1	2.4
Belvoir Lettings plc	Consumer Markets	752	665	758	708	0.5	1.8	4.1
Crawshaw Group plc	Consumer Markets	400	543	733	780	0.5	1.2	5.7
Eden Research plc	Business Services	900	900	702	–	0.5	4.8	10.6
Sysgroup plc (formerly Daily Internet plc)	TMT*	680	708	673	716	0.4	8.2	18.3
InterQuest Group plc	Business Services	620	726	574	946	0.4	3.1	6.2

Full Investment Portfolio (continued)

Company	Sector	Original Book cost [†] £'000	Accounting Book cost [†] £'000	30 June 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	557	588	0.4	1.0	2.2
Begbies Traynor Group plc	Business Services	448	482	527	517	0.4	1.1	2.1
Plant Impact plc	Business Services	378	421	455	492	0.3	1.1	2.5
Wey Education plc	Healthcare & Education	428	428	428	488	0.3	12.8	28.3
Brady plc	TMT*	352	345	357	322	0.2	0.7	2.0
Scholium Group plc	Consumer Markets	900	617	315	342	0.2	6.6	14.7
Synectics plc	Business Services	481	373	273	227	0.2	1.0	2.1
MXC Capital Ltd	Business Services	226	268	265	280	0.2	0.3	0.6
STM Group plc	Business Services	322	323	263	404	0.2	1.1	3.6
Totally plc	Healthcare & Education	70	147	235	162	0.2	2.0	4.5
Science In Sport plc	Consumer Markets	288	260	224	272	0.1	1.1	2.5
Paragon Entertainment Ltd	Consumer Markets	516	345	216	216	0.1	7.2	19.1
Adept4 plc (formerly Pinnacle Technology Group plc)	TMT*	438	322	173	400	0.1	1.2	2.6
Fulcrum Utility Services Ltd	Business Services	102	104	172	122	0.1	0.3	2.6
Mi-Pay Group plc	Business Services	800	474	141	166	0.1	1.5	3.1
Gresham House plc	TMT*	112	119	112	128	0.1	0.4	0.9
One Media iP Group plc	TMT*	226	166	72	156	0.0	3.1	6.9
CloudCall Group plc (formerly Synety Group plc)	TMT*	226	141	54	70	0.0	0.7	1.5
Ubisense Group plc	TMT*	260	160	38	60	0.0	0.3	0.6
APC Technology Group plc	Business Services	1,864	939	17	18	0.0	0.2	0.5
Zoo Digital Group plc	TMT*	817	586	7	7	0.0	0.3	0.6
Marwyn Management Partners plc	Business Services	1,050	529	6	8	0.0	0.0	0.1
Total AIM		39,648	46,841	54,650		36.4		
Listed interest bearing securities								
UK Treasury Bill 04/07/16		15,987	15,987	15,987	–	10.6		
Total listed interest bearing securities		15,987	15,987	15,987		10.6		
Collective investment vehicle								
Wood Street Microcap Investment Fund		3,525	3,525	8,210	9,133	5.5		
Total collective investment vehicle		3,525	3,525	8,210		5.5		
Total investments		94,726	107,093	126,385		84.2		
Net current assets				23,765		15.8		
Net assets				150,150		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 15 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 (formerly BVCT3) and BVCT4.

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

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

Shareholder Information and Contact Details

Baronsmead Second Venture Trust plc

Half-yearly report for the six months ended 30 June 2016

Shareholder Account Queries

The Registrar for **Baronsmead Second Venture Trust plc** is Computershare Investor Services PLC ("Computershare").

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

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

You can contact Computershare with your queries in several ways:

Telephone: 0800 923 1534

- 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

- 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's Investment Manager or the Registrar at the number provided on page 21.

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.

Trading Shares

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

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

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

Winterflood 020 3400 0251

Financial Calendar

November 2016 – Announcement of final results for the period to 30 September 2016

December 2016 – Annual General Meeting

Additional Information

The information provided in this report has been produced in order for shareholders to be informed of the activities of the Company during the period it covers. 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 market 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 existing shares of the Company are listed on the London Stock Exchange and can be bought and sold using a stockbroker in the same way as shares of any other listed company.

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

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

The UK tax treatment of VCTs is on a first in first out basis and therefore tax advice should be obtained before shareholders dispose of their shares and also if they deferred a capital gain in respect of new shares acquired prior to 6 April 2004.

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

Directors

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

Secretary

Livingbridge VC LLP

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Registered Number

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VCT Status Adviser

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* Chairman of the Audit Committee.

† Chairman of Management Engagement and Remuneration Committee,
Chairman of the Nomination Committee.



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