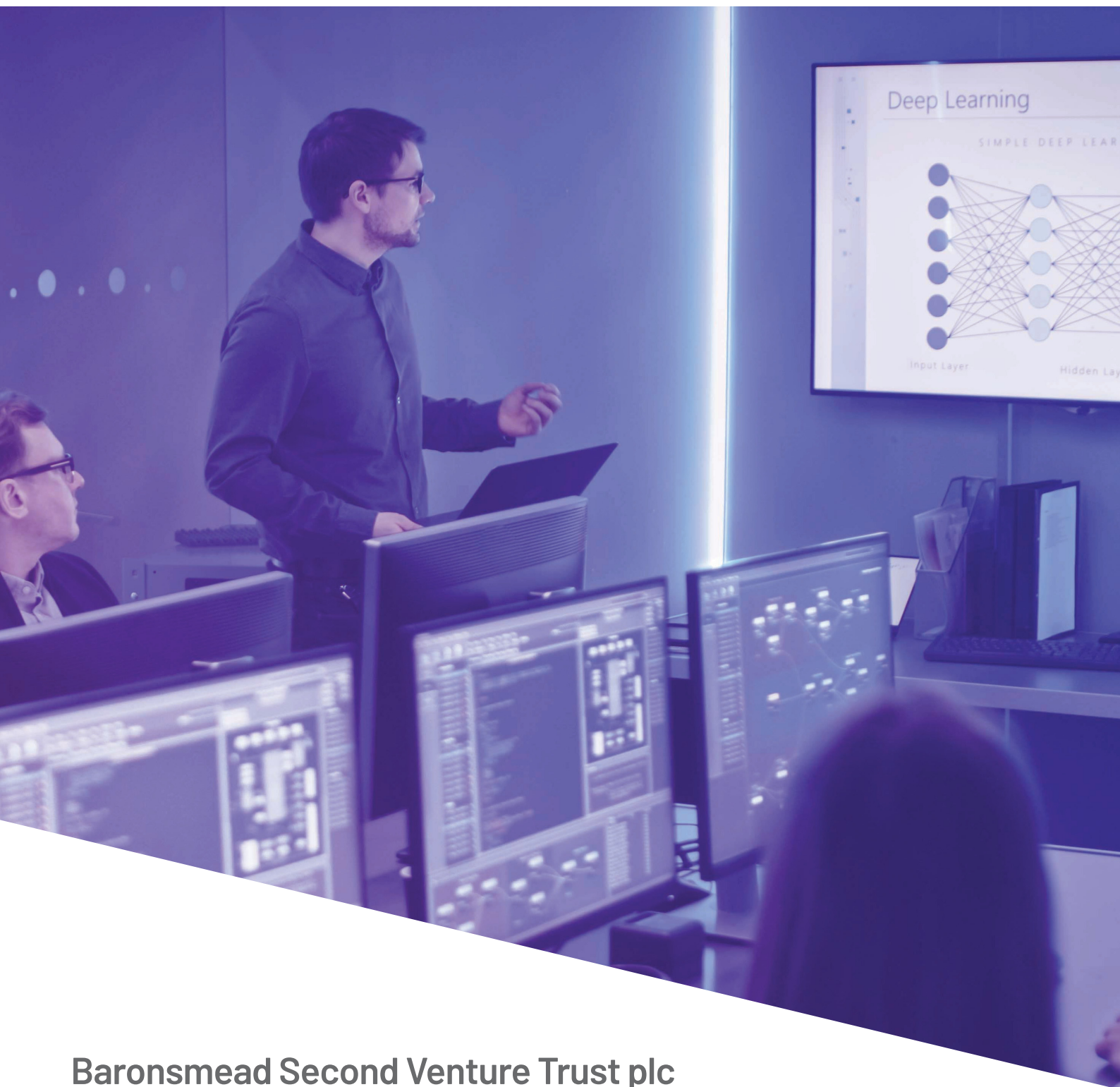


# Baronsmead



**Baronsmead Second Venture Trust plc**  
Annual Report and Audited Financial  
Statements for the year ended  
30 September 2022

Company number 04115341

  
**Gresham House**  
*Specialist asset management*

# About Baronsmead Second Venture Trust plc

## Our investment objective

Baronsmead Second Venture Trust plc (the "Company") 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 will, where possible, seek to pay two dividends to shareholders in each calendar year, typically an interim dividend in September and a final dividend following the Annual General Meeting in February/March.
- The Board will use, as a guide, when setting the dividends for a financial year, a sum representing 7 per cent of the opening net asset value of that financial year.

## Key elements of the business model

### Access to an attractive, diverse portfolio

The Company gives shareholders access to a diverse portfolio of growth businesses.

The Company will make investments in growth businesses, whether unquoted or traded on AIM, which are substantially based in the UK in accordance with the prevailing VCT legislation. Investments are made selectively across a range of sectors.

### The Manager's approach to investing

The Manager endeavours to select the best opportunities and applies a distinctive selection criteria based on:

- Primarily investing in parts of the economy which are experiencing long-term structural growth.
- Businesses that demonstrate, or have the potential for, market leadership in their niche.
- Management teams that can develop and deliver profitable and sustainable growth.
- Companies with the potential to become an attractive asset appealing to a range of buyers at the appropriate time to sell.

In order to ensure a strong pipeline of opportunities, the Manager invests in building deep sector knowledge and networks and undertakes significant proactive marketing to interesting target companies in preferred sectors. This approach generates a network of potentially suitable businesses with which the Manager maintains a relationship ahead of possible investment opportunities.

### The Manager as an influential shareholder

The Manager is an engaged and supportive shareholder (on behalf of the Company) in both unquoted and significant quoted investments. For unquoted investments, representatives of the Manager often join the investee board.

The role of the Manager with investees is to ensure that strategy is clear, the business plan can be implemented and that the management resources are in place to deliver profitable growth. The intention is to build on the business model and grow the company into an attractive target able to be either sold or potentially floated in the medium term.

A more detailed explanation of how the business model is applied is provided in the Other Matters section of the Strategic Report on pages 29 to 33. The full investment policy can be found on page 84.

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If you have sold or otherwise transferred all of your shares in Baronsmead Second Venture Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

## Example investments



**eConsult (unquoted)**  
eConsult develops and operates an e-consultation platform which provides medical advice to its users, digitally triage patients. Digital triage allows patients to be dealt with more effectively and efficiently, allowing healthcare practitioners to prioritise face-to-face consultations with those patients in greatest and most urgent need.



**PCI-Pal (quoted)**  
PCI-Pal is a leading provider of Software-as-a-Service ("SaaS") solutions that empower companies to take payments from their customers securely, adhere to strict industry governance, and remove their business from the significant risks posed by non-compliance and data loss. PCI-Pal's products secure payments and data in any business communications environment including voice, chat, social, email, and contact centre. Its software is integrated into, and resold by, some of the world's leading business communications vendors, as well as major payment service providers.



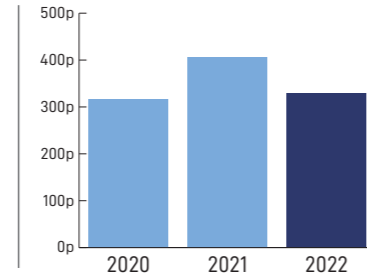
**Crossword Cybersecurity (quoted)**  
Crossword Cybersecurity focuses on the development and commercialisation of cyber security and risk management related software and cybersecurity consulting. The Group's specialist cyber security product development and software engineering teams develop the concept, often working with universities, into a fully-fledged commercial product that it will then take to market. The Group has built up a portfolio of 5 differentiated, intellectual property-based, cyber security products, alongside its cybersecurity consulting offering.



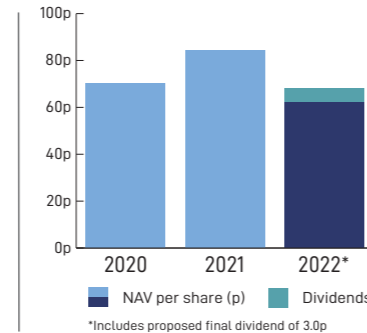
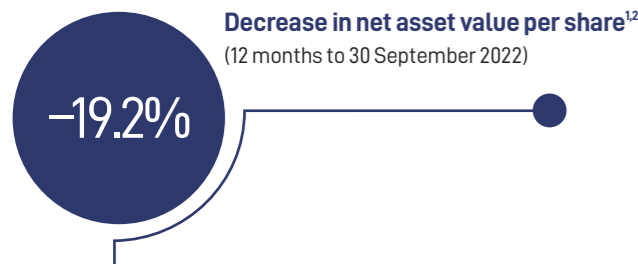
**Fu3e (unquoted)**  
Fu3e is a collaborative project management and real time reporting platform focused on the real estate sector. It enables real estate professionals to have better visibility on projects, automate reporting and have a single source of truth for projects by integrating with a number of existing real estate software applications. The platform is designed to improve efficiency and visibility throughout the value chain.

# Strategic report

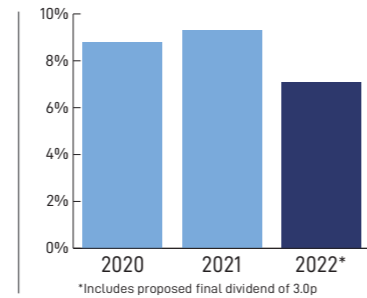
## Financial highlights



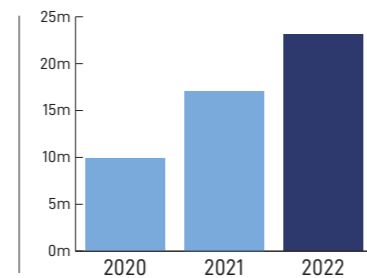
Net Asset Value ("NAV") total return to shareholders for every 100.0p invested at launch (January 2001).



NAV per share decreased 19.2 per cent to 68.1p, before the deduction of dividends, for the financial year ended 30 September 2022.



Annual tax free dividend yield based on 6.0p dividends paid (including proposed final dividend of 3.0p) and opening NAV of 84.3p.



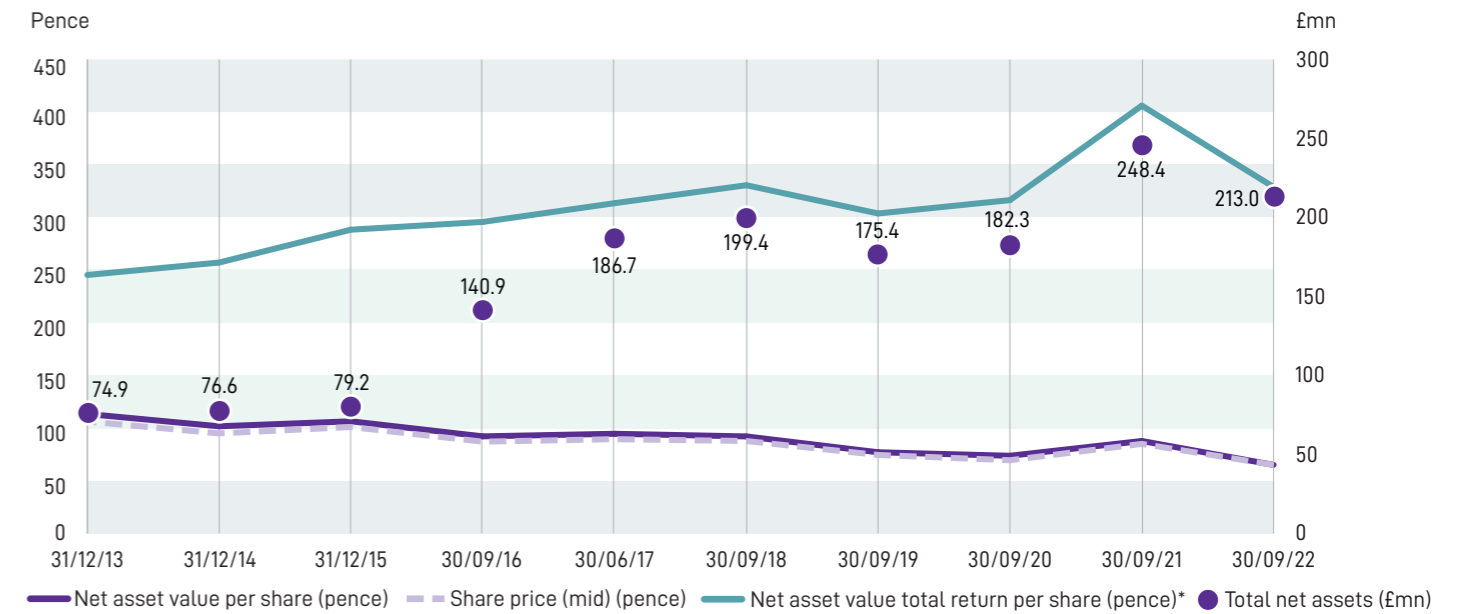
Investments made into nine new and 11 follow-on opportunities during the year.

Unquoted: **£18.1mn**  
Quoted: **£5.0mn**

1. Alternative Performance Measures ("APM")/Key Performance Indicators ("KPIs") – please refer to glossary on page 89 for definitions.  
2. Please refer to table on page 4 for breakdown of NAV per share movement.  
3. Direct investments only.

## Performance summary

### Ten year performance record

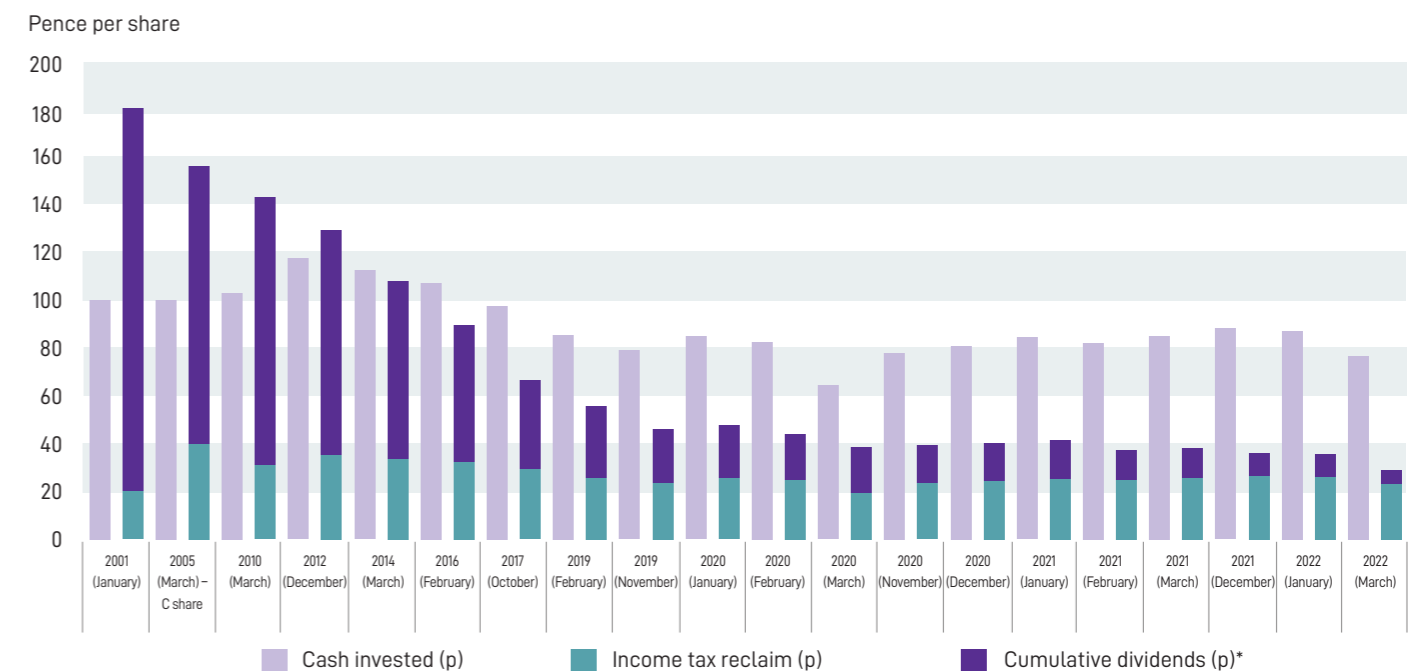


\* Net asset value total return (gross dividends reinvested) rebased to 100p at launch.

Source: Gresham House Asset Management Ltd

### Cash returned to shareholders by date of investment

Cash returned to shareholders based on the subscription price and the income tax reclaimed on subscription.



\*includes proposed final dividend of 3.0p.

# Strategic report

The Chair's statement forms part of the strategic report.

## Chair's statement



**Sarah Fromson**  
Chair

2022 has seen higher volatility and weakness in the markets, notably in Q3, with ongoing concerns around inflationary pressures, interest rate rises and the cost-of-living crisis exacerbated by the ongoing conflict in Ukraine. Against this backdrop, the Company's NAV per share decreased 19.2 per cent before dividend payments for the financial year.

Despite the drop in the value of the portfolio over the period, the Board continues to believe that, in aggregate, the fundamentals of the underlying portfolio companies remain robust and the growth prospects for the majority of investee companies continue to be positive.

In addition to this, the Board believes that the changes to the Manager's senior leadership of the investment team have enhanced the Manager's ability to identify and manage attractive early-stage unquoted investments.

### Results

	Pence per ordinary share
<b>NAV as at 1 October 2021 (after final dividend)</b>	<b>84.3</b>
Valuation decrease (-19.2 per cent)	(16.2)
<b>NAV as at 30 September 2022 before dividends</b>	<b>68.1</b>
Less:	
Interim dividend paid on 9 September 2022	(3.0)
Proposed final dividend of 3.0p payable, after shareholder approval, on 3 March 2023	(3.0)
<b>Illustrative NAV as at 30 September 2022 after proposed dividend</b>	<b>62.1</b>

### Portfolio review

At 30 September 2022, the Company's investment portfolio was valued at £128 million and comprised direct investments in a total of 85 companies of which 39 are unquoted and 46 are quoted companies. The Company's investments in the LF Gresham House UK Micro Cap Fund ("Micro Cap"), LF Gresham House UK Multi Cap Income Fund ("Multi Cap") and in the LF Gresham House UK Smaller Companies Fund ("Small Cap") were valued at £43 million at 30 September. These investments provide further diversity, giving investment exposure to an additional 75 AIM-traded and fully listed companies and thus spreading investment risk across some 160 portfolio companies.

During the 12 months to 30 September 2022, the underlying value of the unquoted portfolio decreased by 19 per cent and the portfolio of directly held AIM investments decreased by 20 per cent reflecting the difficult conditions experienced in the wider market. Both portfolio returns, whilst disappointing, compare favourably to the FTSE AIM All Share Index which decreased by 35 per cent for the period.

Our Micro Cap fund delivered a return of -32 per cent, and our Small Cap fund declined 18 per cent, compared to the IA UK Smaller Companies Sector which declined by 32 per cent. The Multi Cap fund declined by 9 per cent compared with the IA UK Equity Income Sector that declined by 8 per cent for the 12 months to 30 September 2022.

### Investments and divestments

The Board is pleased to report that the Company has continued to make new investments during the year and has invested a total of £13 million in nine companies over the year. Further details of the new investments made are included in the Manager's review. The new investments in earlier stage opportunities may result in greater volatility in returns from the Company over time. However, the more mature, established portfolio of existing investments should assist in sustaining returns and dividends for shareholders as the new portfolio develops and grows. In addition to the number of holdings, the portfolio is well diversified by sector, with a tilt towards technology, healthcare, and to recurring revenue business models.

There have been several realisations in both the unquoted and quoted portfolio during the year, reflecting the Manager's continued focus on driving liquidity in the portfolio to create realised capital profits to fund current and future dividends for shareholders. For example, the sale of Carousel, in the unquoted portfolio, delivered total proceeds of £9.3 million for a gross money multiple of 5.0x cost.

The Manager also realised its investment in Ideagen, in the quoted portfolio, which delivered proceeds of £9.4 million for a total gross money multiple of 13.5x. The Investment Manager has once again made a select number of profitable partial realisations of Cerillion plc during the year, resulting in the receipt of proceeds of £1.5 million at an aggregate of 11.4x original invested cost in this listed company.

### Sunset Clause

When State Aid approval of the UK's VCT and EIS schemes was given in 2015 a "sunset clause" was introduced for the schemes which means if the legislation is not renewed investors will no longer be able to claim initial tax relief on investments made after 5 April 2025 ("the Sunset Clause").

On Friday 23 September 2022 the Government announced as part of a "mini-budget" that "the government remains supportive of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) and sees the value of extending them in the future". Additionally, on 7 November 2022, as part of its Autumn Statement, the Government said "the Government remains supportive of the Enterprise Investment Scheme and Venture Capital Trusts and sees the value of extending them in the future". Given these statements, the general consensus in the VCT industry is that the Government will extend the provisions of the Sunset Clause. However, no further details have been provided as yet on the length of that extension, or any conditions or variations to the current VCT scheme that may be attached to any such extension.

The Board has engaged external legal advice to provide a strategic review on possible outcomes and will continue to monitor and report on any further Government announcements in future reports.

### Dividends

The Board is pleased to declare a final dividend of 3.0p per share for the year to 30 September 2022, payable on 3 March 2023. This is in addition to the 3.0p interim dividend paid in September and means that the total dividends for the year are 6.0p. This is a 7.1 per cent yield based on the opening NAV of 84.3p and meets the target policy of 7 per cent of the NAV at the start of the year.

The Company has good levels of realised reserves to fund future dividends and the Manager continues to focus on selling investments and generating realised profits across the portfolio, which help to sustain the payment of dividends.

### Environmental, Social & Governance ("ESG") matters

Environmental, social and governance analysis is embedded into the Company's investment processes by the

Investment Manager in order to build and protect long-term value for investors. A framework based on 10 key ESG themes is used to structure analysis, monitor and report on ESG risks and opportunities across the lifecycle of investments. Further information in relation to the Investment Manager's integration of ESG factors in management of the Company's portfolio is set out on pages 20 to 28 of the Strategic Report. Your Board is particularly pleased to note the focus of the Manager in this area.

### Fundraising

In August 2022, the Board announced its intention to raise new funds to enhance the Company's resources available for new and follow-on investments over the next two to three years. The Company expects to launch the offer for subscription in January 2023.

### Annual General Meeting ("AGM")

We look forward to holding our next AGM in person at 10.30 am on 1 February 2023 at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR. As usual I will present my own review of the year and will then be joined by the Manager. We would be delighted if you would join us for light refreshments afterwards.

For any shareholders that do not wish to attend in person, we will be live streaming the AGM and Manager's presentation. Registration details for the live stream will be included in the Notice of AGM and on the Baronsmead website. In order to cover as many questions as possible, we encourage shareholders to submit any questions to the Board in advance of the meeting.

### Outlook

The macroeconomic and equity market outlook continue to exhibit elevated levels of uncertainty as we appear to be at a paradigm shift from low inflation and low interest rates to higher inflation and higher interest rates and unwinding of Government

# Strategic report

The Chair's statement forms part of the Strategic Report.

## Chair's statement continued

stimulus as well as an equity rotation from growth to value that is well underway.

We anticipate this uncertainty will continue to drive periods of sentiment-driven volatility in equity markets well into next year. While we view this outlook with suitable caution, we also expect heightened volatility to drive attractive long-term investment opportunities and we remain vigilant for evidence of mispricing.

Despite the continuing potential economic headwinds, the Board

continues to believe it is a good time to be investing in earlier stage, innovative and high-growth potential businesses looking to take advantage of changes in consumer behaviour and the disruption of traditional supply chains being catalysed by technology. The level of interesting investment opportunities being reviewed by the Investment Manager continues to be strong and the Board remains confident that the Investment Manager is suitably positioned to provide the necessary levels of support to the unquoted company portfolio through

these difficult times. Despite the current economic outlook, where some portfolio companies are likely to face more difficulties than others, there continues to be an increase in existing high potential portfolio companies looking for follow on capital to support future growth.

**Sarah Fromson**  
Chair

1 December 2022

## Manager's review



**Clive Austin**  
Managing Director, VCT Portfolio



**Ken Wotton**  
Managing Director, Public Equity



**Tania Hayes**  
Chief Operating Officer, Strategic Equity



**Trevor Hope**  
Chief Investment Officer, VCTs



**Ed Wass**  
Portfolio Partner



**Tom Makey**  
Investment Director

This year has seen a prolonged period of weakness in the public and private equity markets brought about by macroeconomic uncertainty and global events. Against this backdrop, the portfolio, whilst well diversified, with exposure to 160 quoted and unquoted companies, has delivered a decrease in net asset value total return of 19.2 per cent over the year.

## Portfolio review

### Overview

The net assets of £213 million were invested as follows:

Asset class	NAV (£mn)	% of NAV*	Number of investees**	% return in the year***
Unquoted	53	25	39	(19)
AIM-traded companies	75	35	46	(20)
LF Gresham House UK Micro Cap Fund	23	11	50	(32)
LF Gresham House UK Multi Cap Income Fund	14	7	41	(9)
LF Gresham House UK Smaller Companies Fund	6	3	38	(18)
Liquid assets#	42	19	N/A	-
<b>Totals</b>	<b>213</b>	<b>100</b>	<b>214</b>	

\* By value as at 30 September 2022.

\*\* Includes investee companies with holdings by more than one fund. Total number of individual companies held is 160.

\*\*\* Return includes interest received on unquoted realisations during the year.

# Represents cash, OEICs and net current assets.

The tables on pages 12 and 13 show the breakdown of new investments and realisations over the course of the year and overleaf is a commentary on some of the key highlights in both the unquoted and quoted portfolios.



# Strategic report

## Manager's review continued

### Investment activity – unquoted and quoted

The Company's investment strategy is primarily focused on companies operating in parts of the economy that we believe are benefiting from long-term structural growth trends and in sectors where we have deep expertise and network. The amount of capital invested in each business is matched to the scale, maturity and underlying risk profile of the company seeking investment.

During the year, £23.1 million was invested into 19 companies including nine new additions to the portfolio and eleven follow on investments in ten existing portfolio companies.

Six new unquoted investments were completed during the year into Popsa Holdings Ltd, Proximity Insight Holdings

Ltd, Bidnamic, Fu3e Ltd, Focal Point Positioning Ltd and Orri Ltd. Below are descriptions of the new investments made:

- **Popsa** is a photobook mobile app which utilises proprietary machine learning ("ML") algorithms to dramatically shorten the time of creation
- **Proximity Insight** provides a cloud-based app for retail sales associates to engage and transact with customers in-store or online
- **Bidnamic** is a Google Shopping bid optimisation platform
- **Fu3e** is a collaborative project management and real time reporting platform for real estate professionals

- **Focal Point** utilises proprietary ML algorithms to significantly improve satellite-based location sensitivity

- **Orri** is a clinically-led provider of eating disorder services.

Three new AIM quoted investments were made during the year into Skillcast, Aptamer Group and Oberon Investments:

- **Skillcast** is a vendor of financial risk and compliance software
- **Aptamer** is a developer of a platform technology with applications in the therapeutic and diagnostic areas of healthcare
- **Oberon Investments** is a wealth management and financial advisory firm

The Company made additional investments in ten existing portfolio companies, one quoted and nine unquoted, across the year. This is consistent with the investment strategy of continuing to back our high potential assets with further capital to support future growth. We anticipate the level of follow-on investment will continue to grow as the earlier stage portfolio continues to mature.

### Unquoted portfolio

#### Performance

The unquoted portfolio decreased in value by 19 per cent during the year. Our portfolio companies have faced a challenging macroeconomic environment, including rising levels of inflation and interest rates and continued supply chain disruption relating to both the ongoing effects of the COVID-19 pandemic and the impact of conflict in Ukraine. In particular, this has started to impact the consumer facing businesses in the portfolio. However, we have seen robust performance from many of our technology, healthcare and services companies which continue to grow recurring or contracted revenues, albeit, in general, at a slower pace than has been forecast.

As Investment Manager we remain highly engaged with the management teams within the portfolio, sharing insight and best practice to help them manage both risk and spot opportunities in a quickly changing environment. We have continued to invest in our portfolio and in-house talent teams, which alongside our extensive network of earlier stage, high growth company experts, ensure we are well positioned to help the companies we invest in to navigate the challenges they face, whilst also continuing to develop and scale.

#### Divestments

The Company successfully realised its investment in Carousel Logistics in February 2022, delivering £9.3 million in proceeds and an initial investment return of 5.0x. Carousel is a pan-European logistics specialist, delivering high-value parts and products for performance and life-critical industries. The business grew significantly during the investment period, including expanding their international footprint both organically and through acquisition. In addition, the Company also successfully realised its investment in Happy Days in July 2022, delivering £3.2 million in proceeds and an initial investment return of 0.8x.

Also, during the year, the Company fully divested its holding in Rainbird Technologies for no return on investment.

### Quoted portfolio (AIM-traded investments)

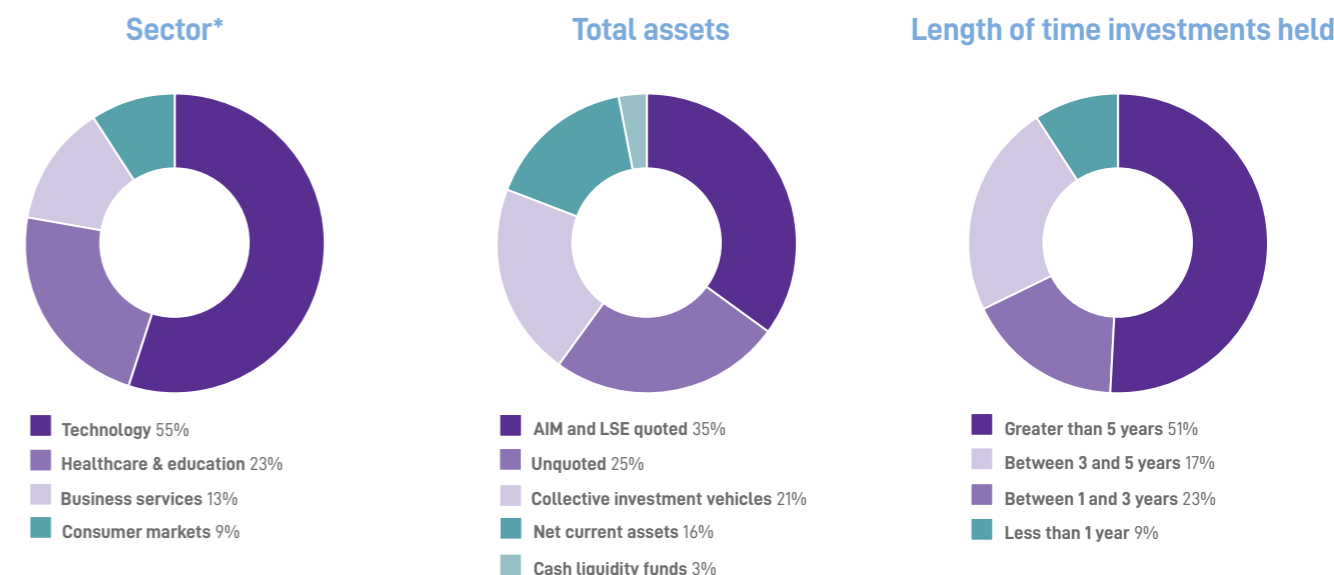
#### Performance

The quoted portfolio decreased in value by 20 per cent during the year, giving up some of the strong gains made for shareholders in the prior year. This performance, should be viewed in the context of a challenging equity market environment globally, driven by macroeconomic and geopolitical uncertainty and headwinds which have resulted in losses across most asset classes. For reference the AIM market in the UK fell 35 per cent over the same period. Despite the adverse share price performances from many of the portfolio companies, the majority of the AIM portfolio remains in good financial health and is exposed to structural growth areas, providing some insulation from the deteriorating economic conditions.

The best performing investments all sit in the software sector with two benefitting from the elevated level of takeover activity in the UK public markets for much of the financial year. Cerillion, a provider of billing and



## Investment diversification at 30 September 2022 by value



\*Direct investment only.

# Strategic report

## Manager's review continued

charging software to the telecoms industry continued to deliver strong revenue and profit growth and upgraded expectations on the back of strong contract win momentum. Ideagen, a governance, risk and compliance software provider saw its share price increase by 10% over the year mainly due to a takeover approach from a vehicle backed by private equity firm Hg Capital, at a substantial premium. The takeover resulted in a full exit for Baronsmead funds at a multiple of 13.5 times original cost. Cloudcall, an internet telephony software company, also received a takeover approach from US private equity firm Xplorer Capital Management LLC resulting in a strong recovery in value following a period of operational underperformance, realising a return of 0.9 times original cost.

The largest detractors from performance were Netcall, a provider of cloud contact centre and business process automation software which was derated despite strong growth in revenue and profit during the period; TPXImpact which again was derated

during the period although we note the business has subsequently downgraded its market estimates resulting in the CEO stepping down post year end; and Inspired, an energy procurement and optimisation consultancy which de-rated during the year despite delivering results in line with expectations and seeing strong increased demand for its services resulting from elevated energy prices following the conflict in Ukraine.

We closely monitor our AIM portfolio with a rolling programme of independent reviews of top AIM holdings and broadly continue to be positive on the long-term investment prospects of these companies. Many of the larger quoted investments have been long-term holdings. These companies are typically profitable, cash generative businesses with low levels of financial gearing and continue to have attractive long-term growth prospects.

### Divestments

Proceeds totalled £13.7 million during the year following three full and one

partial realisation. Ideagen was fully realised following a takeover by private equity firm Hg Capital, returning 13.5x cost in July 2022. The Company's investment in Cloudcall Group was also fully realised returning 0.9x cost. The opportunity to crystallise some more profits was taken for Cerillion plc; over the course of the year proceeds of £1.5 million were realised at 11.4x cost.

### Collective Investment Vehicles

The Manager believes that the Company's investments in the LF Gresham House UK Micro Cap Fund ("Micro Cap"), LF Gresham House UK Multi Cap Income Fund ("Multi Cap"), and LF Gresham House UK Smaller Companies Fund ("Small Cap") are a core component of the Company's portfolio construction. These investments provide shareholders with additional diversification through exposure to an additional 75 underlying companies, as well as access to the potential returns available from a larger and more established group of companies that fall within the Manager's core area of expertise.

Over the year Micro Cap delivered a return of -32 per cent, Multi Cap delivered a return of -9 per cent and the Small Cap fund delivered -18 per cent.

Micro Cap and Multi Cap continue to be both highly rated by independent ratings agencies. Micro Cap's cumulative performance is currently top quartile within the IA UK Smaller Companies sector and is the fourth best performing fund over the past 10 years. Multi Cap's cumulative performance has been the top performing within the IA UK Equity Income sector over three years, five years and since launch in June 2017. Small Cap has also achieved top quartile cumulative performance since launch in 2019 and is the fourth best performing fund over the past three years and second best since launch.

### Liquid assets (cash and near cash)

The Company had cash and liquidity OEICs of approximately £42 million at the year-end. This asset class is conservatively managed to take minimal or no capital risk.

### ESG highlights

During the year we have conducted our second ESG survey of our unquoted

portfolio companies, to identify how these companies think about ESG and which ESG data is already being reported and monitored. Further details on our ESG approach and policies can be found on pages 20 to 28 in the strategic report.

### Outlook

Despite the current macroeconomic headwinds, the opportunity to invest and support growth in entrepreneurial earlier-stage businesses remains strong. Our focus on investing in parts of the economy which are experiencing structural growth and in sectors where we have extensive talent networks and domain expertise continues to identify attractive investment opportunities. With our support and guidance, many of our portfolio management teams continue to innovate to take advantage of the disruption in the market as a result of the economic downturn. We anticipate the rate of follow-on investment to increase across the portfolio as we support our successful companies to trade through the cycle and to continue to scale.

Several parts of the portfolio have faced challenges due to the macroeconomic environment, most notably our investments in companies that rely on consumer sentiment. Our investee companies are having to navigate the impact of wage inflation, rising energy prices and supply chain disruption. However, the portfolio continues to be highly diversified, and overall, is defensively positioned.

The Gresham House team, which consists of 21 investment professionals is well placed to take advantage of the opportunities that an uncertain economic environment will present. Our experienced portfolio and in-house talent teams continue to add value to our portfolio companies post investment. We remain confident in the ability of more agile, fast moving earlier stage companies to perform well in the current economic environment and in our ability to invest capital and deliver attractive long-term returns for the Company.

**Gresham House Asset Management Ltd**  
Investment Manager

1 December 2022



# Strategic report

## Investments in the year

Company	Location	Sector	Activity	Book cost £'000
<b>Unquoted investments</b>				
<b>New</b>				
Popsa Holdings Ltd	Surrey	Technology	Mobile-first photobook app provider	3,379
Fu3e Ltd	Sussex	Technology	Real-estate development project management platform	1,819
Proximity Insight Holdings Ltd	London	Technology	Platform for front-line sales associates of omni-channel retailers to engage with customers	1,152
Bidnamic	Yorkshire	Technology	Google shopping bid-optimisation software	921
Focal Point Positioning Ltd	Cambridgeshire	Technology	A research and development focused technology business focusing on global navigation and satellite systems	908
Orri Ltd	London	Healthcare & Education	Provider of intensive day care treatments for eating disorders	794
<b>Follow-on</b>				
Panthera Biopartners Ltd	Yorkshire	Healthcare & Education	Recruitment services for clinical trials	2,598
Airfinity Ltd	London	Healthcare & Education	Provides real time life science intelligence as a subscription service	1,352
eConsult Health Ltd	Surrey	Healthcare & Education	Online consultation provider used by GP practices and hospitals	1,300
Yappy Ltd	Lancashire	Consumer Markets	Supplier of customisable pet products	1,059
Patchworks Integration Ltd	Nottinghamshire	Technology	Leading integration platform for fast-growing retail and ecommerce businesses	780
RevLifter Ltd	London	Technology	AI platform using advanced behavioural analytics to deliver tailored promotions to users	779
Custom Materials Ltd	London	Technology	Retailer of customisable products	655
Glisser Ltd	London	Business Services	Audience response software	330
Tribe Digital Holdings Pty Ltd	London	Technology	Influencer marketing platform	284
<b>Total unquoted investments</b>				<b>18,110</b>
<b>AIM-traded investments</b>				
<b>New</b>				
Aptamer Group plc	Yorkshire	Healthcare & Education	Platform providing antibody alternatives to the pharma industry	2,390
Skillcast Group plc	London	Healthcare & Education	Compliance e-learning and regulatory technology services	817
Oberon Investments Group plc	London	Business Services	Corporate advisory business	742
<b>Follow-on</b>				
Crossword Cybersecurity plc	London	Technology	Commercialisation of university research-based cyber security software and consulting	1,040
<b>Total AIM-traded investments</b>				<b>4,989</b>
<b>Total investments in the year</b>				<b>23,099</b>

## Realisations in the year

Company		First investment date	Original book cost* £'000	Proceeds† £'000	Overall multiple return
<b>Unquoted realisations</b>					
Carousel Logistics Ltd	Full trade sale	Oct 13	2,336	9,333	5.0*
Happy Days Consultancy Ltd	Full trade sale	Apr 12	4,180	3,184	0.8
Rainbird Technologies Ltd	Full trade sale	Feb 19	789	0	0.0
<b>Total unquoted realisations</b>			<b>7,305</b>	<b>12,517</b>	
<b>AIM-traded realisations</b>					
Ideagen plc	Take over	Jan 13	720	9,358	13.5
CloudCall Group plc	Take over	Apr 14	3,214	2,900	0.9
Cerillion plc	Market sale	Jul 15	129	1,474	11.4
Mi-Pay Group plc	Liquidated	Nov 12	800	11	0.0
<b>Total AIM-traded realisations</b>			<b>4,863</b>	<b>13,743</b>	
<b>Total realisations in the year</b>			<b>12,168</b>	<b>26,260</b>	

# Residual book cost at realisation date.

† Proceeds at time of realisation including interest.

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



# Strategic report

## Ten largest investments

The top ten investments by current value at 30 September 2022 illustrate the diversity of investee companies within the portfolio. For consistency across the top ten and based on guidance from the AIC, data extracted from the last set of published audited accounts is shown in the tables below. However, this may not always be representative of underlying financial performance for several reasons. Published accounts lodged at Companies House may be out of date and the Manager works from up-to-date management accounts and has access to draft but unpublished annual audited accounts prepared by the companies. In addition, pre-tax profit in statutory accounts is often not a representative indicator of underlying profitability as it can be impacted by, for example, deductions of non-cash items, such as amortisation, that relate to investment structures rather than operating performance.

**1 Cerillion plc**  
London  
Quoted  
www.cerillion.com



Cerillion provides billing, charging and CRM software solutions, predominantly to the telecommunications sector but also to other sectors, including finance and utilities. Cerillion has c.80 customer installations across c.45 countries, delivering a broad range of cloud solutions, managed services and on-premise enterprise software.

### All funds managed by Gresham House

First investment: July 2015  
Total original cost: £2,739,000  
Total equity held: 12.2%

### Baronsmead Second Venture Trust only

Original cost: £1,507,000  
Valuation: £18,435,000  
Valuation basis: Bid Price  
Income recognised in the year: £152,000  
% of equity held: 6.7%  
Voting rights: 6.7%

### Year ended 30 September

	2021 £ million	2020 £ million
Sales:	26.1	20.8
Pre-tax profits:	7.4	2.6
Net Assets:	20.2	16.0
No. of Employees:	252	235

Source: Cerillion plc, Annual Report and Accounts 30 September 2021

**2 Netcall plc**  
Bedfordshire  
Quoted  
www.netcall.com



Netcall is a provider of intelligent automation and customer engagement software, helping organisations to become more customer-centric. Solutions are focused on enabling customer contact across multiple channels and improving customer satisfaction whilst driving operational efficiency through increased process automation. Netcall has over 700 customers, spanning enterprise, healthcare and government sectors.

### All funds managed by Gresham House

First investment: July 2010  
Total original cost: £4,354,000\*  
Total equity held: 24.0%

### Baronsmead Second Venture Trust only

Original cost: £2,616,000  
Valuation: £10,650,000  
Valuation basis: Bid Price  
Income recognised in the year: £55,000  
% of equity held: 9.6%  
Voting rights: 9.6%

### Year ended 30 June

	2022 £ million	2021 £ million
Sales:	30.5	27.2
Pre-tax profits:	2.3	1.0
Net Assets:	27.4	24.6
No. of Employees:	252	235

Source: Netcall plc, Annual Report and Accounts, 30 June 2022

\* Includes Baronsmead VCTs only

**3 IDOX plc**  
Berkshire  
Quoted  
www.idoxgroup.com



Idox provides legislative compliance and document process management software, in a variety of cloud and on-premise applications, for local governments and the NHS. Additionally, IDOX delivers document collaboration software for the oil & gas, energy and infrastructure sectors, enabling accurate record keeping for project management. IDOX's solutions seek to deliver process automation to support enhanced citizen and customer experience, improved operational efficiency and reduced overheads.

### All funds managed by Gresham House

First investment: May 2002  
Total original cost: £1,642,000\*  
Total equity held: 4.8%

### Baronsmead Second Venture Trust only

Original cost: £1,028,000  
Valuation: £7,125,000  
Valuation basis: Bid price  
Income recognised in the year: £44,000  
% of equity held: 2.4%  
Voting rights: 2.4%

### Year ended 31 October

	2021 £ million	2020 £ million
Sales:	62.2	57.3
Pre-tax profits:	7.3	1.8
Net Assets:	60.8	47.0
No. of Employees:	567	637

Source: IDOX plc, Annual Report and Accounts, 31 October 2021

\* Includes Baronsmead VCTs only

**4 eConsult Health Ltd**  
London  
Unquoted  
www.econsult.net



eConsult provides a clinically led online consultation service to digitally triage patients, reducing the number of face-to-face consultations required. This builds on the structural imbalance of a growing and ageing population and an increasing scarcity in healthcare professionals. The Company's investment of £5 million has enabled the business to develop its product offering for the secondary market, in addition to supporting sales and marketing activity.

### All funds managed by Gresham House

First investment: October 2020  
Total original cost: £7,500,000  
Total equity held: 11.4%

### Baronsmead Second Venture Trust only

Original cost: £3,899,000  
Valuation: £5,195,000  
Valuation basis: Earnings Multiple  
Income recognised in the year: £nil  
% of equity held: 5.2%  
Voting rights: 6.3%

### Year ended 31 March

	2021 £ million	2020 £ million
Sales:	6.3	3.2
Pre-tax profits:	1.0	(0.1)
Net Assets:	7.6	(0.0)
No. of Employees:	58	42

Source: eConsult Health Ltd, Director's Report & Financial Statements, 31 March 2021

**5 Airfinity Ltd**  
London  
Unquoted  
www.airfinity.com



Airfinity is a science information data analytics platform which provides deep information by therapeutic area on a real time basis to the life sciences industry and public entities including governments, NGOs and healthcare authorities. It was founded in 2015 and grew rapidly during the pandemic on the back of its COVID-19 health analytics and intelligence platform. The Baronsmead VCTs initially invested £5.0 million in 2021 and recently provided follow-on funding as part of a £2.6 million investment round which will be used to support ongoing development of the platform, sales and marketing efforts and to build out the team.

### All funds managed by Gresham House

First investment: July 2021  
Total original cost: £5,605,000  
Total equity held: 20.1%

### Baronsmead Second Venture Trust only

Original cost: £2,911,000  
Valuation: £4,006,000  
Valuation basis: Earnings Multiple  
Income recognised in the year: £nil  
% of equity held: 9.3%  
Voting rights: 9.2%

### Year ended 31 December

	2021 £ million	2020 £ million
Net Assets:	3.2	(0.3)

A full set of accounts is not publicly available.

Source: Airfinity Ltd, Financial Statements, 31 December 2021

# Strategic report

## Ten largest investments continued

**6 Anpario plc**  
Nottinghamshire  
Quoted  
www.anpario.com



Anpario is an international manufacturer and distributor of natural animal feed additives for animal health, nutrition and biosecurity. The products are designed to boost growth and improve the health of the animals which they feed. Sales growth is underpinned by both the increasing global demand for meat, and hence animal feed, as well as the trend towards organic foods and healthy eating.

### All funds managed by Gresham House

First investment: November 2006  
Total original cost: £966,000  
Total equity held: 5.9%

### Baronsmead Second Venture Trust only

Original cost: £662,000  
Valuation: £3,931,000  
Valuation basis: Bid Price  
Income recognised in the year: £96,000  
% of equity held: 4.0%  
Voting rights: 4.0%

### Year ended 31 December

	2021	2020
	£ million	£ million
Sales:	33.4	30.5
Pre-tax profits:	5.7	5.4
Net Assets:	40.3	37.5
No. of Employees:	121	120

Source: Anpario plc, Annual Report 31 December 2021

**7 Bioventix plc**  
London  
Quoted  
www.bioventix.com



Bioventix manufactures and supplies high affinity sheep monoclonal antibodies for use in immunodiagnosics. Focusing on clinical diagnostics, the company's strategy is to identify new assays for which there is a need for improved antibodies. Since the Baronsmead VCTs first invested in 2013, the company has more than quadrupled its revenues and profits.

### All funds managed by Gresham House

First investment: June 2013  
Total original cost: £562,000\*  
Total equity held: 9.7%

### Baronsmead Second Venture Trust only

Original cost: £309,000  
Valuation: £3,887,000  
Valuation basis: Bid Price  
Income recognised in the year: £179,000  
% of equity held: 2.3%  
Voting rights: 2.3%

### Year ended 30 June

	2022	2021
	£ million	£ million
Sales:	11.7	10.9
Pre-tax profits:	9.3	8.1
Net Assets:	11.8	11.8
No. of Employees:	16	17

Source: Bioventix plc, Annual Report and Financial Statements 30 June 2022

\* Includes Baronsmead VCTs only

**8 Patchworks Integration Ltd**  
Nottinghamshire  
Unquoted  
www.wearepatchworks.com



Patchworks provides the software to integrate an ecommerce customer's front and back office operational systems, managing the flow of data across their entire business and providing data and analytics to power decision-making. Founded in 2014, the Baronsmead VCTs invested originally in July 2021 in a Series A investment and since then the business has more than doubled its recurring revenues through expansion sales and onboarding new customers predominantly in the UK.

### All funds managed by Gresham House

First investment: July 2021  
Total original cost: £4,800,000  
Total equity held: 25.0%

### Baronsmead Second Venture Trust only

Original cost: £2,496,000  
Valuation: £3,729,000  
Valuation basis: Earnings Multiple  
Income recognised in the year: £nil  
% of equity held: 11.4%  
Voting rights: 11.4%

### Year ended 30 June

	2021	2020
	£ million	£ million
Net Assets:	0.1	0.1

A full set of accounts is not publicly available.

Source: Patchworks Integration Ltd, Annual Report & Unaudited Financial Statements, 30 June 2021

**9 Popsa Holdings Ltd**  
Surrey  
Unquoted  
www.popsa.com



Popsa is a photobook app that uses proprietary machine learning algorithms to reduce the average time it takes for customers to produce photobooks from two hours to just five minutes. Popsa was founded in 2017 with the aim to disrupt an industry that has not innovated with consumer habits, in particular the shift to mobile as the key photo repository. The Baronsmead VCTs investment is enabling the business to continue to grow across their key international markets whilst also accelerating investment in their category leading technology.

### All funds managed by Gresham House

First investment: December 2021  
Total original cost: £6,500,000  
Total equity held: 8.1%

### Baronsmead Second Venture Trust only

Original cost: £3,379,000  
Valuation: £3,379,000  
Valuation basis: Earnings Multiple  
Income recognised in the year: £nil  
% of equity held: 3.7%  
Voting rights: 3.8%

### Year ended 31 December

	2021	2020
	£ million	£ million
Sales:	25.3	19.2
Pre-tax profits:	(3.8)	(1.0)
Net Assets:	12.0	6.8
No. of Employees:	50	36

Source: Popsa Holdings Ltd, Group Strategic Report, Report of the Directors and Consolidated Financial Statements, 31 December 2021

**10 IWP Holdings Ltd**  
Jersey  
Unquoted  
www.iwpuk.co.uk



IWP is a leading national independent financial advisory business which was founded in 2019 shortly before the Baronsmead VCTs invested. The Baronsmead VCTs investment provided the business with growth capital to establish the central platform, enable the hiring of key management team members and to establish its integrated investment management practice. The company has grown significantly since investment and now serves clients throughout the UK, with growth driven by organic client growth and via acquisitions.

### All funds managed by Gresham House

First investment: July 2019  
Total original cost: £3,000,000  
Total equity held: 9.0%

### Baronsmead Second Venture Trust only

Original cost: £1,587,000  
Valuation: £3,072,000  
Valuation basis: Earnings Multiple  
Income recognised in the year: £nil  
% of equity held: 4.2%  
Voting rights: 4.2%

### Year ended 31 March

A full set of accounts is not publicly available as the company is registered in Jersey.

# Strategic report

## Principal risks and uncertainties

The Board has carried out a robust assessment of the principal and emerging risks and uncertainties facing the Company and has assessed the appropriate measures to be taken in order to mitigate these risks as far as practicable. There is an ongoing process for identifying, evaluating and managing these risks which is part of the governance framework detailed further in the Corporate Governance section of this report.

The Company is facing the key emerging risks of climate change and ESG, given the regulatory, operational and potentially reputational implications if not appropriately addressed. In order to address these emerging risks, when looking to make a new investment, the Manager uses an ESG Decision Tool to identify any material ESG risks that need to be managed and mitigated. For further detail, see pages 20 to 28.

Principal risk	Context	Specific risks we face	Possible impact	Mitigation
<b>Loss of approval as a Venture Capital Trust</b>	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.	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 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 review the tests on a bi-annual basis and report to the audit committee on their findings.
<b>Legislative</b>	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 would make them less attractive to investors.	The Company might not be able to maintain its asset base leading to its gradual decline and potentially an inability to maintain either its buy back or dividend policies.	The Board and the Investment Manager engage on a regular basis with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue. In addition, the Board and the Investment Manager have considered the options available to the Company in the event of the loss of tax reliefs to ensure that it can continue to provide a strong investment proposition for its shareholders despite the loss of tax reliefs.
<b>Investment performance</b>	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.	Reduction in both the capital value of investors shareholdings and in the level of income distributed.	The Company has a diverse portfolio where the cost of any one investment is typically less than 5 per cent of NAV thereby limiting the impact of any one failed investment. The Investment Management team has a strong and consistent track record over a long period.  The Investment Manager undertakes extensive due diligence procedures on every new investment and reviews the portfolio composition maintaining a wide spread of holdings in terms of financing stage and industry sector.
<b>Economic, political and other external factors</b>	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. In addition, the potential impact of the geo political environment relating to the conflict in Ukraine remains uncertain.	Events such as fiscal policy changes, aftermath of Brexit, 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.	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 Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility. The Board reviews the make up and progress of the portfolio each quarter to ensure that it remains appropriately diversified and funded.
<b>Regulatory &amp; Compliance</b>	The Company is authorised as a self managed Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD") and is also subject to the Prospectus and Transparency Directives. It is required to comply with the Companies Act 2006 and the UKLA Listing Rules.	Failure of the Company to comply with any of its regulatory or legal obligations could result in the suspension of its listing by the UKLA and/or financial penalties and sanction by the regulator or a qualified audit report.	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.
<b>Operational</b>	The Company relies on a number of third parties, in particular the Investment Manager, to provide it with the necessary services such as registrar, sponsor, custodian, receiving agent, lawyers and tax advisers.	The risk of failure of the systems and controls of any of the Company's advisers including a cyber attack leading to an inability to service shareholder needs adequately, to provide accurate reporting and accounting and to ensure adherence to all VCT legislation rules.	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. A cyber attack or data breach could lead to loss of sensitive shareholder data resulting in a breach and liability under GDPR.	The Board has appointed an audit and risk committee who 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 and matters relating to cyber security. 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.  The operational requirements of the Company, including from its service providers, have been subject to rigorous testing (including remote working and virtual meetings) as to their application since the COVID-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust.

The financial risks faced by the Company are covered within the Notes to the Financial Statements on pages 70 to 83.

# Strategic report

## Sustainable investment

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. Since the Company does not have any employees and it has no direct impact on the community or the environment due to its status as a VCT, the Company does not maintain specific policies in relation to these matters.

However, the Board is conscious of the potential impact of its investments on the environment as well as its social and corporate governance responsibilities. The Board and the Manager believe that sustainable investment involves the integration of ESG factors within the investment process and that these factors should be considered alongside financial and strategic issues.

The Company therefore complies with current reporting and other ESG standards for investment companies, through its monitoring of the ESG impact of its investee companies. The Company will continue to evolve its processes and reporting as ESG requirements change. More broadly, the Company complies with the AIC Code of Corporate Governance.

### Environmental, Social and Governance (ESG) update from the Manager

The Manager is committed to sustainable investment as an integral part of its business strategy. During 2022, the Manager has taken further steps to formalise its approach to sustainability and has put in place several policies and processes to ensure environmental, social and governance ("ESG") factors and stewardship responsibilities are built into asset management across all funds and strategies, including venture capital trusts.

The Manager's sustainable investment policies and beliefs can be found on its website and in its Sustainable Investment Report.



The Manager incorporates ESG considerations throughout the investment lifecycle including the

valuation process and this is communicated with the Board on a quarterly basis.

The Manager believes in playing an industry leadership role in supporting and promoting sustainable investment. It is a signatory to the UN-supported Principles of Responsible Investment and was awarded four or five stars, out of a maximum of five stars, for all modules submitted in its PRI Report 2021. It is also a signatory of the UK Stewardship Code; in September 2022, it was announced that Gresham House had met the expected standard of reporting for 2021 and will remain a signatory for the second year in a row.

### Sustainability governance structure

To ensure high-quality governance of its sustainability strategy, the Manager has developed a network of sustainability-related committees which oversee its work. Over the past 12 months the Manager has made two major improvements to ensure it achieves its sustainability ambitions:

- The Manager's Board established a new **Sustainability Committee** to provide oversight and accountability for the Manager's approach to sustainability across its operations and investment practices.

- The Group Management Committee established the **Sustainability Executive Committee** which aims to

elevate responsibility for sustainability to executive level, reflecting the importance and

materiality of sustainability to the business.

### Gresham House Sustainability Governance Structure



# Strategic report

## Sustainable investment continued

### Sustainability Executive Committee



**Rebecca Craddock-Taylor**  
Director, Sustainable Investment and Chair



**Peter Bachmann**  
Managing Director, Sustainable Infrastructure



**Lizzie Darbourne**  
Group Marketing Director



**Joe Krancki**  
Investment Director, Gresham House Ventures



**Heather Fleming**  
Managing Director Institutional Business



**Andrew Hampshire**  
COO and CTO



**Geoff Lambert**  
Head of Compliance



**Rupert Robinson**  
Managing Director

### Embedding ESG analysis

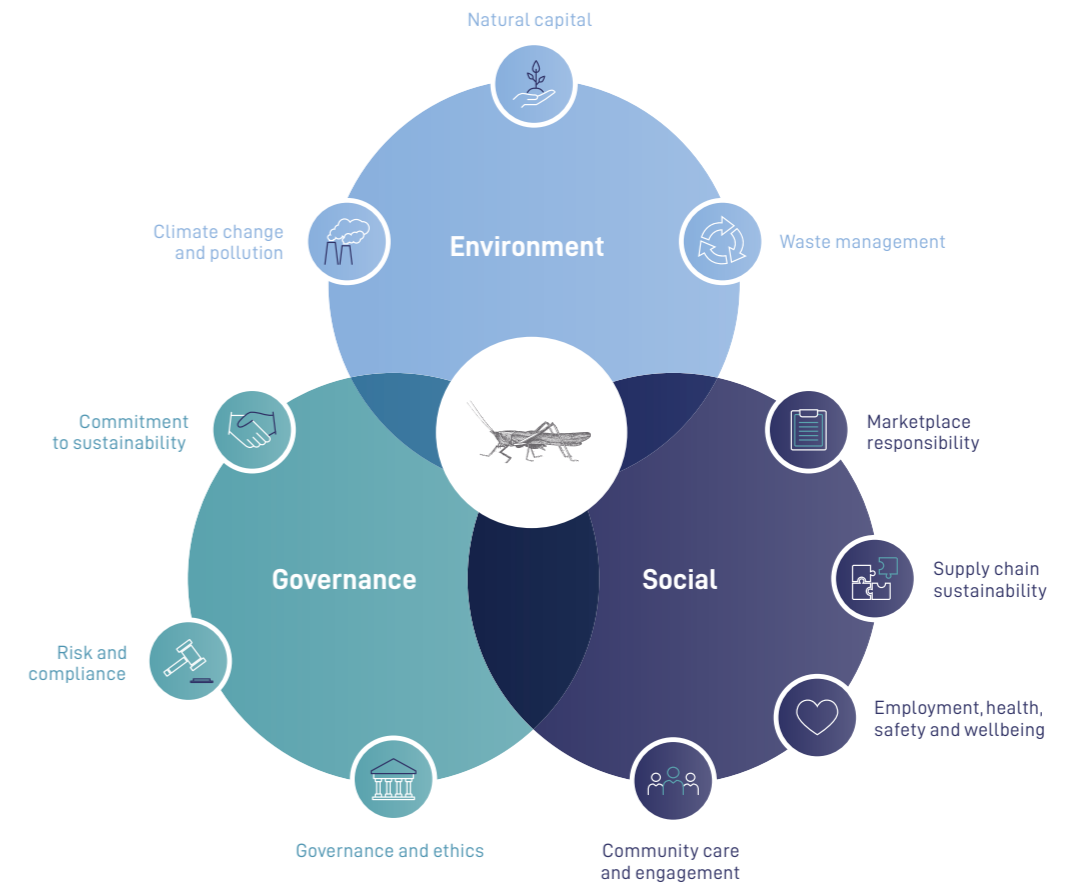
A framework based on ten key ESG themes is used to structure analysis, monitor and report on ESG risks and opportunities across the lifecycle of investments.

The ten themes are the basis of the ESG Decision Tool which supports the

investment team in implementing the commitments made in the sustainable investment policies. The ESG Decision Tool is completed as part of the due diligence process prior to investment for all VCT investments. The Tool will not tell the Manager whether to invest or not, instead it aims to provide a

rational and replicable assessment of key ESG risks which should be considered prior to investment, and to help rank the significance of each risk. It is up to the Manager to decide whether it is sufficiently comfortable with these risks to proceed with an investment.

### Sustainable Investment Framework



The Manager believes the 'G' (Governance) of ESG is the most important factor in its investment processes for public and private equity. Board composition, governance, control, company culture, alignment of interests, shareholder ownership

structure, remuneration policy etc. are important elements that will feed into the Manager's analysis and the company valuation.

The 'E' and 'S' (Environmental and Social) are assessed as risk factors

during due diligence to eliminate companies that face environmental and social risks that cannot be mitigated through engagement and governance changes.

# Strategic report

## Sustainable investment continued

### ESG in the investment process

Gresham House's Private Equity division has its own Sustainable Investment Policy, in which it commits to:

- Taking steps to consult and understand the views, concerns and ambitions of its stakeholders in seeking sustainable outcomes from its investments.
- Integrating ESG and economic benefit considerations into the selection, evaluation, governance and engagement processes across the lifecycle of each investment.
- Ensuring its team understands the imperative for effective ESG management and is equipped to carry this out through management support and training.
- Conduct regular monitoring of ESG risks, opportunities and performance in its investments.
- Incorporate ESG into its stewardship and monitoring processes.

ESG considerations are integrated into the lifecycle of each investment as follows:

#### 01 Initial appraisal

Identify material ESG matters requiring further investigation during the due diligence stage. If certain risks are unlikely to be sufficiently managed or mitigated, then the Manager may choose not to proceed at this stage.

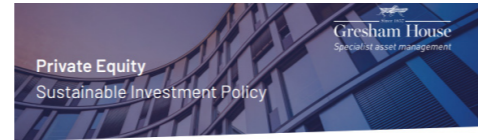
consultants may be used to provide additional information.

#### 03 Investment appraisal

A summary of the ESG analysis is included in every Investment Committee submission. Appropriate risk mitigation approaches will be referenced and assurance that the business is open to making improvements is sought.

#### 04 Holding period

A 100-day post-investment plan will be developed to address shorter term risks uncovered in our due



#### Meeting our Sustainable Investment commitments within our Private Equity strategy

Gresham House has a clear commitment to sustainable investment as an integral part of its business mission. The purpose of this document is to set out the manner in which the commitments we have made as a group leader to integrate ESG considerations throughout our business will be implemented within our Private Equity investment strategy.

- We take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.

– We actively monitor our clients' interests in making investments that take appropriate heed of sustainability factors.

– We include sustainable investing as an agenda item on a periodic basis in VCT Board meetings and separately in meetings with stakeholders.

- We integrate Environmental, Governance, Social and Economic benefit considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment.

• Our investment selection process goes through two stages of profiling before a decision is made, each focused on identifying material sustainability matters and how well they are managed.

– At stage one, we identify using our proprietary ESG Decision Tool if there are any material ESG matters unlikely to be sufficiently managed or mitigated, given what we know about the company and its management team, or where the business or its sector presents significant potential controversy risks, such that we will not proceed.

– At stage two, we make a wider assessment of potential ESG issues as well as where good ESG management has the potential to drive value, now or in the future. This includes the identification of ESG issues to engage on during the investment period to enhance value or particular areas of risk to be closely monitored.

- During our stewardship and monitoring phase, our periodic engagement with the management teams of our investments includes discussion of ESG performance and progress with the aim of identifying key concerns and/or opportunities for value enhancement and to give us a clearer view of ESG management within our portfolio.

- We drive rigour and consistency by applying our Sustainable Investment Framework and system, including clearly defined processes and expert tools and methods.

– Our ESG integration processes are structured around our sustainable investment framework (see page 3).

– Materiality and stakeholder assessment are core to both our investment selection process and ESG stewardship and we have adopted tools and methods, such as an ESG Decision Tool, to assist us in focusing on what matters most in any investment and the externalities and other factors that may change over time.



diligence stage. The Manager then uses its position as a board member and active investor to influence management to proactively address longer term risks and opportunities.

Where material ESG risks are identified, these are reviewed by the Manager and a decision on how to proceed is documented. The Manager will then proactively follow up with the investee company management team and ensure appropriate corrective and preventative action is taken and any material issues or incidents are recorded by the Manager.

### Case Study: Active ownership at Patchworks



In August 2021, Gresham House Ventures invested in Patchworks, a software company helping e-commerce businesses automate and manage data flows across back-end systems. In demonstrating its commitment to active ownership, over the past year the Manager has played an important role in helping Patchworks to evolve from a founder-led business into one with well-developed management and governance systems. Part of the Manager's focus was to assist in recruiting key new hires to strengthen the management team around the CEO and founder.

#### Board changes

Post-investment, one of the Manager's investment directors joined the board, while it also helped appoint a Chairperson through our talent network. The Manager has also been active in assisting the creation of various committees and schemes within the business, such as the Remuneration Committee and management incentive scheme, sharing best practice to help with the implementation and management of these new initiatives.

#### Senior management

The Manager then set out to assist in recruiting a senior management team to sit alongside the founder and helped to appoint both a Chief Financial Officer (CFO) and Chief Revenue Officer (CRO). It also helped to appoint a new non-executive director with experience in the retail and consultancy sectors.

#### Other actions

To help Patchworks in its ambition to scale its business, the Manager also took the following actions:

1. It shared its Best Practice Board Pack for early-stage software as a service (SaaS) businesses to support their governance processes.
2. It developed a detailed 100-day plan to help with the integration of the new management team and continued scaling of the business.
3. Scheduled weekly calls with the management teams to evaluate progress against this plan.
4. Discussed how the Manager can assist in their aims to achieve B-Corp status.

The Manager acknowledges that Patchworks is still early on in its evolution away from a founder-led business to one with a more established and effective governance structure. Nonetheless the Manager is pleased with the progress that has been made in a short space of time and the partnership and cultural fit that should help to advance the development of the company going forward.

### 2022 Sustainable investment highlights

#### ESG Survey

This year the Manager undertook its second annual ESG survey to understand how its VCT unquoted investments respond to relevant ESG risks and opportunities and how these are considered as part of their operations.

The survey asks unquoted investee businesses a range of questions based on the ESG VC framework across a range of material environmental, social and governance factors. It asks them to indicate the relevance of those

material ESG factors to their business, as well as their ability to influence those factors.

The Manager surveys its investee businesses for the following reasons:

- It helps to identify an understanding of how portfolio companies think about ESG, and which ESG data is already being reported on and monitored. It provides a simple way for the Manager to communicate with companies as to how they compare against their peer group.

• Repeating the survey annually allows companies to demonstrate progression against material ESG issues and forms the basis of meaningful ESG engagements between Gresham House Ventures and its unquoted portfolio companies.

• The survey demonstrates the Manager's commitment to being responsible active owners and to use that position of ownership to influence the behaviour of investee companies for the better.

# Strategic report

## Sustainable investment continued

The results of this year's survey will be analysed by the Sustainable Investment team and overlaid with a well-known materiality framework. The findings will be used to:

1. Assess each company against its relevant peer group and communicate findings to management teams.

2. Support portfolio companies to better understand the material ESG risks inherent in their business operations.
3. Set relevant objectives for improvement on ESG matters, which the investment teams will then engage with the portfolio companies on

over the next 12 months and longer term.

The results of the survey will be communicated back to investee businesses by the end of the year, and an engagement plan based on identified responses drawn up for 2023.

### ESG Webinar Series

Following last year's ESG survey (see below), alongside its Sustainable Investment team, the Manager committed to holding a series of educational webinars for the Chairs, CEOs and executives of unquoted and quoted investee businesses to enhance their knowledge on material ESG issues.

The outline of the webinar series aims to provide a toolkit for investee businesses to better integrate ESG and sustainability into their businesses, and covers:

- Education & materiality
- Governance
- Strategy
- Risk management
- Metrics and targets

So far the Manager has held the first two of these webinars and will continue to hold these on a quarterly basis going forwards. For a link to the webinars, please see: [ESG webinar series – Gresham House Ventures](#).

### ESG KPIs

This year the Manager constructed a list of ESG-focused KPIs with the objective of improving the quality and efficiency of data capture and client reporting.

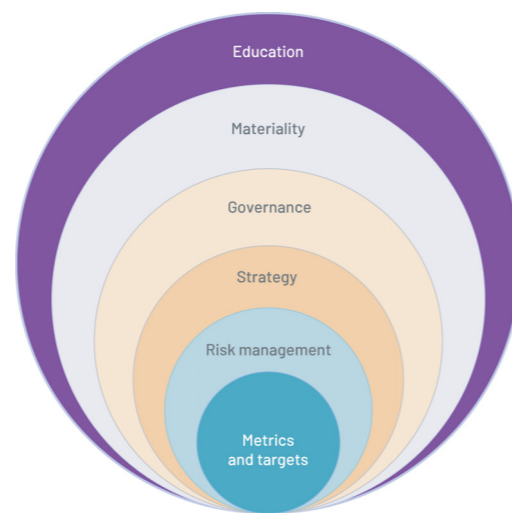
The data derived from the ESG KPIs will help drive investment decision making, engagement planning and enhance stakeholder reporting. KPIs for unlisted businesses will be collected from investee businesses alongside the ESG survey, while the Manager has appointed a third party provider to assist with the collection of ESG KPIs for its listed investments.

In creating the list of KPIs, the Manager's Sustainable Investment team consulted representatives from Gresham House's Private Equity division throughout the process to understand their investment process and the operational management of each of their assets.

The ESG KPIs draw on elements of existing sustainability frameworks, while also supplementing these with KPIs that are particularly important for that division.

Over time, the Manager intends for the KPIs to form the basis of ESG engagements with investee businesses. The output should also be

### Outline of Webinar series



used in fund-level and client reporting, reporting to boards, and by the SI team in the annual Sustainable Investment Report and Annual Report.

### Climate-related Financial Disclosures

The Manager undertook an exercise in 2021 to measure its financed emissions, i.e. the greenhouse gas emissions associated with its investments. This exercise included a calculation by an external carbon consultant of the carbon emissions associated with the Company's investment portfolio which sit under the Company's Scope 3

emissions. These are detailed below and will continue to form a part of this report going forward. All carbon emissions calculated are based on the Company's proportional share of investment in quoted and unquoted investee companies, as per PCAF guidance<sup>1</sup>.

Greenhouse gas emissions associated with the Company's holdings are measured in carbon dioxide equivalent (CO<sub>2</sub>e). Emissions are broken down into

three categories by the Greenhouse Gas Protocol:

- Scope 1 emissions are the direct emissions associated with a company's activities. This includes fuel combustion on site such as gas boilers and air-conditioning leaks.
- Scope 2 emissions are the indirect emissions that result from electricity purchased and used by a company. Emissions are created during the

production of the energy and eventually used by the Company.

- Scope 3 emissions are indirect emissions associated with its upstream and downstream value chain.

At portfolio level, carbon emissions are aggregated to represent the Company's share of emissions proportional to the size of its exposure to each investee company total value.

2021 Portfolio-level Data <sup>1</sup>	BSVT	FTSE All Share (end-2020)	MSCI UK Small Cap Index (April 2022)	S&P Europe Small Cap (Jan 2022)
Scope 1+2 tCO <sub>2</sub> e	6,269	-	-	-
Scope 3 tCO <sub>2</sub> e	3,364	-	-	-
Weighted average carbon intensity (tCO <sub>2</sub> e/£m revenue) <sup>2</sup>	95.2	169	131	284
Carbon Emissions per £m Invested (tCO <sub>2</sub> e/£m invested) <sup>3</sup>	38.3	187	NA	293
PCAF Score (Scope 1+2) <sup>4</sup>	3.7	-	-	-

<sup>1</sup> All data calculated based on holdings as of 31.12.21

<sup>2</sup> WACI – The Company's exposure to carbon-intensive companies, expressed as weighted-average exposure to investee companies' scope 1+2 tCO<sub>2</sub>e/£m revenue.

<sup>3</sup> Carbon Emissions per £m Invested- Total Scope 1+2 carbon emissions for the Company normalised by the market value of the portfolio, expressed in tCO<sub>2</sub>e/£m invested.

<sup>4</sup> PCAF Score – PCAF Scores show the level of data quality associated with the carbon emissions reported for investee businesses. "1" is the highest quality data (audited GHG emissions) and "5" is the lowest quality data (estimated data with limited support). All data for the underlying investments was either Score 1 (audited GHG emissions data) or Score 4 (proxy data based on investee company revenue and sector EEIO emissions factors), giving an average score of 3.7; the Manager will continue to seek to improve the quality of the underlying data and the PCAF Score over time.

The Management Team will monitor carbon emissions associated with its investments over time and may use this data to drive ESG-focused engagement activities. Currently, the Company has no requirements or targets relating to carbon emissions of its portfolio or investee companies. However, Gresham House has a GH25 strategic objective to make a Science-Based Target commitment to achieving net zero emissions in its operations and its investments and intends to provide an update on this in early 2023.

### Stewardship Responsibilities

As an active investor, the Manager acts as a long-term steward of the assets in which it invests. Active ownership responsibilities include engagement and voting, which are used to protect and create value. The Manager will almost always take a board seat or

become a board observer for its unquoted investments, which ensures sufficiently frequent levels of communication with the management team.

The Manager has published its [Engagement and Voting Policy](#) on its website, which sets out its approach and explains how integrated these activities are to its business practices and investment processes.

### Engagement

The Manager's investment philosophy means that it is an actively engaged shareholder. The Manager's assessments of management, board and governance form a critical part of the investment case, which necessitates that it works with companies on strategy, M&A, remuneration and related matters, from the outset of the holding period onwards. The Manager encourages an

open and honest dialogue with the companies as this is an essential part of effective stewardship.

The Manager will meet face-to-face with the management team of a publicly listed company at least twice a year, and more frequently when it owns a material stake of a company. The Manager will generally work more closely with the management teams of private equity investments and meet on a more frequent basis. These meetings form the basis for the ongoing monitoring of a company's strategy, financial performance and ESG considerations.

### Defining engagement objectives

The Manager will usually identify and agree strategic milestones that it expects a company to deliver on over the holding period. The Manager will typically identify three or four key strategic milestones that are bespoke

<sup>1</sup> PCAF: The Global GHG Accounting & Reporting Standard for the Financial Industry (Nov,2020).

# Strategic report

## Sustainable investment continued

to the organisation and its business development, aiming to keep the directors focused and ensure continued progress.

Objectives may change over time depending on several factors, including business priorities, market forces and stakeholder considerations. Example of engagement objectives include:

- Board composition
- Improvements to governance arrangements
- Improvements identified by the annual ESG survey (e.g. carbon emissions measurement and management, sustainable product sourcing, human capital policies)
- Product or geographic expansion or variance, including due to ESG related market forces
- Staff retention and reduction of absence rates
- Implementing compliance programmes with forthcoming ESG legislation
- Improvements to reporting, including ESG factors

The identified objectives provide a framework which forms the basis of the Manager's discussions with companies during regularly scheduled engagements.

### Voting

Voting is an important part of the Manager's investment strategy and Gresham House is a signatory to the UK Stewardship Code and the Principles of Responsible Investment ('PRI').

The Manager's voting decisions are based on the course of action that will be in the best interest of the investee company and are informed by various sources including; procedures, research, engagement with the company, discussions with other stakeholders and advisers, internal discussions and consultations, and other relevant information.

For the 12 months to 30 September 2022, the Manager had the opportunity to vote on 2,080 issues. Of these, the Manager voted for 96.9 per cent of resolutions, against on 2.5 per cent, abstained on 0.6 per cent and did not vote on 0 per cent. Of the 51 votes against, 28 were because the resolutions conflicted with the Manager's house policy, notably to vote against political donations, while the others were on M&A and liquidation issues that went against the investment teams' philosophy.

### Voting decisions

The Manager does not have a set policy defining how voting decisions should be made on specific items, but has set the following guidelines:

1. Authority to allot shares – policy to vote against anything over 33 per cent.
2. Disapplication of pre-emption rights – policy to vote against anything over 10 per cent.
3. Authorise company to purchase own shares – policy to vote against anything over 10 per cent.
4. Political donations – policy to vote against all political donations.

### Proxy voting providers

The Manager does not use any proxy voting advisory services, but will usually use proxy voting services to deliver voting decisions to the companies it invests in.

### Voting against management

If the Manager plans to vote against the company decision, it will engage with the company in advance, explain the reasons for voting against management and look for ways to avoid that if possible. If a satisfactory outcome is not reached through this active dialogue with the company, the Manager will typically tell the company in advance of its intention to abstain or vote against management and clarify the reasons grounding such intention.

## Other matters

### Applying the business model

This section of the Strategic Report sets out the practical steps that the Board has taken in order to apply the business model, achieve the investment objective and adhere to the investment policy. The investment policy, which is set out in full on page 84, 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 Gresham House. The Manager has adopted a 'top-down, macro economic and sector-driven' approach to identifying and evaluating potential investment opportunities, by assessing a forward view of firstly the broader 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 policy is not to invest in any of the following areas: human cloning; arms/munitions; or adult content.

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.

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

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

### VCT status

Compliance with the required VCT rules and regulations is considered when all investment decisions are made. Internally, this is monitored on a continuous basis and it is also reviewed by PricewaterhouseCooper LLP ("PwC") every six months to ensure ongoing compliance. PwC have been appointed by the Company to advise on compliance with VCT requirements, including evaluation of investment

opportunities as well as appropriate and regular review of the portfolio. Although PwC works closely with the Manager, it reports directly to the Board.

The principal tests are summarised below. Throughout the year ended 30 September 2022 and at the date of this report, the Company continued to meet these tests.

### VCT status tests

- 1) To ensure that the VCT's income in the period has been derived wholly or mainly (70 per cent plus) from shares or securities;
- 2) To ensure that the VCT has not retained more than 15 per cent of its income from shares and securities;
- 3) To ensure that the VCT has not made a prohibited payment to shareholders derived from an issue of shares since 6 April 2014;
- 4) To ensure that at least 80 per cent by value of the VCT's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the VCT;
- 5) To ensure that at least 70 per cent by value of the VCT's qualifying holdings has been represented throughout the period by holdings of eligible shares;
- 6) To ensure that no investment in any company has represented more than 15 per cent by value of the VCT's investments at the time of investment;
- 7) To ensure that the VCT's ordinary capital has throughout the period been listed on a regulated European market;



# Strategic report

## Other matters continued

- 8) To ensure that the VCT has not made an investment in a company which causes it to receive more than the permitted investment from State Aid sources;
- 9) To ensure that since 17 November 2015, the VCT has not made an investment in a company which exceeds the maximum permitted age requirement;
- 10) To ensure that since 17 November 2015, funds invested by the VCT in another company have not been used to make a prohibited acquisition; and
- 11) To ensure that since 6 April 2016, the VCT has not made a prohibited non-qualifying investment.

Board about its continuing appointment.

It is considered that the Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of Gresham House Asset Management Limited as the Manager of the Company, on the terms agreed, is in the best interests of the Company and its Shareholders as a whole.

### The management agreement

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

Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee. The running cost as at 30 September 2022 was 2.6 per cent.

The management agreement may be terminated at any date by either party giving 12 months' notice of termination and, if terminated, the Manager is only entitled to the management fees paid to it and any interest due on unpaid fees.

### Performance fees

A performance fee is payable to the Manager when the total return on net

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

Nil performance fee is payable for the year to 30 September 2022 (2021: £nil).

### 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 VCT incentive scheme was introduced in November 2004 under which members of the Manager's investment team invest their own money into a proportion of the ordinary shares of each eligible unquoted investment made by the Baronsmead VCTs. The Board regularly monitors the VCT incentive 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 eligible unquoted transaction and cannot decide selectively which investments to participate in. In addition, the VCT incentive scheme only delivers a return after each VCT has realised a priority return built into the structure. The shares held by the members of the VCT incentive 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 VCT incentive scheme.

Prior to January 2017, executives participating in the VCT incentive scheme subscribed jointly for a proportion (12 per cent) of the ordinary shares (but not the prior ranking financial instruments) available to the Baronsmead VCTs in each eligible 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. With effect from January 2017, an additional limb was added to the VCT incentive scheme to accommodate the increasing number of "permanent equity" investments being made by the Baronsmead VCTs. "Permanent equity" investments are those in which the Baronsmead VCTs hold a relatively lower proportion of prior ranking instruments (if any at all) and a higher proportion of permanent equity or ordinary shares. This

means that there are fewer prior ranking instruments yielding a priority return for the Baronsmead VCTs before any gain accrues to the ordinary shares, hence this additional limb to create a hurdle described below. The cut off to define a "permanent equity" investment is one where permanent equity is greater than 25 per cent of the total or where permanent equity is greater than £250,000.

Under the terms of the amended VCT incentive scheme, in circumstances where the Baronsmead VCTs hold a sufficient number of prior ranking financial instruments (a "Traditional Structure"), the terms are identical to those set out above. However, in circumstances where the Baronsmead VCTs make a "permanent equity" investment, the executives participating in the incentive scheme are required to co-invest pari passu alongside the Baronsmead VCTs for a proportion (currently 0.75 per cent) of all instruments available to the Baronsmead VCTs and they also receive an option over a further proportion (currently 12 per cent) of the ordinary shares available to the Baronsmead VCTs. The ordinary shares can only be

sold and the option can only be exercised by the scheme participants when the investment held by the Baronsmead VCTs is sold. The option exercise price has a built in hurdle rate to ensure that the options are only "in the money" if the Baronsmead VCTs achieve a good return (equivalent to the priority return they would have to achieve prior to any value accruing to the ordinary shares in a Traditional Structure).

Since the formation of the scheme in 2004, 101 executives have invested a total of £1.1 million in 85 companies. At 30 September 2022, 51 of these investments have been realised generating proceeds of £398 million for the Baronsmead VCTs and £21 million for the VCT incentive scheme. For Baronsmead Second Venture Trust, the average money multiple on these 51 realisations was 1.8x times cost. Had the VCT incentive shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been the equivalent of 3.4p a share over 18 years (based on the current number of shares in issue). The Board considers this cost to retain quality people to be in the best interests of shareholders.

## Appointment of the Manager

The Board expects the Manager to deliver a performance which meets the objective of achieving long-term investment returns, including tax free dividends. A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chair's Statement on pages 4 to 6. The Board assesses the performance of the Manager in meeting the Company's objective against the KPIs highlighted on page 2 of the report.

## Continuing appointment of the Manager

The Board keeps the performance of the Manager under continual review. The Management Engagement and Remuneration Committee, comprising all Directors, conducts an annual review of the Manager's performance and makes a recommendation to the



# Strategic report

## Other matters continued

### Advisory and Directors' fees

During the year, Gresham House Asset Management Limited received £295,000 (2021: £254,000) advisory fees, £528,000 (2021: £375,000) directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £7,000 (2021: £8,000) with respect to investments attributable to the Company.

### Alternative Investment Fund Managers Directive ("AIFMD")

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

### Viability statement

In accordance with principle 21 of the Association of Investment Companies Code of Corporate Governance ("AIC Code"), the Directors have assessed the prospects of the Company over the three-year period to 30 September 2025.

This period is used by the Board during the strategic planning process and is considered reasonable for a business of our nature and size. The three-year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timeline for finding, assessing and completing investments.

In making this three-year assessment, the Board has taken the following factors into consideration:

- The nature of the Company's portfolio
- The Company's investment strategy
- The potential impact of the principal risks and uncertainties
- Share buy-backs

- The liquidity of the Company's portfolio
- Market falls and gains, with particular reference to the COVID-19 pandemic
- Maintaining VCT approval status

The Board has carried out a robust assessment of the above factors, as they have the potential to threaten the Company's business model, future performance, solvency, or liquidity. This review has considered the principal risks as outlined on pages 18 and 19.

The Board has considered the ability of the Company to raise funds and deploy capital. Its 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, and the large listed portfolio that could be liquidated if necessary.

The Company's portfolio currently includes a large position in cash or liquid money market funds. Over the last five years, cash and liquid money market funds have averaged c.17 per cent of the NAV and reflected 20 per cent of the 30 September 2022 NAV. Cash balances can fluctuate over time due to changes in market conditions, but positive cash levels are expected to be maintained over the period. The Company has no debt, and it is expected that the Company will remain ungeared for the foreseeable future.

The Directors have also considered the Company's income and expenditure projections and find these to be realistic and sensible. The Directors have assessed the Company's ability to cover its annual running costs under several liquidity scenarios in which the value of liquid assets (including

AIM-traded investments and OEICs) has been subject to sensitivity analysis. The Directors noted that under none of these scenarios was the Company unable to cover its costs.

Based on the Company's processes for monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model, asset allocation and the portfolio risk profile, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2025.

## Returns to investors

### Dividend policy

The Board will decide the annual dividends each year and the level of the dividends will depend on investment performance, the level of realised returns and available liquidity. The dividend policy guidelines below are not binding and the Board retains the ability to pay higher or lower dividends relevant to prevailing circumstances. However, the Board confirms the following two guidelines that shape its dividend policy:

- The Board will, wherever possible, seek to pay two dividends to shareholders in each calendar year, typically an interim in September and a final dividend following the AGM in February; and
- The Board will use, as a guide, when setting the dividends for a financial year, a sum representing 7 per cent of the opening NAV of that financial year.

### Shareholder choice

The Board wishes to provide shareholders with a number of choices that enable them to utilise their investment in the Company 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. The Company has announced its intention to launch a new offer for subscription in January 2023.
- 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 2,912,000 shares were bought in this way during the year to 30 September 2022.

- Buy back of shares | From time to time, the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid-share price discount of approximately 5 per cent to net asset value where possible. However, shareholders should note this discount may widen during the periods of market volatility.
- 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 484,000 shares were bought by investors in the Company's existing shares in the year to 30 September 2022.



# Strategic report

## Directors' duties

### Overview

Section 172 of the Companies Act 2006 (the "Act") requires the Directors to act in good faith and in a way that is most likely to promote the success of the Company for the benefit of its shareholders.

Directors must consider the long-term consequences of any decision they make. They must also consider the interests of the various stakeholders of the Company, the impact the Company has on the environment and community, and operate in a manner which maintains their reputation for having high standards of business conduct and fair treatment between shareholders.

Fulfilling this duty naturally supports the Company in its investment objective of achieving long-term investment returns for private investors and helps ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, and the AIC Code, the information below explains how the Directors have individually and collectively discharged their duties under section 172.

To ensure they are aware of and understand their duties, Directors are provided with a detailed induction outlining their legal and regulatory duties as a Director of a UK public limited company upon appointment. They also receive regular regulatory updates and training as appropriate. A Company Secretarial Report is included within the papers of every Board meeting, which reminds the Directors of their duties and emphasises the importance of stakeholder consideration during decision making. Directors also receive technical updates from the Company's

advisers and from the Manager on a regular basis.

The Directors have access to the advice and services of the Company Secretary and a range of other reputable service providers and, when deemed necessary, the Directors may seek independent professional advice in the furtherance of their duties, at the Company's expense.

The Company has a Schedule of Matters Reserved for the Board which describe the Board's duties and responsibilities. Terms of Reference of the Board's Committees are in place, which outline the duties of those Committees that are delegated from the Board, including their statutory and regulatory responsibilities. Both the Schedule of Matters Reserved for the Board and the Committees' Terms of Reference are reviewed on at least an annual basis.

The Audit & Risk Committee has responsibility for the ongoing review of the Company's risk management and internal controls. To the extent that they are applicable, risks related to the matters set out in Section 172 are included within the Company's Risk Register and are subject to regular review and monitoring.

### Decision making

The importance of stakeholder considerations, in the context of decision making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Further information on the role of the Board in safeguarding stakeholder interests and monitoring ongoing investment activity can be found on pages 38 to 39.

### Stakeholder engagement

Following a comprehensive review by the Board, which regularly keeps stakeholder engagement mechanisms under review, it was agreed that, as the Company is an externally managed Venture Capital Trust and does not have any employees or customers, the Company's key stakeholders are:

- The Company's shareholders
- The Manager
- The portfolio of investee companies, and the wider communities in which they operate
- HMRC and the Company's governing bodies, including the FCA
- The Association of Investment Companies ("AIC")
- A range of reputable external service providers

Details of how the Board seeks to understand the needs and priorities of these stakeholders and how these are taken into consideration during its discussions as part of its decision-making, are described in the table below:

Stakeholder Group	Importance	Board Engagement
<b>Shareholders</b>	Continued shareholder support is critical to the sustainability of the Company and delivery of the long-term strategy of the business.	<p>The Board is committed to maintaining open channels of communication with shareholders and during the year has developed various meaningful ways of engaging with shareholders to understand their views. These include:</p> <ul style="list-style-type: none"> <li>■ <b>Annual General Meeting ("AGM")</b> – The Company welcomes and encourages attendance and participation from shareholders at the AGM and values any feedback and questions it may receive. Shareholders were invited to raise questions in advance of, during and after the 2022 AGM and the Company was delighted to answer those questions received. The Chair presented on the Company's outlook for 2022 and a joint investment management presentation to shareholders of the Company and Baronsmead Venture Trust Plc was held on the same day.</li> </ul> <p>The Company's forthcoming AGM will take place on 1 February 2023. The Company intends to hold this AGM in person, with shareholders who are unable to attend in person given the option to watch the AGM live. It must be noted that those who participate virtually will not be able to vote during the course of the AGM and are asked to submit their votes by proxy in advance of the AGM.</p> <p>Further information regarding the 2023 AGM can be found in the Chair's Statement on pages 4 to 6 and within the Notice of AGM which is being sent to shareholders separately from this Annual Report.</p> <ul style="list-style-type: none"> <li>■ <b>Publications</b> – The Company's Annual and Half-Yearly Reports are made available on the Company's website (<a href="http://www.baronsmeadvcts.co.uk">www.baronsmeadvcts.co.uk</a>) and sent to shareholders. These publications provide shareholders with information regarding the Company's business model, strategy and investment portfolio and provide a clear understanding of the Company's financial position. This is supplemented by the monthly publication of the NAV on the Company's website and quarterly factsheets. Feedback and questions received by the Company from shareholders enables the Company to improve its reporting, which in turn helps to deliver transparent and understandable updates.</li> <li>■ <b>Shareholder communication and shareholder concerns</b> – The Manager communicates with shareholders periodically and shareholders are welcome to raise any comments, issues or concerns with the Board at any time. Shareholders are invited to do so by writing to the Chair at the registered office. Malcolm Groat, as Senior Independent Director, is also available to shareholders if they have concerns that contact through the normal channel of the Chair has failed to resolve or for which such contact is inappropriate.</li> </ul>

# Strategic report

## Directors' duties continued

Stakeholder Group	Importance	Board Engagement
<b>The Manager</b>	The Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to achieve long-term investment returns for private investors.	<p>The Board invites the Manager to attend Valuation Forums, Board meetings and Committee meetings to update Directors on the performance of the portfolio and execution of the investment strategy. The Board holds detailed discussions with the Manager on all key strategic and operational topics on an ongoing basis. In addition, the Chair regularly meets with the Manager to ensure a close dialogue is maintained. In line with the Company's culture, the Board recognises the importance of working together with the Manager in such a way that:</p> <ul style="list-style-type: none"> <li>■ encourages open, honest, and collaborative discussions at all levels, allowing time and space for original and innovative thinking;</li> <li>■ draws on Board members' individual experience and knowledge to support and challenge the Manager in its monitoring of and engagement with portfolio investee companies;</li> <li>■ ensures that the impact on the Manager is fully considered and understood before any business decision is made; and</li> <li>■ ensures that any potential conflicts of interest are avoided or managed effectively.</li> </ul>
<b>The portfolio of investee companies</b>	The Company invests in growth businesses, whether unquoted or traded on AIM, which are primarily based in the UK. Investments are made selectively across a range of sectors to meet the Company's investment objectives and in accordance with VCT legislation.	<p>Day-to-day engagement with the portfolio of investee companies is undertaken by the Manager, so a transparent and objective relationship between the Board and the Manager is vital. For unquoted and larger AIM holdings the Manager is an influential and engaged shareholder (on behalf of the Company) and Manager representatives often join the boards of these companies.</p> <p>At each scheduled Valuation Forum, the Board receives detailed updates from the Manager covering the portfolio construction and performance, progress and trading within the underlying portfolio companies and valuation recommendations. The Board is also provided with investment pipeline reports, covering both new deals and potential follow-on investments at Board meetings.</p>

Stakeholder Group	Importance	Board Engagement
<b>External service providers</b>	To function as a VCT with a premium listing on the London Stock Exchange, the Company relies on a diverse range of highly regarded advisers for support in meeting all relevant obligations.	The Board maintains regular contact with its external providers and receives reports from them at Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely considered. During the period, the Management Engagement and Remuneration Committee formally assessed the external service providers' performance, fees and continuing appointment to ensure that they continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit & Risk Committee reviews and evaluates the control environments in place at each service provider as appropriate.
<b>HMRC and governing bodies</b>	The Company must comply with HMRC VCT rules and must comply or explain its adherence to the AIC Code. HMRC and the AIC have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Board regularly considers how it meets regulatory and statutory obligations and follows voluntary and best-practice guidance, including how any governance decisions it makes impacts the Company's stakeholders, both in the shorter and in the longer-term. In particular, the Audit & Risk Committee receives confirmation from its VCT Status Adviser regarding compliance with HMRC's VCT rules and at every Board meeting the Board is presented with a Company Secretarial Report outlining the latest governance updates to keep the Board abreast of any relevant regulatory changes. The Company Secretary reviews the Company's ongoing compliance with the AIC Code, on at least an annual basis, which informs the Company's corporate governance disclosures in the Annual Report. In addition, the Board receives reports from the Manager and Auditor on their respective regulatory compliance and any inspections or reviews that are commissioned by regulatory bodies. The Company ensures it meets all required HMRC obligations and payments promptly and as they fall due.

# Strategic report

## Directors' duties continued

The mechanisms for engaging with stakeholders are kept under review by the Directors and discussed at Board meetings to ensure they remain effective. Examples of the Board's principal decisions during the year, and how the Board fulfilled its duties under Section 172, and the related engagement activities, are set out below.

Principal Decision	Long-Term impact	Stakeholders and Engagement
<b>Consideration of the Company's culture, purpose and values</b>	Establishing and maintaining a healthy corporate culture within the Company will aid delivery of its long-term strategy.	<p>During the reporting period, the Board considered the Company's culture, purpose and values.</p> <p>The Company seeks to invest in innovative, high growth quoted and unquoted companies, providing capital and expertise at a critical stage of their development. The Company believes that the successful development of these companies will be crucial to the advancement of the UK economy. The Manager has an extensive entrepreneurial network and specialist skills which are utilised both to source new investment opportunities as well as to support the portfolio company management teams to deliver their growth plans. The investment strategy is based on backing the highest potential companies operating in sectors and markets which are benefiting from long-term structural growth trends, whilst recognising the risk management benefits of diversification in portfolio construction.</p> <p>The Company has several policies in place to maintain a culture of good governance including those relating to Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board during the annual Board evaluation process which is undertaken by each Director. This is a formal internal process coordinated by the Chair, given the small size of the Board.</p>
<b>Continued focus on the Manager's ESG impact</b>	The Board recognises that sound ESG policies, when embedded with appropriate governance and responsible business practices, help generate long-term financial performance and contribute to the wider community.	<p>The Board has continued its focus on responsible business practices and the impact of ESG matters. The Board notes that the Manager has added to resources in this area and has significantly developed its ESG policy, its ESG investment tool and processes. The Board has received a detailed presentation from the Manager's sustainable investment director on its responsible business practices and the methods used to evaluate ESG risks as part of its investment processes.</p> <p>The Board acknowledges and supports the increased focus by the Manager on ensuring new and existing investee companies are adopting sound ESG policies and will continue to monitor the Manager's progress.</p>
<b>Board succession planning</b>	Effective succession planning, leading to the refreshment of the Board and its diversity is necessary for the long-term success of the Company.	<p>The Board has approved and adopted a Tenure and Reappointment Policy (the "Policy"). In accordance with the Policy, the Board will seek to recruit a Director approximately every four years, with no Director expected to serve on the Board for longer than nine years.</p> <p>The composition of the Board was a significant focus for the year-ended 30 September 2022. The Board considered that Directors possess the skills, experience and knowledge essential for the Board and its Committees to effectively exercise their duties and responsibilities. Details of the composition of the Board can be found in the corporate governance statement on page 48.</p>

Principal Decision	Long-Term impact	Stakeholders and Engagement
<b>Approval of fundraising</b>	Providing shareholders and potential new investors the opportunity to subscribe for shares in BSVT, which in turn provides opportunities for Company growth and increased investor engagement.	<p>In deciding to launch a fundraising during the reporting period, the Board considered:</p> <ul style="list-style-type: none"> <li>the ability to adhere to the Company's dividend policy;</li> <li>the effect on the NAV and the ability of the Company to be able to meet HMRC's VCT investment rules and timelines;</li> <li>the new investment pipeline;</li> <li>the costs involved in issuing a prospectus and of fundraising; and</li> <li>the advantages and disadvantages of a joint prospectus across the two Baronsmead VCTs which Gresham House advises.</li> </ul>

The Strategic Report has been approved by the Board of Directors.

On behalf of the Board

**Sarah Fromson**  
Chair

1 December 2022



# Directors' report

The Corporate Governance statement on pages 44 to 54 forms part of the Directors' report.

## Board of Directors



Sarah Fromson	Chair and Nomination Committee Chair
Appointed:	1 October 2019
Experience:	Sarah is an experienced, independent non-executive who has served on a variety of boards and committees, after a varied career in the asset and wealth management industry. She is a non-executive board member of Boston-based Arrowstreet Capital Partners and is also a Pension Trustee Director of Genome Research Pensions Trustee Limited and Wellcome Trust Pensions Trustee Limited. She chairs the Cambridge University Endowment Fund Investment Advisory Board and also serves on the board of Quilter Investors Ltd, a subsidiary of Quilter plc.  Sarah retired from her executive role as Head of Risk at Wellcome Trust in 2019 and as Chair of JP Morgan Global Emerging Markets Income Trust plc on 28 November 2022. Sarah was previously Chief Investment Risk Officer at RBS Asset Management (formerly Coutts).
Shareholding:	55,926 ordinary shares



Graham McDonald	Non-Executive Director
Appointed:	16 February 2021
Experience:	Graham has spent almost 40 years in banking and private equity. His previous executive role was Global Head of Private Equity and Venture Capital at Aberdeen Standard Investments. Prior to that he was responsible for the global private equity and venture capital businesses in Aberdeen Asset Management, SWIP, Lloyds Bank and HBOS.  He is a Special Adviser to a hydrogen fund, Hycap Fund, Par Equity and Arcano Capital based in Madrid. Graham is also a Non Executive Director of Vedra Partners Ltd a multi family office.
Shareholding:	32,012 ordinary shares



Malcolm Groat	Senior Independent Director and Audit & Risk Committee Chairman
Appointed:	11 March 2016
Experience:	Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales, and the Royal Society for the Encouragement of Arts, Manufactures and Commerce. During his executive career, Malcolm held C-suite positions with global businesses in engineering, construction and financial services. Since 2004, whilst co-founding a series of ventures that attracted growth capital from the private equity sector, he has also served as Chairman or Non Executive Director in more mature companies, often listed in London.  He is currently Chairman of two AIM companies, Harland & Wolff Group Holdings and Tomco Energy.
Shareholding:	306,772 ordinary shares*



Tim Farazmand	Non-Executive Director and Management Engagement & Remuneration Committee Chairman
Appointed:	1 May 2020
Experience:	Tim has spent 30 years in private equity. His last full-time role was as a Managing Director at LDC, the private equity arm of Lloyds Bank. He previously worked for 3i Group Plc and Royal Bank of Scotland Private Equity. He was Chairman of the British Private Equity & Venture Capital Association (BVCA) for the 2014-2015 term. He currently chairs the Palatine Impact Fund, sits on the Advisory Board of Beechbrook Capital and the boards of The Lakes Distillery and Vinoteca.
Shareholding:	128,403 ordinary shares

\* Shares held by Person Closely Associated to Malcolm Groat.

# Directors' report

The Directors of Baronsmead Second Venture Trust plc (Reg: 04115341) present their twenty-second Annual Report and Audited Financial Statements of the Company for the year to 30 September 2022.

## Shares and shareholders

### Share capital

Pursuant to the prospectus published by the Company on 4 November 2021 in conjunction with Baronsmead Venture Trust plc in relation to an offer for subscription to each raise up to £25 million (before costs) with an over-allotment facility to each raise up to a further £12.5 million, the Company issued a total of 45,829,661 ordinary shares in the year ended 30 September 2022 by way of four allotments, raising approximately £37.5 million. Details of these allotments are as set out below:

- On 6 December 2021, the Company issued 17,252,487 ordinary shares under the first allotment at an issue price of 88.10 pence per share. The shares were admitted to trading on 13 December 2021.
- On 22 December 2021, the Company issued 3,221,826 ordinary shares under the second allotment at an issue price of 88.10 pence per share. The shares were admitted to trading on 29 December 2021.
- On 28 January 2022, the Company issued 6,459,624 ordinary shares under the third allotment at an issue price of 87.10 pence per share. The shares were admitted to trading on 3 February 2022.
- On 15 March 2022, the Company issued under the fourth allotment 18,895,724 ordinary shares at an issue price of 76.60 pence and were admitted to trading on 22 March 2022.

At the AGM held on 16 February 2022, the Company was granted authority to purchase up to 14.99 per cent of the Company's ordinary share capital in issue at that date on which the Notice of AGM was published, amounting to 45,003,963 ordinary shares. During the year, the Company bought back a total of 3,699,362 ordinary shares to be held in Treasury, representing 1 per cent of the issued share capital as at 30 September 2022, with an aggregate

nominal value of £369,936. The total amount paid for these shares was £2,775,367. Since 30 September 2022, no shares have been bought back by the Company. The Company has remaining authority to buy back 43,395,579 shares under the resolution approved at the AGM in 2022.

During the year, the Company sold 2,184,000 ordinary shares from Treasury. The total amount received by the Company for these shares was £1,486,940. 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.

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

Shares	Total	% of Shares in issue	Nominal Value
In issue	357,889,473	100.00	£35,788,947.30
Held in Treasury	30,601,089	8.55	£3,060,108.90
In circulation	327,288,384	91.45	£32,728,838.40

The total voting rights as at 30 September 2022 were 327,288,384 and there have been no changes to this figure between 30 September 2022 and the date of this report.

### 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 and Financial Statements and to a final distribution upon the winding up of the Company.

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

In addition to the powers provided to the Directors under UK company law and the Company's Articles of Association, at each AGM the shareholders are asked to authorise certain powers in relation to the issuing and purchasing of the Company's own shares. Details of the powers granted at the AGM held in 2022, all of which remain valid, can be found in the previous Notice of AGM.

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

### Dividends

The Company has paid or declared the following dividends for the year paid or proposed to 30 September 2022:

Dividends	£'000
Interim dividend of 3.0p per ordinary share paid on 9 September 2022	9,806
Final dividend of 3.0p per ordinary share to be paid on 3 March 2023*	9,819
<b>Total dividends paid for the year</b>	<b>19,625</b>

\* Calculated on shares in circulation as at 30 September 2022.

Subject to shareholder approval at the AGM on 1 February 2023, a final dividend of 3.0p per share will be paid on 3 March 2023 to shareholders on the register at 3 February 2023. The ex-dividend date will be 2 February 2023.

### Annual General Meeting

The AGM will be held on 1 February 2023. A separate notice convening the AGM will be posted to shareholders. The Notice will include an explanation of the items to be considered at the AGM and will be uploaded to the Company's website in due course.

## 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

# Directors' report

can be found on page 40 and in the Corporate Governance Statement.

Directors are entitled to a payment in lieu of three months' notice 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 and was in place throughout the year under review. 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. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

The Board is aware that Tim Farazmand acted as a consultant to the Manager until October 2019. Having considered the role that Mr Farazmand undertook and the period of time that has elapsed since he acted in this role for Gresham House, the Board have resolved that

Mr Farazmand is independent of the Manager for the purposes of the AIC Code.

## Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 3.3 of the accounts.

## Responsibility for accounts

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.

## Going concern

After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The going concern assumption assumes that the Company will maintain its VCT status with HMRC.

The Directors acknowledge the uncertainty in the macroeconomic and equity market. The Board nevertheless considers the Company to be well placed to continue to operate for at least 12 months from the date of this report, as the Company has sufficient liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise.

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 12 months from the date that these financial statements are approved. As at 30 September 2022, the Company held cash balances and investments in readily realisable securities with a value of £42 million, representing 20 per cent of the Company's NAV.

The Company has no debt, and it is expected that the Company will remain ungeared for the foreseeable future. The Directors have assessed the Company's ability to cover its annual running costs under several liquidity scenarios in which the value of liquid assets (including AIM-traded investments and OEICs) has been subject to sensitivity analysis. The Directors noted that under none of these scenarios was the Company unable to cover its costs.

The Company's forecasts and cash flow projections, taking into account the current economic environment and other, potential changes in



performance, 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.

## Future developments

The outlook for the Company is set out in the Chair's Statement on pages 5 and 6.

## Listing rule disclosure

The Company confirms that there are no items which require disclosure under the listing rule 9.8.4R in respect of the year ended 30 September 2022.

## Streamlined energy and carbon reporting

The Company has no greenhouse gas emissions to report from its operations nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the

Streamlined Energy and Carbon Reporting criteria.

Further information in relation to the Investment Manager's integration of ESG factors in management of the Company's portfolio is set out on pages 20 to 28 of the Strategic Report.

Under Listing Rule 15.4.29(R), the Company, as a closed-ended investment fund, is exempt from complying with the Task Force on Climate-related Financial Disclosures.

## Post balance sheet events

Post balance sheet events are disclosed in note 3.6 of the accounts.

By Order of the Board  
**Gresham House Asset Management Ltd**  
Company Secretary  
5 New Street Square, London EC4A 3TW  
1 December 2022



# Corporate governance

This Corporate Governance statement forms part of the Directors' report.

## Background

Under the UK Listing Rules, listed companies are required to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which they are subject. The provisions of the UK Corporate Governance Code ("UK Code"), as issued by the Financial Reporting Council ("FRC") in July 2018, are applicable to the year under review and can be viewed at [www.frc.org.uk](http://www.frc.org.uk).

The related AIC Code issued by the AIC in February 2019, addresses all the principles set out in the UK Code. The FRC has confirmed that AIC member companies, such as Baronsmead Second Venture Trust plc, who report against the AIC Code will be meeting their obligations in relation to the UK Code and the associated disclosure requirements under paragraph 9.8.6 of the Listing Rules. The AIC Code can be viewed at [www.theaic.co.uk](http://www.theaic.co.uk) where it includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

## Compliance

The Board attaches great importance to the AIC Code and strives to observe its principles. Throughout the year ended 30 September 2022, the Company complied with most of the principles and provisions of the AIC Code and the table on the following pages reports on the Company's AIC Code compliance, providing explanation where the Company has not complied.

As an externally managed VCT, all the Directors are non-executive and therefore provisions of the AIC Code relating to the Chief Executive Officer and Executive Director remuneration are not relevant to the Company. Furthermore, the systems and procedures of the Manager and the provision of services provided by the Company's VCT Status Adviser, PwC, give the Board full confidence that an internal audit function is not necessary.

The Company has therefore not reported further in respect of these provisions.

## The principles of the AIC code

The AIC Code comprises 17 principles and is split over the following five sections:

- Board leadership and purpose;
- Division of responsibilities;
- Composition, succession, and evaluation;
- Audit, risk and internal control; and
- Remuneration.

The Board's Corporate Governance statement sets out how the Company complies with each of the provisions of the AIC Code.

AIC Code	Principle	Compliance Statement
<b>BOARD LEADERSHIP AND PURPOSE</b>		
A.	<b>A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.</b>	<p>Directors are fully engaged and committed to using their collective, extensive experience to foster healthy debate and drive business strategy for the long-term, sustainable success of the Company.</p> <p>The Company's investment objective is to achieve long-term investment returns for private investors within a tax efficient structure and the Board ensures that all decisions are made responsibly. The Board and the Manager are committed to managing the business and its investment strategy in a sustainable manner and the Board emphasises the importance of ESG in its investment decisions and risk management. At each Board meeting, time is committed to assessing and monitoring the ESG impact of new investee companies through the Manager's 'ESG Decision Tool'.</p>

AIC Code	Principle	Compliance Statement
B.	<b>The board should establish the company's purpose, values, and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture.</b>	<p>The purpose of the Company is also its investment objective which is to achieve long-term investment returns for private investors within a tax efficient structure. It does this by investing 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.</p> <p>The Directors agree that establishing and maintaining an open and inclusive culture among the Board, and in its interaction with the Manager, shareholders, and other stakeholders, will support the delivery of its purpose, values and strategy. During the Board's annual evaluation process, it was apparent that all Directors seek to promote a culture of openness, integrity and debate through ongoing engagement and dialogue with the Manager, the Company's stakeholders and the Company's service providers.</p>
C.	<b>The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.</b>	<p>The Board and Audit &amp; Risk Committee regularly review the performance of the Company and the performance and resources of the Manager and service providers to ensure the Company can meet its objectives.</p> <p>At each quarterly meeting, the Board receives a report on Company performance, the performance of its investments and the VCT sector (including its competitors) and any industry issues. The report outlines the Company's adherence to VCT compliance tests and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments. Additionally, at each quarterly Board meeting, the Board is presented with a report from Kaso Legg Communications highlighting the media coverage received by the Company and the Manager to enhance the profile of the Company and, in turn, attracting new shareholders.</p> <p>The Board has agreed specific KPIs with the Manager that enable both parties to monitor compliance with the agreed investment policy and risk management framework. Directors regularly seek additional information from the Manager, where appropriate, to supplement these reports and formally review the performance measures and KPIs. The Manager also keeps the Board informed on all investor relations matters and peer group information as appropriate.</p> <p>Additionally, 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 them.</p>



# Corporate governance

AIC Code	Principle	Compliance Statement
D.	<b>In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.</b>	<p>The Board understands its responsibility to shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than its shareholders, its stakeholders are the Manager, the portfolio of investee companies, HMRC and the Company's governing bodies, the AIC and its range of reputable advisors and service providers. The Board is also committed to monitoring its impact on the environment and wider community and is prioritising focus on ESG across the investment process. The Board always considers the impact that any decision will have on any relevant stakeholder.</p> <p>The Directors place considerable importance on shareholder engagement and on communications with them and all other stakeholders. Shareholders who wish to contact the Board may do so by writing to the Chair at the Company's Registered Office. All Directors make themselves available to meet shareholders at the Company's AGM.</p> <p>This year the Company's AGM will be held in person, with shareholders who are unable to attend in person given the option to watch the AGM live. It must be noted that those who participate virtually will not be able to vote during the course of the AGM and are asked to submit their votes by proxy in advance of the AGM.</p> <p>The Directors' Statement on meeting their responsibilities under Section 172 of the Companies Act 2006 can be found on pages 34 to 39.</p>

## DIVISION OF RESPONSIBILITIES

F.	<b>The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.</b>	<p>There is a clear division of responsibility between the Chair, the Directors, the Manager, and the Company's other third-party service providers. Additionally, the Board approved a policy setting out the responsibilities of the Chair and Senior Independent Director which is available on the Company's website. The Chair is responsible for leading the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Chair ensures that all Directors receive accurate, timely and clear information and helps promote a culture of openness and debate in Board meetings by encouraging and facilitating the effective contribution of other Directors towards a consensus view. The Chair also takes a leading role in ensuring effective communications with shareholders and other stakeholders. Further details on the Company's engagement with shareholders and other stakeholders can be found in the Section 172 Statement on pages 34 to 39.</p> <p>The Board meets regularly throughout the year and representatives of the Manager are in attendance, when appropriate, at Board and/or Committee meetings.</p> <p>Prior to each Board and Committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position and all Directors have timely access to all relevant management, financial and regulatory information.</p>
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AIC Code	Principle	Compliance Statement
G.	<b>The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.</b>	<p>The Board comprises four independent Non-Executive Directors. Mr Groat is the Senior Independent Director and serves as an intermediary for the other Non-Executive Directors and the Company's shareholders.</p> <p>As at the date of this report, the Board comprises one female and three male Non-Executive Directors.</p> <p>Having considered the performance and independence of each Director, the Board has determined that each Director is independent in character and judgement and that there are no other relationships or circumstances which are likely to affect their judgement nor impair their independence. Therefore, the Board remains independent of the Manager. The Chair, Sarah Fromson, was deemed to be independent at the time of her appointment and remains so.</p> <p>The Board is aware that Tim Farazmand acted as a consultant to the Manager until October 2019. Having considered the role that Mr Farazmand undertook and the period of time that has elapsed since he acted in this role for the Manager, the Board has resolved that Mr Farazmand is independent of the Manager for the purposes of the AIC Code.</p> <p>As a result of the Board evaluation process, the Board determined that each Director provided expert and valued contributions to Board deliberations and no one individual, or small group of individuals dominated Board decision making.</p>
H.	<b>Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.</b>	<p>As part of the Board evaluation process, the contributions of each Director, and the time commitment made by each Director, are considered. Directors' other commitments are regularly reviewed, and any new appointments are considered by the other Directors to ensure there is no conflict of interest.</p> <p>As a result of the Board evaluation, it was concluded that each Director provided appropriate levels of commitment and challenge to the Board and provided the Company and service providers with guidance and advice when required.</p>
I.	<b>The board, supported by the company secretary, should ensure that it has the policies, processes, information, time, and resources it needs in order to function effectively and efficiently.</b>	<p>The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are in place and followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties. The Directors also have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities properly.</p>

# Corporate governance

AIC Code	Principle	Compliance Statement
<b>COMPOSITION, SUCCESSION AND EVALUATION</b>		
J.	<b>Appointments to the board should be subject to a formal, rigorous, and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</b>	<p>The Board has established a Nomination Committee, which leads the appointment process of new Directors as and when vacancies arise and as part of the Directors' ongoing succession planning.</p> <p>The Board believes that diversity of experience and approach, including gender diversity, social and ethnic backgrounds, cognitive and personal strengths, amongst Board members is of great importance and the Nomination Committee and Board consider issues of Board balance and diversity when making new appointments.</p> <p>As a result of the Board evaluation held during the year, Directors acknowledge the need to have a continued focus on diversity when considering future appointments to the Board. The Board ensures that all appointments are made on merit and the Board is committed to ensuring that any Board vacancies are filled by the most qualified candidates and therefore no formal diversity policy is in place.</p>
K.	<b>The board and its committees should have a combination of skills, experience, and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.</b>	<p>The Directors' biographical details are set out on page 40. These demonstrate the wide range of skills and experience that each Director brings to the Board.</p> <p>The Board has approved a tenure policy, which encompasses the whole Board and Chair, to ensure that the Board continues to have the right balance of skills and experience.</p> <p>The Board recognises the value of regular refreshment of its composition and remains committed to ensuring that Directors have the right mix of skills and experience that are aligned with the strategic plans of the Company. The Board recognises the importance of Directors maintaining independence of character and judgement. However, the Directors believe that the value brought through continuity and experience of Directors with longer periods of service can be desirable in an investment company.</p> <p>Both the Nomination Committee and the Board regularly consider the composition of the Board and the succession plans for each Director. This has ensured that the Board's membership has included longer-serving directors with a balance of knowledge and experience.</p> <p>With an objective to deliver long-term and consistent returns to shareholders, it is important that the Board can maintain its long-term perspective, supported by a long corporate memory, but with the regular challenge provided by fresh thinking. The composition, skills and effectiveness of the Board are reviewed at least annually to ensure that the Board has the skills and experience necessary for the management of the Company, having regard to anticipated challenges and opportunities.</p>

AIC Code	Principle	Compliance Statement
L.	<b>Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.</b>	<p>The Board evaluates its own performance and that of its Committees and the Chair on an annual basis. For the period under review, this was carried out by way of a questionnaire and individual meetings.</p> <p>The Chair led the evaluation, which covered the functioning of the Board as a whole, composition and diversity of the Board, the effectiveness of the Board Committees and the independence and contribution made by each Director.</p> <p>Each Director also completed a self-evaluation questionnaire reflecting on their personal contribution and commitment as a Director during the period and discussed any key individual areas of focus with the Chair.</p> <p>A separate evaluation of the Chair was led by Mr Groat, Senior Independent Director. Directors provided constructive feedback regarding the Chair by completing a Chair evaluation questionnaire and sharing this with Mr Groat who then met with Ms Fromson to discuss this and address any points of action.</p> <p>The Nomination Committee receives relevant points from the performance evaluation process and considers the information when making a recommendation to the Board regarding the election and re-election of Directors. More information regarding the proposed re-election of each Director can be found in the Notice of AGM.</p> <p>The results of the annual Board Evaluation process conducted during the period can be found on page 53.</p>
<b>AUDIT, RISK AND INTERNAL CONTROL</b>		
M.	<b>The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.</b>	<p>The Audit &amp; Risk Committee has put in place a non-audit services policy which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit &amp; Risk Committee or the Board. This enables the Audit &amp; Risk Committee to ensure that the external auditor remains fully independent.</p> <p>The Committee agrees that the implementation of this policy has ensured that division is maintained going forward. No non-audit services have been provided by the Company's external auditor, BDO, therefore the Committee continues to believe that the external auditor remains independent.</p> <p>Further information regarding the work of the Audit &amp; Risk Committee can be found on pages 51 to 53.</p>
N.	<b>The board should present a fair, balanced, and understandable assessment of the company's position and prospects.</b>	<p>The Audit &amp; Risk Committee has considered the Annual Report and Audited Financial Statements as a whole and agreed that it presents a fair, balanced, and understandable assessment of the Company's position and prospects.</p>

# Corporate governance

AIC Code	Principle	Compliance Statement
O.	<b>The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.</b>	<p>Risks faced by the business are considered, monitored and assessed on a regular basis. Details regarding the Company's principal risks and uncertainties can be found on pages 18 and 19.</p> <p>The Audit &amp; Risk Committee receives service provider internal control reports which are collated by the Manager. The performance of all third party service providers are reviewed at least annually by the Management Engagement and Remuneration Committee. Further details can be found on page 55.</p>
<b>REMUNERATION</b>		
P.	<b>Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.</b>	<p>The Company follows the recommendation of the AIC Code that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of the role. As stated in the Remuneration Report on page 55 the Company's policy is that remuneration of Non-Executive Directors should reflect the experience of the Board as a whole, the responsibilities and time commitments each Director would have to devote to the Company's affairs and be in line with that of other relevant venture capital trusts.</p>
Q.	<b>A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.</b>	<p>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 AGM held in 2020. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 55 to 58. No Director is involved in deciding their own remuneration.</p>
R.	<b>Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.</b>	<p>All Directors of the Company are independent Non-Executive Directors, and all Directors are members of the Management Engagement and Remuneration Committee ("MERC"). Any decision about remuneration is taken after considering the performance of the Company and the current market conditions.</p> <p>In accordance with the AIC Code Principle 9, the Chair, Sarah Fromson who was independent on appointment (and remains so) is a member of the MERC. Mr Farazmand is the Chairman of the MERC.</p>

## The Board's Committees

The Board has delegated certain responsibilities to its Audit & Risk, Management Engagement & Remuneration and Nomination Committees. Given the size and nature of the Board, it is felt appropriate that all Directors are members of the Committees. The Board has established formal terms of reference for each of the Committees which are available on the Company's website and 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 below:

## Audit & Risk Committee report

### Chairman: Malcolm Groat

I am pleased to present the Audit & Risk Committee report for the year ended 30 September 2022.

### Membership

As reported in the Corporate Governance Statement, given the size and nature of the Board, it is felt appropriate that all Directors are members of the Audit & Risk Committee. The Audit & Risk Committee members consider that, individually and collectively, they are each independent and have recent, relevant financial and risk management experience gained from the venture capital and/or financial services sector to fulfil the role of a member. The constitution and performance of the Audit & Risk Committee is reviewed on a regular basis.

### Key responsibilities of the Audit & Risk Committee:

1. Reviewing the content and integrity of the Annual and Half-Yearly Financial Statements;
2. Reviewing the Company's internal control and risk management systems;
3. Reviewing the remuneration and terms of appointment of the external auditor;
4. Reviewing the effectiveness of the external audit process in accordance with regulatory requirements;
5. Ensuring auditor objectivity and independence is always safeguarded, but particularly in the provision of non-audit services; and
6. Providing a forum through which the auditor may report to the Board.

### Matters considered during the year

During the period, the Audit & Risk Committee has:

- Reviewed the Company's financial statements for the half year and year end and made recommendations to the Board;
- Reviewed the Company's going concern and viability statements;
- Reviewed the Company's Risk Register reflecting the current and emerging risks faced by the Company;
- Reviewed the internal controls and cyber security of the Company and its third-party service providers with particular emphasis on the ESG risks and mitigation of the associated risks;
- Agreed the audit plan for the year ended 30 September 2022 and audit fees with BDO; and
- Reviewed its own performance as a Committee and its Terms of Reference.

The significant issues considered by the Committee during the year ended 30 September 2022 were:

### Valuation of investments

Discussions have been held with the Manager about the Company's valuation process, its ownership of assets and the systems in place at Gresham House to ensure the accuracy of the valuation of the Company's portfolio. The Manager, the Company's Joint Valuation Forum and the Board have given additional attention to the valuation methodology applied across the portfolio as a result of the ongoing impacts of the geo-political environment relating to the conflict in Ukraine. The Audit & Risk Committee received assurances from the Manager around the robust valuation processes in place, monitoring all potential ESG risks that could impact the Company.

### Compliance with VCT tests

The Company engages PwC as its VCT Status Adviser to advise on its compliance with legislative requirements relating to VCTs. PwC attends at least one Audit & Risk Committee meeting each year and presents a VCT status monitoring report which details the Company's position against each of the VCT qualification tests.

Looking ahead to the next financial year, the Audit & Risk Committee undertakes to continue to work with the Company's advisers to ensure that the Company has the correct policies in place to provide necessary comfort and uphold full compliance with the VCT rules.

### Going concern and long-term viability

The Committee considered the Company's long-term financial requirements and viability for the forthcoming year and the longer period of three years, particularly in light of the ongoing effects of rising inflation and the conflict in Ukraine. This assessment included the review of possible declines in investment valuations and the impact of rising inflation on financial statements disclosures including those relating to principal risks. As a result of this assessment, the Committee concluded that the

# Corporate governance

Company had adequate resources to continue in operation and meet its liabilities as they fall due both for the forthcoming year and until 2025. Related going concern and long-term viability statements are included on pages 32 and 51 to 52.

## Cyber security

The Manager has reviewed the cyber security procedures and controls of its service providers to mitigate cyber risk and the Manager's Compliance Officer has presented their cyber security procedures to the Audit & Risk Committee. The Audit & Risk Committee will continue to receive updates from, and to work with, the Manager to ensure that the procedures in place are robust and enable continuous compliance with the General Data Protection Regulation. Following formal review of the risk profile of the Company, the Audit & Risk Committee concluded that the effectiveness of the risk management and internal control systems during the year remain appropriate.

## Internal controls and risk management systems

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit & Risk Committee, has undertaken a robust assessment and review of the principal risks facing the Company, together with a review of any emerging risks that may have arisen during the year to 30 September 2022, including those that would threaten its business model, future performance, solvency or liquidity. A statement of the principal risks and uncertainties faced by the Company can be found on pages 18 and 19.

The Audit & Risk Committee oversees the operation of the Company's risk management and internal control systems through which procedures have been designed to identify and manage, rather than eliminate, risk. This involves the maintenance of a Risk Register which records the risks to which the Company is exposed, including, among others, market, investment, operational and regulatory risks, and the controls employed to mitigate these risks. The residual risks are rated, taking into account the impact of the mitigating factors and, where necessary, corrective action is taken.

The Audit & Risk Committee receives service provider internal control reports which are collated by the Manager at each meeting, which provide an overview of the main risks identified by the Company's third-party service providers and the mitigating actions put in place for these. The Audit & Risk Committee was satisfied that each service provider had the ability to continue to deliver their service effectively, without disruption or issues.

## Internal audit function

The Company does not have an internal audit function.

All the Company's management functions are delegated to independent third parties whose controls are monitored by the Audit & Risk Committee and ultimately the Board. It is therefore felt that there is no need for an internal audit function. The need for an internal audit function is considered by the Audit & Risk Committee on an annual basis.

## External auditor

In early 2021, the Company completed an audit tender process. Three firms were invited and the Board appointed BDO as external auditor to the Company with effect from 28 May 2021. As part of the audit strategy presentation, BDO provided a clear description of the work to be undertaken for the audit process for the year ended 30 September 2021, including an in-depth review of portfolio valuations. The Company anticipates repeating an audit tender in 2028 in respect of the year ended 30 September 2029. This is in line with latest Corporate Governance provisions.

In accordance with professional guidelines, the senior audit partner is rotated after five years (at most). The current senior audit partner started working with the Company in 2021 and will therefore change in 2026. A resolution to re-appoint BDO as the Company's auditors will be proposed at the 2023 AGM.

An audit fee of £44,000 (exclusive of VAT) has been agreed in respect of the year ended 30 September 2022.

## Review of effectiveness of external audit and the independence of the Auditor

The Audit & Risk Committee meets at least twice a year with the Auditor. The Auditor provides a planning report in advance of the annual audit and a report on the annual report and financial statements. The Audit & Risk Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. In addition, at least once a year, the Audit & Risk Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Manager. After each audit, the Audit & Risk Committee reviews the audit process and considers its effectiveness.

## Non-audit services

In accordance with the FRC's Guidance on Audit Committees, the Audit & Risk Committee approved a non-audit services policy in May 2017 to ensure that the auditor's independence and objectivity is not impaired. The policy is reviewed annually and outlines those services that the external auditor is prohibited from providing as well as those that require pre-approval from the Committee.

During the period, no non-audit services have been provided by the Company's current Auditor, BDO. The Audit & Risk Committee therefore are further satisfied that BDO is independent to the Company.

## Malcolm Groat

### Audit & Risk Committee Chairman

1 December 2022

## Nomination Committee report

### Chair: Sarah Fromson

(Sarah Fromson is the Chair of the Nomination Committee except when considering Chair succession.)

#### Key responsibilities:

1. Lead the process for the appointments of additional Directors to the Board as and when appropriate;
2. Consider the resolutions relating to the election and re-election of Directors; and
3. Consider the orderly succession planning of the Board and the need to have a balance of skills, experience, knowledge, and diversity amongst Directors.

## Board Composition

The Nomination Committee considered the composition of the Board and concluded that, collectively, the Directors held the skills, experience and knowledge that are essential to effectively exercise its duties and responsibilities. There were no changes to the composition of the Board during the year.

## Board evaluation

In order to review the effectiveness of the Board as a whole, its Committees, the individual Directors (including the independence of each Director) and the Chair, the Company undertakes a thorough evaluation process by way of an extensive and tailored board evaluation questionnaire, meetings between Board members and the Chair and completion of self-evaluation questionnaires, confidentially shared between Directors and the Chair. This thorough evaluation process enables each Director to evaluate, assess and reflect on the Board's operations, individual Director contributions and the Company's leadership with a view to identify any shortcomings and address any areas requiring improvement.

In addition, an evaluation of the Chair's performance and effectiveness was led by Mr Malcolm Groat, the Company's Senior Independent Director, by way of an extensive questionnaire. All evaluation processes are completed annually.

The results of the Board evaluation process indicated that the Board feels passionately that it operates in an open, committed and engaged manner with a strong, forward looking relationship with the Manager. Board members believe they are an effective Board with clear strategic vision, decision making skills and a commitment to sound corporate governance.

In addition, the Board evaluation results acknowledge the composition of the Board as appropriately diverse in respect to gender and professional experience. The Company's ESG risk management mechanisms were considered strong and it was felt that ESG should continue to be integrated into every aspect of the Company and its investments.

## Succession planning and diversity

The Nomination Committee reviews the size and structure of the Board annually and succession planning remains a key area of focus for the Board for the year ending 30 September 2023. The Nomination Committee is also responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to undertake them.

# Corporate governance

The Nomination Committee aims to attract directors with diverse skills and experience and recommends appointments to the Board, based on merit, to ensure vacancies are fulfilled by the most qualified candidates. Candidates who complement the balance of skills, knowledge and experience needed to align with the Company's strategic aims are always considered. When considering future appointments, the Nomination Committee promotes diversity of gender, social and ethnic backgrounds as well as cognitive and personal strengths to aid effective decision-making. The Committee will consider the use of external consultants when shortlisting candidates, if required.

## Tenure policy

The Board has approved and adopted a Tenure and Reappointment Policy (the "Policy"). In accordance with the Policy, the Board will seek to recruit a Director approximately every four years, with no Director expected to serve on the Board for longer than nine years. The Policy includes the Chair within its consideration of each Director's tenure. The Board intends to maintain a range of experience from Directors who have served on the Board for varying periods. This approach aims to reserve the cumulative experience and understanding of the Company, its commitments and investment portfolio amongst Directors, while benefiting from fresh thinking and promoting diversity.

In accordance with the AIC Code all Directors will stand for annual re-election at the Company's forthcoming AGM. Resolutions to re-elect all Directors are contained within the Notice of AGM.

## Directors' meeting attendance

The table below sets out the Directors' attendance at scheduled, quarterly meetings held during the year, as well as scheduled Committee meetings held during the year, against the number of meetings each Director was entitled to attend.

	Board of Directors		Audit Committee		Management Engagement and Remuneration Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Sarah Fromson	4	4	3	3	1	1	1	1
Malcolm Groat	4	4	3	3	1	1	1	1
Tim Farazmand	4	4	3	3	1	1	1	1
Graham McDonald	4	4	3	3	1	1	1	1

Additional meetings were also held during the year in respect of the valuations of unquoted investments in the portfolio and the Company's fundraising offer to shareholders for subscription.

**Sarah Fromson**  
**Nomination Committee Chair**  
 1 December 2022

# 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, BDO, 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 60 to 65.

An ordinary resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming AGM on 1 February 2023.

## Annual statement from the Chairman of the Management Engagement and Remuneration Committee

The Management Engagement and Remuneration Committee is chaired by Mr Farazmand and comprises all the Directors of the Company, whose names are set out on page 40 of the Directors' Report.

As explained in the Corporate Governance Statement on page 44, given the size and nature of the company, it is felt appropriate that all Directors are members of the Management Engagement & Remuneration Committee. The Company has no executive directors and the Non-Executive Directors are considered 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 Chair and Non-Executive Directors, within the limits set in the Company's Articles of Association;
2. Reviewing the appropriateness of the Manager's appointment (including key executives thereof) together with the terms and conditions of the appointment; and

3. Reviewing (at least annually), the contractual relationship with the Manager and scrutinising and holding them to account for their performance.

## Manager duties

The Board delegates the execution of the Company's investment strategy and the management of assets to the Manager, by way of a Management Agreement, subject to the Board being kept informed of all material developments (including proposed acquisitions or divestment of investments) in the Company's portfolio. The Board believes that the Manager's operations in the VCT sector are outstanding and that its ability to continue to achieve results by adapting to an ever-changing regulatory environment has been impressive. The Board continues to work with the Manager to develop operational policies as and where relevant and notes that Gresham House supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement.

## Relationship with the Manager

The Management Engagement and Remuneration Committee keeps the performance of the Manager under continual review. In addition, in accordance with the requirements of the AIC Code the Management Engagement and Remuneration Committee reviews the performance of the Manager's obligations under the Management Agreement and considers the need for any variation to the terms of the Management Agreement on an annual basis.

The Management Engagement and Remuneration Committee then makes a recommendation to the Board about the continuing appointment of the Manager. The Management Engagement & Remuneration Committee also reviews annually the performance of all other service providers to the Company and any matters concerning their respective agreements.

## Remuneration

Each year, the Committee reviews the Directors' fees to ensure they are comparative with others in the VCT industry relative to the NAV of the VCT, so that the Board can attract suitably qualified candidates to the Board. In addition, the Board has regard to the workload that individual Directors and the Chair undertake as members of the Board, feedback from shareholders, the performance of the Company's portfolio and the prevailing rate of CPI at the time.

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 addition, the Directors spend a considerable amount of time monitoring the 80 per cent test, the other continuing VCT tests, the co-investment scheme and the fundraisings. 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 46 and 47, all of which the Board believes should be considered when determining the remuneration of the Directors.

## Directors' fees

All Directors act in a non-executive capacity and the fees for their services are approved by the Committee. The fees for the Directors are determined within the limits set out in the

# Directors' remuneration report

Company's Articles of Association. In November 2021, the Management Engagement and Remuneration Committee met to consider the level of Directors' fees for the year ending 30 September 2022 and concluded that the fees remained appropriate.

In November 2022, the Management Engagement and Remuneration Committee met to review the level of Directors' fees for the year ending 30 September 2023 and concluded that it was appropriate to increase the Directors fees by 5 per cent. to reflect inflationary pressures, the last fee revision having occurred in November 2018. Accordingly, the Directors' fees were increased from £28,000 to £29,400, the Senior Independent Director fee from £30,000 to £31,500, the Audit and Risk Committee Chairman (if separate to Senior Independent Director) from £30,000 to £31,500, and the Chair's fee was increased from £36,000 to £37,800.

In determining the remuneration of the Directors, the Company has regard inter alia, to the time spent by the Directors on matters concerning the Company, the comparative fees paid to Directors of other VCTs relative to the NAV of the VCT, the prevailing rate of Consumer Price Index ("CPI") at the time, any feedback

received from shareholders and the performance of the Company's portfolio.

## 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.**

The remuneration policy, as set out above, was approved by the members at the AGM held on 27 February 2020. In accordance with the regulations, an ordinary resolution to approve the Directors' remuneration policy will be put to Shareholders at the upcoming AGM in February 2023 as required every three years. There are no proposed changes to the policy and if approved at the AGM, the policy will continue to the

year ended 30 September 2023 and will be put to shareholders at least once every three years.

A copy of the Company's Remuneration Policy can be obtained by writing to the Company Secretary at the Company's registered office.

Fees for any new Non-Executive Director who is appointed to the Board will be made in accordance with the Company's Remuneration Policy.

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

The Directors do not have service contracts with the Company; however, their appointment letters do include a three-month notice period. As a result, the Company's policy on termination payments is for a payment of three months in lieu for Directors that are not requested to work their notice period. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the registered office of the Company.

## Annual remuneration report

### Scheme interests awarded during the financial year

The Company does not operate a share incentive plan. None of the Directors receive any remuneration or any part of their fee in the form of shares in the Company, options to subscribe for shares, warrants or any other equity-based scheme.

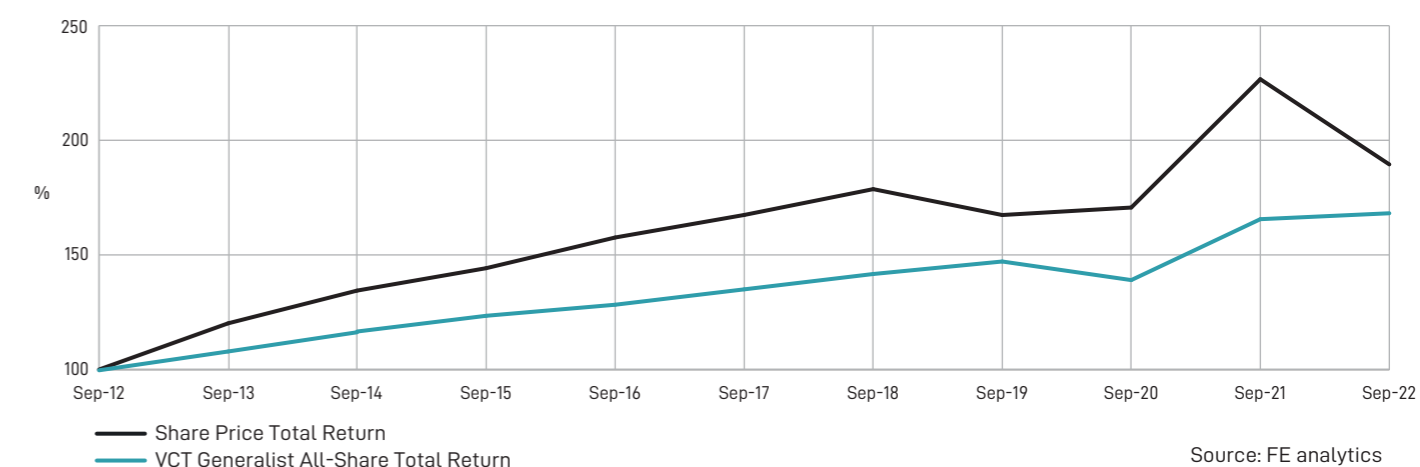
### Company performance

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 ten periods, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 40 generalist VCTs (source: FE Analytics), 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 Chair's Statement and Manager's Review on pages 4 to 11.

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

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



## Shareholder views on remuneration

Shareholder views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors' remuneration policy.

The votes cast at the last AGM were as follows:

### Remuneration report (2022 AGM Results)

	Number of votes	Percentage of votes cast
For	16,002,930	83.83%
Discretion of the Chair	1,816,374	9.51%
Against	1,272,072	6.66%
Votes withheld	350,602	

### Remuneration policy (2020 AGM Results)

	Number of votes	Percentage of votes cast
For	11,834,934	75.27%
Discretion of the Chair	1,310,285	8.33%
Against	2,578,625	16.40%
Votes withheld	402,095	

## Directors' emoluments for the year (audited) and annual percentage change

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

	Year to 30 September 2022 £	Year to 30 September 2021 £	Year to 30 September 2020 £	Percentage change from 2021 to 2022* %	Percentage change from 2020 to 2021* %
Sarah Fromson (Chair)	36,000	36,000	32,733	-	10.0
Tim Farazmand	28,000	28,000	11,666	-	140.0
Malcolm Groat	30,000	30,000	30,000	-	-
Graham McDonald	28,000	15,050	N/A	86.0	-
Total	122,000	109,050	74,399		

\* Individual Director fees did not change between the year ended 30 September 2021 and 30 September 2022. The percentage changes reflected in the table are solely as a result of changes to Board composition and roles, which includes the appointment of Sarah Fromson as Chair on 27 September 2020, the appointment of Tim Farazmand as a Non-Executive Director on 1 May 2020 and the appointment of Graham McDonald as a Non-Executive Director on 16 February 2021.

# Directors' remuneration report

## Relative importance of spend on Directors' fees

The below table is required to be included in accordance with The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008. It should be noted that the figures below are not directly comparable due to:

- the payment of the final dividend for the prior year within the current financial year; and
- the fundraising which was conducted in December 2021, January, February and March 2022.

	Year to 30 September 2022 £	Year to 30 September 2021 £	Percentage change
Total Directors' fees	122,000	122,116	(0.1)
Shares repurchased	2,775,000	4,536,000	(38.8)
Dividends	20,580,000	18,082,000	13.8
NAV	212,986,000	248,374,000	(14.2)

The Directors' fees as a percentage of NAV for the year to 30 September 2022 were 0.057 per cent and for the year to 30 September 2021 were 0.049 per cent.

## Directors' interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company. The interests of the Directors in the shares of the Company (including their connected persons) as at 30 September 2022 were as follows:

	30 September 2022 Ordinary 10p shares	30 September 2021 Ordinary 10p shares
Sarah Fromson (Chair)	55,926	38,603
Tim Farazmand	128,403	65,147
Malcolm Groat*	306,772	251,804
Graham McDonald	32,012	6,013
Total	523,113	361,567

\* These shares are held by a person closely associated to Malcolm Groat.

There have been no changes to these holdings between 30 September 2022 and the date of this report.

Approved by the Board of Directors and signed by:

**Tim Farazmand**

Chairman of the Management Engagement and Remuneration Committee

1 December 2022

# Statement of Directors' responsibilities

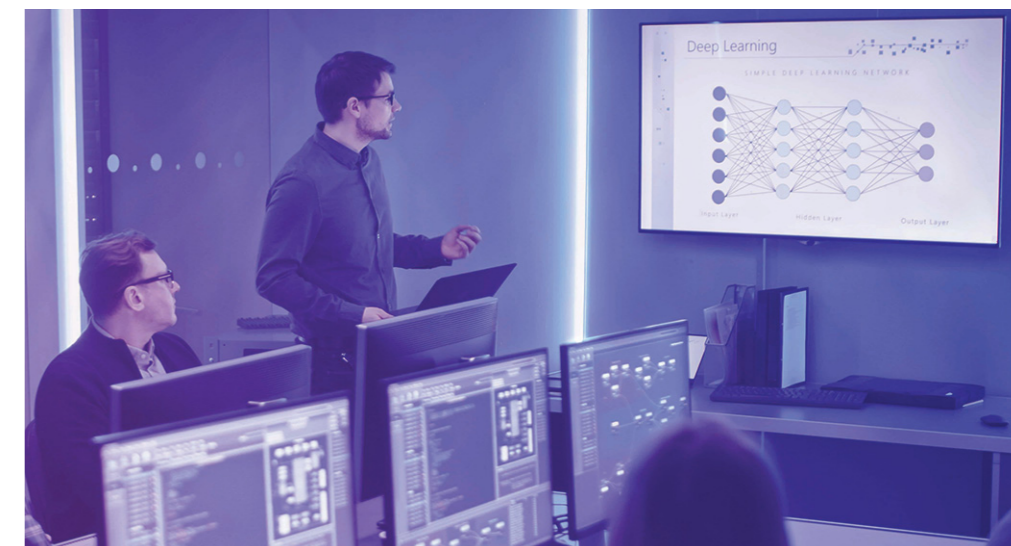
## Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Annual Report includes a fair and balanced review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

We consider 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.

On behalf of the Board:

**Sarah Fromson**  
Chair

1 December 2022

# Independent auditor's report

## to the members of Baronsmead Second Venture Trust plc

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Baronsmead Second Venture Trust Plc (the 'Company') for the year ended 30 September 2022 which comprise the Income statement, the statement of change in equity, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for

our opinion. Our audit opinion is consistent with the additional report to the audit committee.

### Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 May 2021 to audit the financial statements for the year ending 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 30 September 2021 to 30 September 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status.

- Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness;
- Evaluating Management's assessment of the impact of market volatility and uncertainty, including as a result of the impact of inflation;
- Calculating financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Overview

		2022	2021
<b>Key audit matters</b>	Valuation of unquoted investments	✓	✓
	Valuation of quoted investments		✓
	Valuation of quoted investments is no longer considered to be a key audit matter because it is no longer a significant risk.		
<b>Materiality</b>	<i>Company financial statements as a whole</i>		
	£2.66m (2021: £3.57m) based on 1.5% (2020: 1.5%) of Gross investments		

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation of unquoted investments</b> (Notes 2.3 and 3.3)</p> <p>We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the value of the net assets of the VCT, as shown in note 2.6.</p> <p>For these reasons we treated the valuation of unquoted investments as a key audit matter.</p>	<p>For our sample of loans held at fair value we:</p> <ul style="list-style-type: none"> <li>• Agreed the security held to independently received third party confirmations</li> <li>• Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition through inquiry and discussions with management as well as reviewing the interest rates to ensure they were not significantly different from market since acquisition and considering the "unit of account" concept</li> <li>• Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (Issued in April 2021).</li> </ul> <p>Our sample for unquoted equity investments valuation testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. Our procedures for the sample selected for detailed testing included:</p> <ul style="list-style-type: none"> <li>• Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. Where there has been a change in valuation methodology from prior year, we assessed whether the change was appropriate</li> </ul>



# Independent auditor's report

Key audit matter	How the scope of our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>Re-performed the calculation of multiples-based investment valuations including agreeing to most recent management accounts where applicable</li> <li>Benchmarked key inputs and estimates to independent market data and our own research</li> <li>Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate</li> <li>Considered the economic environment in which the investment operates to identify factors that could impact the valuation. This is particularly pertinent in those circumstances where rising inflation, the war in the Ukraine and the resulting impact may call into question whether the price of recent investment remains reflective of fair value.</li> </ul>
	<p><b>Key observations</b></p> <ul style="list-style-type: none"> <li>We did not identify any factors beyond those considered by management that could have impacted the valuations.</li> </ul>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2022 £	2021 £
<b>Materiality</b>	£2,660,000	£3,570,000
<b>Basis for determining materiality</b>	1.5% of gross investments	1.5% of gross investments
<b>Rationale for the benchmark applied</b>	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.5% of gross investments.	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.5% of gross investments.

	Company financial statements	
	2022 £	2021 £
<b>Performance materiality</b>	1,990,000	2,320,000
<b>Basis for determining performance materiality</b>	75% of materiality	65% of materiality
	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

## Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined a lower testing threshold for those items impacting revenue return of £300,000 (2021: £310,000) based on 5% of gross expenditure (2021: 5%).

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £133,000 (2021: £70,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and</li> <li>The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>Directors' statement on fair, balanced and understandable;</li> <li>Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;</li> <li>The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and</li> <li>The section describing the work of the audit committee</li> </ul>

# Independent auditor's report

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>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; and</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<b>Directors' remuneration</b>	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
<b>Matters on which we are required to report by exception</b>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>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</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

## Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but

were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations including fraud occurring within the Company and its operations; and
- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- Reviewing minutes of board meetings and legal correspondence and invoices throughout the period for instances of non-compliance with laws and regulations and fraud.

We assessed the susceptibility of the financial statements to material misstatement including fraud and

considered the fraud risk areas to be the valuation of unquoted investments and management override of controls.

Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Obtaining independent evidence to support the ownership of investments;
- Recalculating the investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing journals, based on risk assessment criteria as well as an unpredictable sample, and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the

events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Vanessa Bradley**  
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
1 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Income statement

## For the year ended 30 September 2022

	Notes	Year ended 30 September 2022			Year ended 30 September 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	2.3	–	(48,771)	(48,771)	–	59,071	59,071
Income	2.5	4,951	–	4,951	3,821	–	3,821
Investment management fee	2.6	(1,367)	(4,101)	(5,468)	(1,424)	(4,272)	(5,696)
Other expenses	2.6	(669)	–	(669)	(665)	–	(665)
<b>Profit/(loss) before taxation</b>		<b>2,915</b>	<b>(52,872)</b>	<b>(49,957)</b>	1,732	54,799	56,531
Taxation	2.9	(263)	263	–	(108)	108	–
<b>Profit/(loss) for the year, being total comprehensive income for the year</b>		<b>2,652</b>	<b>(52,609)</b>	<b>(49,957)</b>	1,624	54,907	56,531
<b>Return per ordinary share:</b>							
Basic and diluted	2.2	<b>0.85p</b>	<b>(16.85p)</b>	<b>(16.00p)</b>	0.59p	19.96p	20.55p

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 or FRS 102. The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

The notes on pages 70 to 83 form part of these financial statements.

# Statement of changes in equity

## For the year ended 30 September 2022

	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
<b>At 1 October 2021</b>		<b>31,206</b>	<b>74,231</b>	<b>77,481</b>	<b>63,698</b>	<b>1,758</b>	<b>248,374</b>
(Loss)/profit after taxation		–	–	(58,647)	6,038	2,652	(49,957)
Net proceeds of share issues, share buybacks & sale of shares from treasury		4,583	31,868	–	(1,302)	–	35,149
Dividends paid	2.4	–	–	–	(19,292)	(1,288)	(20,580)
<b>At 30 September 2022</b>		<b>35,789</b>	<b>106,099</b>	<b>18,834</b>	<b>49,142</b>	<b>3,122</b>	<b>212,986</b>

## For the year ended 30 September 2021

	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 1 October 2020		27,146	46,775	30,890	75,290	2,216	182,317
Profit after taxation		–	–	46,591	8,316	1,624	56,531
Net proceeds of share issues, share buybacks & sale of shares from treasury		4,060	27,456	–	(3,908)	–	27,608
Dividends paid	2.4	–	–	–	(16,000)	(2,082)	(18,082)
At 30 September 2021		31,206	74,231	77,481	63,698	1,758	248,374

The notes on pages 70 to 83 form part of these financial statements.

# Balance sheet

As at 30 September 2022

Company Number: 04115341

	Notes	As at 30 September 2022 £'000	As at 30 September 2021 £'000
<b>Fixed assets</b>			
Investments	2.3	177,705	238,100
<b>Current assets</b>			
Debtors	2.7	152	109
Cash at bank		36,622	12,312
		<b>36,774</b>	12,421
<b>Creditors</b> (amounts falling due within one year)	2.8	<b>(1,493)</b>	(2,147)
<b>Net current assets</b>		<b>35,281</b>	10,274
<b>Net assets</b>		<b>212,986</b>	248,374
<b>Capital and reserves</b>			
Called-up share capital	3.1	35,789	31,206
Share premium	3.2	106,099	74,231
Capital reserve	3.2	49,142	63,698
Revaluation reserve	3.2	18,834	77,481
Revenue reserve	3.2	3,122	1,758
<b>Equity shareholders' funds</b>	2.1	<b>212,986</b>	248,374
<b>Net asset value per share</b>			
– Basic and diluted	2.1	<b>65.08p</b>	87.77p

The notes on pages 70 to 83 form part of these financial statements.

The financial statements were approved, and authorised for issue, by the board of Directors of Baronsmead Second Venture Trust plc on 1 December 2022 and were signed on its behalf by:

**Sarah Fromson**  
Chair

# Statement of cash flows

For the year ended 30 September 2022

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
<b>Cash flows from operating activities</b>		
Investment income received	4,458	4,111
Deposit interest received	18	–
Investment management fees paid	(5,691)	(5,281)
Other cash payments	(657)	(680)
Net cash outflow from operating activities	<b>(1,872)</b>	(1,850)
<b>Cash flows from investing activities</b>		
Purchases of investments	<b>(31,600)</b>	(49,314)
Disposals of investments	<b>43,658</b>	50,397
<b>Net cash inflow from investing activities</b>	<b>12,058</b>	1,083
<b>Cash flows from financing activities</b>		
Gross proceeds of share issues	<b>38,140</b>	32,974
Gross proceeds from sale of shares from treasury	<b>1,487</b>	651
Gross costs of share buybacks	<b>(3,219)</b>	(4,092)
Costs of share issues	<b>(1,689)</b>	(1,459)
Costs of share buybacks	<b>(15)</b>	(21)
Equity dividends paid	<b>(20,580)</b>	(18,082)
<b>Net cash inflow from financing activities</b>	<b>14,124</b>	9,971
<b>Increase in cash</b>	<b>24,310</b>	9,204
<b>Reconciliation of net cash flow to movement in net cash</b>		
Increase in cash	<b>24,310</b>	9,204
Opening cash at bank and on deposit	<b>12,312</b>	3,108
<b>Closing cash at bank and on deposit</b>	<b>36,622</b>	12,312
<b>Reconciliation of realised (losses)/gains on disposal of investments to other income received</b>		
(Loss)/profit before taxation	<b>(49,957)</b>	56,531
Losses/(gains) on investments	<b>48,771</b>	(59,071)
Income reinvested	<b>(434)</b>	(179)
(Increase)/decrease in debtors	<b>(43)</b>	462
(Decrease)/increase in creditors	<b>(209)</b>	407
Net cash outflow from operating activities	<b>(1,872)</b>	(1,850)

The notes on pages 70 to 83 form part of these financial statements.

# Notes to the financial statements

## For the year ended 30 September 2022

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 updated in January 2017, February 2018, October 2019, April 2021 and July 2022 and on the assumption that the Company maintains VCT status with HMRC.

The application of the Company's accounting policies requires judgement, estimation and assumptions about the carrying amount of assets and liabilities. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

After making the necessary enquiries, including those made during the preparation of the viability statement in the Strategic Report, the Directors believe that the Company will continue to be able to meet its liabilities as and when they fall due for a period of at least 12 months, therefore it is appropriate to apply the going concern basis in preparing the financial statements. The Directors acknowledge the current economic and geo political environment, however the Directors consider the Company to be well placed to continue to operate for at least 12 months from the date of this report. The Company has no debt and has sufficient liquidity to meet both its contracted expenditure and its discretionary cash outflows, including to invest in new opportunities as they arise. The Directors note that the Company's third-party suppliers are not experiencing any significant operational difficulties affecting their respective services to the Company. The Directors have also assessed the Company's ability to cover its annual running costs under several liquidity scenarios in which the value of liquid assets (including AIM-traded investments and OEICs) has been subject to sensitivity analysis, taking into account the current economic environment and other, plausibly possible changes in performance. It is therefore appropriate to apply the going concern basis in preparing the financial statements.

### 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	
	30 September 2022 number	30 September 2021 number	30 September 2022 pence	30 September 2021 pence	30 September 2022 £'000	30 September 2021 £'000
Ordinary shares (basic)	327,288,384	282,974,085	65.08	87.77	212,986	248,374

#### 2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit after taxation	
	30 September 2022 number	30 September 2021 number	30 September 2022 pence	30 September 2021 pence	30 September 2022 £'000	30 September 2021 £'000
Revenue	312,132,990	275,054,819	0.85	0.59	2,652	1,624
Capital	312,132,990	275,054,819	(16.85)	19.96	(52,609)	54,907
<b>Total</b>			<b>(16.00)</b>	<b>20.55</b>	<b>(49,957)</b>	<b>56,531</b>

#### 2.3 Investments

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

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

Investments are subsequently measured at fair value through profit and loss. 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 collective investment vehicles, which consists of investments in open-ended investment companies authorised in the UK, this is the closing price.

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 Guidelines").

##### Judgements

The key judgements in the fair valuation process are:

- The Manager's determination of the appropriate application of IPEV Guidelines to each unquoted investment;
- The Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unquoted investment can have a significant impact upon the valuation.

##### Estimates

The key estimate in the financial statements is the determination of the fair value of the unquoted investments. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 3.3 on pages 79 and 80. The risk of an over or underestimation of fair values is greater when methodologies are applied using more subjective inputs.

##### Assumptions

The determination of fair value for unquoted investments involves key assumptions dependent upon the valuation methodology used. The primary methodologies applied are:

- Cost of recent investment
- Earnings multiple
- Offer less 10 per cent, where applicable

The nature of the unquoted portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples based techniques are employed to assess the valuations particularly in those companies with established revenues. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The Earnings Multiple approach involves more subjective inputs than the Cost of recent investment and Offer approaches and therefore presents a greater risk of over or under estimation. The Cost of recent investment approach involves holding the investment at the price set in the latest available funding round, taking into account, amongst other things, factors such as the time lapsed since the last round.

# Notes to the financial statements

## 2 Investments, performance and shareholder returns (continued)

### 2.3 Investments (continued)

#### Assumptions (continued)

The key assumptions for the Multiples approach are that the selection of comparable companies on which to determine earnings multiple (chosen on the basis of their business characteristics and growth patterns) and using either historic or forecast revenues (as considered most appropriate) provide a reasonable basis for identifying relationships between enterprise value and growth to apply in the determination of fair value. Other assumptions include the appropriateness of the discount magnitude applied for reduced liquidity and other qualitative factors. The assumption of offer less 10 per cent is in line with our internal valuation methodology.

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

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
<b>Level 1</b>		
Investments traded on AIM	75,051	102,394
<b>Level 2</b>		
Collective investment vehicles	49,502	75,701
Investments listed on LSE	34	34
<b>Level 3</b>		
Unquoted investments	53,118	59,971
	<b>177,705</b>	<b>238,100</b>

For the year ended 30 September 2022

	Level 1		Level 2		Level 3	
	Traded on AIM £'000	Listed on LSE £'000	Traded on AIM £'000	Collective investment vehicles £'000	Unquoted £'000	Total £'000
Opening book cost	63,064	3,429	–	48,404	45,722	160,619
Opening unrealised appreciation/(depreciation)	39,330	(3,395)	–	27,297	14,249	77,481
Opening fair value	102,394	34	–	75,701	59,971	238,100
Movements in the year:						
Purchases at cost	4,989	–	–	8,935	18,110	32,034
Sale – proceeds	(13,730)	–	–	(20,782)	(9,146)	(43,658)
– realised gains/(losses) on sales	1,972	–	–	–	(5,459)	(3,487)
Unrealised gains realised during the year	7,469	–	–	–	5,894	13,363
Decrease in unrealised appreciation	(28,043)	–	–	(14,352)	(16,252)	(58,647)
<b>Closing fair value</b>	<b>75,051</b>	<b>34</b>	<b>–</b>	<b>49,502</b>	<b>53,118</b>	<b>177,705</b>
Closing book cost	63,764	3,429	–	36,557	55,121	158,871
Closing unrealised appreciation/(depreciation)	11,287	(3,395)	–	12,945	(2,003)	18,834
<b>Closing fair value</b>	<b>75,051</b>	<b>34</b>	<b>–</b>	<b>49,502</b>	<b>53,118</b>	<b>177,705</b>
Equity shares	75,051	34	–	–	26,721	101,806
Preference shares	–	–	–	–	16,697	16,697
Loan notes	–	–	–	–	9,700	9,700
Collective investment vehicles	–	–	–	49,502	–	49,502
<b>Closing fair value</b>	<b>75,051</b>	<b>34</b>	<b>–</b>	<b>49,502</b>	<b>53,118</b>	<b>177,705</b>

For the year ended 30 September 2021

	Level 1		Level 2		Level 3	
	Traded on AIM £'000	Listed on LSE £'000	Traded on AIM £'000	Collective investment vehicles £'000	Unquoted £'000	Total £'000
Opening book cost	54,095	3,429	6,513	45,418	39,587	149,042
Opening unrealised appreciation/(depreciation)	17,433	(3,387)	(3,960)	13,949	6,855	30,890
Opening fair value	71,528	42	2,553	59,367	46,442	179,932
Movements in the year:						
Transfer between levels	6,513	–	(6,513)	–	–	–
Purchases at cost	4,146	–	–	32,439	12,908	49,493
Sale – proceeds	(10,946)	–	–	(29,453)	(9,997)	(50,396)
– realised gains/(losses) on sales	4,253	–	–	–	(1,163)	3,090
Unrealised gains realised during the year	5,003	–	–	–	4,387	9,390
Increase/(decrease) in unrealised appreciation	21,897	(8)	3,960	13,348	7,394	46,591
<b>Closing fair value</b>	<b>102,394</b>	<b>34</b>	<b>–</b>	<b>75,701</b>	<b>59,971</b>	<b>238,100</b>
Closing book cost	63,064	3,429	–	48,404	45,722	160,619
Closing unrealised appreciation/(depreciation)	39,330	(3,395)	–	27,297	14,249	77,481
<b>Closing fair value</b>	<b>102,394</b>	<b>34</b>	<b>–</b>	<b>75,701</b>	<b>59,971</b>	<b>238,100</b>
Equity shares	102,394	34	–	–	37,795	140,223
Preference shares	–	–	–	–	10,074	10,074
Loan notes	–	–	–	–	12,102	12,102
Collective investment vehicles	–	–	–	75,701	–	75,701
<b>Closing fair value</b>	<b>102,394</b>	<b>34</b>	<b>–</b>	<b>75,701</b>	<b>59,971</b>	<b>238,100</b>

The gains and losses included in the above table have all been recognised in the Income Statement on page 66.

The AIM-traded investments held in Level 2 as at 30 September 2021 have been transferred to Level 1 after recent trading activity in the period.

# Notes to the financial statements

## 2 Investments, performance and shareholder returns (continued)

### 2.3 Investments (continued)

The Company received £22.9 million (2021: £20.9 million) from investments sold in the year, excluding liquidity funds redeemed of £20.8 million (2021: £29.5 million). The book cost of these investments when they were purchased was £13.0 million (2021: £8.5 million). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

### 2.4 Dividends

In accordance with FRS 102, dividends are recognised as a liability in the period in which they are declared.

	Year ended 30 September 2022			Year ended 30 September 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>For the year ended 30 September 2022</b>						
Interim dividend of 3.0p per ordinary share paid on 9 September 2022	980	8,826	9,806	-	-	-
<b>For the year ended 30 September 2021</b>						
Final dividend of 3.5p per ordinary share paid on 4 March 2022	308	10,466	10,774	-	-	-
Interim dividend of 3.0p per ordinary share paid on 10 September 2021	-	-	-	850	7,646	8,496
<b>For the year ended 30 September 2020</b>						
Final dividend of 3.5p per ordinary share paid on 4 March 2021	-	-	-	1,232	8,354	9,586
	<b>1,288</b>	<b>19,292</b>	<b>20,580</b>	<b>2,082</b>	<b>16,000</b>	<b>18,082</b>

### 2.5 Income

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

Where the terms of unquoted loan notes only require interest or a redemption premium to be paid on redemption, the interest and the redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium should be recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. A redemption premium of £nil (2021: £nil) was received in the year ended 30 September 2022.

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.

	Year ended 30 September 2022			Year ended 30 September 2021		
	Quoted securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
<b>Income from investments</b>						
Dividend income	1,318	211	1,529	968	193	1,161
Interest income	61	3,333	3,394	1	2,659	2,660
<b>Total income from investments</b>	<b>1,379</b>	<b>3,544</b>	<b>4,923</b>	<b>969</b>	<b>2,852</b>	<b>3,821</b>
<b>Other income</b>						
Deposit interest	-	-	28	-	-	-
<b>Total income</b>			<b>4,951</b>	<b>969</b>	<b>2,852</b>	<b>3,821</b>

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

### 2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

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

	Year ended 30 September 2022			Year ended 30 September 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,367	4,101	5,468	1,424	4,272	5,696
Performance fee	-	-	-	-	-	-
	<b>1,367</b>	<b>4,101</b>	<b>5,468</b>	<b>1,424</b>	<b>4,272</b>	<b>5,696</b>

The management agreement may be terminated by either party giving 12 months notice of termination.

The Manager, Gresham House, receives a fee of 2.5 per cent per annum of the net assets of the Company, calculated and payable on a quarterly basis. The collective investment vehicles, UK Micro Cap, Multi Cap and Small Cap, are also managed by Gresham House. Arrangements are in place to avoid the double charging of fees.

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (on a simple basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of the shareholders' funds at the end of the calculation period. £nil performance fee is payable for the year ended 30 September 2022 (2021: £nil).

### Other expenses

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Directors' fees	122	122
Secretarial and accounting fees paid to the Manager	149	143
Remuneration of the auditors and their associates:		
- current auditors	53	48
- previous auditors	-	30
Other	345	322
	<b>669</b>	<b>665</b>

Information on Directors' remuneration is given in the Directors' emoluments table on page 57. During the year there was no remuneration due to the auditors for non-audit services (2021: £nil).

# Notes to the financial statements

## 2 Investments, performance and shareholder returns (continued)

### 2.7 Debtors

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Prepayments and accrued income	152	109
	<b>152</b>	<b>109</b>

### 2.8 Creditors (amounts falling due within one year)

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Management, secretarial and accounting fees due	1,377	1,598
Amounts due to brokers	-	444
Other creditors	116	105
	<b>1,493</b>	<b>2,147</b>

### 2.9 Tax

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

Provision is made for deferred taxation, without discounting, on all timing differences and is calculated using substantively enacted tax rates.

This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

A reconciliation of the tax charge/(credit) to the profit before taxation is shown below:

	Year ended 30 September 2022			Year ended 30 September 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	2,915	(52,872)	(49,957)	1,732	54,799	56,531
Corporation tax at 19 per cent (2021: 19.0 per cent)	554	(10,046)	(9,492)	329	10,412	10,741
Effect of:						
Non-taxable gains	-	9,266	9,266	-	(11,223)	(11,223)
Non-taxable dividend income	(208)	-	(208)	(221)	-	(221)
Losses carried forward	(83)	517	434	-	703	703
Tax charge/(credit) for the year	<b>263</b>	<b>(263)</b>	<b>-</b>	108	(108)	-

At 30 September 2022 the Company had unrealised losses of £21,679,476 (2021: £18,894,527). A deferred tax asset of £5,419,869 (2021: £3,589,960) has not been recognised because the Company is not expected to generate taxable income in a future year in excess of the deductible expenses of that future year. Accordingly the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

## 3 Other required disclosures

### 3.1 Called-up share capital

Allotted, called-up and fully paid:

	£'000
For the year ended 30 September 2022	
312,059,812 ordinary shares of 10p each listed at 30 September 2021	31,206
45,829,661 ordinary shares of 10p each issued during the year	4,583
<b>357,889,473 ordinary shares of 10p each listed at 30 September 2022</b>	<b>35,789</b>
29,085,727 ordinary shares of 10p each held in treasury at 30 September 2021	(2,909)
3,699,362 ordinary shares of 10p each repurchased during the year and held in treasury	(369)
2,184,000 ordinary shares of 10p each sold from treasury during the year	218
<b>30,601,089 ordinary shares of 10p each held in treasury at 30 September 2022</b>	<b>(3,060)</b>
<b>327,288,384 ordinary shares of 10p each in circulation* at 30 September 2022</b>	<b>32,729</b>
For the year ended 30 September 2021	
271,466,654 ordinary shares of 10p each listed at 30 September 2020	27,146
40,593,158 ordinary shares of 10p each issued during the year	4,060
<b>312,059,812 ordinary shares of 10p each listed at 30 September 2021</b>	<b>31,206</b>
24,215,084 ordinary shares of 10p each held in treasury at 30 September 2020	(2,421)
5,685,643 ordinary shares of 10p each repurchased during the year and held in treasury	(569)
815,000 ordinary shares of 10p each sold from treasury during the year	81
<b>29,085,727 ordinary shares of 10p each held in treasury at 30 September 2021</b>	<b>(2,909)</b>
<b>282,974,085 ordinary shares of 10p each in circulation* at 30 September 2021</b>	<b>28,297</b>

\* Carrying one vote each.

The 45,829,661 (2021: 40,593,158) ordinary shares were issued at an average price of 83.22p (2021: 81.23p).

During the year the Company bought back into treasury 3,699,362 (2021: 5,685,643) ordinary shares, representing 1.31 (2021: 2.30) per cent of the ordinary shares in circulation at the beginning of the financial year. During the year the Company also sold 2,184,000 (2021: 815,000) shares from treasury.

#### Treasury shares

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

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

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



# Notes to the financial statements

## 3 Other required disclosures (continued)

### 3.2 Reserves

Gains and losses on realisation of investments of a capital nature are dealt with in the capital reserve. Purchases of the Company's own shares to be either held in treasury or cancelled are also funded from this reserve. When shares are reissued from treasury the original cost is allocated to the capital reserve with any gains allocated to share premium. 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.

For the year ended 30 September 2022

	Distributable reserves			Non-distributable reserves		
	Capital reserves £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve £'000	Total £'000
At 1 October 2021	63,698	1,758	65,456	74,231	77,481	151,712
Gross proceeds of share issues	-	-	-	33,557	-	33,557
Purchase of shares for treasury	(2,775)	-	(2,775)	-	-	-
Sale of shares from treasury	1,487	-	1,487	-	-	-
Expenses of share issue and buybacks	(14)	-	(14)	(1,689)	-	(1,689)
Reallocation of prior year unrealised gains/losses	13,363	-	13,363	-	(13,363)	(13,363)
Realised gain on disposal of investments <sup>#</sup>	(3,487)	-	(3,487)	-	-	-
Net decrease in value of investments <sup>#</sup>	-	-	-	-	(45,284)	(45,284)
Management fee charged to capital <sup>#</sup>	(4,101)	-	(4,101)	-	-	-
Taxation relief from capital expenses <sup>#</sup>	263	-	263	-	-	-
Profit after taxation <sup>#</sup>	-	2,652	2,652	-	-	-
Dividends paid in the year	(19,292)	(1,288)	(20,580)	-	-	-
<b>At 30 September 2022</b>	<b>49,142</b>	<b>3,122</b>	<b>52,264</b>	<b>106,099</b>	<b>18,834</b>	<b>124,933</b>

For the year ended 30 September 2021

	Distributable reserves			Non-distributable reserves		
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve* £'000	Total £'000
At 1 October 2020	75,290	2,216	77,506	46,775	30,890	77,665
Gross proceeds of share issues	-	-	-	28,915	-	28,915
Purchase of shares for treasury	(4,536)	-	(4,536)	-	-	-
Sale of shares from treasury	651	-	651	-	-	-
Expenses of share issue and buybacks	(23)	-	(23)	(1,459)	-	(1,459)
Reallocation of prior year unrealised gains/losses <sup>#</sup>	9,390	-	9,390	-	(9,390)	(9,390)
Realised gain on disposal of investments <sup>#</sup>	3,090	-	3,090	-	-	-
Net increase in value of investments <sup>#</sup>	-	-	-	-	55,981	55,981
Management fee charged to capital <sup>#</sup>	(4,272)	-	(4,272)	-	-	-
Taxation relief from capital expenses <sup>#</sup>	108	-	108	-	-	-
Profit after taxation <sup>#</sup>	-	1,624	1,624	-	-	-
Dividends paid in the year	(16,000)	(2,082)	(18,082)	-	-	-
<b>At 30 September 2021</b>	<b>63,698</b>	<b>1,758</b>	<b>65,456</b>	<b>74,231</b>	<b>77,481</b>	<b>151,712</b>

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

# The total of these items is £49,957,000 (2021: £56,531,000) which agrees to the total profit for the year.

Distributable reserves may also include any net unrealised gains 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.

### 3.3 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 in the full Annual Report and Audited Financial Statements.

Investments in companies listed on the AIM market usually involve a higher risk than investments in larger companies quoted on a recognised stock exchange. The spread between the buying and selling price of such shares may be wide and the price used for valuation may be limited and many may not be achievable. The valuation of the portfolios and opportunities for realisation of AIM-traded investments within the portfolios may also depend on stock market conditions.

The Company aims to reduce these risks by diversifying the portfolio across business sectors and asset classes. The Board monitors the portfolio on a quarterly basis.

Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange. The fair valuation of these unquoted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 2.3 above).

#### Price risk sensitivity

The fair valuation of unquoted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 2.3 on pages 71 and 72). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs. The sensitivity analysis below applied a wider range of input variable sensitivity to the earnings multiple method due to the increased subjectivity involved in the use of this method compared to the rebased cost method, which refers to the price of a recent investment.

# Notes to the financial statements

## 3 Other required disclosures (continued)

### 3.3 Financial instruments risks (continued)

As at 30 September 2022

Security	Valuation basis	Key variable inputs	Fair Value	Sensitivity %	Impact £'000s	Impact % of net assets
	Rebased cost	Latest funding round price	4,543	+/-10%	454	+/-0.2
Unquoted	Earnings multiple	Estimated sustainable earnings				
		Selection of comparable companies				
		Application of illiquidity discount				
		Probability estimation of Liquidation event*	48,575	+/-20%	9,715	+/-4.6
	Offer less 10%	Current offer price received for sale				
		Discount applied to offer	-	+/-10%		

\* A liquidation event is typically a company sale or initial public offering (IPO).

A sensitivity has been performed for quoted AIM investments, which are valued at the latest share price set by the market. A sensitivity of +/- 20 per cent has been applied to the fair value of £75.1 million (2021: £102.4 million), reflecting the level of volatility in financial markets in 2022 and 2021. A movement of +/- 20 per cent would cause an increase or decrease of £15.0 million to the fair value of the quoted AIM portfolio (2021: £20.5 million).

A sensitivity has also been performed for the Company's investments into the Micro Cap, Multi Cap and Small Cap funds, which are valued at the latest share price set by the market. A sensitivity of +/- 20 per cent has been applied to the fair value of £43.9 million (2021: £49.3 million), reflecting the level of volatility in financial markets in 2022 and 2021. A movement of +/- 20 per cent would cause an increase or decrease of £8.8 million to the fair value of these investments (2021: £9.9 million).

As at 30 September 2021

Security	Valuation basis	Key variable inputs	Risk Level	Sensitivity %	Fair Value £'000s	Positive impact		Negative impact	
						£'000s	% of net assets	£'000	% of net assets
Unquoted	Earnings multiple	Estimated sustainable earnings			4,979	2,246	0.9	(2,344)	(0.9)
		Selection of comparable companies	High	+/-30	28,106	6,571	2.6	(7,149)	(2.9)
		Application of illiquidity discount	Medium	+/-20	19,835	1,409	0.6	(1,370)	(0.6)
		Probability estimation of Liquidation event	Low	+/-10					
	Price of recent investment	Latest funding round price	Medium	+/-10	1,509	151	0.1	(151)	(0.1)
			Low	+/-5	5,209	357	0.1	(452)	(0.2)
	Other		Low	+/-5	334	17	0.0	(17)	0.0

#### Key variable inputs/valuation bases

The key variable inputs applicable to each valuation basis will vary dependent on the particular circumstances of each unquoted company valuation. Where there has been a recent transaction, such as an initial investment being made into the company, or where there has been a subsequent external funding round, the key variable input will be the last funding round price. Where this is not the case, the valuation has been based on a multiple of estimated sustainable earnings. An explanation of each of the key variable inputs is provided below and includes an indication of the range in value for each input, where relevant.

#### Latest funding round price

The latest funding round price is the key variable input in the valuation of a company when there has been a recent investment either by the Company or by another investor. This transaction provides evidence of the price an independent third party would be willing to pay for the investment. There is lower estimation uncertainty where this third party is an external investor, and higher estimation uncertainty where this is an internal investor (i.e. where the investor already has an investment in the company).

#### Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend upon whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach may use prior year actuals, the last 12 months, or a forecast of earnings where deemed appropriate. The valuation approach will typically assess companies based on the prior year actuals or last 12 months of revenue or earnings, as this represents the most recently available trading information and therefore is viewed as the most reliable. Where the company has a history of accurate forecasting, or where there is a change in circumstance at the business which will impact earnings going forward, then a forecast or budget will be deemed most appropriate.

#### Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and at each valuation thereafter. The key criteria in selecting appropriate comparable companies are the industry sector, the business model, and the respective revenue and earnings growth rates of the company. Typically up to 15 comparable companies will be selected for each investment to derive the adopted revenue or earnings multiple.

The earnings multiples can be derived from either listed companies with similar characteristics or recent comparable transactions. The value of the unquoted element of the portfolio may therefore also indirectly be affected by price movements on the listed exchanges.

#### Application of illiquidity discount

An illiquidity discount is applied to the majority of unquoted investments, reflecting that the Company usually holds a minority stake and that the realisation of the investment may require cooperation on the timing and sale price from other stakeholders. The illiquidity discount applied can range from 10 per cent to 30 per cent, depending upon the ownership percentage the Company holds in the investment and the Company's alignment with other institutional investors.

#### Probability estimation of liquidation event

A liquidation event is typically a company sale or an Initial Public Offering ("IPO"). The probability of a company sale versus an IPO is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. This weighting is then adjusted as either scenario becomes more or less likely to occur.

#### Interest rate risk

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

	As at 30 September 2022			As at 30 September 2021		
	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed Years
Fixed rate loan note securities	9,700	8.76	4.10	12,102	7.58	3.20
Floating rate sterling liquidity funds	5,608	-	-	26,390	-	-
Cash at bank and on deposit	36,622	-	-	12,312	-	-
	51,930			50,804		

The fixed rate loan notes are not subject to interest rate risk and would therefore not impact the net assets. Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profits due to the interest rate income received from floating rate notes being wholly immaterial.

# Notes to the financial statements

## 3 Other required disclosures (continued)

### 3.3 Financial instruments risks (continued)

#### Credit risk

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

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

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Cash at bank and on deposit	36,622	12,312
Interest, dividends and other receivables	152	109
	<b>36,774</b>	12,421

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

There were no significant concentrations of credit risk to counterparties at 30 September 2022 or 2021. No individual investment in a portfolio company exceeded 8.7 per cent of the net assets attributable to the Company's shareholders at 30 September 2022 (2021: 6.7 per cent).

#### Liquidity risk

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

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager. The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company is a closed-end fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due.

At the year end the Company had financial liabilities of £1,493,000 (2021: £2,147,000). All financial liabilities were due within three months and were undiscounted (2021: same).

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2022, these investments were valued at £42,230,000 (2021: £38,702,000).

### 3.4 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Gresham House Asset Management Ltd, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors along with their shareholdings as disclosed in the Directors' Remuneration Report. In addition, the Manager operates a VCT Incentive Scheme, detailed in the Management retention section of the Strategic Report on page 30, whereby members and staff of the Manager are entitled to participate in all eligible unquoted investments alongside the Company.

During the year, Gresham House Asset Management Ltd received £295,000 (2021: £254,000) of advisory fees, £528,000 (2021: £375,000) of directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £7,000 (2021: £8,000) with respect to investments attributable to Baronsmead Second Venture Trust plc.

The Company also holds an investment in Gresham House plc, as part of its quoted portfolio. This investment was made in November 2014, prior to the change of Manager. For further details on this, please refer to the Full Investment Portfolio in the Appendices.

### 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 events

The Board is not aware of any significant events or transactions which have occurred between 1 October 2022 and the date of publication of this report which would have a material impact on the financial position of the Company.

# Appendices

## Investment policy

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

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

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

### Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and permitted non-qualifying investments as well as cash. Unquoted investments are usually structured as a combination

of ordinary shares and loan stocks or preference shares, while AIM-traded investments are primarily held in ordinary shares. No single investment may represent more than 15 per cent (by VCT value) of the Company's total investments.

### Liquidity

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

### Investment style

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

### Co-investment

The Company typically invests alongside Baronsmead Venture Trust plc in unquoted and quoted companies

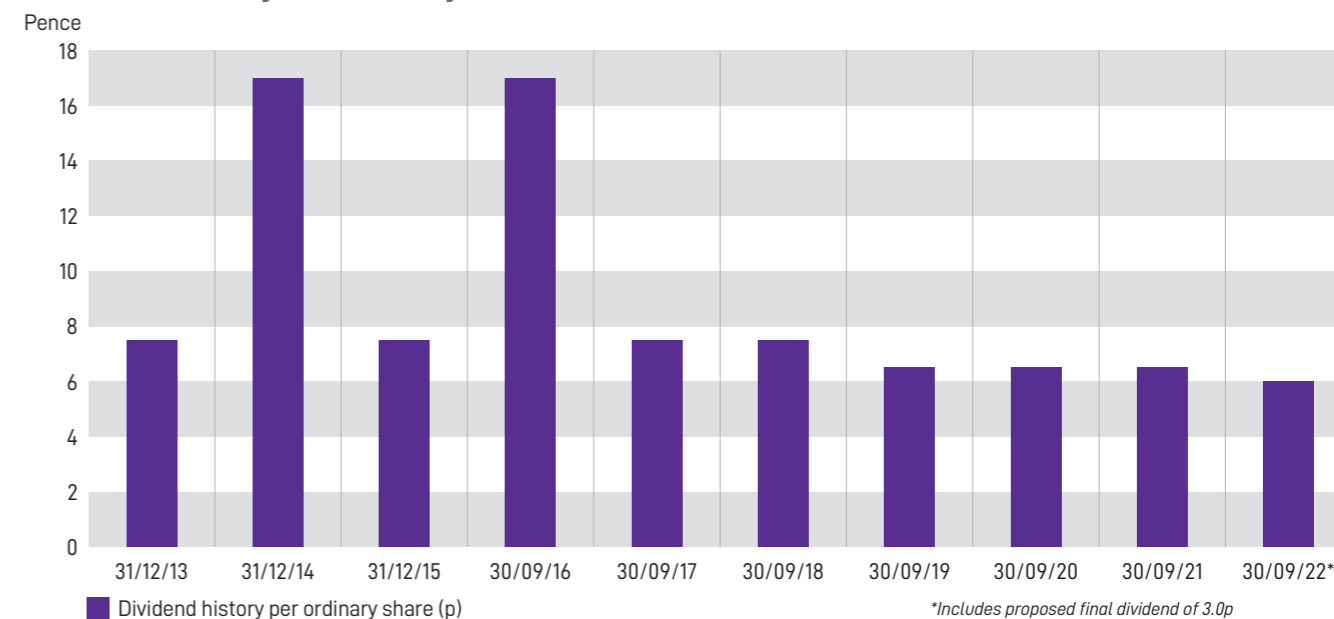
sourced by the Manager. Following the Manager's acquisition of the Mobeus VCTs in September 2022, the Company will also co-invest alongside the Mobeus VCTs in new unquoted VCT qualifying investments. All new qualifying AIM dealflow will continue to be exclusively allocated between the Company and Baronsmead Venture Trust plc.

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

### Borrowing powers

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

## Dividend history in last ten years



Source: Gresham House Asset Management Ltd

## Dividends paid since launch

Year ended	Ordinary share				
	Revenue (p)	Capital (p)	Dividend history per ordinary share (p)	Cumulative dividends (p)	Average total dividend per ordinary share (p)
31/12/2001	2.30	0.00	2.30	2.30	2.30
31/12/2002	2.80	0.00	2.80	5.10	2.55
31/12/2003	2.20	2.00	4.20	9.30	3.10
31/12/2004	1.20	3.30	4.50	13.80	3.45
31/12/2005	2.00	3.50	5.50	19.30	3.86
31/12/2006	1.75	4.75	6.50	25.80	4.30
31/12/2007	2.30	5.20	7.50	33.30	4.76
31/12/2008	2.40	5.10	7.50	40.80	5.10
31/12/2009	1.20	6.30	7.50	48.30	5.37
31/12/2010	2.00	5.50	7.50	55.80	5.58
31/12/2011	1.65	5.85	7.50	63.30	5.75
31/12/2012	0.50	7.00	7.50	70.80	5.90
31/12/2013	3.00	4.50	7.50	78.30	6.02
31/12/2014	1.95	15.05	17.00	95.30	6.81
31/12/2015	0.90	6.60	7.50	102.80	6.85
30/09/2016	0.00	17.00	17.00	119.80	7.61
30/09/2017	0.60	6.90	7.50	127.30	7.60
30/09/2018	0.15	7.35	7.50	134.80	7.59
30/09/2019	0.65	5.85	6.50	141.30	7.54
30/09/2020	0.60	5.90	6.50	147.80	7.48
30/09/2021	0.40	6.10	6.50	154.30	7.44
30/09/2022*	0.60	5.40	6.00	160.30	7.37

\*Includes proposed final dividend of 3.0p. Estimated revenue and capital split based on number of shares at 30 September 2022.

# Appendices

## Performance record since launch

Year end	Total net assets (£m)	Ordinary share			Ongoing charges (%)†
		NAV per share (p)	Mid share price (p)	NAV TR* per share (p)	
31/12/2001	31.1	93.85	88.00	101.21	2.9
31/12/2002	32.1	94.85	85.50	105.35	3.3
31/12/2003	33.0	97.15	90.00	112.65	3.1
31/12/2004	35.1	106.38	92.50	125.64	3.5
31/12/2005	56.2	117.31	100.50	144.77	3.5
31/12/2006	66.5	130.77	116.50	169.27	3.4
31/12/2007	65.2	120.44	111.50	170.56	3.4
31/12/2008	55.1	102.72	90.50	149.56	3.0
31/12/2009	52.9	97.50	86.25	159.89	3.1
31/12/2010	64.6	106.60	94.25	180.19	3.0
31/12/2011	60.1	100.16	91.25	189.74	3.0
31/12/2012	74.6	111.62	105.38	217.38	3.0
31/12/2013	74.9	113.40	106.25	245.38	3.0
31/12/2014	76.6	101.72	95.00	257.18	2.9
31/12/2015	79.2	106.46	101.00	288.38	3.0
30/09/2016	140.9	92.17	87.13	295.75	2.9
30/09/2017	186.7	94.61	89.50	313.53	2.7
30/09/2018	199.4	92.10	87.75	330.59	2.7
30/09/2019	175.4	77.05	74.50	303.80	2.7
30/09/2020	182.3	73.74	69.50	316.44	2.7
30/09/2021	248.4	87.77	85.00	406.18	2.7
30/09/2022	213.0	65.08	65.00	328.93	2.6

\* Net asset value total return (gross dividends reinvested). Source: Gresham House Asset Management Ltd.

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

## Cash returned to shareholders

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid* (p)	Return on cash invested (%)
2001 (January)	100.0	20.0	80.0	160.3	180.3
2005 (March) – C share	100.0	40.0	60.0	115.8	155.8
2010 (March)	103.1	30.9	72.2	112.0	138.6
2012 (December)	117.4	35.2	82.2	94.0	110.1
2014 (March)	112.4	33.7	78.7	74.0	95.8
2016 (February)	107.2	32.2	75.0	57.5	83.7
2017 (October)	97.5	29.2	68.2	37.5	68.4
2019 (February)	85.3	25.6	59.7	30.0	65.2
2019 (November)	78.9	23.7	55.2	22.5	58.6
2020 (January)	84.8	25.4	59.4	22.5	56.5
2020 (February)	82.5	24.8	57.7	19.0	53.1
2020 (March)	64.3	19.3	45.0	19.0	59.6
2020 (November)	77.9	23.4	54.5	16.0	50.6
2020 (December)	80.9	24.3	56.6	16.0	49.8
2021 (January)	84.4	25.3	59.1	16.0	48.9
2021 (February)	82.2	24.7	57.5	12.5	45.3
2021 (March)	84.9	25.5	59.4	12.5	44.8
2021 (December)	88.1	26.4	61.7	9.5	40.7
2022 (January)	87.1	26.1	61.0	9.5	40.9
2022 (March)	76.6	23.0	53.6	6.0	37.9

Note 1 - The total return could be higher for those shareholders who were able to defer a capital gain on subscription and the net sum invested may be less.

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

\*Includes proposed final dividend of 3.0p.

## Full investment portfolio

Company	Sector	Original book cost† (£'000)	Accounting book cost† (£'000)	30 September 2022	30 September 2021	% of equity held by		
				Fair value (£'000)	Fair value (£'000)	% of net assets	Baronsmead Second Venture Trust plc	% of equity held by all funds#
<b>Unquoted</b>								
eConsult Health Ltd	Healthcare & Education	3,899	3,899	5,195	3,491	2.4	5.2	11.4
Airfinity Ltd	Healthcare & Education	2,911	2,911	4,006	1,559	1.9	9.3	20.1
Patchworks Integration Ltd	Technology	2,496	2,496	3,729	1,716	1.7	11.4	25.0
Popsa Holdings Ltd	Technology	3,379	3,379	3,379	-	1.6	3.7	8.1
IWP Holdings Ltd	Business Services	1,587	1,587	3,072	5,679	1.4	4.2	9.0
Panthera Biopartners Ltd	Healthcare & Education	2,858	2,858	2,974	438	1.4	11.9	26.0
Clarilis Ltd	Technology	1,819	1,819	2,723	2,723	1.3	7.6	16.7
Yappy Ltd	Consumer Markets	2,013	2,013	2,602	2,662	1.2	14.9	31.9
Scurri Web Services Ltd	Technology	2,293	2,293	2,565	2,332	1.2	6.9	14.7
Metrion Bioscience Ltd	Healthcare & Education	1,192	1,192	2,355	1,569	1.1	12.7	27.3
RevLifter Ltd	Technology	1,559	1,559	1,869	811	0.9	6.2	13.6
Fu3e Ltd	Technology	1,819	1,819	1,856	-	0.9	13.7	30.0
Armstrong Craven Ltd	Business Services	664	1,335	1,815	1,649	0.8	10.3	18.7
SecureCloud+ Ltd	Technology	789	789	1,482	1,817	0.7	8.8	16.6
Pointr Ltd	Technology	526	526	1,189	979	0.6	2.7	5.1
Proximity Insight Holdings Ltd	Technology	1,152	1,152	1,152	-	0.5	4.1	9.4
Counting Ltd	Business Services	1,059	1,059	1,055	1,055	0.5	2.5	5.3
TravelLocal Ltd	Consumer Markets	1,325	1,325	1,037	530	0.5	4.5	9.5
Cisiv Ltd	Technology	789	789	992	1,322	0.5	9.2	17.3
SilkFred Ltd	Consumer Markets	966	966	943	1,707	0.4	2.8	5.1
Bidnamic	Technology	921	921	916	-	0.4	1.8	9.1
Focal Point Positioning Ltd	Technology	908	908	908	-	0.4	1.1	5.5
Vinoteca Ltd	Consumer Markets	1,054	1,054	843	1,074	0.4	6.7	14.3
Orri Ltd	Healthcare & Education	794	794	794	-	0.4	5.7	28.4
Tribe Digital Holdings Ltd	Technology	1,351	1,351	722	1,563	0.3	3.5	6.7
Custom Materials Ltd	Technology	3,092	3,092	648	3,290	0.3	12.9	23.4
Munnypot Ltd	Technology	562	562	562	562	0.3	1.5	2.7
Evotix Ltd	Technology	423	423	423	423	0.2	0.7	1.3
RockFish Group Ltd	Consumer Markets	789	789	371	395	0.2	6.6	12.3
Key Travel Ltd	Business Services	255	255	364	334	0.2	0.0	0.0
Your Welcome Ltd	Technology	1,030	1,030	354	872	0.2	8.3	15.6
Glisser Ltd	Business Services	1,787	1,787	115	1,549	0.1	6.7	14.5
Rezatec Ltd	Technology	1,620	1,620	108	1,921	0.1	0.0	0.0
CMME Group Ltd	Consumer Markets	1,136	1,204	-	-	0.0	2.3	4.2
Equipme (Holdings) Ltd	Business Services	949	949	-	949	0.0	6.8	12.8
Funding Xchange Ltd	Business Services	795	795	-	397	0.0	3.7	8.0
Samuel Knight International Ltd	Business Services	795	795	-	-	0.0	7.0	13.2
		<b>53,356</b>	<b>54,095</b>	<b>53,118</b>		<b>25.0</b>		
<b>Delisted (previously AIM)</b>								
InterQuest Group plc	Business Services	620	726	-	-	0.0	2.2	4.3
MXC Capital (UK) Ltd	Business Services	270	300	-	-	0.0	0.3	0.6
		<b>890</b>	<b>1,026</b>	<b>-</b>				
<b>Total unquoted</b>		<b>54,246</b>	<b>55,121</b>	<b>53,118</b>		<b>25.0</b>		
<b>AIM</b>								
Cerillion plc	Technology	1,507	1,666	18,435	16,572	8.7	6.7	12.2
Netcall plc	Technology	2,616	5,983	10,650	12,869	5.0	9.6	24.0
IDOX plc	Technology	1,028	2,972	7,125	7,753	3.4	2.4	4.8
Anpario plc	Healthcare & Education	662	2,239	3,931	5,561	1.8	4.0	5.9
Bioventix plc	Healthcare & Education	309	940	3,887	4,594	1.8	2.3	9.7
Inspired plc	Business Services	861	2,682	3,011	4,872	1.4	2.8	29.7
Property Franchise Group plc	Consumer Markets	838	1,032	2,306	2,281	1.1	2.6	14.6
Crossword Cybersecurity plc	Technology	2,322	2,322	1,813	1,368	0.9	9.8	18.9
PCI-PAL plc	Technology	1,345	1,345	1,809	2,557	0.9	6.0	10.9
Access Intelligence plc	Business Services	716	716	1,687	2,637	0.8	1.4	7.3
Aptamer Group plc	Healthcare & Education	2,390	2,390	1,675	-	0.8	3.0	5.7

# Appendices

Company	Sector	Original book cost† £'000	Accounting book cost† £'000	30 September 2022 Fair value £'000	30 September 2021 Fair value £'000	% of net assets	% of equity held by Baronsmead Second Venture Trust plc	% of equity held by all funds#
<b>AIM (continued)</b>								
Diaceutics plc	Healthcare & Education	1,590	1,590	1,674	2,280	0.8	2.5	12.8
Begbies Traynor Group plc	Business Services	545	513	1,656	1,625	0.8	0.8	3.6
Belvoir Group plc	Consumer Markets	919	826	1,594	1,860	0.8	2.0	12.2
Beeks Financial Cloud Group plc	Technology	413	413	1,130	1,584	0.5	1.3	2.3
Everyman Media Group plc	Consumer Markets	956	1,010	1,095	1,591	0.5	1.3	4.0
IXICO plc	Healthcare & Education	825	825	972	2,298	0.5	6.1	11.1
One Media iP Group plc	Technology	1,008	912	922	895	0.4	5.9	10.8
Driver Group plc	Business Services	1,529	1,747	880	1,467	0.4	5.6	20.3
Vianet Group plc	Business Services	2,092	1,724	846	1,874	0.4	5.8	17.7
Eden Research plc	Business Services	1,375	1,380	720	1,225	0.3	4.0	7.3
hVIVO plc (formerly Open Orphan plc)	Healthcare & Education	1,445	1,437	719	1,511	0.3	1.1	1.9
Roslyn Data Technologies plc	Technology	1,407	1,407	498	1,143	0.2	8.6	28.3
Merit Group plc	Technology	3,267	4,253	485	808	0.2	6.1	10.2
SysGroup plc	Technology	1,579	1,578	481	886	0.2	5.1	28.3
Oberon Investments Group plc	Business Services	742	742	458	-	0.2	2.6	5.0
Skillcast Group plc	Healthcare & Education	817	817	441	-	0.2	2.5	4.7
Scholium Group plc	Consumer Markets	1,100	682	440	330	0.2	8.1	14.7
Deepverge plc	Healthcare & Education	1,590	1,590	424	1,219	0.2	2.4	4.6
Crimson Tide plc	Technology	668	668	401	601	0.2	3.4	6.4
Fusion Antibodies plc	Healthcare & Education	660	660	381	991	0.2	3.1	5.7
Gresham House plc*	Business Services	137	145	340	432	0.2	0.1	0.2
Gama Aviation plc	Business Services	1,004	1,171	326	211	0.2	0.9	1.7
TPX Impact Holding plc	Technology	660	660	312	2,229	0.1	1.0	1.9
KRM22 plc	Technology	550	550	292	154	0.1	1.5	2.8
SEEEN plc	Technology	1,591	1,591	247	1,307	0.1	7.1	13.3
Fulcrum Utility Services Ltd	Business Services	438	1,650	241	773	0.1	0.9	1.0
Tasty plc	Consumer Markets	2,033	6,085	175	350	0.1	3.4	13.7
Totally plc	Healthcare & Education	86	197	151	173	0.1	0.3	0.5
Zoo Digital Group plc	Technology	817	586	135	121	0.1	0.1	0.2
Poolbeg Pharma plc	Healthcare & Education	51	51	104	242	0.0	0.5	0.9
Science In Sport plc	Consumer Markets	352	330	95	452	0.0	0.4	0.8
CloudCoco Group plc	Technology	535	359	29	49	0.0	0.5	0.8
I-nexus Global plc	Technology	688	688	29	48	0.0	2.9	5.4
LoopUp Group plc	Technology	616	640	29	151	0.0	0.5	1.0
<b>Total AIM</b>		<b>48,679</b>	<b>63,764</b>	<b>75,051</b>		<b>35.2</b>		
<b>Listed on LSE</b>								
Hawkwing plc	Business Services	2,136	3,429	34	34	0.0	1.1	28.3
<b>Total listed</b>		<b>2,136</b>	<b>3,429</b>	<b>34</b>		<b>0.0</b>		
<b>Collective investment vehicles</b>								
LF Gresham House UK Micro Cap Fund		6,189	10,335	23,474	34,507	11.0		
LF Gresham House UK Multi Cap Income Fund		14,364	14,364	13,966	9,028	6.6		
LF Gresham House UK Smaller Companies Fund		6,250	6,250	6,454	5,776	3.0		
BlackRock Sterling Liquidity Fund		2,804	2,804	2,804	13,195	1.3		
JPMorgan Sterling Liquidity Fund		2,804	2,804	2,804	13,195	1.3		
<b>Total collective investment vehicles</b>		<b>32,411</b>	<b>36,557</b>	<b>49,502</b>		<b>23.2</b>		
<b>Total investments</b>		<b>137,472</b>	<b>158,871</b>	<b>177,705</b>		<b>83.4</b>		
<b>Net current assets</b>				<b>35,281</b>		<b>16.6</b>		
<b>Net assets</b>				<b>212,986</b>		<b>100.0</b>		

† The original cost column provides the combined cost of investments made by BVCT3, BVCT4 and BVCT5 prior to the merger of the three VCTs to become BSVT. This is included for information purposes for shareholders reviewing the portfolio.

The accounting cost column ties into the investment note on page 73 of these accounts. For investments owned before the assets of BVCT 4 and BVCT 5 were acquired by BVCT 3 the accounting book cost is a sum of the original cost of the investments held in BVCT 3 and the market value of the investment in BVCT 4 and BVCT 5 at the date of each of the mergers.

# All funds managed by the same manager, Gresham House Asset Management Ltd.

\* Acquired November 2014, pre change of Investment Manager on 30 November 2018.

# Glossary

<b>AIM</b>	The Alternative Investment Market, a sub-market of the London Stock Exchange, designed to help smaller companies access capital from the public market.
<b>Annual Dividend Yield</b>	The rate of dividend paid/declared for financial year divided by opening net asset value per share.
<b>Book Cost (Original)</b>	Total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.
<b>Book Cost (Accounting)</b>	The original book cost of an asset, rebased to the value at which it was used in a subsequent transaction, such as a transfer between entities.
<b>Collective Investment Vehicle</b>	An entity which allows investors to pool their money, investing the pooled funds on their behalf.
<b>Discount/Premium</b>	If the share price is lower than the NAV per share, it is said to be trading at a discount. The size of the Company's discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortisation – a proxy for the cash flow generated by a business, most commonly used for businesses that do not (yet) generate operating or shareholder profits.
<b>IFA</b>	Independent Financial Advisers, professionals who offer independent advice to their clients and recommend suitable financial products.
<b>Key Performance Indicators ("KPIs")</b>	A measurable value that demonstrates how effectively the Company is achieving core business objectives.
<b>NAV</b>	The total value of all the Company's assets, at current market value, having deducted all liabilities at their carrying value.
<b>NAV per share</b>	Total Net Asset Value divided by the number of shares.
<b>NAV total return</b>	A measure showing how the Net Asset Value has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.
<b>Return on Cash Invested to shareholders</b>	The amount of cash returned to shareholders through income tax reclaimed, and cumulative dividends paid, expressed as a percentage of the initial investment.
<b>Shares Held in Treasury</b>	Shares in the Company repurchased by itself, reducing the number of freely traded shares.
<b>SME</b>	Small and medium-sized entities. These are independent companies which meet two of the three recognition criteria for small or medium companies according to EU Legislation.
<b>Total Assets</b>	All assets, both current and non-current. An asset is an economic resource owned by an entity that can lead to an increase in economic value.
<b>VCT Value</b>	The value of an investment when acquired, rebased if the holding is added to or any payment is made which causes an increase or decrease in its value.
<b>80 per cent test</b>	Ensuring that the Company meets the requirement to hold 80 per cent of its investments in qualifying holdings.

# Glossary

NAV total return reconciliation	Q1	Q2	Q3	Q4
Opening NAV total return (p)	406.2	396.9	359.3	347.6
NAV movement (p)	(2.2)	(14.0)	(3.2)	(9.5)
Dividend (p)	0.0	4.2	0.0	4.1
Total return (p)	(2.2)	(9.8)	(3.2)	(5.4)
Change in NAV total return (p)	(9.3)	(37.6)	(11.7)	(18.7)
<b>Closing NAV total return (p)</b>	<b>396.9</b>	<b>359.3</b>	<b>347.6</b>	<b>328.9</b>

AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from launch, assuming that dividends paid were reinvested at the NAV of the Company at the time the shares were quoted ex-dividend

Annual dividend yield reconciliation	2022	2021	2020
Interim dividend	3.0p	3.0p	3.0p
Recommended final dividend	3.0p	3.5p	3.5p
Total dividend	6.0p	6.5p	6.5p
Opening NAV (after final dividend)	84.3p	70.2p	73.6p
<b>Dividend yield</b>	<b>7.1%</b>	<b>9.3%</b>	<b>8.8%</b>

# Shareholder information and contact details

## Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from "brokers" based overseas 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's 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 below.

## Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money or share certificates:

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at [www.fca.org.uk/register](http://www.fca.org.uk/register) to ensure they are authorised (or [www.fca.org.uk/publication/systems-information/aifmd-small-register.pdf](http://www.fca.org.uk/publication/systems-information/aifmd-small-register.pdf)).
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on 0800 111 6768 (freephone) from 8.00am to 6.00pm, Monday to Friday (except public holidays) and 9.00am to 1.00pm, Saturday (from abroad call +44 20 7066 1000) if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's list of unauthorised firms and individuals to avoid doing business with.
6. REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service (<https://www.financial-ombudsman.org.uk/>) or Financial Services Compensation Scheme (<https://www.fscs.org.uk/>) if things go wrong.

## Report a scam

If you are approached about a share scam, you should tell the FCA using the Share Fraud Reporting Form ([www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm)), where you can find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money (or otherwise dealt with share fraudsters), you should contact ActionFraud on 0300 123 2040 or use the ActionFraud (<https://www.actionfraudalert.co.uk/>) Online Reporting Tool.

More detailed information on this or similar activity can be found on the FCA web site.

## Shareholder account queries

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

- Change of address
- Latest share price

# Shareholder information and contact details

- Your current shareholding 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:

<b>Telephone:</b>	0800 923 1534	<ul style="list-style-type: none"><li>● This is an automated self-service system.</li><li>● It is available 24 hours a day, 7 days a week.</li><li>● 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.</li><li>● Press '0' if you wish to speak to someone.</li><li>● The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday.</li></ul>
<b>On-line:</b>	Investor Centre www.investorcentre.co.uk	<ul style="list-style-type: none"><li>● Computershare's secure website, Investor Centre, allows you to manage your own shareholding online.</li><li>● You will need to register to use this service on the Investor Centre website.</li><li>● 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.</li></ul>
<b>Email:</b>	web.queries@computershare.co.uk	
<b>Post:</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE	

## Share price

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

## Calendar

1 February 2023 Annual General Meeting.

May/June 2023 Announcement and posting of Interim report for the six months to 31 March 2023.

November/December 2023 Announcement of final results for year to 30 September 2023.

## 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. Gresham House Asset Management Limited does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead Second Venture Trust plc is managed by Gresham House Asset Management Limited which is Authorised and regulated by the FCA. Past performance is not necessarily a guide to future performance. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.

## Secondary market in the shares of Baronsmead Second Venture Trust plc

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

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

Panmure Gordon & Co. 020 7886 2500 (the Company's broker)  
Winterflood 020 3100 0000

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

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

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

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



# Corporate information

## Directors

Sarah Fromson (Chair)‡  
Graham McDonald  
Timothy Farazmand\*\*  
Malcolm Groat\*†

## Secretary

Gresham House Asset Management Ltd

## Registered Office

5 New Street Square  
London EC4A 3TW

## Investment Manager

Gresham House Asset Management Ltd  
5 New Street Square  
London EC4A 3TW

## Registered Number

04115341

‡ Chair of the Nomination Committee

\* Chairman of the Audit & Risk Committee

\*\* Chairman of the Management Engagement & Remuneration Committee

† Senior Independent Director

## Registrars and Transfer Office

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Tel: 0800 923 1534

## Brokers

Panmure Gordon & Co  
One New Change  
London EC4M 9AF  
Tel: 020 7886 2500

## Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU

## Solicitors

Dickson Minto W.S.  
Broadgate Tower  
20 Primrose Street  
London EC2A 2EW

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Website

[www.baronsmeadvcts.co.uk](http://www.baronsmeadvcts.co.uk)

### Head Office

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Specialist asset management