BARONSMEAD

Baronsmead VCT 2 plc

2015

Audited Annual Report and Accounts
for the year ended 30th September 2015

About Baronsmead VCT 2

Our Investment Objective

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

Investment Policy

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

Dividend policy

The Board of Baronsmead VCT 2 aims to sustain a minimum annual dividend level at an average of 6.5p per ordinary share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Business model – key elements

Access to an attractive, diverse portfolio

Baronsmead VCT 2 plc gives shareholders access to a diverse portfolio of growth businesses, both unquoted and AIM-traded companies.

Before investment each business has already demonstrated profitable success from its business model and thus provides a degree of stability and a foundation from which to build. Each business is led by entrepreneurial management teams who aspire to achieve above average growth from attractive and differentiated market positions.

The Manager's approach to investing

The Manager, Livingbridge, endeavours to select the best opportunities and has a distinctive selection criteria based on;

- Businesses that demonstrate elements of market leadership in their niche
- Management teams that can develop and deliver profitable and sustained growth
- The company being able to be an attractive asset appealing to a range of buyers at the appropriate time to exit

In order to ensure there is a strong pipeline of opportunities, Livingbridge invests in sector knowledge and networks. It then undertakes significant pro-active marketing to interesting unquoted targets in preferred sectors. This extends the database of suitable businesses with which Livingbridge is keen to maintain a relationship ahead of possible investment opportunities.

Livingbridge as an influential shareholder

For unquoted investments, Livingbridge is an involved shareholder and representatives of the Manager (on behalf of the Baronsmead family of VCTs) join the investee board. The role of Livingbridge is to ensure that strategy is clear, the business plan is well thought through and the management resources are in place to deliver profitable growth. We aim to build on the initial platform and grow the business so that it can become an attractive target which can be 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 we have confirmed their continuing appointment.

A more detailed explanation of how the investment policy and business model are applied is provided in the Other Matters section of the Strategic Report on pages 20 to 23. The full investment policy can be found on pages 59 and 60.

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Some examples of our Investments

Nexus Vehicle Holdings Ltd

Nexus enables corporate users to source all their vehicle rental needs from one supplier – a highly efficient and cost effective online based process. It offers fast access to a large range of rental fleets and enables customers to benefit from the buying scale of Nexus.

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 also offer an array of Vietnamese dishes, coffees, beers and fresh juices.

Pho was founded in 2005 and now operates from 17 sites including London High Street, regional sites and food courts in shopping malls.

TLA Worldwide plc

TLA Worldwide acts as a sports management and marketing agency concentrating on the US baseball market. The company has two areas of focus. Baseball representation assists the on field activities of baseball players, including all aspects of a player's contract negotiation. The second area is sports marketing, assisting the off-field activities of athletes.

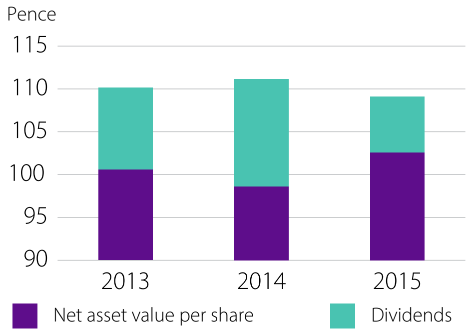
Staffline Group plc

Staffline is a specialist blue-collar labour supplier. Instead of serving clients from its branches, Staffline operates from client premises, providing a full on-site outsourcing service. This innovative approach transformed the business from a regional temporary staff provider into the growing national player it is today.

If you have sold or otherwise transferred all of your ordinary shares in Baronsmead VCT 2 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

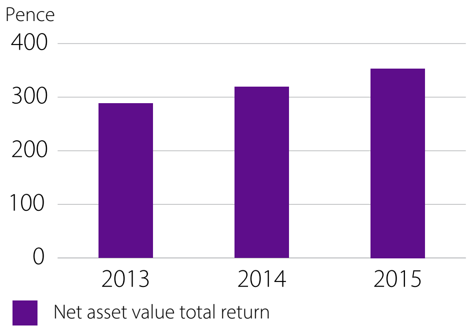
Financial Headlines



Net asset value per share

Net asset value ("NAV") per share increased 10.6 per cent to 109.06p in the year to 30th September 2015, before deduction of dividends.

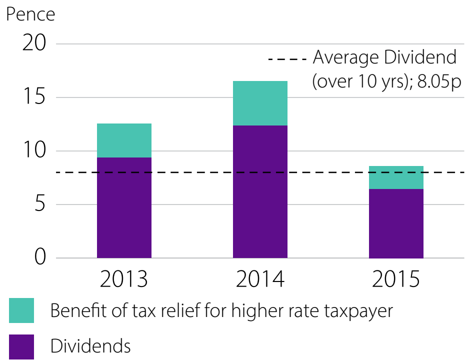
+10.6%



Net asset value total return

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

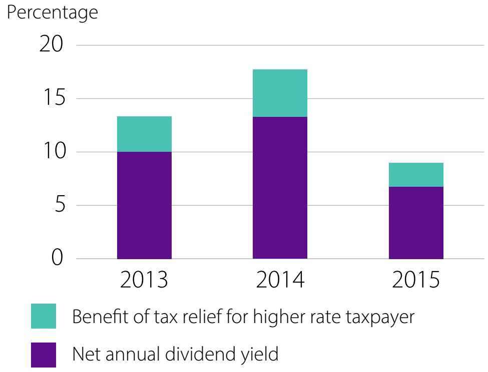
353.1p



Dividends in the year

Dividends totalled 6.5p in the year to 30th September 2015, after the second interim dividend of 4.0p paid on 18th September 2015.

6.5p



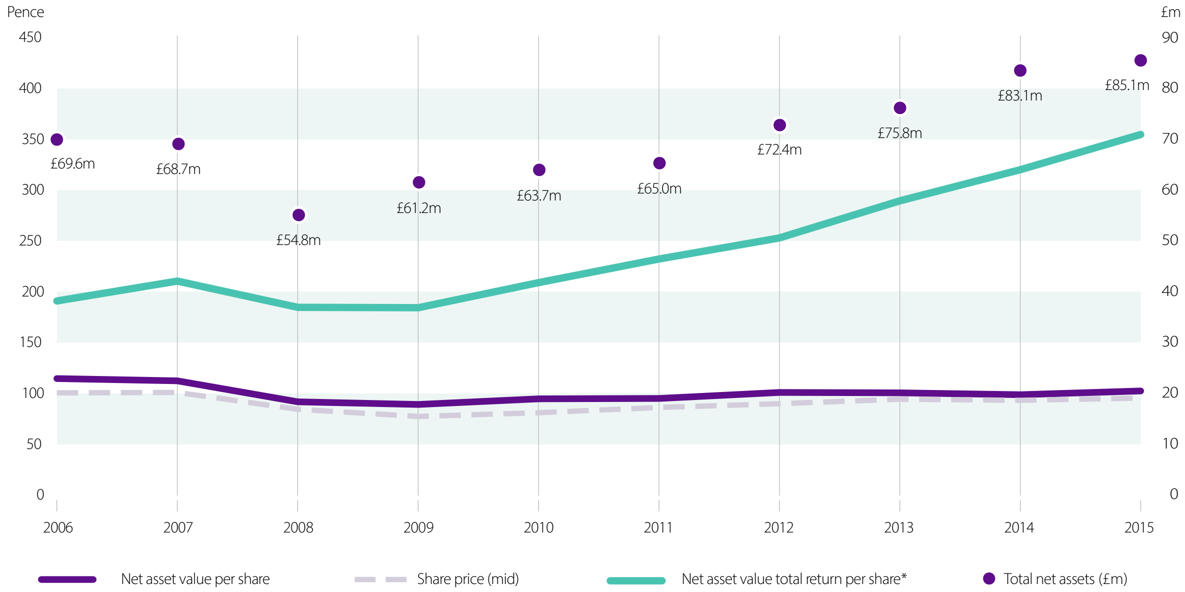
Annual dividend yield

Net annual dividend yield of 6.8 per cent and gross annual yield of 9.1 per cent.

6.8%

Performance Summary

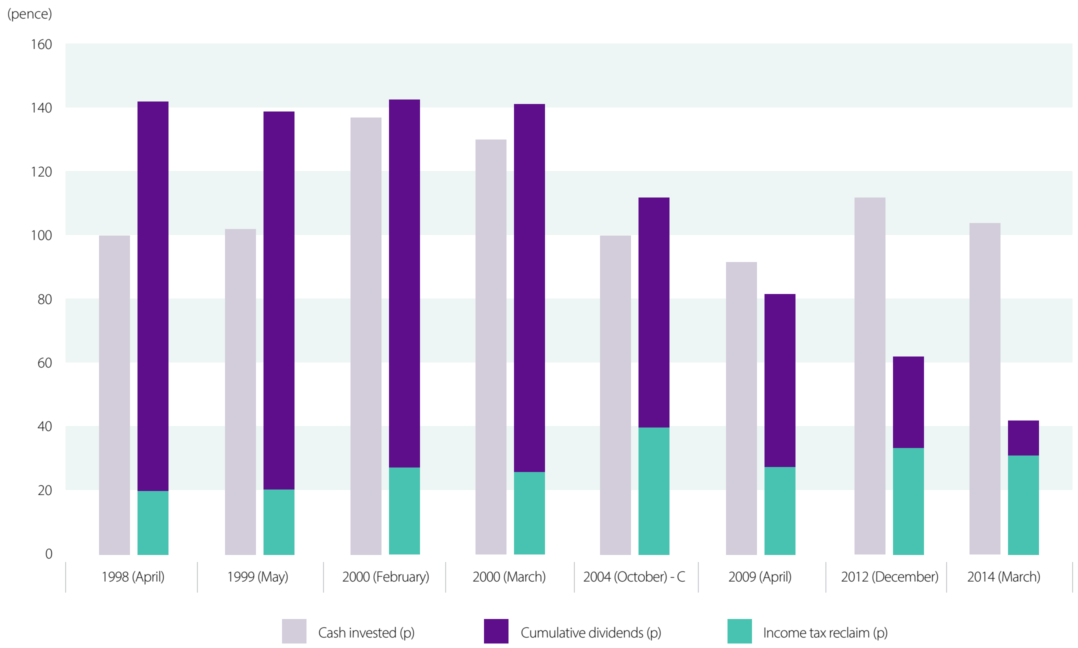
Net Asset Value in the last ten years



* 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

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

Chairman's Statement

Clive Parritt
Chairman

I am pleased to report that the Company had another excellent year.

Before payment of 6.5p a share in dividends the NAV increased 10.44p to 109.06p (10.6 per cent).

Tax free dividends totalling 6.5p were paid during the year.

Results

The increase in the NAV and the dividends paid over the year can be summarised as follows:

	p per ordinary share
NAV as at 1st October 2014	98.62
Valuation uplift (10.6 per cent)	10.44
NAV as at 30th September 2015 before dividends	109.06
Interim dividend paid on 19th June 2015	(2.50)
Second interim dividend paid on 18th September 2015	(4.00)
NAV as at 30th September 2015	**102.56**

The value of the unquoted portfolio increased by 16.0 per cent over the year, after allowing for losses realised on some underperforming investments. The Company's investments in AIM-traded companies and Wood Street Microcap also increased 16.3 per cent, despite the volatility in the markets for shares in quoted companies towards the end of the year.

Dividends

This year approximately two thirds of the increase in the NAV of 10.44p per share has been paid to shareholders: an interim dividend of 2.5p in June and a second interim in lieu of a final dividend of 4.0p in September 2015.

The level of future dividends will depend upon the continued achievement of profitable realisations as well as the need to meet the fiscal rules for VCTs. Consequently they will vary over time. In this respect it is important to note that over the last few years the significant dividends we have paid were made possible because mature investments were realised.

While the Board will endeavour to maintain an average dividend of 6.5p per share, the current investment portfolio is still immature and it will take time to deliver profitable realisations. Accordingly, dividends could be lower than in recent years.

10.6% increase in NAV per share before payment of dividends

Strong growth from AIM and quoted investments

Portfolio Review

Investment and Divestment Activity

This has been an active year for new investments. The Company invested £6.7 million in unquoted investments (5 new, 1 follow on and 2 acquisition vehicles); and £2.3 million in AIM-traded investments (8 new and 4 follow on).

A total of £10.1 million was realised from the full or partial sale of investments and from loan note redemptions. This included some notable successes such as the sale of the Company's investment in Luxury For Less and the repayment of loan notes in Nexus Vehicle Holdings. However we also incurred losses on the stakes in Playforce Holdings, Surgi C and Impetus Automotive Solutions.

A number of profitable realisations were also made from the quoted portfolio, the most significant being from the full realisation of the Company's investment in Accumuli and the partial realisation of Jelf Group.

The tables on pages 12 and 13 provide details of the Company's investments and divestments during the year.

VCT Legislation

This year's Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State aid rules as well as remaining effective in giving small and growing businesses access to finance. The rules introduced new criteria regarding the age of companies that will be eligible as investments. There is now a lifetime cap on the total amount of State aided investment a company can receive and a requirement that investment be used for growth and development only. These measures were approved when the Finance Act received Royal Assent on 18th November 2015.

The new rules will require the Manager to adapt its investment strategy to focus on the provision of development capital to younger companies to enable them to grow their businesses organically rather than through acquisition. Whilst the full implications of the new rules are still being assessed by the Manager and its advisers, it is clear that the scale and nature of our new investments will change and some elements of the developing portfolio will carry a higher risk.

The Board has reviewed the impact of the new rules with the Manager. We are of the view that the Manager has a long track record of successfully investing on behalf of the Baronsmead family. The plans presented by the Manager confirmed our confidence in its ability to identify an adequate supply of new and attractive investment opportunities which will continue to generate acceptable returns, and comply with the new VCT rules.

Merger Proposals and Fundraising Intentions

Changes to the limits on the amount of funding which investee companies can receive from VCTs have removed the commercial advantage of having multiple Baronsmead VCTs. In addition, the amount of stamp duty that would be payable as a result of a merger has reduced significantly over the past 18 months. As a consequence, the boards of directors of Baronsmead VCT plc & Baronsmead VCT 2 plc ("the Companies") announce that they have entered into discussions regarding a possible merger of the Companies (the "Merger"). It is intended that the Merger will be effected on a NAV for NAV basis by way of a scheme of reconstruction under the Insolvency Act 1986.

6.5p per share in total dividend payments for the year

£7.1m invested in 13 new companies and 5 follow on investments (excluding acquisition vehicles)

NAV total return of 353p per 100p invested for founder shareholders

Strategic Report

The boards of the Companies believe that the Merger would be in the best interests of the shareholders of both Companies for the following reasons.

- It would result in estimated annual costs savings for the merged company of around £300,000 per annum.
- It would remove the duplication of communication with the many shareholders that are common to both Companies and the administrative burden for them of managing multiple holdings.
- It would create a larger merged company with net assets of approximately £170 million which would potentially make it more attractive to private client wealth managers and should enhance the liquidity of the shares in the secondary market.

In addition the Merger would significantly reduce the administration burden of managing two separate companies at a time when regulation is becoming increasingly complex.

It is proposed that the merger will be effected by way of a scheme of reconstruction and the winding up of Baronsmead VCT plc under section 110 of the Insolvency Act 1986 (the "Scheme"). Under the terms of the Scheme the assets of Baronsmead VCT plc would be transferred to Baronsmead VCT 2 plc (the "Merged Company") in exchange for the issue of new shares in the Merged Company to the shareholders of Baronsmead VCT plc on a NAV for NAV basis.

The Boards expect to write to their respective shareholders with further details on the terms of the proposed merger in January 2016. It is currently intended that, subject to shareholder approval, the Merger will become effective in early February 2016.

Subject to shareholder approval of the Merger, it is proposed to launch an offer for subscription that would provide the Companies' existing shareholders with the opportunity, on a priority basis, to subscribe for new shares in the Merged Company in the 2015/16 tax year.

Annual General Meeting

It is intended that the Notice of the Annual General Meeting ("AGM") for the year to 30th September 2015, will be posted to the Company's shareholders early in February 2016. This is because, we anticipate that the outcome of the proposed Merger will be known at that point and as a result the Notice can be sent to all of the shareholders on the Company's register at that time and there will be no need to include resolutions that would otherwise be contingent on the outcome of the proposed Merger. The Notice will confirm the time, date and location of the AGM which is likely to be held early in March 2016.

Outlook

The economic environment in the UK continues to improve, albeit concerns remain regarding the potential impact of continued slow growth in the EU and the downward growth trend in China and other emerging markets. The environment for young growing companies in this country remains positive while the sources of finance to assist them to achieve that growth remain limited. This is encouraging given the change in focus required by the new VCT rules described above and should provide many new investment opportunities for the Company.

In the meantime, shareholders should take comfort from the fact that the Company has an established and diverse portfolio of investments that continue to perform well and should therefore deliver strong and consistent returns over the medium term while the newer portfolio is established.

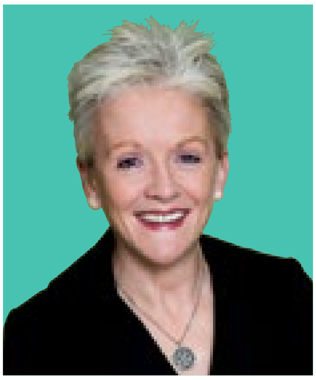
Clive Parritt
Chairman

24th November 2015

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 year has seen excellent performance from both the unquoted and quoted portfolios which are up 16 per cent and 17 per cent respectively. The quoted portfolio within Wood Street Microcap grew by 15 per cent. During the year, 5 new unquoted (excluding 2 acquisition vehicles) and 8 new quoted companies were added to the portfolio.

PORTFOLIO REVIEW

Overview

The net assets of £85.1 million were invested as follows:

Asset class	NAV (£m)	% of NAV	Number of investees	% return in the year
Unquoted	**29.9**	**35**	**24**	**16**
Quoted	**32.1**	**38**	**49**	**17**
Wood Street Microcap	**8.8**	**10**	**37**	**15**
Other Net Assets	**14.3**	**17**	**–**	**–**

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 30th September 2015, 86 per cent of the 73 companies directly held in the portfolio (i.e. excluding the investments held by Wood Street Microcap) were progressing steadily or better.

During the year there were:

- 5 new and 1 follow on investment in unquoted companies totalling £4.8 million (excluding acquisition vehicles)
- 8 unquoted exits delivered proceeds totalling £6.1 million

The tables on pages 12 and 13 show the breakdown between new investments and realisations over the course of the year. We comment on some of the key highlights in both the unquoted and quoted portfolios.

Unquoted Portfolio

The unquoted portfolio performance increased steadily to around 16 per cent over the course of the year. This included capitalised interest and redemption premium income received on the sale of investments as well as loan note redemptions. The portfolio is valued by the Board using a consistent process every quarter which is overseen by the Company's auditor, KPMG LLP. The majority of the value created by portfolio companies comes from trading and operational improvements (revenue and margin growth), rather than financial leverage.

Strategic Report

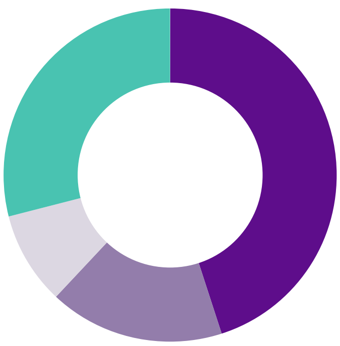
Unquoted Investment Activity

During the year, we made 7 new investments, 5 in the companies described below and 2 in acquisition vehicles. The unquoted companies added to the unquoted portfolio are:

- **Mortgages Made Easy ("MME")** is one of the UK's leading providers of broking services for mortgages and related financial products to freelance contractors (e.g. IT contractors and engineers).
- **Kirona** supplies software that enables field-based operatives to work much more efficiently for their organisations. The software allows field based workers to get better scheduling and workflow management, as well as enabling them to complete administrative tasks using their mobile devices. Over 25,000 workers use Kirona applications in areas such as local government, social housing, healthcare and utilities. The business can continue to grow as more companies see the efficiency benefits from using Kirona solutions.
- **Centre4 Testing** is a specialist provider of software testing services that helps its clients to manage the significant risks involved with software implementations, upgrades and integration. Centre4 Testing provides a range of services from full-service consultancy through to fast and flexible contractors using a database of over 10,000 professional UK-based testers. Centre4 Testing has supported over 250 clients across the UK.
- **IP Solutions** is a value added reseller of unified communications. There is a growing trend for companies to outsource their procurement of telecom services such as mobile, landlines, broadband and video conferencing to a single supplier rather than having to manage multiple suppliers. IP Solutions offers a cloud hosted solution combining best of breed partners for all these services and support to corporate users.

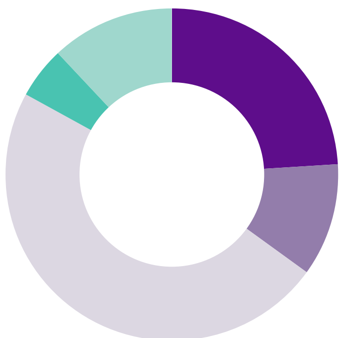
Investment Diversification at 30th September 2015

Sector by value



Business Services	45%
Consumer Markets	17%
Healthcare & Education	9%
Technology, Media & Telecommunications ("TMT")	29%

Total assets by value



Unquoted – loan stock	24%
Unquoted – equity	11%
AIM & collective investment vehicle	48%
Listed interest bearing securities	5%
Net current assets (principally cash)	12%

Time investments held by value

Less than 1 year	15%
Between 1 and 3 years	23%
Between 3 and 5 years	16%
Greater than 5 years	46%

- **Upper Street Events** is one of the UK's leading owners and operators of consumer facing events with a wide range of events including the Knitting & Stitching Show, the Gadget Show, the Cycle Show, the London Art Fair and the Country Living Show. The investment will support Upper Street's continued growth by launching new events to add to its strong established stable.

The remaining new unquoted investments (Kalyke Investments Ltd and Yeo Bridge Ltd) were in companies formed to enable investments into trading companies over the next two years.

Unquoted Divestment Activity

During the year there were four full realisations and four loan note redemptions which generated proceeds of approximately £6.1 million for Baronsmead VCT 2.

- Luxury For Less generated a return of 2.0 times its original cost when it was sold in March 2015 after a relatively short investment period of only 20 months. Luxury For Less is an online bathroom products retailer, supplying direct to consumers principally via its website www.bathempire.com.

- A refinancing at vehicle rental business Nexus Vehicle Holdings ("Nexus") resulted in a successful partial realisation. Since the first investment in 2008, profits at Nexus have advanced strongly and the investment has appreciated significantly in value. The business has also refinanced its bank debt. These developments have enabled Nexus to return a total of £12.3m to the Baronsmead family in early loan note repayments and associated interest (£3.1m for Baronsmead VCT 2). The equity investment is still retained.

- Following a period of strong realisations over the last three years, there have been three less successful exits to report. Playforce Holdings (playgrounds for schools) has been sold to a trade buyer recovering only half the original investment. Surgi C (spinal surgical implants) has also been partially realised recovering 20 per cent of the original cost. Additionally the investment in Impetus Automotive Solutions, (a specialist consultant to the automotive industry) resulted in a total loss.

UPPER STREET EVENTS

Upper Street Events

- One of the leading operators of large consumer facing shows including The Knitting & Stitching Show and The London Art Fair
- 17 events with over 370,000 visitors
- Livingbridge clients invested £7.4m

BATH EMPIRE

Luxury For Less (T/A Bath Empire)

- Fast growing on-line retailer of bathroom products
- Sales growth rate of 53% p.a. in 2 years to £28m
- Sold to trade buyer, Wolseley Plc, delivering 2.0x investment cost

Strategic Report

Naturally it is disappointing to have three poor realisations in one financial period, nevertheless it is in the nature of private equity investment that some investments will fail to achieve their full potential. Over many years our track record of realisations remains strong.

Quoted Portfolio (AIM-traded investments)

This has been another strong year with an uplift in the quoted portfolio of 17 per cent building on the very significant gains over the last three years (2014: 32 per cent; 2013: 43 per cent; 2012: 19 per cent). The performance of the quoted portfolio is a reflection not just of market movements over this period but also the changes introduced by the Livingbridge Quoted Investment Team since 2009. As outlined in last year's report a number of more significant holdings have now been built where the team has a closer, more influential relationship and can utilise some of the good practice from Private Equity experience and the results from this approach are starting to come through.

Whilst it is expected that our work in the quoted arena will deliver future positive growth over the long term, the high annual growth rates achieved over the last four years have been helped by the fact we have emerged from a recession and should be considered as above average.

Quoted Investment Activity

The level of new quoted investment for Baronsmead VCT 2 of £2.3 million was made across 8 new and 4 follow on investments. Two of the larger investments were:

- A new investment of approximately £0.46 million in CentralNic Group which is a provider of internet domain name and registry services. As an example of its services it has global exclusive rights to commercially exploit the new top level domain .xyz recently endorsed by Google's Alphabet holding company which has the domain abc.xyz.
- A follow on investment of £0.45 million in Ideagen plc, a provider of compliance document management services to the healthcare, marketing, complex manufacturing and other industries.

Quoted Divestment Activity

Proceeds from realisations during the year from the quoted portfolio totalled £4.0 million and delivered an aggregate return of 2.9x cost. Notably within this is the full realisation of Accumuli (4.4x cost), the full realisation of Cohort (1.7x cost), the full realisation of GB Group (3.6x cost) and the partial realisations of investments in the market of Jelf Group (3.5x) and Anpario (4.3x cost).

Following several years of significant growth in the value of AIM-traded and other listed investments, the Livingbridge Quoted Team has recently pursued a deliberate policy of realising a higher than normal level of quoted investments to take advantage of strong pricing and improved liquidity and lock in the gains made on these investments.

During the year there were:

- 8 new and 4 follow on investments in quoted companies which totalled £2.3 million
- 6 quoted divestments delivered proceeds of £4.0 million

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 30th September 2015, Baronsmead VCT 2's £3.5 million investment was valued at £8.8 million, following a gain of a further 15 per cent over the year (2014: 24 per cent; 2013: 47 per cent; 2012: 8 per cent). As at 30th September 2015, Wood Street held investments in 37 AIM-traded and listed companies.

Liquid assets (other net assets)

Baronsmead VCT 2 had cash and near cash resources of approximately £14.3 million at the year 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

Livingbridge seeks to invest in businesses that have intrinsic growth potential and where value growth is not overly dependent on the economic cycle. Livingbridge also invests in its own capabilities in order to support the development of the companies we back. We have continued to invest in our own business during this reporting period, increasing the size and skills of the investment team so we can continue to enhance the help we give to investees.

We are pleased with the overall trading performance of the companies within both our unquoted and quoted portfolios and we believe there is a good foundation for continued value growth within the portfolio driven by future profit growth. We are always aware of the potential volatility within quoted markets and the last two years have seen a significant level of realisations to turn a material part of the value growth of the quoted portfolio into cash for shareholders.

As the Chairman's Statement has covered, the VCT rule changes necessary to secure EU State Aid approval have caused us to implement some changes to our investment focus. We anticipate a greater proportion of our future portfolio will be in businesses which are slightly younger and at an earlier stage in their development but the focus remains on companies that are established, well managed, growing and profitable at the time of investment. This requires adaptation not reinvention by Livingbridge and we are confident that our team will continue to deliver creditable investment returns in the future.

Livingbridge VC LLP
Investment Manager

24th November 2015

Investments in the year

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments ***New***				
Kalyke Investments Ltd	London	Business Services	Company seeking to acquire businesses in the Business Services sector	956
Mortgages Made Easy Ltd	London	Consumer Markets	Speciality mortgage broker to the contractor community	956
Yeo Bridge Ltd	London	Business Services	Company seeking to acquire businesses in the Business Services sector	956
Kirona Ltd	Cheshire	TMT*	Provider of Field Force Automation software and services	955
Centre4 Testing Ltd	Sussex	Business Services	Provider of software testing services, primarily through use of contractors	954
IP Solutions Ltd	London	TMT*	Unified communications provider	954
Upper Street Events Ltd	London	Consumer Markets	Consumer events owner and operator	953
Follow on				
Happy Days Consultancy Ltd	Cornwall	Healthcare & Education	Provider of nursery based childcare in the South West of England	39
Total unquoted investments				**6,723**
AIM-traded investments ***New***				
CentralNic Group plc	London	TMT*	Provider of domain name & registry services	459
Venn Life Sciences Holdings plc	London	Healthcare & Education	Clinical Research organisation providing consulting and clinical trial services	225
Belvoir Lettings plc	Lincolnshire	Consumer Markets	UK based letting agency franchise network	219
Plant Impact plc	Hertfordshire	Business Services	Crop enhancing products	189
MXC Capital Ltd	Guernsey	Business Services	Tech focused investor & advisory business	113
Castleton Technology plc	Cambridge	TMT*	Public sector IT managed services and software	101
Gresham House plc	London	TMT*	Investment Trust vehicle	56
Totally plc	London	Healthcare & Education	Healthcare information and coaching provider	36
Follow on				
Ideagen plc	Matlock	TMT*	Compliance software solutions	450
EG Solutions plc#	Staffordshire	TMT*	Back office optimisation software	228
Plastics Capital plc	London	Business Services	Specialist plastic products buy and build	132
Pinnacle Technology Group plc	Stirlingshire	TMT*	B2B telecoms and IT reseller	50
Total AIM-traded investments				**2,258^**
Total investments in the year				**8,981**

* Technology, Media & Telecommunications ("TMT").
\# During the year, the EG Solutions plc Loan note and capitalised interest was converted into Ordinary shares.
^ Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marwyn Value Investors Ltd shares following a Scheme of Arrangement.

Realisations in the year

Company		First investment date	Book cost £'000	Proceeds‡ £'000	Overall multiple return*
Unquoted realisations					
Nexus Vehicle Holdings Ltd	Loan repayment	Feb 08	2,131	3,082	1.4
Luxury For Less Ltd	Full trade sale	Jul 13	955	1,787	2.0
Playforce Holdings Ltd	Full trade sale	Jan 08	1,196	380	0.5
Surgi C Ltd	Full trade sale	Apr 10	1,102	325	0.3
Create Health Ltd	Loan repayment	Mar 13	112	213	1.9
Kingsbridge Risk Solutions Ltd	Loan repayment	Jan 14	101	172	1.7
Eque2 Ltd	Loan repayment	Apr 13	111	124	1.1
Impetus Automotive Solutions Ltd	Full trade sale	Apr 12	1,305	0	0.0
Total unquoted realisations			**7,013**	**6,083**	
AIM-traded realisations					
Accumuli plc	Recommended offer	Nov 10	504	2,140	4.4
Jelf Group plc	Market sale	Oct 04	210	737	3.5
GB Group plc	Full market sale	Nov 11	108	384	3.6
Cohort plc	Full market sale	Oct 07	179	284	1.7
RTC Group plc	Full market sale	Jun 98	355	258	0.8
Anpario plc	Market sale	Nov 06	54	235	4.3
Total AIM-traded realisations			**1,410^**	**4,038**	
Total realisations in the year			**8,423**	**10,121†**	

‡ 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.
^ Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marwyn Value Investors Ltd shares following a Scheme of Arrangement.
† Proceeds of £8,000 were received in respect of Bglobal plc which had been written off in a prior period. Deferred consideration of £195,000 was received in respect of MLS Ltd and £88,000 in respect of CSC (World) Ltd, both of which had been sold in a prior period.

Strategic Report

The top ten investments by current value at 30th September 2015 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 Staffline Group Plc

Nottinghamshire

www.staffline.co.uk

Staffline is a specialist blue-collar labour supplier. Instead of serving clients from its branches, Staffline operates from client premises, providing a full on-site outsourcing service. This approach transformed the business from a regional temporary staff provider into a national innovative business.

By the time of Staffline's flotation on AIM in 2004, its Onsite business was operating in 35 locations and in 2010, after the completion of 3 acquisitions sales were increased by 79 per cent with pre-tax profits up 100 per cent.

All funds managed by Livingbridge
First investment: July 2000
Total cost: £174,000
Total equity held: 2.42%

Baronsmead VCT 2 only
Cost: £87,000
Valuation: £5,197,000
Valuation basis: Last Traded Price
% of equity held: 1.21%

Year ended 31st December

	2014	2013
	£ million	£ million
Sales:	**503.2**	416.0
EBITA:	**19.4**	12.8
Net Assets:	**65.9**	45.8
No. of Employees:	**1,611**	807

(Source: Staffline Group plc, Annual Report 31st December 2014)

2 Nexus Vehicle Holdings Ltd

West Yorkshire

www.nexusrental.co.uk

Nexus enables corporate users to source all their vehicle rental needs from one supplier – a highly efficient and cost effective online based process. The service is provided using its proprietary system, an advanced web based IT tool that is highly regarded in the industry. It offers fast access to a large range of rental fleets and enables customers to benefit from the buying scale of Nexus.

Vehicle rental in the UK represents a large market and Nexus is gaining market share through its innovative approach. Two acquisitions have also added to its growth.

All funds managed by Livingbridge
First investment: February 2008
Total cost: £977,000
Total equity held: 62.11%

Baronsmead VCT 2 only
Cost: £244,000
Valuation: £4,319,000
Valuation basis: Earnings multiple
% of equity held: 13.67%

Year ended 30th September

	2014	2013
	£ million	£ million
Sales:	**45.5**	41.3
EBITA:	**2.9**	2.6
Net Assets:	**1.3**	1.5
No. of Employees:	**132**	130

(Source: Nexus Vehicle Holdings Ltd, Report and Financial Statements 30th September 2014)

3 Netcall Plc

Hertfordshire

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 750 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 cost: £4,354,000
Total equity held: 18.02%

Baronsmead VCT 2 only
Cost: £869,000
Valuation: £2,624,000
Valuation basis: Bid Price
% of equity held: 3.61%

Year ended 30th June

	2014	2013
	£ million	£ million
Sales:	**16.9**	16.1
EBITA:	**4.8**	4.1
Net Assets:	**20.2**	16.9
No. of Employees:	**146**	141

(Source: Netcall plc, Annual Report and Accounts, 30th June 2014)

The top 10 investments represent 42% of the value of the investment portfolio.

Staffline

- National blue collar staffing agency operating across a number of industries
- Grown turnover more than tenfold since admission to AIM in 2004
- Leading Government Work Programme provider following the acquisition of A4e during 2015

Nexus

- Leading IT solution helps corporates access rental
- Strong sales growth of 10% from 2013 to 2014

4 IDOX Plc

Berkshire

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 is now seeking to diversify from its core local authority markets into the private sector to become a leading player in industries like oil, gas and pharmaceuticals.

All funds managed by Livingbridge
First investment: May 2002
Total cost: £1,641,000
Total equity held: 4.89%

Baronsmead VCT 2 only
Cost: £614,000
Valuation: £2,594,000
Valuation basis: Bid Price
% of equity held: 1.80%

Year ended 31st October

	2014 £ million	2013 £ million
Sales:	**60.7**	57.3
EBITA:	**15.6**	14.3
Net Assets:	**48.6**	44.7
No. of Employees:	**554**	558

(Source: IDOX PLC Annual Report & Accounts 2014)

5 Crew Clothing Holdings Ltd

London

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, 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 cost: £5,833,000
Total equity held: 28.10%

Baronsmead VCT 2 only
Cost: £1,453,000
Valuation: £2,437,000
Valuation basis: Earnings Multiple
% of equity held: 6.70%

Year ended 26th October

	2014 £ million	2013 £ million
Sales:	**59.2**	52.7
EBITA:	**1.1**	1.3
Net Assets:	**5.8**	6.0
No. of Employees:	**401**	381

(Source: Crew Clothing Holdings Ltd, Report and Financial Statements 26th October 2014)

Strategic Report

6 TLA Worldwide plc
London

www.tlaworldwide.com

TLA Worldwide acts as a sports management and marketing agency concentrating its on-field practice on the US baseball market. The company reports its business activities in two areas: Baseball Representation and Sports marketing. Baseball Representation: mainly assists the on field activities of baseball players, including all aspects of a player's contract negotiation. Sports marketing: mainly assists the off-field activities of athletes. In addition it represents broadcasters and coaches in respect of their contract negotiations.

All funds managed by Livingbridge
First investment: November 2011
Total cost: £3,604,000
Total equity held: 13.14%

Baronsmead VCT 2 only
Cost: £733,000
Valuation: £2,127,000
Valuation basis: Bid Price
% of equity held: 2.67%

Year ended 31st December

	2014 £ million	2013 £ million
Sales:	**13.4**	11.3
EBITA:	**5.9**	4.4
Net Assets:	**22.4**	21.3
No. of Employees:	**51**	51

(Source: TLA Worldwide Plc, Annual Report and Financial Statement Year End 31st December 2014)

Values have been converted from GBP to USD 2013 = 1.64880 / 2014 = 1.55320

7 Tasty Plc
London

www.dimt.co.uk

Tasty 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. It is the core growth brand with 17 units around the M25 and South East of England. Dim T serves pan Asian food with Dim Sum and offers customers a modern, ethnic and relaxed feel, trading from six 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 self-funding for its continued 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 underpins this strategy.

All funds managed by Livingbridge
First investment: September 2006
Total cost: £3,223,000
Total equity held: 14.45%

Baronsmead VCT 2 only
Cost: £594,000
Valuation: £2,036,000
Valuation basis: Bid Price
% of equity held: 2.52%

Year ended 28th December

	2014 £ million	2013 £ million
Sales:	**29.7**	23.2
EBITA:	**2.6**	1.9
Net Assets:	**19.6**	17.4
No. of Employees:	**642**	506

(Source: Tasty Plc, Report and Financial Statements 28th December 2014)

8 Create Health Ltd
London

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. The investment will enable the business to expand nationally and internationally, making this type of choice available to more women.

All funds managed by Livingbridge
First investment: March 2013
Total cost: £4,235,000
Total equity held: 29.00%

Baronsmead VCT 2 only
Cost: £953,000
Valuation: £1,743,000
Valuation basis: Earnings Multiple
% of equity held: 5.74%

Year ended 31st March

	2014 £ million	2013 £ million
Sales:	**4.9**	4.2
EBITA:	**#**	#
Net Assets:	**3.3**	2.3
No. of Employees:	**58**	#

(Source: Create Health Ltd Abbreviated Accounts 31st March 2014)

not disclosed

Year on year sales growth of 18% p.a. across the top ten investments.

TLA Worldwide

- International sports marketing and athlete management agency
- Group EBIT more than doubled over the 4 years to December 2014
- Now the leading representative agency for Major League Baseball players in the USA

Pho Holdings Ltd

- A fast casual restaurant chain serving authentic Vietnamese food
- Livingbridge invested in 2012 when the group had 7 sites
- Now 17 sites operating across London and UK regional sites

9 Pho Holdings Ltd
London

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 also offer an array of Vietnamese dishes, coffees, beers and fresh juices.

Pho was founded in 2005 and now operates from 17 sites in an array of channels: London High St 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 cost: £4,402,000
Total equity held: 28.00%

Baronsmead VCT 2 only
Cost: £990,000
Valuation: £1,557,000
Valuation basis: Earnings Multiple
% of equity held: 5.54%

Year ended 1st 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 1st March 2015)

* 53 week period ended 1st March 2015. The Company changed its year end from 23rd February to 1st March.

10 Kingsbridge Risk Solutions Ltd
Gloucestershire

www.kibl.co.uk

Kingsbridge, based in Tewkesbury is a specialist insurance broker operating through two distinct divisions. The KCI division has developed a core "all risks" product tailored to meet the insurance needs of contractors and freelance professionals. Through its strong reputation and comprehensive package, the business has built a referral network and partner channel providing access to contractors across a broad mix of occupations and end corporate industries. The business continues to benefit from a growing market of freelance professionals.

The KIB division offers an expert risk management advisory proposition to niche markets such as the water and insolvency practitioner sectors. It is recognised as one of the leading insurance brokers servicing these markets.

All funds managed by Livingbridge
First investment: January 2014
Total cost: £4,433,000
Total equity held: 34.00%

Baronsmead VCT 2 only
Cost: £851,000
Valuation: £1,459,000
Valuation basis: Earnings Multiple
% of equity held: 5.72%

Year ended 31st January

	2015 £ million	2014 £ million
Sales:	**#**	#
EBITA:	**#**	#
Net Assets:	**2.1**	0.6
No. of Employees:	**#**	#

(Source: Kingsbridge Risk Solutions Ltd, Abbreviated Accounts 31st January 2015)

not disclosed

Strategic Report

Principal Risks & Uncertainties

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

Principal Risk	Context	Specific risks we face
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.
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, 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.
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.
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. This risk is particularly affected by recent legislation and EU State Aid.
Economic, political and other external factors	Whilst the Company invests in predominantly UK businesses, the UK economy 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.
Operational	The Company relies on a number of third parties including 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 Accounts on pages 56 to 58.

Possible impact	Mitigation
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% 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 sixteen 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.
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.
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 HM Treasury ("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.
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.
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 buy backs 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.
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.

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 pages 59 and 60, is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs.

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 11 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.

The Company aims to be at least 90 per cent invested, directly or indirectly, in VCT qualifying and non-qualifying growth businesses subject always to the quality of investment opportunities and the timing of realisations. It is intended that at least 75 per cent of any funds raised by the Company will be invested in VCT qualifying investments. Non-VCT qualifying investments held in unquoted, AIM-traded and other quoted companies may be held directly or indirectly through collective investment vehicles.

Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. Generally no more than £2.5 million, at cost, is invested in the same company. 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 interest bearing securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM-traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying and non-VCT qualifying unquoted, AIM-traded and other quoted securities (which may be held directly or indirectly through collective investment vehicles), cash is primarily held in interest bearing accounts, money market open ended investment companies ("OEICs"), UK gilts and treasury bills.

VCTs are required to comply with a number of different regulations and the Company has appointed RobertsonHare LLP ("RobertsonHare") as its VCT Tax Status Advisers to advise it on compliance with VCT requirements. RobertsonHare reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. RobertsonHare 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 Investment 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 two female and two male Directors. The Manager has an equal opportunity policy and currently employs 41 men and 25 women.

Appointment of the right investment 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") highlighted on page 2 of the report.

The investment management agreement

Under the management agreement, the Manager receives a fee of 2.0 per cent per annum of the net assets of the Company. In addition, the Manager receives an annual secretarial and accounting fee of £36,380 (linked to the movement in the UK Retail Price Index ("RPI")), subject to annual review, plus a variable fee of 0.125 per cent of the net assets of the Company which exceed £5 million. The annual secretarial and accounting fee is subject to a maximum of £105,634 per annum (linked to the movement in RPI) subject to annual review.

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 30th September 2015 was 2.46 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 will not be payable to the Manager until the total return on shareholders' funds exceeds an annual threshold of the higher of 4 per cent or base rate plus 2 per cent calculated on a compound basis. 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 shall be capped at 5 per cent of shareholders' funds for that period.

During the financial year the threshold has been exceeded and a performance fee of £588,000 (2014: £553,000) is payable.

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

Strategic Report

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 £886k in 47 companies. At 30th September 2015 24 of these investments have been realised generating proceeds of £201m for the Baronsmead VCTs and £9.3m for the co-investment scheme. For Baronsmead VCT 2 the average money multiple on these 24 realisations was 2.0 times cost. Had the co-investment shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been 2.8p 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 year to 30th September 2015, the Manager received income of £152,000 (2014: £89,000) in connection with advisory fees and incurred abort fees of £9,000 (2014: £1,000), with respect to investments attributable to Baronsmead VCT 2.

Directors' fees of £206,000 (2014: £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 VCT 2.

Alternative Investment Fund Manager's Directive (AIFMD)

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

Viability Statement

In accordance with principle 21 of the AIC Code of Corporate Governance published by the AIC in February 2015, the Directors have assessed the prospects of the Company over the three year period to 30th September 2018. This period is used by the board during the strategic planning process and is considered reasonable for a business of our nature and size.

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 which were identified by the Manager. 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.

As part of this process the Directors have also considered the viability of the merged company if the takeover of Baronsmead VCT plc proceeds. In view of the fact the merged entity will be much larger than the original firm they feel that this increased size will help to mitigate some of the business risks mentioned on pages 18 and 19.

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 30th September 2018.

Returns to investors

Dividend policy

The Board of Baronsmead VCT 2 aims to sustain a minimum annual dividend level at an average of 6.5p per ordinary share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Since launch, the average annual tax free dividend paid to shareholders has been 7.0p per ordinary share (equivalent to a pre-tax return of 9.3p per ordinary share for a higher rate taxpayer). 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 VCT 2 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. As the Company expects to publish a prospectus with respect to a possible merger with Baronsmead VCT plc in January 2016, it would be cost effective to undertake a fundraising at the same time. As a result the Directors are currently considering the possibility of raising further funds in January 2016.
- 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 565,000 shares were bought in this way during the year to 30th September 2015.
- 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 the likely impact on shareholders as a whole, the funding requirements of the Company and market conditions at the time, 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 428,000 shares were bought by investors in the Company's existing shares in the year to 30th September 2015.

On behalf of the Board
Clive Parritt
Chairman

24th November 2015

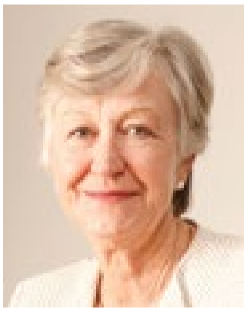
Report of the Directors

The Chairman's Statement on pages 4 to 6, the Corporate Governance Statement on pages 27 to 34 and the Strategic Report on pages 2 to 23 forms part of the Report of the Directors.

Board of Directors

As at 30th September 2015

Clive Parritt	Chairman
Appointed:	18th February 1998
Past experience	Clive is a chartered accountant with over 30 years' experience of providing strategic, financial and commercial advice to medium sized businesses. Until February 2001 he was chairman of Baker Tilly having been its national managing partner for ten years until June 1996. He was President of the Institute of Chartered Accountants in England and Wales in 2011–12. In addition, he has chaired or been a director of a number of investment trusts, VCTs and media businesses.
Other appointments	Audiotonix Limited (group finance director), BG Training Limited (chairman), London & Associated Properties plc (director) and Jupiter US Smaller Companies plc (director).
Beneficial Shareholding	161,633 Ordinary Shares



Gillian Nott OBE	Senior Independent Director, Nomination Committee Chairman and Management Engagement and Remuneration Committee Chairman
Appointed:	18th February 1998
Past experience	Gillian has in-depth experience of private investors from her experience as chief executive of ProShare (1994–1999). Previously she was responsible for the private equity portfolio at BP and has been on the board of the FSA, the predecessor to the Financial Conduct Authority. In addition, Gillian held Board positions at Liverpool Victoria Friendly Society (director), Association of Investment Companies (deputy chairman), Martin Currie Global Portfolio Investment Trust plc (non-executive director) and Witan Pacific Investment Trust plc (chairman).
Other appointments	BlackRock Smaller Companies Trust plc (non-executive director), JP Morgan Russian Securities plc (Chairman), Baronsmead VCT 3 plc (non-executive director) and Baronsmead VCT 5 plc (non-executive director).
Beneficial Shareholding	90,871 Ordinary Shares

Howard Goldring	Audit Committee Chairman
Appointed:	11th November 2009
Past experience	Howard is a chartered accountant with over 30 years' experience in wealth management and the global real estate market. He is an acknowledged specialist on global asset allocation. He was previously a director for Global Strategy at Allied Dunbar Asset Management (now Threadneedle Asset Management) and from 1997-2003 he was consultant Director on global asset allocation to Liverpool Victoria Asset Management. Howard was appointed as asset allocation advisor to Tesco Pension Investment Ltd in May 2012. He remains involved in the UK property sector and is a non-executive director of London & Associated Properties Plc which manages a retail property portfolio of over £250 million.
Other appointments	Delmore Asset Management Limited (executive chairman), Tesco Pension Investment Ltd (asset allocation advisor), London & Associated Properties plc (non-executive director).
Beneficial Shareholding	24,607 Ordinary Shares

Christina McComb	Non-Executive Director
Appointed:	3rd February 2011
Past experience	Christina has a broad background in public and private sectors, with a strong focus on investing in SMEs and early stage companies. She is a former director of 3i plc where she undertook a number of investment and portfolio management roles. She was also a director of the Shareholder Executive, an agency established in 2003 to manage the Government's holdings in publicly owned companies.
Other appointments	Engage Mutual Assurance (Chair); British Business Bank plc (non-executive director); Standard Life European Private Equity Trust plc (non-executive director); Nexeon Ltd (non-executive director).
Beneficial Shareholding	25,131 Ordinary Shares

Report of the Directors

The Directors of Baronsmead VCT 2 plc (Reg: 03504214) present their eighteenth Report and audited financial statements of the Company for the year ended 30th September 2015.

Shares and Shareholders

Share capital

During the year the Company bought back a total of 1,595,000 ordinary shares to be held in Treasury, representing 1.68 per cent of the issued share capital as at 30th September 2015, with an aggregate nominal value of £159,500. The total amount paid for these shares was £1,489,525. The Company's remaining authority to buy back shares from the 2014 Annual General Meeting ("AGM") is 11,042,066. During the year the Company also sold 300,000 ordinary shares from Treasury. These shares were sold for a total amount of £286,500.

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	94,972,132	100.0	£9,497,213
Held In treasury	11,963,819	12.6	£1,196,382
In circulation	83,008,313	87.4	£8,300,831

The maximum number of shares held in Treasury during the year was 12,263,819. 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 participate in 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 2014 AGM, all of which remain valid, can be found in the last 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.

Tax free dividends

The Company paid the following dividends for the year ended 30th September 2015:

Tax Free Dividends	£'000
Interim dividend of 2.5p per ordinary share paid on 19th June 2015	2,080
Second interim dividend of 4.0p per ordinary share paid on 18th September 2015*	3,308
Total dividends paid for the year	5,388

* the second interim dividend was paid in lieu of a final dividend.

Annual General Meeting

As mentioned in the Chairman's Statement, details regarding the Company's AGM will be provided to shareholders in February 2016.

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 pages 35 and 36 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. Directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest and 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 30th September 2015, the Company held cash balances and investments in UK Treasury Bills with a combined value of £15,205,000. 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 its report on global greenhouse emissions in its 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

24th November 2015

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 2015 ("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 27 to 31 provide an explanation of how the Company has complied with the AIC Code during the year and provide 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 Parritt 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.
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, including the length of service 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. However the Board has, as a matter of good practice, adopted the AIC Code recommendation that directors who have served for more than nine years should seek annual re-election. Mrs Nott is a director of Baronsmead VCT 3 plc and Baronsmead VCT 5 plc, both of which are managed by Livingbridge VC LLP. In addition, Mr Parritt and Mr Goldring are both non-executive directors of London & Associated Properties plc. The Board regularly considers the independence of its Directors and has concluded that each Director provides the Manager with robust challenge and approaches their role in a way that satisfies the rest of the Board that they continue to be independent and that the existence of the common directorship or appointments to other companies managed by Livingbridge VC LLP does not impede their independence.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
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 after each three years' service, and annually after serving on the Board for more than nine years. In practice, the current Directors are standing for re-election at least every second year.
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 ensures 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.
5	**There should be full disclosure of information about the board.**	The Board is profiled on page 24 and biographies are available on the Company's website. Details of the Board's committees are set out below this table.
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 24 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.**	It is the Board's policy to evaluate the performance of the Board, committees and individual Directors through an assessment process, led by the Chairman. The performance of the Chairman is evaluated by the other Directors under the leadership of the Senior Independent Director. During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process by way of a questionnaire specifically designed to assess the strength of the Board and Committees and identify areas for further development. The independence of each Director was also considered as part of this process. The results of the evaluation were considered by the Nomination Committee which ultimately concluded that the Directors, the Board and its Committees remained effective.
8	**Director remuneration should reflect their duties, responsibilities and the value of their time spent.**	The Board's Management Engagement and Remuneration Committee considers at least annually the level of the Board's fees, in accordance with the Remuneration Policy approved by shareholders at the 2013 AGM. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 35 to 37.
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. During the year there have not been any new director appointments. The Nomination Committee has reviewed the composition of the Board and believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
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. However, 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% 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.**	As mentioned above, 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.
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.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
16	**The board should agree policies with the manager covering key operational issues.**	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. The Manager also provides or procures the provision of company secretarial, accounting, administrative and custodian services to the Company. 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 principled 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.
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 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.
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 detailed information in regard to the performance of all third party service providers at each meeting. The Audit Committee also receives service provider controls reports from the Manager and the Board considers if a provider should be replaced.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
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.**	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. 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, and any other general meetings, 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 Manager also runs a shareholder workshop on the same day as the AGM. 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 67 for contact details). The 2014 AGM was held on 17th December 2014. The Company provided 21 days' notice, in accordance with the Companies Act 2006, but the Company did not provide the 20 working days' notice, as required under the AIC Code. The Board previously chose not to comply with this requirement as they believed the earlier AGM was more convenient to shareholders. However, following further shareholder feedback, the Board have decided to move the AGM which will result in compliance in future years.
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.**	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. Details of the Company's full portfolio, as at 30th September 2015 can be found on the Company's website and on pages 63 and 64 of this Annual Report and Accounts. 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 22 and 23.

Corporate Governance

The Board's Committees

The Board has delegated certain responsibilities to its Audit, Nomination and Management Engagement and Remuneration 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 by the respective Chairman below:

Audit Committee

Chairman: Mr Howard Goldring

Key responsibilities:

1. reviewing the content and integrity of the Annual 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 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 review recently completed investments against the positions as announced by The Government in March 2015 and July 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. As you will see from page 67, during the year we decided to change our VCT Status advisors from PriceWaterhouseCoopers LLP to RobertsonHare LLP. 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 had been met throughout the year. The position had also been reviewed by RobertsonHare LLP in their capacity as adviser to the Company on taxation matters.

The Committee has also recommended the adoption of FRS 102 for this financial year. This is ahead of when mandated by one financial year, but we acknowledge that a large number of our shareholders have holdings in other Baronsmead family companies, and those companies with a financial year end of December 2015 are required to adopt the new standard. We therefore believe that to report consistently across the family is important to our shareholders. There has also been a widely publicised new requirement included in the UK Code for the inclusion in Annual Report and Accounts of a viability statement, and you will find our statement on pages 22 and 23. The Committee discussed the length of time that the viability statement should cover for the Company, given that there was no time period outlined in the UK Code, but guidance suggested between two and five years. We decided that a viability statement covering the next three years was the most appropriate given the forecasts that we request from the Manager and the estimated timeline for finding, assessing and completing investments. We will continue to review the appropriateness of this period in light of the changes necessitated by new legislation and whether additional stress testing of the Manager's forecasts is recommended for the Board to retain comfort in providing this viability statement.

The Committee also recommended to the Board that, as a result of other updates to the UK Code, the Terms of Reference for the Committee be updated. The major update was the inclusion of specific reference to "principal risks" and one such risk identified and discussed during the financial year was the debate between the European Securities and Markets Authority ("ESMA") and the EU Commission in relation to whether leverage in portfolio companies should be treated as leverage in the fund. This would clearly impact on the Company as we currently report that the Company has no bank debt; however companies we invest in currently and in the future are likely to have some form of leverage within their businesses.

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. One such report was a review of the Manager's Co-invest Scheme, outlined on pages 21 and 22, which was conducted in July and was rated effective. The ad-hoc audit of the Manager's systems and processes had been completed by an independent third party for a number of years based on the Committee's requests, however during the year the Committee approved a rolling audit plan that will test these processes on a more regular basis. We believe this will provide further rigour to the Committee's oversight and review of internal control and risk management processes.

Following a review of the effectiveness of the audit, The Committee concluded that 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. In accordance with guidance issued by the Auditing Practices Board the audit partner is rotated every five years to ensure objectivity and independence is not impaired. The current audit partner has been in place for four year-ends. KPMG LLP ("KPMG") was appointed to the Company in 2003 and no tender for the audit of the Company has been undertaken since this date. As part of its review of the continuing appointment of the auditors, the Audit Committee regularly considers the need to put the audit out to tender.

The Committee recognises the efforts KPMG makes to understand our business when auditing our investments and is able to provide insight and contribute positively to discussions at Committee Meetings. This provides comfort that where KPMG conduct non-audit services, clear division between audit and non-audit services is maintained, and we believe that the value of non-audit services provided, as reported on page 52, does not represent a conflict of interest between KPMG and the Company. We therefore have no hesitation in recommending that KPMG be reappointed as the Company's auditor at the forthcoming AGM.

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 and Remuneration Committee

Chairman: Mrs Gillian Nott

A summary of this Committee's key responsibilities and activities carried out during the year can be found in the Remuneration Report on page 35.

Nomination Committee

Chairman: Mrs Gillian Nott

Key responsibilities:

1. considering the appointment of additional Directors as and when considered appropriate;
2. considering the resolutions relating to annual 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.

Corporate Governance

During the year we reviewed the composition of the Board and Committees, including the chairmanship of each Committee. We also considered the outcome of the Board evaluation. Our opinion remains that we are satisfied with the performance of the Board, its sub-committees and that of individual Directors and the Chairman.

The below table sets out the Directors' attendance at Board and Committee meetings held during the year to 30th September 2015. In addition the Board established committees to approve financial statements and the payment of interim dividends. The Directors also attended quarterly meetings to consider in detail the valuations of the unquoted investments in the portfolio.

	Board of Directors (4 meetings held)		Audit Committee (2 meetings held)		Management Engagement and Remuneration Committee (1 meeting held)		Nomination Committee (1 meeting held)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Clive Parritt	4	4	2	2	1	1	1	1
Gillian Nott	4	4	2	2	1	1	1	1
Howard Goldring	4	4	2	2	1	1	1	0
Christina McComb	4	4	2	2	1	1	1	1

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 39 to 41.

An Ordinary resolution for the approval of this report 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 Mrs Nott 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 fees 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.

Directors' 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.

Each year the Remuneration committee reviews the Directors' fees 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 recent legislative changes that have been introduced by the November Finance Bill. In addition the Directors spend a considerable amount of time monitoring the 70% 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 27 to 34, all of which the Board believes should be taken into account when determining the remuneration of the Directors.

During the year we carried out a review of the Terms of Reference to ensure these remained relevant, appropriate and in line with best practice. As a result, we have expanded the duties of the Committee to ensure a rigorous review of the Manager is carried out on an annual basis.

Directors' Fees

Given the current proposals to merge the Company with Baronsmead VCT plc, the Management Engagement and Remuneration Committee have agreed to postpone any further review of directors fees until later in the year.

Directors' Remuneration Report

Directors' Remuneration Policy

The remuneration policy was approved by the members at the 2013 AGM, and it is intended that this policy will continue for the year ending 30th September 2016 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, 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. No payments for loss of office were made during the year.

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 (7 per cent against). At the 2013 AGM, when the remuneration policy was last put to a shareholder vote, over 93 per cent voted for the resolution (6 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. In accordance with the AIC Code, Directors who have served on the Board for more than nine years must offer themselves for re-election on an annual basis. There is no notice period and no provision for compensation upon early termination of appointment.

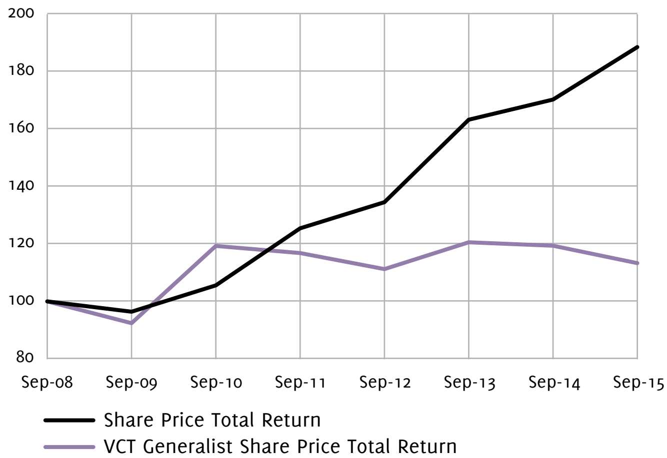
Annual Remuneration Report

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 below compares, for the seven years ended 30th September 2015, 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 60 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 & Remuneration Committee formally reviews the performance of the Investment 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.

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:

	Fees 2015 £	Fees 2014 £
Clive Parritt	**29,500**	28,500
Gillian Nott	**22,000**	20,000
Howard Goldring	**24,000**	20,000
Christina McComb	**22,000**	20,000
Total	**97,500**	88,500

Relative Importance of Spend on Directors' Fees

	2015 £	2014 £	Percentage change
Dividend	**5,388,000**	9,818,000	(45.1)
Total directors fees	**97,500**	88,500	10.2

As explained in the Chairman's Statement, significant dividends have been paid over the past few years due to the realisation of mature investments. This year we returned to our dividend policy of 6.5p, which is why there appears to be a reduction in dividends paid compared to the prior year.

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:

	30th September 2015 Ordinary 10p shares	30th September 2014 Ordinary 10p shares
Clive Parritt	**161,633**	151,288
Gillian Nott	**90,871**	90,871
Howard Goldring	**24,607**	24,607
Christina McComb	**25,131**	25,131
Total shares held	**302,242**	291,897

There have been no changes in the holdings of the Directors between 30th September and 24th November 2015.

Approved by the Board of Directors and signed by:
Gillian Nott
Chairman of the Management Engagement and Remuneration Committee

24th November 2015

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 and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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. Visitors to the website should be aware that 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;
- the Annual 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; and
- the report and accounts, taken as a whole, are fair, balanced, and understandable and provide the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

On behalf of the Board
Clive Parritt
Chairman

24th November 2015

Independent Auditor's Report

Independent Auditor's Report to the Members of Baronsmead VCT 2 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 VCT 2 plc for the year ended 30th September 2015 set out on pages 42 to 58. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th September 2015 and of its profit for the year 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 were as follows:

Valuation of unquoted investments (£29.9m)

Refer to page 32 (Audit Committee Report), page 46 (accounting policy) and pages 46 to 49 (financial disclosures)

The risk – 34.6% 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 such as prices of recent orderly transactions, earnings multiples, and net assets. 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, 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. Where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. 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 valuation meeting where we assessed the effectiveness of the Valuation 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 (£45.4m)
Refer to page 32 (Audit Committee Report), page 46 (accounting policy) and pages 46 to 49 (financial disclosures)

The risk – The Company's portfolio of quoted investments makes up 52.6% 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 £862,661 (2014: £1,684,031), determined with reference to a benchmark of total assets, of which it represents 1%, reflecting industry consensus levels (2014: 2%).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £43,133, 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, Livingbridge VC LLP, head office in London and at the administrator, Capita Asset Services, 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 year for which the financial statements are prepared is consistent with the financial statements.

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 22 and 23, 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 years to 30th September 2018; 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 report 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 22, 23 and 26, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 27 to 34 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 38, 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.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

24th November 2015

Income Statement

For the year ended 30th September 2015

	Notes	Year ended 30th September 2015 Revenue £'000	Capital £'000	Total £'000	Year ended 30th September 2014 Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movements in fair value of investments	2.3	**–**	**8,847**	**8,847**	–	7,898	7,898
Realised gains on disposal of investments	2.3	**–**	**522**	**522**	–	639	639
Income	2.5	**1,869**	**–**	**1,869**	2,100	–	2,100
Investment management fee	2.6	**(398)**	**(1,780)**	**(2,178)**	(382)	(1,701)	(2,083)
Other expenses	2.6	**(469)**	**–**	**(469)**	(464)	–	(464)
Profit on ordinary activities before taxation		**1,002**	**7,589**	**8,591**	1,254	6,836	8,090
Taxation on ordinary activities	2.9	**(89)**	**89**	**–**	(164)	164	–
Profit for the year, being total comprehensive income for the year		**913**	**7,678**	**8,591**	1,090	7,000	8,090
Return per ordinary share:							
Basic	2.2	**1.10p**	**9.20p**	**10.30p**	1.35p	8.71p	10.06p

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

For the year ended 30th September 2015

	Notes	Non-distributable reserves			Distributable Reserves		
		Called-up share capital £'000	**Share premium £'000**	**Revaluation reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
At 1st October 2014		**9,497**	**16,545**	**16,497**	**40,330**	**270**	**83,139**
Profit/(loss) on ordinary activities after taxation		**–**	**–**	**8,323**	**(645)**	**913**	**8,591**
Net proceeds of share buybacks & sale of shares from treasury		**–**	**16**	**–**	**(1,226)**	**–**	**(1,210)**
Dividends paid	2.4	**–**	**–**	**–**	**(4,307)**	**(1,081)**	**(5,388)**
At 30th September 2015		**9,497**	**16,561**	**24,820**	**34,152**	**102**	**85,132**

For the year ended 30th September 2014

	Notes	Non-distributable reserves			Distributable Reserves		
		Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1st October 2013		8,534	7,809	17,274	41,921	251	75,789
(Loss)/profit on ordinary activities after taxation		–	–	(777)	7,777	1,090	8,090
Net proceeds of share issues & buybacks		963	8,736	–	(621)	–	9,078
Dividends paid	2.4	–	–	–	(8,747)	(1,071)	(9,818)
At 30th September 2014		9,497	16,545	16,497	40,330	270	83,139

Balance Sheet

As at 30th September 2015 Company Number: 03504214

	Notes	**As as 30th September 2015 £'000**	As as 30th September 2014 £'000
Fixed assets			
Investments	2.3	**75,319**	72,936
Current assets			
Debtors	2.7	**240**	1,320
Cash at bank and on deposit		**10,707**	10,139
		10,947	11,459
Creditors (amounts falling due within one year)	2.8	**(1,134)**	(1,256)
Net current assets		**9,813**	10,203
Net assets		**85,132**	83,139
Capital and reserves			
Called-up share capital	3.1	**9,497**	9,497
Share premium	3.2	**16,561**	16,545
Capital reserve	3.2	**34,152**	40,330
Revaluation reserve	3.2	**24,820**	16,497
Revenue reserve	3.2	**102**	270
Equity shareholders' funds		**85,132**	83,139
Net asset value per share			
– Basic	2.1	**102.56p**	98.62p
– Treasury	2.1	**101.65p**	98.02p

The financial statements were approved by the Board of Directors on 24th November 2015 and were signed on its behalf by:

Clive Parritt
Chairman

Statement of Cash Flows

For the year ended 30th September 2015

	Year ended 30th September 2015 £'000	Year ended 30th September 2014 £'000
Cash flows from operating activities		
Investment income received	**1,806**	2,838
Deposit interest received	**43**	30
Other income	**–**	15
Investment management fees paid	**(2,134)**	(2,933)
Other cash payments	**(473)**	(432)
Net cash outflow from operating activities	**(758)**	(482)
Cash flows from investing activities		
Purchases of investments	**(56,951)**	(56,011)
Disposals of investments	**65,034**	64,338
Net cash inflow from investing activities	**8,083**	8,327
Equity dividends paid	**(5,388)**	(9,818)
Net cash inflow/(outflow) before financing activities	**1,937**	(1,973)
Cash flows from financing activities		
Net proceeds of share issues, costs of buybacks & sale of shares from treasury	**(1,369)**	9,237
Net cash (outflow)/inflow from financing activities	**(1,369)**	9,237
Increase in cash	**568**	7,264
Reconciliation of net cash flow to movement in net cash		
Increase in cash	**568**	7,264
Opening cash position	**10,139**	2,875
Closing cash at bank and on deposit	**10,707**	10,139
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities		
Profit on ordinary activities before taxation	**8,591**	8,090
Gains on investments	**(9,369)**	(8,537)
(Increase)/decrease in debtors	**(13)**	783
Increase/(decrease) in creditors	**36**	(818)
Income reinvested	**(3)**	–
Net cash outflow from operating activities	**(758)**	(482)

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 early adoption of FRS 102 for this financial year was recommended by the Audit Committee as detailed in the Corporate Governance section of the Directors Report on page 32. There are no significant changes to the Company's accounting policies as a result of the adoption of FRS 102, which becomes mandatory for companies with a financial year beginning from 1st January 2015.

The Financial Statements have been prepared on a going concern basis.

2. Investments, performance and shareholder returns

2.1 Net asset value per share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30th September 2015 number	30th September 2014 number	**30th September 2015 pence**	30th September 2014 pence	**30th September 2015 £'000**	30th September 2014 £'000
Ordinary shares (basic)	**83,008,313**	84,303,313	**102.56**	98.62	**85,132**	83,139
Ordinary shares (including treasury)	**94,972,132**	94,972,132	**101.65**	98.02	**96,543**	93,088

The treasury net asset value per share as at 30th September 2015 included ordinary shares held in treasury valued at the mid share price of 95.38p at 30th September 2015 (2014: 93.25p).

2. Investments, performance and shareholder returns (continued)

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit on ordinary activities after taxation	
	30th September 2015 number	30th September 2014 number	**30th September 2015 pence**	30th September 2014 pence	**30th September 2015 £'000**	30th September 2014 £'000
Revenue	**83,436,491**	80,388,884	**1.10**	1.35	**913**	1,090
Capital	**83,436,491**	80,388,884	**9.20**	8.71	**7,678**	7,000
Total			**10.30**	10.06	**8,591**	8,090

2.3 Investments

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 net asset value basis.

Gains and losses arising from changes in the fair value of the investments are included in the Income Statement for the year 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 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.

Notes to the Financial Statements

2. Investments, performance and shareholder returns (continued)

2.3 Investments (continued)

	30th September 2015 £'000	30th September 2014 £'000
Level a		
Listed interest bearing securities	**4,498**	10,996
Investments traded on AIM	**32,141**	28,835
Investments traded on ISDX	**–**	485
Investments listed on LSE	**–**	24
	36,639	40,340
Level b		
Collective investment vehicle (Wood Street Microcap Investment Fund)	**8,778**	7,608
Level c (ii)		
Unquoted investments	**29,902**	24,988
	75,319	72,936

2. Investments, performance and shareholder returns (continued)

2.3 Investments (continued)

	Level a				Level b	Level c (ii)	
	Listed interest bearing securities £'000	Traded on AIM £'000	Traded on ISDX £'000	Listed on LSE £'000	Collective investment vehicle £'000	Unquoted £'000	Total £'000
Opening book cost	10,996	17,779	227	589	3,525	23,323	56,439
Opening unrealised appreciation/(depreciation)	–	11,056	258	(565)	4,083	1,665	16,497
Opening valuation	10,996	28,835	485	24	7,608	24,988	72,936
Movements in the year:							
Reclassification in the year	–	816	(227)	(589)	–	–	–
Purchases at cost	47,973	2,691	–	–	–	6,723	57,387
Sale – proceeds	(54,471)	(4,479)	–	–	–	(5,423)	(64,373)
– realised gains/(losses) on sales	–	716	–	–	–	(194)	522
Unrealised gains/(losses) realised during the year	–	1,920	–	–	–	(1,396)	524
Increase/(decrease) in unrealised appreciation	–	1,642	(258)	565	1,170	5,204	8,323
Closing valuation	**4,498**	**32,141**	**–**	**–**	**8,778**	**29,902**	**75,319**
Closing book cost	4,498	19,443	–	–	3,525	23,033	50,499
Closing unrealised appreciation	–	12,698	–	–	5,253	6,869	24,820
Closing valuation	**4,498**	**32,141**	**–**	**–**	**8,778**	**29,902**	**75,319**
Equity shares	–	32,141	–	–	8,778	9,580	50,499
Loan notes	–	–	–	–	–	20,322	20,322
Fixed income securities	4,498	–	–	–	–	–	4,498
Closing valuation	**4,498**	**32,141**	**–**	**–**	**8,778**	**29,902**	**75,319**

The gains and losses included in the above table have all been recognised in the Income Statement on page 42.

For Level c (ii) 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 £1.7 million or 5.8 per cent lower. Using the upside alternatives the value would be increased by £2.1 million or 7.1 per cent.

Notes to the Financial Statements

2. Investments, performance and shareholder returns (continued)

2.4 Dividends

	Year ended 30th September 2015			Year ended 30th September 2014		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Amounts recognised as distributions to equity holders in the year:						
For the year ended 30th September 2015						
– First interim dividend of 2.5p per ordinary share paid on 19th June 2015	**1,081**	**999**	**2,080**	–	–	–
– Second interim dividend of 4.0p per ordinary share paid on 18th September 2015	**–**	**3,308**	**3,308**	–	–	–
For the year ended 30th September 2014						
– First interim dividend of 8.0p per ordinary share paid on 7th March 2014	**–**	**–**	**–**	902	5,115	6,017
– Second interim dividend of 4.5p per ordinary share paid on 19th September 2014	**–**	**–**	**–**	169	3,632	3,801
	1,081	**4,307**	**5,388**	1,071	8,747	9,818

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 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. Accordingly, the redemption premium received in the year ended 30th September 2015 has been classified as capital and has been included within gains on investments.

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.

2. Investments, performance and shareholder returns (continued)

2.5 Income (continued)

	Year ended 30th September 2015			Year ended 30th September 2014		
	Quoted securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments†						
UK franked	**567**	**–**	**567**	509	–	509
UK unfranked	**27**	**1,228**	**1,255**	16	877	893
UK unfranked – reinvested	**–**	**3**	**3**	–	–	–
Redemption premium	**–**	**–**	**–**	–	652	652
	594	**1,231**	**1,825**	525	1,529	2,054
Other income‡						
Deposit interest			**27**			21
Other income			**17**			25
Total income			**1,869**			2,100
Total income comprises:						
Dividends			**567**			509
Interest			**1,302**			1,591
			1,869			2,100

† All investments have been designated 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 designated fair value through profit or loss.

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

	Year ended 30th September 2015			Year ended 30th September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**398**	**1,192**	**1,590**	382	1,148	1,530
Performance fee	**–**	**588**	**588**	–	553	553
	398	**1,780**	**2,178**	382	1,701	2,083

Management fees are allocated 25 per cent income: 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 capital.

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

Notes to the Financial Statements

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 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 if at the end of any calculation period, the total return on shareholders' funds exceeds the threshold of UK base rate plus 2 per cent on shareholders' funds (calculated on a compound 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 shareholders' funds at the end of the period.

Amounts payable to the Manager at the year end are disclosed in note 2.8.

Other expenses

	Year ended 30th September 2015 £'000	Year ended 30th September 2014 £'000
Directors' fees	**98**	89
Secretarial and accounting fees paid to the Manager	**137**	139
Remuneration of the auditors and their associates:		
– audit	**23**	23
– other services supplied relating to taxation	**7**	7
– other services supplied relating to financial statements' reorganisation	**–**	6
Other	**204**	200
	469	464

Information on directors' remuneration is given in the directors' remuneration table on page 37.

Charges for other services provided by the auditors in the year ended 30th September 2015 were in relation to 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 30th September 2015 £'000	As at 30th September 2014 £'000
Prepayments and accrued income	**240**	226
Amounts due from brokers	**–**	1,094
	240	1,320

2. Investments, performance and shareholder returns (continued)

2.8 Creditors (amounts falling due within one year)

	As at 30th September 2015 £'000	As at 30th September 2014 £'000
Management, performance, secretarial and accounting fees due to the Manager	**1,056**	1,011
Amounts due for buyback	**–**	158
Other creditors	**78**	87
	1,134	1,256

2.9 Tax

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

Provision is made for deferred taxation 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:

	Year ended 30th September 2015			Year ended 30th September 2014		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit on ordinary activities before taxation	**1,002**	**7,589**	**8,591**	1,254	6,836	8,090
Corporation tax at 20.5 per cent (2014: 22.0 per cent)	**205**	**1,556**	**1,761**	276	1,504	1,780
Effect of:						
Non-taxable gains	**–**	**(1,921)**	**(1,921)**	–	(1,878)	(1,878)
Non-taxable dividend income	**(116)**	**–**	**(116)**	(112)	–	(112)
Losses carried forward	**–**	**276**	**276**	–	210	210
Tax charge/(credit) for the year	**89**	**(89)**	**–**	164	(164)	–

At 30th September 2015 the Company had surplus management expenses of £4,648,934 (2014: £3,304,577) 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 period in excess of the deductible expenses of that future period 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.

Notes to the Financial Statements

3. Other Required Disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
94,972,132 ordinary shares of 10p each listed at 30th September 2014	9,497
94,972,132 ordinary shares of 10p each listed at 30th September 2015	**9,497**
10,668,819 ordinary shares of 10p each held in treasury at 30th September 2014	(1,067)
1,595,000 ordinary shares of 10p each repurchased during the year and held in treasury	(159)
(300,000) ordinary shares of 10p each sold from treasury during the year	30
11,963,819 ordinary shares of 10p each held in treasury at 30th September 2015	**(1,196)**
83,008,313 ordinary shares of 10p each in circulation* at 30th September 2015	**8,301**

* Carrying one vote each.

During the year the Company bought back 1,595,000 ordinary shares and sold from treasury 300,000 ordinary shares, representing 1.4 per cent of the ordinary shares in issue at the beginning of the financial year.

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

Treasury shares

When the Company reacquires its own shares, they are held as treasury shares and not cancelled.

Shareholders have authorised the Board to sell 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.

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 1st October 2014	40,330	270	40,600	16,545	16,497	33,042
Transfer gain from sale of treasury shares	(5)	–	(5)	5	–	5
Purchase of shares for treasury	(1,490)	–	(1,490)	–	–	–
Sale of shares from treasury	276	–	276	–	–	–
Gain of shares sold from treasury	–	–	–	11	–	11
Expenses of share buybacks	(7)	–	(7)	–	–	–
Reallocation of prior year unrealised gains	524	–	524	–	(524)	(524)
Realised gain on disposal of investments#	522	–	522	–	–	–
Net increase in value of investments#	–	–	–	–	8,847	8,847
Management fee capitalised#	(1,780)	–	(1,780)	–	–	–
Taxation relief from capital expenses#	89	–	89	–	–	–
Revenue return on ordinary activities after taxation#	–	913	913	–	–	–
Dividends paid in the year	(4,307)	(1,081)	(5,388)	–	–	–
At 30th September 2015	**34,152**	**102**	**34,254**	**16,561**	**24,820**	**41,381**

The total of these items is £8,591,000, which agrees to the total profit on ordinary activities.

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

Distributable reserves include the 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 20 to 23 of the Strategic Report.

Investments in unquoted stocks & AIM quoted 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 30th September 2015			As at 30th September 2014		
	% 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	**43**	**1,607**	**(1,607)**	40	1,467	(1,467)
Unquoted	**40**	**1,495**	**(1,495)**	34	1,249	(1,249)

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.

Interest rate risk

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

	As at 30th September 2015			As at 30th September 2014		
	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	**20,322**	**8.54**	**#**	19,781	9.17	#
Fixed interest instruments	**4,498**	**0.39**	**26**	10,996	0.33	22
Cash at bank and on deposit	**10,707**	**–**	**–**	10,139	–	–
	35,527			40,916		

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.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

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 30th September 2015 £'000	As at 30th September 2014 £'000
Investments in fixed rate instruments	**4,498**	10,996
Cash at bank and on deposit	**10,707**	10,139
Interest, dividends and other receivables	**240**	1,320
	15,445	22,455

Credit risk arising on fixed interest instruments is mitigated by investing in UK Treasury Bills.

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.

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 and Lloyds Bank. 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 30th September 2015 or 30th September 2014. No individual investment exceeded 6.1 per cent of the net assets attributable to the Company's shareholders at 30th September 2015 (2014: 6.4 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.

Notes to the Financial Statements

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30th September 2015 these investments were valued at £15,205,000 (2014: £21,135,000).

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 pages 21 and 22, whereby employees of the Manager are entitled to participate in all unquoted investments alongside the Company.

During the year 30th September 2015, the Manager received income of £152,000 (2014: £89,000) in connection with advisory fees and incurred abort fees of £9,000 (2014: £1,000), with respect to investments attributable to Baronsmead VCT 2.

Directors' fees of £206,000 (2014: £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 VCT 2.

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.

3.6 Post balance sheet event

Proposed Merger between Baronsmead VCT plc and Baronsmead VCT 2 plc

On 11th November 2015 the Company announced that the boards of directors of Baronsmead VCT plc and Baronsmead VCT 2 plc had entered into discussions regarding a possible merger of these companies ("the merger").

It is proposed that the merger will be effected by way of a scheme of reconstruction and winding up of Baronsmead VCT plc under section 110 of the Insolvency Act 1986 ("the Scheme"). Under the terms of the Scheme the assets of Baronsmead VCT plc would be transferred to Baronsmead VCT 2 plc ("the Merged Company") in exchange for the issue of new shares in the Merged Company to the shareholders of Baronsmead VCT plc on a NAV for NAV basis. The Boards expect to write to their respective shareholders with further details on the terms of the proposed merger in January 2016. It is currently intended that, subject to shareholder approval, the Merger will become effective in early February 2016.

First Interim Dividend for the financial year to 30th September 2016

On 24th November 2015, the Directors of Baronsmead VCT 2 plc declared a first interim dividend for the financial year to 30th September 2016 of 3.50p per share. The dividend will be paid on 18th December 2015 to shareholders on the register on 4th December 2015.

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.

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

Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and interest bearing securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM-traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying and non-VCT qualifying unquoted, AIM-traded and other quoted securities (which may be held directly or indirectly through collective investment vehicles), cash is primarily held in interest bearing accounts, money market open ended investment companies ("OEICs"), UK gilts and treasury bills.

UK companies

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may have some trade overseas.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs. Amongst other conditions, the Company may not invest more than 15 per cent by value of its investments calculated in accordance with section 278 of ITA 2007 (as amended) (VCT Value) in a single company or group of companies and must have at least 70 per cent of its investments by VCT Value throughout the period in shares and securities comprised in qualifying holdings. At least 70 per cent by VCT Value of qualifying holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends. For funds raised before 6th April 2011, at least 30 per cent by VCT Value of qualifying holdings must be in "eligible shares" which are ordinary shares which do not carry any rights to be redeemed or preferential rights to dividends or to assets on a winding up. At least 10 per cent of each qualifying investment must be in "eligible shares".

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be at least 90 per cent invested, directly or indirectly, in VCT qualifying and non-qualifying growth businesses subject always to the quality of investment opportunities and the timing of realisations. It is intended that at least 75 per cent of any funds raised by the Company will be invested in VCT qualifying investments. Non-VCT qualifying investments held in unquoted, AIM-traded and other quoted companies may be held directly or indirectly through collective investment vehicles.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. Generally no more than £2.5 million, at cost, is invested in the same company. The maximum the Company will invest in a single company (including a collective investment vehicle) is 15 per cent of its investments by 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.

Appendices

Investment style

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.

Co-investment

The Company aims to invest in larger more mature unquoted and AIM-traded companies and to achieve this it invests alongside the other funds managed by the Manager, which includes the other Baronsmead VCTs.

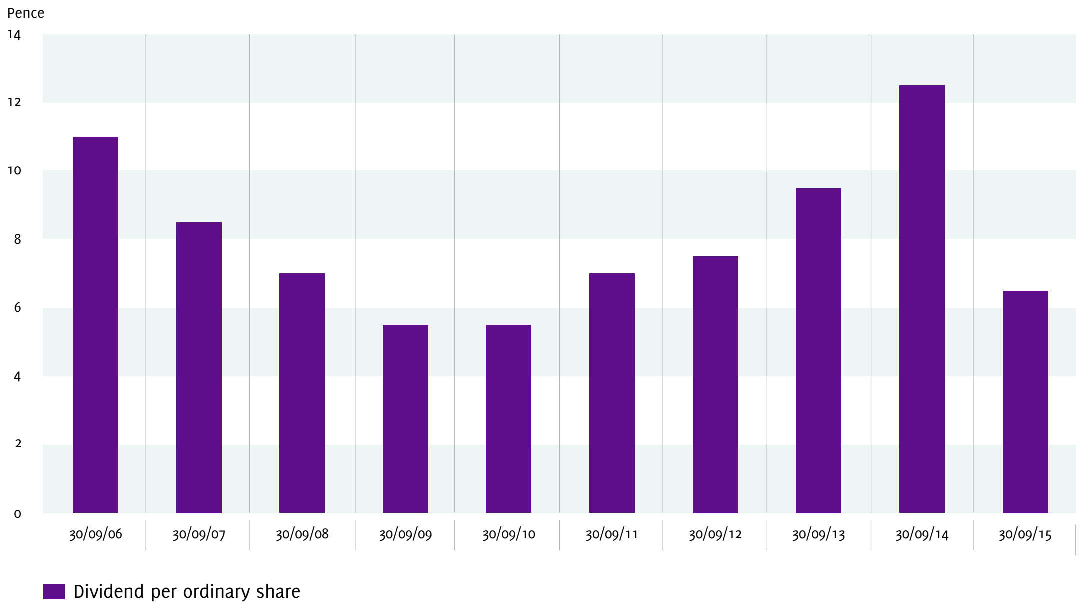
Management retention

Certain members and employees of the Manager 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

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.

Dividend History in the last ten years



Source: Livingbridge VC LLP

Dividends Paid Since Launch

	Ordinary share				
Year ended	Revenue (p)	Capital (p)	Dividend History per ordinary share (p)	Cumulative dividends (p)	Average total dividend per ordinary share (p)
6mths to 30/09/1998	1.00	0.00	1.00	1.00	0.50
30/09/99	3.80	0.00	3.80	4.80	3.20
30/09/00	3.60	0.00	3.60	8.40	3.36
30/09/01	3.50	0.00	3.50	11.90	3.40
30/09/02	2.50	0.00	2.50	14.40	3.20
30/09/03	1.70	10.20	11.90	26.30	4.78
30/09/04	1.40	3.50	4.90	31.20	4.80
30/09/05	2.50	7.70	10.20	41.40	5.52
30/09/06	1.80	9.20	11.00	52.40	6.16
30/09/07	2.10	6.40	8.50	60.90	6.41
30/09/08	2.80	4.20	7.00	67.90	6.47
30/09/09	0.70	4.80	5.50	73.40	6.38
30/09/10	1.50	4.00	5.50	78.90	6.31
30/09/11	2.65	4.35	7.00	85.90	6.36
30/09/12	0.50	7.00	7.50	93.40	6.44
30/09/13	2.85	6.65	9.50	102.90	6.64
30/09/14	1.40	11.10	12.50	115.40	6.99
30/09/15	**1.30**	**5.20**	**6.50**	**121.90**	**6.97**

Appendices

Performance Record Since Launch

	Ordinary share				
Year ended	Total net assets £m	NAV per share (p)	Share price (p)	NAV TR per share (p)*	Ongoing charges (%)†
31/03/99	9.5	95.65	85.00	104.44	2.90
31/03/00	31.0	119.59	125.00	134.62	3.40
31/03/01	45.0	112.30	125.00	130.66	3.10
31/03/02	41.2	100.54	92.50	120.15	2.70
31/03/03	36.7	89.65	80.00	115.49	2.70
31/03/04	41.1	100.63	90.00	141.80	2.70
31/03/05	69.6	116.92	100.50	168.70	2.70
31/03/06	69.6	114.62	100.50	190.51	2.90
30/09/07	68.7	112.19	101.00	209.62	3.00
30/09/08	54.8	91.68	84.50	184.02	2.85
30/09/09	61.2	89.06	77.50	183.81	2.66
30/09/10	63.7	94.79	81.25	208.25	2.58
30/09/11	65.0	95.15	86.25	231.26	2.44
30/09/12	72.4	101.10	90.00	252.04	2.49
30/09/13	75.8	100.63	94.25	288.19	2.49
30/09/14	83.1	98.62	93.25	318.80	2.39
30/09/15	**85.1**	**102.56**	**95.38**	**353.05**	**2.46**

* Net asset value total return (Gross dividends reinvested) rebased to 100p. Source: Livingbridge VC LLP.

† Figures from 30th September 2012 onwards are based on the new AIC guidelines for the calculation of ongoing charges.

Cash Returned to Shareholders Since Launch

The table below shows the cash returned to shareholders dependent on their subscription cost, including their income tax reclaimed on subscription.

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid (p)	Return on cash invested (%)
1998 (April)	100.0	20.0	80.0	121.9	141.9
1999 (May)	102.0	20.4	81.6	118.4	136.1
2000 (February)	137.0	27.4	109.6	115.2	104.1
2000 (March)	130.0	26.0	104.0	115.2	108.6
2004 (October) – C Shares*	100.0	40.0	60.0	72.3	114.7
2009 (April)	91.6	27.5	64.1	54.0	89.0
2012 (December)	111.8	33.5	78.3	28.5	55.5
2014 (March)	103.8	31.1	72.7	11.0	40.6

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

Full Investment Portfolio

Company	Sector	Book cost £'000	**30th September 2015 Valuation £'000**	30th September 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds#
Unquoted							
Nexus Vehicle Holdings Ltd	Business Services	244	**4,319**	5,369	5.1	13.7	62.1
Crew Clothing Holdings Ltd	Consumer Markets	1,453	**2,437**	2,446	2.9	6.7	28.1
Create Health Ltd	Healthcare & Education	953	**1,743**	1,520	2.1	5.7	29.0
Pho Holdings Ltd	Consumer Markets	990	**1,557**	1,228	1.8	5.5	28.0
Kingsbridge Risk Solutions Ltd	Business Services	851	**1,459**	1,154	1.7	5.7	34.0
CableCom II Networking Holdings Ltd	TMT*	1,250	**1,443**	1,293	1.7	2.5	11.2
Carousel Logistics Ltd	Business Services	955	**1,396**	1,182	1.7	6.0	40.0
Key Travel Ltd	Business Services	954	**1,299**	1,101	1.5	4.7	48.0
Eque2 Ltd	TMT*	766	**1,297**	1,333	1.5	7.6	38.5
Happy Days Consultancy Ltd	Healthcare & Education	1,052	**1,279**	993	1.5	12.9	65.0
Upper Street Events Ltd	Consumer Markets	953	**1,202**	–	1.4	8.0	70.1
Valldata Group Ltd	Business Services	1,221	**1,194**	1,328	1.4	‡	‡
Centre4 Testing Ltd	Business Services	954	**1,133**	–	1.3	6.9	45.0
Kirona Ltd	TMT*	955	**1,054**	–	1.2	3.8	37.5
IP Solutions Ltd	TMT*	954	**962**	–	1.1	4.4	30.0
Kalyke Investments Ltd	Business Services	956	**956**	–	1.1	9.6	48.6
Yeo Bridge Ltd	Business Services	956	**956**	–	1.1	9.6	48.6
Mortgages Made Easy Ltd	Consumer Markets	956	**956**	–	1.1	3.4	38.0
CR7 Services Ltd	TMT*	949	**949**	949	1.1	4.2	52.1
Armstrong Craven Ltd	Business Services	673	**901**	824	1.1	7.7	46.0
Independent Community Care Management Ltd	Healthcare & Education	1,358	**832**	1,554	1.0	13.9	70.0
Fisher Outdoor Leisure Holdings Ltd	Consumer Markets	1,423	**478**	0	0.6	‡	‡
Playforce Holdings Ltd	Business Services	0	**100**	388	0.1	N/A	N/A
Carnell Contractors Ltd	Business Services	941	**0**	0	0.0	##	##
Xention Discovery Ltd	Healthcare & Education	316	**0**	0	0.0	0.6	2.9
Total unquoted		**23,033**	**29,902**		**35.1**		
AIM							
Staffline Group plc	Business Services	87	**5,197**	2,986	6.1	1.2	2.4
Netcall plc	TMT*	869	**2,624**	3,021	3.1	3.6	18.0
IDOX plc	TMT*	614	**2,594**	2,642	3.0	1.8	4.9
TLA Worldwide plc	Business Services	733	**2,127**	1,382	2.5	2.7	13.1
Tasty plc	Consumer Markets	594	**2,036**	1,473	2.4	2.5	14.5
Jelf Group plc	Business Services	551	**1,344**	1,535	1.6	0.7	2.8
Dods (Group) plc	TMT*	1,344	**1,231**	970	1.4	4.4	20.1
Ideagen plc	TMT*	675	**1,166**	379	1.4	1.4	6.3
Inspired Energy plc	Business Services	287	**1,026**	981	1.2	2.1	10.4
Bioventix plc	Healthcare & Education	227	**935**	485	1.1	1.7	7.6
Plastics Capital plc	Business Services	794	**812**	714	1.0	2.3	11.7
Sanderson Group plc	TMT*	612	**745**	781	0.9	2.2	8.8
Driver Group plc	Business Services	564	**731**	1,179	0.9	3.5	16.4
Gama Aviation plc	Business Services	388	**695**	663	0.8	0.5	2.5
CentralNic Group plc	TMT*	459	**683**	–	0.8	1.8	7.8
Anpario plc	Healthcare & Education	152	**682**	740	0.8	1.0	6.4
Escher Group Holdings plc	TMT*	614	**668**	921	0.8	1.9	9.7
EG Solutions plc	TMT*	714	**623**	438	0.7	4.2	19.1
MartinCo plc	Consumer Markets	343	**552**	350	0.6	1.6	6.9
Electric Word plc	TMT*	696	**523**	628	0.6	5.1	27.6
Vianet Group plc	Business Services	646	**502**	414	0.6	1.9	9.7

Appendices

Full Investment Portfolio (continued)

Company	Sector	Book cost £'000	**30th September 2015 Valuation £'000**	30th September 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 2 plc	% of Equity held by all funds#
AIM (continued)							
InterQuest Group plc	Business Services	310	**467**	675	0.6	1.6	6.3
Everyman Media Group plc	Consumer Markets	391	**429**	420	0.5	0.8	3.5
Daily Internet plc	TMT*	340	**400**	337	0.5	4.4	19.5
Crawshaw Group plc	Consumer Markets	200	**357**	262	0.4	0.6	9.1
Begbies Traynor Group plc	Business Services	231	**275**	279	0.3	0.6	2.2
Brady plc	TMT*	176	**265**	235	0.3	0.4	2.0
Plant Impact plc	Business Services	189	**260**	–	0.3	0.6	2.5
Venn Life Sciences Holdings plc	Healthcare & Education	225	**255**	–	0.3	3.0	13.4
Castleton Technology plc	TMT*	101	**229**	–	0.3	0.5	2.3
Belvoir Lettings plc	Consumer Markets	219	**212**	–	0.3	0.6	2.8
Synectics plc	Business Services	296	**190**	375	0.2	0.6	2.1
STM Group plc	Business Services	162	**172**	87	0.2	0.6	3.6
Paragon Entertainment Ltd^	Consumer Markets	258	**169**	146	0.2	3.6	19.1
Tangent Communications plc	Business Services	522	**157**	486	0.2	2.3	11.3
MXC Capital Ltd	Business Services	113	**130**	–	0.2	0.1	0.6
Scholium Group plc	Consumer Markets	450	**122**	369	0.1	3.3	14.7
Pinnacle Technology Group plc	TMT*	219	**90**	44	0.1	2.3	10.0
Mi-Pay Group plc	Business Services	400	**86**	118	0.1	0.8	3.1
One Media iP Group plc	TMT*	113	**83**	127	0.1	1.6	6.9
Ubisense Group plc	TMT*	130	**69**	112	0.1	0.2	1.0
Totally plc	Healthcare & Education	36	**63**	–	0.1	2.0	9.0
Gresham House plc	TMT*	56	**61**	–	0.1	0.2	0.9
Synety Group plc	TMT*	112	**40**	74	0.0	0.4	1.6
Fulcrum Utility Services Ltd^	Business Services	51	**39**	–	0.0	0.1	2.6
APC Technology Group plc	Business Services	932	**10**	37	0.0	0.1	0.6
AorTech International plc	Healthcare & Education	285	**6**	5	0.0	0.3	0.6
Marwyn Management Partners plc	Business Services	525	**5**	8	0.0	0.0	0.1
Zoo Digital Group plc	TMT*	438	**4**	4	0.0	0.2	0.6
Total AIM		**19,443**	**32,141**		**37.8**		
Listed interest bearing securities							
UK Treasury Bill 26/10/15		4,498	**4,498**	–	5.3		
Total listed interest bearing securities		**4,498**	**4,498**		**5.3**		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	8,778	7,608	10.3		
Total collective investment vehicle		**3,525**	**8,778**		**10.3**		
Total investments		**50,499**	**75,319**		**88.5**		
Net current assets			**9,813**		**11.5**		
Net assets			**85,132**		**100.0**		

\# All funds managed by the same investment manager, Livingbridge VC LLP and, Livingbridge EP LLP, including Baronsmead VCT 2 plc.
* Technology, Media & Telecommunications ("TMT").
‡ Following a restructuring the effective ownership percentage is dependent on final exit proceeds.
\## Following a restructuring and partial redemption the funds no longer hold equity in Carnell Contractors Ltd.
^ Fulcrum Utility Services Ltd and Paragon Entertainment Ltd shares were received in exchange for Marwyn Value Investors Ltd shares following a Scheme of Arrangement.

Shareholder Information and Contact Details

Shareholder Account Queries

The Registrar for **Baronsmead VCT 2** is Computershare Investor Services PLC ("Computershare"). The Registrar will deal with all of your queries with regard to your shareholder account, such as:

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

You can contact Computershare with your queries in several ways:

Telephone:	0800 923 1533	• 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 or the Registrar at the numbers provided on page 67.

Shareholder Information and Contact Details

Share Price

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

Trading Shares

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

The market makers in the shares of Baronsmead VCT 2 plc are:

Panmure Gordon	020 7886 2500
Winterflood	020 3400 0251

Financial Calendar

March 2016 Eighteenth Annual General Meeting

May 2016 Announcement and posting of interim report for the six months to 31st March 2016

November 2016 Announcement and posting of final results for year to 30th September 2016

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 VCT 2 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. Stockmarkets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.

Secondary market in the shares of Baronsmead VCT 2 plc

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

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

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

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

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

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

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Notes

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