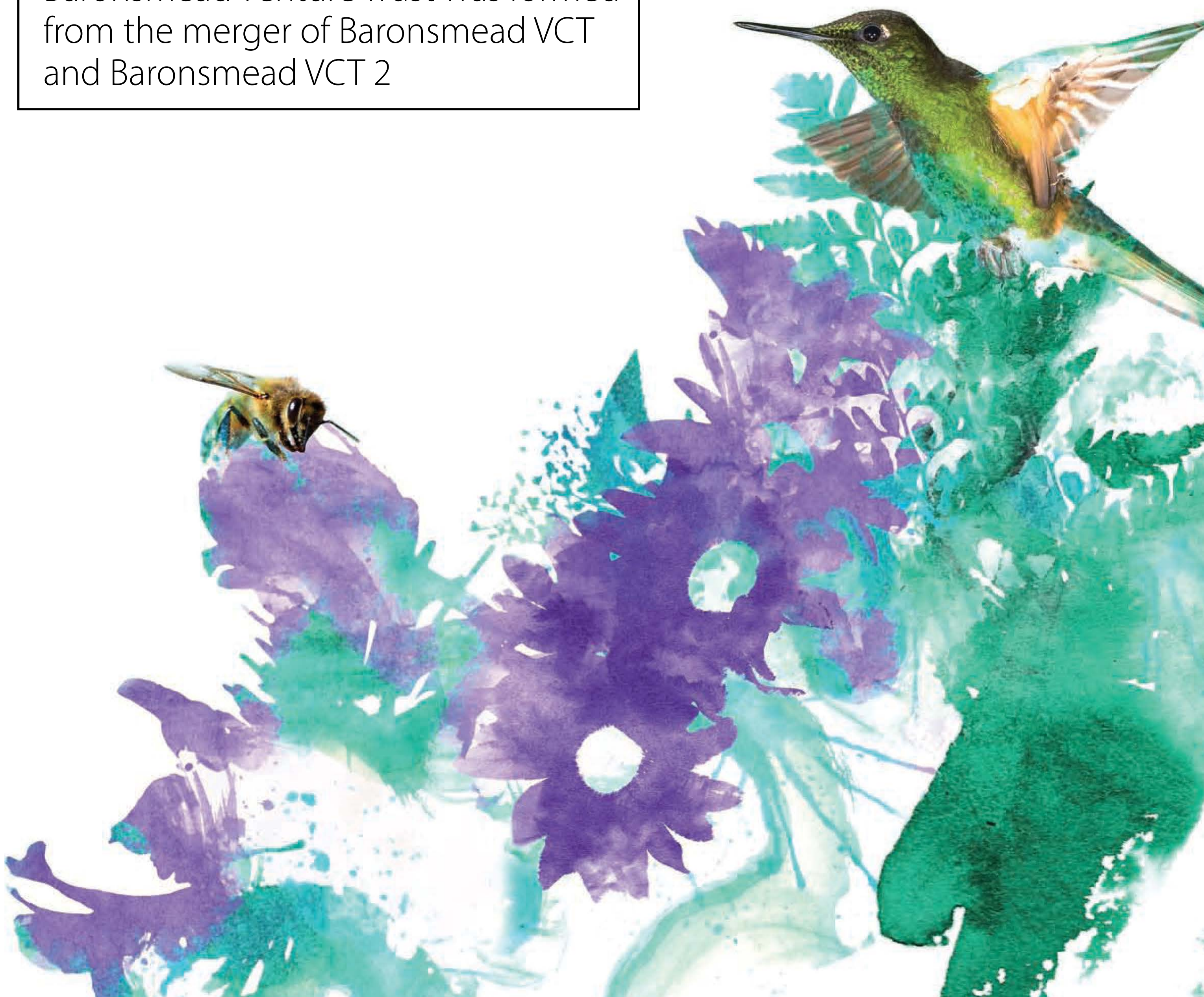
BARONSMEAD

Baronsmead Venture Trust plc

2016

Audited Annual Report and Accounts
for the year ended 30 September 2016

Baronsmead Venture Trust was formed from the merger of Baronsmead VCT and Baronsmead VCT 2



About Baronsmead Venture Trust plc

Our Investment Objective

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

Investment Policy

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

Dividend Policy

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

Key Elements of the Business Model

Access to an attractive, diverse portfolio

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

Prior to the Company's investment each business will have demonstrated profitable success from its business model providing a degree of stability and a foundation from which to build. Each business is led by entrepreneurial management teams who aspire to achieve above average growth from attractive and differentiated market positions.

The Manager's approach to investing

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

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

In order to ensure a strong pipeline of opportunities, Livingbridge invests in sector knowledge and networks and undertakes significant pro-active marketing to target companies in preferred sectors. This approach generates a database of potentially suitable businesses with which Livingbridge maintains a relationship ahead of possible investment opportunities.

Livingbridge as an influential shareholder

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

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

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

A more detailed explanation of how the investment policy and business model are applied is provided in the Other Matters section of the Strategic Report on pages 18 to 21. The full investment policy can be found on page 58.

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Some examples of our Investments

Create Health Ltd

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

Netcall plc

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

Pho Holdings Ltd

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

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

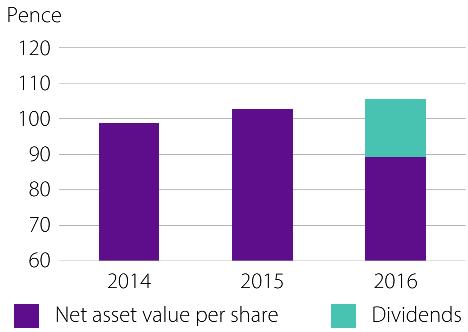
Staffline Group plc

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

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

Strategic Report

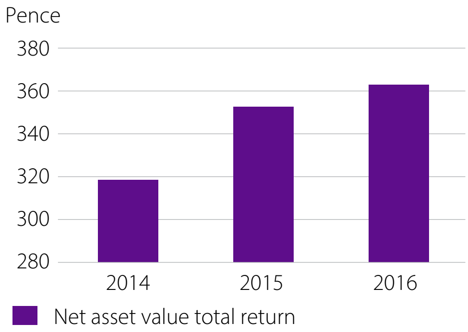
Financial Headlines



Net asset value per share

Net asset value ("NAV") per share increased 3.0 per cent to 105.6p in the year to 30 September 2016, before deduction of dividends.

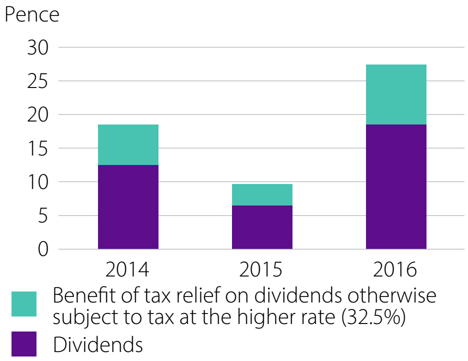
+3.0%



Net asset value total return

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

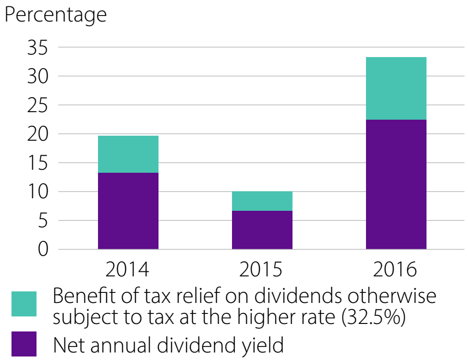
363.4p



Dividends in the year

Dividends totalled 18.5p in the year to 30 September 2016, after the third interim dividend of 8.5p paid on 30 September 2016.

18.5p



Annual dividend yield

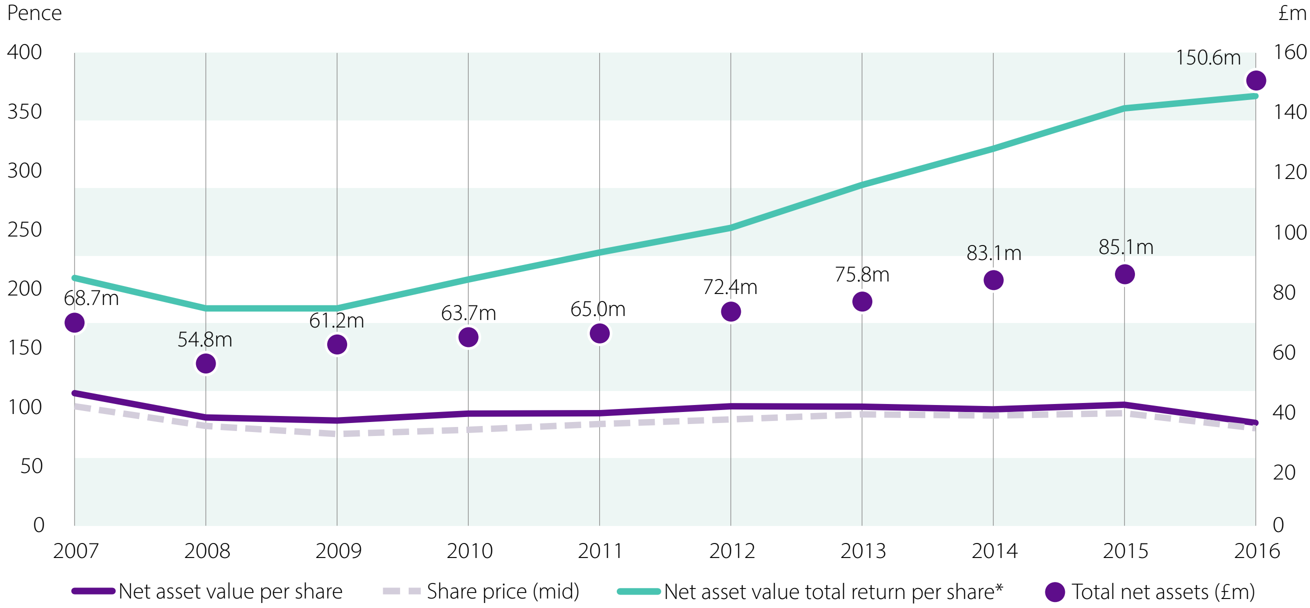
Net annual dividend yield of 22.5 per cent and gross annual yield of 33.3 per cent.

22.5%*

* Includes dividends totalling 18.5p per share which should be regarded as exceptional.

Performance Summary

Net Asset Value in the last ten years

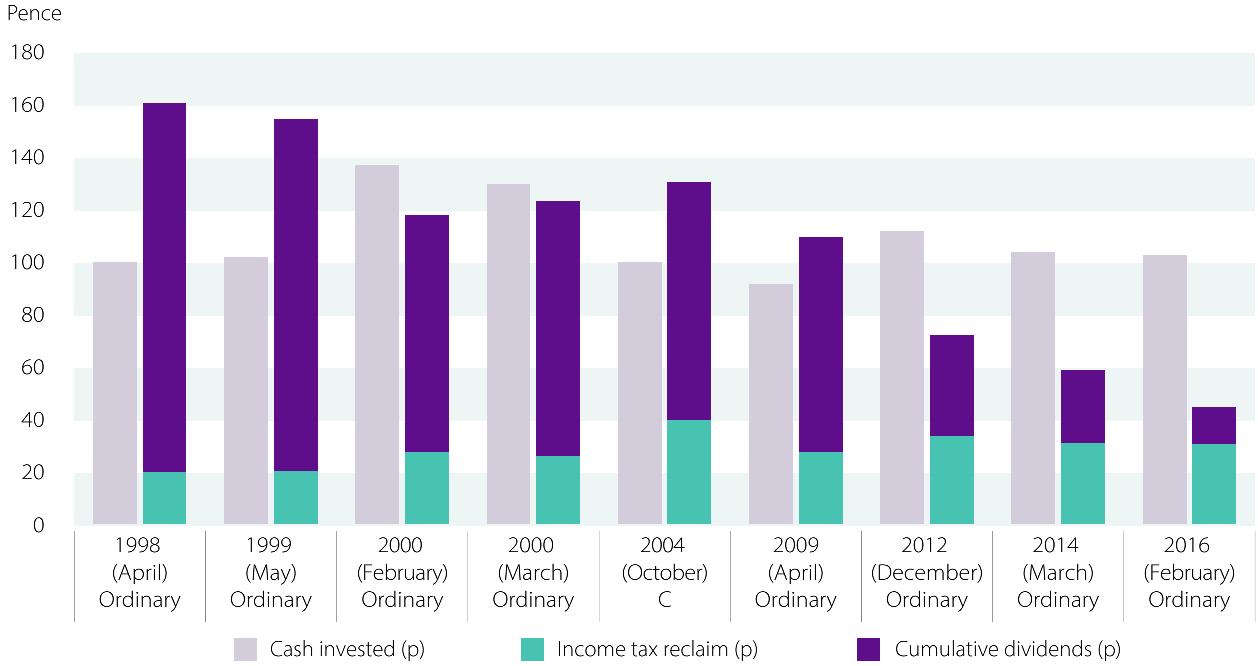


* Net asset value total return (gross dividends reinvested) rebased to 100p.

Source: Livingbridge VC LLP

Cash Returned to Shareholders by Date of Investment

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



Strategic Report

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

Chairman's Statement

Peter Lawrence
Chairman

I am pleased to report a 3.0 per cent (3.03p) increase in the NAV per share for the year to 30 September 2016 before dividend payments.

Tax free dividends totalling 18.5p per share were paid during the year with interim dividends paid in December 2015, June 2016 and a third interim dividend in September 2016, in lieu of a final dividend. The Board seeks to maintain average annual dividends of 6.5p a share, so the additional payment should be viewed as exceptional, albeit welcome.

As this is the first annual report and accounts since the Company's merger with Baronsmead VCT plc in February 2016, the comparative figures in the accounts only relate to the Company prior to the merger and are therefore not a true comparison to the period under review.

Results

During the 12 months to 30 September 2016, the Company's NAV per share increased 3.0 per cent from 102.56 to 105.59p before taking account of dividends totalling 18.5p.

	Pence per ordinary share
NAV as at 1 October 2015	102.56
Valuation uplift (3.0 per cent)	3.03
NAV as at 30 September 2016 before dividends	105.59
Less:	
Interim dividend paid to the shareholders of Baronsmead VCT 2 plc on 18 December 2015	(3.50)
Second interim dividend paid on 3 June 2016	(6.50)
Third interim dividend paid on 30 September 2016	(8.50)
NAV as at 30 September 2016 after dividends	**87.09**

The Company's policy is to try to deliver an average annual payment of 6.5p per ordinary share. To achieve this, the Directors have sought to spread the distribution of realised capital profits from years when more gains are realised to years of fewer gains. However, the fiscal rules for VCTs penalise the Company for holding cash. As a result, during this period when the amounts realised from the sales on investments have exceeded new investments, a much higher dividend was paid out of necessity.

Baronsmead Venture Trust was formed from the merger of Baronsmead VCT and Baronsmead VCT 2.

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

Portfolio Review

As at 30 September 2016, the portfolio comprised investments in 70 unquoted and AIM-traded companies. In addition, the Company's investment in Wood Street Microcap provides investment exposure to a further 42 AIM-traded and fully listed companies.

The Company's portfolio is diverse and this has helped from year to year to smooth investors returns. The underlying value of the unquoted portfolio increased by 21.4 per cent over the year with many of the current investments trading well. Combined with the 4.8 per cent increase in the value of the investment in Wood Street Microcap fund, this ensured good growth in NAV. Unfortunately, volatility has been a feature of the quoted markets since the beginning of 2016 and the overall value of the AIM-traded portfolio decreased by 4.9 per cent. This modest re-adjustment in value of the AIM-traded portfolio follows several consecutive years of growth in the underlying value of these investments.

Investments and Divestments

In the year to 30 September 2016, the Company invested a total of £4.5m in 5 new and 4 follow-on investments. The amount invested is lower than in previous years principally due to the introduction of new, more restrictive VCT rules in November 2015. These changes have required the Investment Manager to adapt its investment strategy to focus on the provision of development capital to younger companies. As a result, in common with other VCTs, the rate of new investment has slowed since their introduction. In the meantime, the Company continues to comply with the 70 per cent test and will continue to search for quality investments.

The Investment Manager has an active programme for directly approaching prospective investee companies and continues to invest in its capabilities to identify a supply of new and attractive investment opportunities. The pipeline of suitable investment opportunities is improving, although it is now taking longer to establish compliance with the new VCT rules and the subsequent conversion to completed investments has proved challenging.

A total of £15.5m was realised from the full sale of investments during the period, taking account of amounts realised by Baronsmead VCT plc prior to the merger with the Company. This includes the sales of Nexus Vehicle Holdings, Kingsbridge Risk Solutions and Jelf Group, which generated returns of 4.5 times, 3.2 times and 2.5 times their costs respectively. Against these successes, losses were realised on underperforming investments such as Valldata Group and Fisher Outdoor Leisure Holdings.

Full details about the investments and divestments during the period are set out in the tables on pages 10 and 11 and in view of the new VCT rules, the Company has updated and simplified its Investment Policy which is set out on page 58.

18.5p per share in total dividend payments for the year

£15.5m proceeds realised during the year

NAV total return of 363p per 100p invested for founder shareholders

Strategic Report

Fundraising

The Company raised £9.7m net of expenses in February 2016 and realised £15.5m from the sale of the investments in the year to 30 September 2016. As a result, it is unlikely that the Company will seek to raise new funds in the current tax year, preferring to continue investing from the currently available cash resources.

Annual General Meeting

I look forward to meeting as many shareholders as possible at the Annual General Meeting to be held at 10.00 am on 14 February 2017, at Plaisterers' Hall, One London Wall London, EC2Y 5JU. As well as my own review of the year, there will also be presentations from the Manager.

Outlook

Given the uncertainty over the timing and terms of the UK's exit from the European Union, it will take time for the impact of Brexit on the UK economy to be known. It is also too early to determine whether there will be any relaxation of VCT investment restrictions that have been heavily influenced by the EU State Aid rules. We are therefore proceeding on the basis that this will not be the case as it is likely to be a number of years before there will be clarity on that matter.

Reassuringly, our investment portfolio is diverse, gearing levels are low and the steady progress of trading activity has continued. There are a number of more mature investments that may be realised over the coming years which should assist in generating good returns for investors. The VCT industry is slowly adapting to the new legislation and the number of investment opportunities being considered by the Investment Manager is growing. The Manager is one of the most experienced in the sector with a track record of investing for the long term and we are therefore confident it can adapt to the challenges of the new VCT rules and any disruption that Brexit may bring.

Peter Lawrence
Chairman

17 November 2016

Manager's Review

Andrew Garside
Head of Unquoted Investments

Ken Wotton
Head of Quoted Investments

Sheenagh Egan
Chief Operating Officer

Michael Probin
Investor Relations

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

PORTFOLIO REVIEW

Overview

The net assets of £150.6 million were invested as follows:

Asset class	NAV (£m)	% of NAV*	Number of investees	% return in the year**
Unquoted	**49.3**	**33**	**18**	**21.4**
AIM-traded companies	**60.6**	**40**	**52**	**(4.9)**
Wood Street Microcap Investment Fund	**18.4**	**12**	**42**	**4.8**
Liquid assets	**22.3**	**15**	**N/A**	**–**
Totals	**150.6**	**100**	**112**	**–**

* By value as at 30 September 2016.

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

During the year there were:

- 5 new and 4 follow on investments in unquoted and quoted companies totalling £4.5m
- 7 realisations delivered proceeds totalling £15.5m

Each quarter the direction of general trading and profitability of all investee companies is assessed so that the Board can monitor the overall health and trajectory of the portfolio. At 30 September 2016, 88 per cent of the 70 companies directly held in the portfolio (excluding the investments held by Wood Street Microcap) were progressing steadily or better.

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

Strategic Report

Investment Activity

During the year, £4.5m was invested in 9 companies including 5 new additions to the portfolio and 4 follow on investments. Three of the largest investments were:

- **Cerillion** (quoted) provides Customer Relationship Management ("CRM") and billing software as an enterprise solution to telecoms companies globally with clients in 36 countries.
- **Eden Research** (quoted) is focused on IP exploitation in the area of crop science where it has strong patents around micro encapsulation which is a method of safely and effectively delivering active ingredients to particular crops focused on disease prevention. Our investment will be used to fund product development.
- **Happy Days Consultancy** (unquoted) is a chain of nurseries based in the South West of England. Baronsmead Venture Trust made an initial investment in 2012 and since then the company has opened 3 new nurseries and currently has 2 under development. A follow on investment has been made to fund further new nurseries.

Unquoted Portfolio

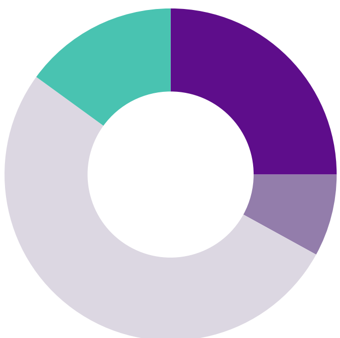
The unquoted portfolio performance has been strong, growing by around 21 per cent over the course of the year. This includes capitalised interest received on the sale of investments. The portfolio is valued by the Board using a consistent process every quarter. The majority of the value created by portfolio companies comes from trading and operational improvements including revenue and margin growth, rather than financial leverage.

Investment Diversification at 30 September 2016

Sector by value

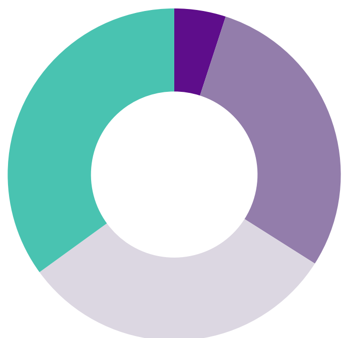
Business Services	**31%**
Consumer Markets	**20%**
Healthcare & Education	**13%**
Technology, Media & Telecommunications ("TMT")	**36%**

Total assets by value



Unquoted – loan stock	**25%**
Unquoted – equity	**8%**
AIM & collective investment vehicle	**52%**
Net current assets (principally cash)	**15%**

Time investments held by value



Less than 1 year	**5%**
Between 1 and 3 years	**29%**
Between 3 and 5 years	**31%**
Greater than 5 years	**35%**

Unquoted Divestment Activity

During the year there were five full realisations which returned proceeds of approximately £13.6m for Baronsmead Venture Trust.

- **Nexus Vehicle Holdings** has been a longer hold as we invested in 2008. Sales have grown five fold since then and a full realisation was achieved to a Private Equity buyer in December 2015 delivering an excellent return of 4.5x cost. This was the largest investment by cost in the Company's unquoted portfolio.
- **Kingsbridge Risk Solutions** generated a return of 3.2x its original cost when it was sold in May 2016 after a relatively short investment period of only 28 months. Kingsbridge is a specialist insurance broker providing services to freelance contractors in professions such as engineering and IT.
- **Fisher Outdoor Leisure Holdings** is a distributor of cycle accessories which Baronsmead Venture Trust has held since 2006. The investment was realised in April 2016 for 0.8x cost which was a good recovery from the full provision in 2014.
- Following a period of strong realisations, there have been two less successful exits to report. **Independent Community Care Management** (high acuity care) has been partially realised recovering 0.5x the original cost. Additionally, there was no recovery of the investment in Valldata Group at realisation, (payment processing for not-for-profit sector) which was sold to an investor.

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

Quoted Portfolio (AIM-traded investments)

The quoted portfolio has seen a decrease in value of 5 per cent following a number of years of strong performance. This reduction in value reflects the volatility of the quoted markets particularly in the months following the Brexit decision. The Manager is satisfied that the quoted portfolio is well diversified and positioned for longer term prospects, not withstanding volatility which affects quoted markets from time to time.

Quoted Divestment Activity

Proceeds from two realisations during the year from the quoted portfolio totalled £1.9m and delivered an aggregate return of 1.5x cost. Jelf Group had been held since 2004 and was sold by way of a trade sale for 2.5x cost. Tangent Communications realised 0.5x cost.

Wood Street

Wood Street Microcap Investment Fund ("Wood Street") was established by Livingbridge in May 2009 to provide flexibility for the Baronsmead VCTs to invest in larger and more liquid non VCT qualifying AIM and Small Cap opportunities. It represents another innovation introduced by the Livingbridge Quoted Team to seek performance improvement. At 30 September 2016, Baronsmead Venture Trust's cumulative £7.0m investment was valued at £18.4m, following a gain of a further 5 per cent over the year. As at 30 September 2016, Wood Street held investments in 42 AIM-traded and listed companies.

Liquid assets (cash and near cash)

Baronsmead Venture Trust had cash of approximately £22m at the year-end. This asset class is conservatively managed to take minimal or no capital risk, a strategy outlined in prospectuses that have been issued in the past.

OUTLOOK

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

Livingbridge VC LLP
Investment Manager

17 November 2016

Strategic Report

Investments in the year

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments *Follow on*				
Happy Days Consultancy Ltd	Cornwall	Healthcare & Education	Provider of nursery based childcare in the South West of England	658
Total unquoted investments				**658**
AIM-traded investments *New*				
Cerillion plc	London	TMT*	CRM and billing software to telecoms companies	900
Eden Research plc	Gloucestershire	Business Services	Developer of biological fungicides and bio equivalents	900
LoopUp Group plc	London	TMT*	Audio conferencing solutions	504
Wey Education plc	London	Healthcare & Education	Online independent UK secondary school	214
Science in Sport plc	London	Consumer Markets	A vertically integrated sports nutrition provider	143
Follow on				
SysGroup plc (formerly Daily Internet plc)	Liverpool	TMT*	IT managed services and hosting	612
Venn Life Sciences Holdings plc	London	Healthcare & Education	Clinical research organisation providing consulting and clinical trial services	387
Belvoir Lettings plc	Lincolnshire	Consumer Markets	UK based letting agency franchise network	157
Total AIM-traded investments				**3,817**
Total investments in the year				**4,475†**

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

† All investments with the exception of Eden Research, LoopUp Group and SysGroup were made prior to BVT (previously known as BVCT2) acquiring the assets of BVCT on 8 February 2016. Hence, the book cost of new investments shown (except for Eden Research, LoopUp Group and SysGroup) relate only to the investments made by BVCT2.

BVT acquired the BVCT investment portfolio (total £62,819,000) on 8 February 2016. This portfolio included the investments listed in the table above (with the exception of Eden Research, LoopUp Group and SysGroup).

Realisations in the year

Company		First investment date	Proceeds‡ £'000	Overall multiple return*
Unquoted realisations				
Nexus Vehicle Holdings Ltd	Full trade sale	Feb 08	5,873	4.5
Kingsbridge Risk Solutions Ltd	Full trade sale	Jan 14	5,196	3.2
Fisher Outdoor Leisure Holdings Ltd	Full trade sale	Jun 06	2,013	0.8
Independent Community Care Management Ltd	Full trade sale	Oct 11	548	0.5
Valldata Group Ltd	Full trade sale	Jan 11	0	0.5
Total unquoted realisations			**13,630**	
AIM-traded realisations				
Jelf Group plc	Recommended offer	Oct 04	1,364	2.5
Tangent Communications plc	Full market sale	Mar 07	500	0.5
Total AIM-traded realisations			**1,864**	
Total realisations in the year			**15,494†**	

‡ Proceeds at time of realisation including interest.

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

† Proceeds of £4,000 was received in respect of Bglobal, which had been written off in a prior period. Deferred consideration of £100,000 was received in respect of Playforce Holdings and £56,000 in respect of CableCom II Networking Holdings, both of which had been sold in prior periods. Carnell Contractors was fully realised on receipt of final earn-out dividend of £686,000.

With the exception of Kingsbridge Risk Solutions, Fisher Outdoor Leisure Holdings, Valldata Group and Tangent Communications all realisations were made before the acquisition of the BVCT investment portfolio and proceeds shown relate to those made prior to 8 February 2016.

Strategic Report

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

Ten Largest Investments

1 Staffline Group Plc
Nottinghamshire

Quoted

www.staffline.co.uk

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

In more recent years the company has helped its Employability division which manages government work programmes to help the long term unemployed back to work.

All funds managed by Livingbridge
First investment: July 2000
Total original cost: £174,000
Total equity held: 2.40%

Baronsmead Venture Trust only
Original cost: £174,000
Valuation: £5,801,000
Valuation basis: Last Traded Price
% of equity held: 2.40%

Year ended 31 December

	2015 £ million	2014 £ million
Sales:	702.2	503.2
EBITA:	30.3	19.4
Net Assets:	73.2	65.9
No. of Employees:	3,768	1,611

(Source: Staffline Group plc, Annual Report 31 December 2015)

2 Netcall plc
Hertfordshire

Quoted

www.netcall.com

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

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

All funds managed by Livingbridge
First investment: July 2010
Total original cost: £4,354,000
Total equity held: 17.83%

Baronsmead Venture Trust only
Original cost: £1,738,000
Valuation: £5,249,000
Valuation basis: Bid Price
% of equity held: 7.15%

Year ended 30 June

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

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

3 Crew Clothing Holdings Ltd
London

Unquoted

www.crewclothing.co.uk

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

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

All funds managed by Livingbridge
First investment: November 2006
Total original cost: £5,833,000
Total equity held: 28.10%

Baronsmead Venture Trust only
Original cost: £2,904,000
Valuation: £5,023,000
Valuation basis: Earnings Multiple
% of equity held: 13.40%

Year ended 25 October

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

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

The top 10 investments represent 40.1% of the value of the investment portfolio.

Staffline Group plc

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

Create Health Ltd

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

4 Create Health Ltd

London

Unquoted

www.createhealth.org

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

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

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

Baronsmead Venture Trust only
Original cost: £1,906,000
Valuation: £4,800,000
Valuation basis: Earnings Multiple
% of equity held: 11.48%

Year ended 31 March

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

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

5 IDOX Plc

Berkshire

Quoted

www.idoxgroup.com

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

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

All funds managed by Livingbridge
First investment: May 2002
Total original cost: £1,641,000
Total equity held: 4.90%

Baronsmead Venture Trust only
Original cost: £614,000
Valuation: £4,387,000
Valuation basis: Last Traded Price
% of equity held: 1.83%

Year ended 31 October

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

(Source: IDOX Annual Report & Accounts 2015)

Strategic Report

6 Tasty plc
London

Quoted

www.dimt.co.uk

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

All funds managed by Livingbridge
First investment: September 2006
Total original cost: £3,223,000
Total equity held: 14.40%

Baronsmead Venture Trust only
Original cost: £1,188,000
Valuation: £4,045,000
Valuation basis: Bid Price
% of equity held: 5.00%

Year ended 27 December

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

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

7 Happy Days Consultancy Ltd
Cornwall

Unquoted

www.happydaysnurseries.com

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

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

All funds managed by Livingbridge
First investment: April 2012
Total original cost: £7,617,000
Total equity held: 65.00%

Baronsmead Venture Trust only
Original cost: £3,420,000
Valuation: £4,005,000
Valuation basis: Earnings Multiple
% of equity held: 25.74%

Year ended 31 December

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

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

8 Pho Holdings Ltd
London

Unquoted

www.phocafe.co.uk

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

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

All funds managed by Livingbridge
First investment: July 2012
Total original cost: £4,415,000
Total equity held: 28.00%

Baronsmead Venture Trust only
Original cost: £1,982,000
Valuation: £3,851,000
Valuation basis: Earnings Multiple
% of equity held: 11.08%

Year ended 1 March

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

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

* 53 week period ended 1 March 2015.

Year on year sales growth of 29% p.a. across the top ten investments.

Source: Top Ten Audited Financial Statements.

Netcall plc

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

Pho Holdings Ltd

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

9 Dods (Group) plc

London

Quoted

www.dodsgroupplc.com

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

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

All funds managed by Livingbridge
First investment: March 2003
Total original cost: £5,289,000
Total equity held: 20.12%

Baronsmead Venture Trust only
Original cost: £2,022,000
Valuation: £3,678,000
Valuation basis: Bid Price
% of equity held: 8.02%

Year ended 31 March

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

(Source: Dods (Group) plc, Annual Report & Accounts, 31 March 2016)

10 CableCom II Networking Holdings Ltd

Somerset

Unquoted

www.cablecomnetworking.co.uk

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

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

All funds managed by Livingbridge
First investment: October 2013
Total original cost: £5,000,000
Total equity held: 10.54%

Baronsmead Venture Trust only
Original cost: £2,500,000
Valuation: £3,187,000
Valuation basis: Earnings Multiple
% of equity held: 4.92%

Year ended 31 October

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

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

* negative net assets due to investment structure.

Principal Risks & Uncertainties

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

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

The financial risks faced by the Company are covered within the Notes to the Accounts on pages 55 to 57.

Possible impact	Mitigation
The loss of VCT status would result in shareholders who have not held their shares for the designated holding period having to repay the income tax relief they had already obtained and future dividends and gains would be subject to income tax and capital gains tax.	The Board maintains a safety margin on all VCT tests to ensure that breaches are very unlikely to be caused by unforeseen events or shocks. The Investment Manager monitors all of the VCT tests on an ongoing basis and the Board reviews the status of these tests on a quarterly basis. Specialist advisors audit the tests on a bi-annual basis and report to the audit committee on their findings.
The Company might not be able to maintain its asset base leading to its gradual decline and potentially an inability to maintain either its buy back or dividend policies.	The Board and the Investment Manager engage on a regular basis with HM Treasury ("HMT") and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue. In addition the Board and the Investment Manager have considered the options available to the Company in the event of the loss of tax reliefs to ensure that it can continue to provide a strong investment proposition for its shareholders despite the loss of tax reliefs.
Reduction in both the capital value of investors shareholdings and in the level of income distributed.	The Company has a diverse portfolio where the cost of any one investment is typically less than 5 per cent of NAV thereby limiting the impact of any one failed investment. The Board has appointed an Investment Manager that has a strong and consistent track record over a long period, invests in profitable companies in sectors in which it has specialised for the past eighteen years, undertakes extensive due diligence on all prospective investments, has an experienced value enhancement team who actively manage its investments and who take board seats and appoint experienced non executive directors on all unquoted and significant quoted investments.
Reduction in the value of the Company's assets with a corresponding impact on its share price may result in the loss of investors through buy backs and may limit its ability to pay dividends.	The Company invests in a diversified portfolio of companies across a number of industry sectors which provides protection against shocks as the impact on individual sectors can vary depending upon the circumstances. In addition, the Manager uses a limited amount of bank gearing in its investments which enables its investments to continue trading through difficult economic conditions. The Company always maintains healthy cash balances so that it can support portfolio companies with further investment should the investment case support it. The Board reviews the make up and progress of the portfolio each quarter to ensure that it remains appropriately diversified and funded.
The Company's performance could be impacted severely by financial penalties and a loss of reputation resulting in the alienation of shareholders, a significant demand to buy back shares and an inability to attract future investment. The suspension of its shares would result in the loss of its VCT taxation status and most likely the ultimate liquidation of the Company.	The Board and the Investment Manager employ the services of leading regulatory lawyers, sponsors, auditors and other advisers to ensure the Company complies with all of its regulatory obligations. The Board has strong systems in place to ensure that the Company complies with all of its regulatory responsibilities. The Investment Manager has a strong compliance culture and employs dedicated compliance specialists within its team who support the Board in ensuring that the Company is compliant.
Errors in shareholders records or shareholdings, incorrect marketing literature, non compliance with listing rules, loss of assets, breach of legal duties and inability to provide accurate reporting and accounting all leading to reputational risk and the potential for litigation.	The Board has appointed an audit committee who, along with the external auditors, review the internal control ("ISAE3402") and/or internal audit reports from all significant third party service providers, including the Investment Manager, on a bi-annual basis to ensure that they have strong systems and controls in place including Business Continuity Plans. The Board regularly reviews the performance of its service providers to ensure that they continue to have the necessary expertise and resources to provide a high class service and always where there has been any changes in key personnel or ownership.

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 58, is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs. As referred to in the Chairman's Statement, the investment policy has been updated and simplified, in light of the new VCT rules.

Investing in the Right Companies

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

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

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

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

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

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

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

Environmental, Human Rights, Employee, Social and Community Issues

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

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

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

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

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

Global Greenhouse Gas Emissions

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

Gender Diversity

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

Appointment of the Manager

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

The management agreement

Under the management agreement, the Manager receives a fee of 2.0 per cent per annum of the net assets of the Company. In addition, the Manager is responsible for providing all secretarial, administrative and accounting services to the Company. The Manager has appointed Capita Sinclair Henderson to provide these services to the Company on its behalf. The Company is responsible for paying the fee charged by Capita Sinclair Henderson to the Manager in relation to the performance of these services.

Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee. The running cost as at 30 September 2016 was 2.30 per cent.

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

Performance fees

A performance fee will not be payable to the Manager until the total return on shareholders' funds exceeds an annual threshold of the higher of 4 per cent or base rate plus 2 per cent calculated on a compound basis. To the extent that the total return exceeds the threshold over the relevant period then a performance fee of 10 per cent of the excess will be paid to the Manager. The amount of any performance fee which is paid in an accounting period shall be capped at 5 per cent of shareholders' funds for that period.

During the financial year the threshold has not been exceeded and no performance fee is payable (2015: £588,000).

Management retention

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

Strategic Report

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

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

Since the formation of the scheme in 2004, 58 executives have invested a total of £895k in 47 companies. At 30 September 2016, 30 of these investments have been realised generating proceeds of £259m for the Baronsmead VCTs and £13.4m for the co-investment scheme. For Baronsmead Venture Trust the average money multiple on these 30 realisations was 1.9 times cost. Had the co-investment shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been the equivalent of 3.8p a share (based on the current number of shares in issue). The Board considers this small cost to retain quality people to be in the best interests of shareholders.

Advisory fees

During the year to 30 September 2016, the Manager received income of £nil (2015: BVCT £152,000 & BVCT2 £152,000) in connection with advisory fees and incurred abort fees of £12,000 (2015: BVCT £9,000 & BVCT2 £9,000), with respect to investments attributable to Baronsmead Venture Trust.

Directors' fees of £309,000 (2015: BVCT £206,000 & BVCT2 £206,000) were received by the Manager in relation to services provided to companies in the investment portfolio, during the year, with respect to investments attributable to Baronsmead Venture Trust.

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

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

Viability Statement

In accordance with principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over the three year period to 30 September 2019. This period is used by the Board during the strategic planning process and is considered reasonable for a business of our nature and size.

The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timeline for finding, assessing and completing investments.

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

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

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

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

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

Returns to Investors

Dividend policy

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

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

Shareholder choice

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

- Fund raising | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for costs. In February 2016, the Company's offer for subscription to raise £10m (£9.7m after costs) was fully subscribed.
- Dividend Reinvestment Plan | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 3,409,000 shares were bought in this way during the year to 30 September 2016.
- Buy back of shares | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to the likely impact on shareholders as a whole, the funding requirements of the Company and market conditions at the time, the Company seeks to maintain a mid share price discount of approximately 5 per cent to net asset value.
- Secondary market | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 1,109,000 shares were bought by investors in the Company's existing shares in the year to 30 September 2016.

On behalf of the Board
Peter Lawrence
Chairman

17 November 2016

Report of the Directors

The Chairman's Statement on pages 4 to 6, the Corporate Governance Statement on pages 25 to 32 and the Strategic Report on pages 2 to 21 forms part of the Report of the Directors.

Board of Directors

As at 30 September 2016

Peter Lawrence	Chairman
Appointed:	8 February 2016
Past experience	Peter was until the Merger on 8 February 2016 a non-executive director of Baronsmead VCT plc having been appointed in November 1999 and becoming Chairman in 2009. Peter was also a prior Chairman of Baronsmead VCT 5 plc before retiring in 2010.
Other appointments	Peter is currently Chairman of ECO Animal Health Group plc, an AIM-traded company which he founded in 1972. Peter is also a director of Amati VCT plc and Algatechnologies Limited, which is a private equity backed company and Anpario plc, which is traded on AIM.
Beneficial Shareholding	707,936 Ordinary Shares

Les Gabb	Non-Executive Director and Audit Committee Chairman
Appointed:	8 February 2016
Past experience	Les served as a director of Baronsmead VCT plc from May 2014 until the Merger on 8 February 2016. He studied biochemistry at Oxford University and subsequently qualified as a Chartered Accountant at KPMG in 1987. For 10 years Les was the managing director of the London subsidiary of the Bank of Bermuda with responsibility for the finance function of the Bank's European group.
Other appointments	Since 2000 Les has been Finance Partner at Advent Venture Partners and currently holds a similar role at the recently formed Felix Capital Partners. Les is an Associate of the Institute of Taxation, and a previous member of the BVCA Legal and Technical committee and the EVCA Venture Capital Council.
Beneficial Shareholding	25,319 Ordinary Shares

Valerie Marshall	Senior Independent Director
Appointed:	8 February 2016
Past experience	Valerie served as a director of Baronsmead VCT plc from November 2009 until the Merger on 8 February 2016. Previously, she was Corporate Finance Director at stockbrokers Greig Middleton & Co Ltd, and formerly invested in growing companies with both 3i plc and the Scottish Development Agency. She has also been chair of the Council of the University of Kent and deputy chair of the Committee of University Chairs.
Other appointments	She is CEO of Stratagem Corporate Finance and Strategy Ltd, a non-executive director of Fusion Lifestyle Ltd, and Treasurer and Trustee of the British Science Association, established by Royal Charter.
Beneficial Shareholding	52,033 Ordinary Shares

Christina McComb	Non-Executive Director, Nomination Committee Chairman and Mangagement Engagement and Remuneration Chairman
Appointed:	3 February 2011
Past experience	Christina has over 25 years' experience of venture capital investment and fund management and has advised Government on initiatives to support investment in UK SMEs. She is a former director of 3i plc and more recently was CEO of C5 Capital Limited, a fund investing in growth companies in the security technology sector.
Other appointments	She is currently Chair of OneFamily, a leading UK financial mutual and Senior Independent Director of the British Business Bank plc. She also holds non-executive positions at Standard Life European Private Equity Trust plc and Nexeon Ltd.
Beneficial Shareholding	34,858 Ordinary Shares

Report of the Directors

The Directors of Baronsmead Venture Trust plc (Reg: 03504214) present their nineteenth Report and audited financial statements of the Company for the year ended 30 September 2016.

Shares and Shareholders

Share capital

As a result of the reconstruction and winding up of Baronsmead VCT plc, on 8 February 2016, the Company allotted 79,425,134 ordinary shares. On 8 February 2016, the Company also allotted a further 9,727,419 ordinary shares as a result of an offer for subscription.

During the year the Company bought back a total of 2,040,000 ordinary shares to be held in Treasury, representing 1.1 per cent of the issued share capital as at 30 September 2016, with an aggregate nominal value of £204,000. The total amount paid for these shares was £1,912,675. The Company's remaining authority to buy back shares from the 2016 Annual General Meeting ("AGM") is 23,766,913. During the year the Company also sold 2,750,000 ordinary shares from Treasury. These shares were sold for a total amount of £2,344,187.50.

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

Share	Total	% of Shares in issue	Nominal Value
In issue	184,124,685	100.00	£18,412,469
Held In treasury	11,253,819	6.11	£1,125,382
In circulation	172,870,866	93.89	£17,287,087

The maximum number of shares held in Treasury during the year was 13,743,819. Shares will not be sold out of Treasury at a discount wider than the discount at which the shares were initially bought back by the Company.

Shareholders

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

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

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

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

Tax free dividends

The Company paid the following dividends for the year ended 30 September 2016:

Tax Free Dividends	£'000
First interim dividend of 3.5p per ordinary share paid on 18 December 2015	2,905
Second interim dividend of 6.5p per ordinary share paid on 3 June 2016	11,075
Third interim dividend of 8.5p per ordinary share paid on 30 September 2016	14,532
Total dividends paid for the year	28,512

Annual General Meeting

The notice of the AGM of the Company to be held at 10.00am on 14 February 2017 at Plaisterers' Hall, One London Wall, London EC2Y 5JU has been sent to shareholders and is available on the Company's website.

Report of the Directors

Directors

Appointments

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

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

Directors' Indemnity

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

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

Conflicts of Interest

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

Responsibility for accounts and going concern

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

After making enquires, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 30 September 2016, the Company held cash balances with a value of £21,591,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing or covenants.

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

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

17 November 2016

Corporate Governance

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

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

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

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

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

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

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
1	**The Chairman should be independent.**	The Board does not consider that Mr Lawrence has any conflict of interest that compromises his independence and the Company's independent directors (excluding the Chairman) have determined that he remains an independent director.
2	**A majority of the board should be independent of the manager.**	All of the Directors' appointments are non-executive and, having considered the performance and independence of each Director, including the length of service of each Director, the Board has determined that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement or impair their independence. As explained in the disclosure relating to AIC Code Provision 4, the Board does not believe that length of service has a bearing on independence and the nature of the Company's business is such that an individual director's experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole. The Board regularly considers the independence of its Directors and has concluded that each Director provides the Manager with robust challenge and approaches their role in a way that satisfies the rest of the Board that they continue to be independent.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
3	**Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.**	The Board has agreed that each Director will retire and, if appropriate, seek re-election annually, in line with best practice.
4	**The board should have a policy on tenure, which is disclosed in the annual report.**	The Board does not believe that the tenure of a director on a wholly non-executive board has any direct bearing on their independence and, in common with many VCTs, the Board ensures that its membership includes longer-serving directors who provide a balance of knowledge and experience that is not present in the absence of executive directors. In addition, the average period for holding private equity investments is considerably longer than for other types of investment. As a result the Nomination Committee considers the composition of the Board regularly and has determined that a formal policy on tenure would not be appropriate.
5	**There should be full disclosure of information about the board.**	The Board is profiled on page 22 and biographies are available on the Company's website. Details of the Board's committees are set out below this table.
6	**The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.**	The profiles of each of the Directors is set out on page 22 and highlights their range of skills, experience, length of service and knowledge. The Board believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and the Board and its Nomination Committee give careful consideration to issues of board balance and diversity when considering the composition of the Board and making new appointments. This was a key focus of the review carried out as part of the merger process to ensure the right Board composition was put in place to drive the Company forward.
7	**The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.**	It is the Board's policy to evaluate the performance of the Board, committees and individual Directors through an assessment process, led by the Chairman. The performance of the Chairman is evaluated by the other Directors under the leadership of the Senior Independent Director. The performance of the Board, committees and individual Directors would usually be evaluated through an assessment process by way of a questionnaire specifically designed to assess the strength of the Board and Committees and identify areas for further development. The independence of each Director is also considered as part of this process. Given the extensive review work undertaken as part of the merger process, the Board has not carried out a formal performance evaluation this year, noting that the performance and independence of each Director was very carefully analysed to ensure the correct Board composition at the time of the merger. A full Board evaluation process will be carried out in 2017.
8	**Director remuneration should reflect their duties, responsibilities and the value of their time spent.**	The Board's Management Engagement and Remuneration Committee considers at least annually the level of the Board's fees, in accordance with the Remuneration Policy approved by shareholders at the 2013 AGM. This policy will be submitted to Shareholders for re-approval at the forthcoming AGM. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 33 to 36.
9	**The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.**	The Nomination Committee, which is comprised entirely of independent directors, is responsible for overseeing the recruitment of new directors. The Nomination Committee has reviewed the composition of the Board and believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
10	**Directors should be offered relevant training and induction.**	New Directors are provided with an induction pack containing key information and governance documents relating to the Company when they are appointed. In addition they are offered a tailored induction programme with the Manager which covers the investment portfolio and the Manager's approach to investment. Directors receive detailed updates on market and regulatory developments and are provided periodically with training to enhance and refresh their knowledge.
11	**The Chairman (and the board) should be brought into the process of structuring a new launch at an early stage.**	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.
12	**Boards and managers should operate in a supportive, co-operative and open environment.**	Formal board meetings provide important forums for the Directors and key members of the Manager's team to interact and for Directors to receive reports and provide challenge to the Manager. However, interaction between the Board and the Manager is not restricted to these meetings. Between meetings the Manager continuously updates the Board on developments and responds to queries and requests by Directors as they arise. Informal meetings take place regularly between the Directors and the Manager and senior members of the Manager's team are also invited to the Board's annual strategy meeting.
13	**The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.**	At each quarterly meeting, the Board receives a report on the performance of the Company, its investments and the VCT sector (including competitors). The report also outlines compliance with the 70 per cent test and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments that will/may impact upon the Manager's management of the investment portfolio. The Board has agreed with the Manager specific KPIs that enable both parties to monitor compliance with the agreed Investment Policy and Risk Management framework. Directors regularly seek additional information from the Manager to supplement these reports and formally review the performance measures and KPIs at their annual strategy meeting.
14	**Boards should give sufficient attention to overall strategy.**	The Board monitors performance against its agreed strategy on an ongoing basis and reviews its overall strategy, including the viability of the Company in its current form, at its annual strategy meeting.
15	**The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed fund).**	The Management Engagement and Remuneration Committee reviews the overall performance of the Manager annually and considers both the appropriateness of the Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Manager. The Board believe that the Manager's track record in the VCT sector remains outstanding and that its ability to continue to achieve strong results by adapting to an ever changing regulatory environment has been particularly impressive. As a result, the Board has concluded that the continuing appointment of Livingbridge VC LLP remains in the best interest of shareholders as a whole.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
16	**The board should agree policies with the manager covering key operational issues.**	Certain matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board. Under the terms of a management agreement, the Board has delegated the management of the investment portfolio to the Manager. The management agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. The Manager also provides or procures the provision of company secretarial, accounting, administrative and custodian services to the Company. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The Board has considered the adequacy of arrangements by which staff of the Manager or Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.
17	**Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.**	The Company has stated its aim to seek a mid share price discount to NAV of 5 per cent but keeps the share price discount policy under continuous review. The performance of the Company's share price and the discount to NAV is monitored continuously and shares will be bought back depending on market conditions at the time and only where the Directors believe it to be in the best interests of all shareholders.
18	**The board should monitor and evaluate other service providers.**	The Board has established a framework for monitoring and evaluating the performance of its third party services providers and, on the Company's behalf, the Manager monitors the performance and systems and controls employed by the service providers. The Audit Committee receives detailed information in regard to the performance of all third party service providers at each meeting. The Audit Committee also receives service provider controls reports from the Manager and the Board considers if a provider should be replaced.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
19	**The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views for communicating the board's view to shareholders.**	As a VCT, the Company's share register is made up almost entirely of retail shareholders and the Board, through the Manager, remains in constant engagement with wealth managers and brokers to inform their understanding of its investor base. Periodically the Board canvasses the views of its shareholders as a whole by issuing a shareholder questionnaire. The Company's Annual Report & Accounts provides the Board with an opportunity to report on the performance and outlook for the Company and to update shareholders on developments. At the AGM, and any other general meetings, shareholders have an opportunity to receive more detailed presentations from the Manager on specific investments and it also provides a forum to speak directly to the Directors and members of the Manager's team. The Directors welcome the views of shareholders and are happy to correspond directly with shareholders or make themselves available to meet shareholders. Shareholders seeking to communicate with the Board should contact the Manager in the first instance (see page 65 for contact details). The 2016 AGM was held on 9 March 2016. The Company provided 21 days' notice, in accordance with the Companies Act 2006. Due to the timeline associated with the merger, it was not practicable to provide the 20 working days' notice, as required under the AIC Code. However, the Company will comply with this requirement in respect of the 2017 AGM and intends to comply with this for all future AGMs.
20	**The board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.**	The Board takes responsibility for approving the content and timing of communications regarding major corporate issues. Communications usually take the form of stock exchange announcements, press releases and direct correspondence with shareholders and the Board seeks the advice and guidance of the Manager when drafting such communications.
21	**The board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.**	The Company's annual report is drafted to provide shareholders with sufficient information to understand the nature of their investment in the Company. The format and content of the annual report is updated each year in response to changes in best practice and to improve the quality of the information available to shareholders. Details of the Company's full portfolio, as at 30 September 2016 can be found on the Company's website and on pages 61 and 62 of this Annual Report and Accounts. Under the AIC Code the Company must provide an explanation regarding the prospects of the Company over a period of more than 12 months. The Company's Viability Statement can be found on pages 20 and 21.

Corporate Governance

The Board's Committees

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

Audit Committee

Chairman: Mr Les Gabb

Key responsibilities:

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

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

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

a. The valuation and existence of unquoted investments: the Manager and external auditor confirmed that the investment valuations had been performed consistently with prior years and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The Directors had met quarterly to assess the estimates and judgements made by the Manager in the valuations for their appropriateness.

b. Venture capital trust status: the conditions for maintaining the status as an approved venture capital trust were reviewed regularly throughout the year. The position had also been reviewed by Philip Hare & Associates LLP in their capacity as adviser to the Company on taxation matters.

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

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

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

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

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

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

As part of the tender process, the Committee carefully considered the independence of KPMG LLP and were satisfied that there was a clear division between audit and non-audit services. The Committee believes that the value of non-audit services provided by KPMG LLP, as reported on page 51, does not represent a conflict of interest.

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

Management Engagement and Remuneration Committee

Chairman: Ms Christina McComb

A summary of this Committee's key responsibilities and activities carried out during the year can be found in the Remuneration Report on page 33.

Nomination Committee

Chairman: Ms Christina McComb

Key responsibilities:

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

Corporate Governance

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

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

The below table sets out the Directors' attendance at Board and Committee meetings held during the year to 30 September 2016. In addition the Board established committees to approve financial statements and the payment of interim dividends. The Directors also attended quarterly meetings to consider in detail the valuations of the unquoted investments in the portfolio.

	Board of Directors (4 meetings held)		Audit Committee (2 meetings held)		Management Engagement and Remuneration Committee (2 meeting held)		Nomination Committee (1 meeting held)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Lawrence∆	3	3	1	1	1	1	0	0
Valerie Marshall∆	3	3	1	1	1	1	0	0
Les Gabb∆	3	2	1	1	1	0	0	0
Christina McComb	4	4	2	2	2	2	1	1
Clive Parritt*	3	2	2	2	2	1	1	1
Gillian Nott**	1	1	1	1	1	1	1	1
Howard Goldring**	1	1	1	1	1	1	1	1

∆ appointed on 8 February 2016.

* retired on 31 May 2016.

** retired on 8 February 2016.

Directors' Remuneration Report

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

The law requires the Company's auditor, KPMG, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the 'Independent Auditor's Report' on pages 38 to 40.

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

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

The Management Engagement and Remuneration Committee is chaired by Ms McComb and comprises all the Directors of the Company. The Company has no executive Directors, and considers all the non-Executive Directors to be independent. The Management Engagement and Remuneration Committee's key responsibilities are:

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

Each year the Committee reviews the Directors' fees to make sure they are in line with others in the VCT industry, so that the Board can attract suitably qualified candidates to the Board. In addition they have regard to the workload that individual directors and the Chairman undertake as members of the Board. In recent years the Board has seen a significant increase in regulation in the industry which has in turn resulted in an increase in the workload of the Directors. In the forthcoming year the workload will be increased yet again by the recent legislative changes that were introduced in November 2015. In addition the Directors spend a considerable amount of time monitoring the 70 per cent test, the other continuing VCT tests, and the co-investment scheme. They are also responsible for monitoring the key risks to the Company and for scrutiny of all costs. The Directors set the Strategy for the Company's continuing success and decide when fundraising is appropriate. They then monitor the performance of the Company against the strategic objectives set.

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

Further details of the responsibilities of the Directors are provided in the Corporate Governance Statement on pages 25 to 32, all of which the Board believes should be taken into account when determining the remuneration of the Directors.

Directors' Fees

Following completion of the merger, the Management Engagement and Remuneration Committee met to consider the level of Directors' fees and concluded that, having regard for the amount and quality of work that Directors were required to undertake, it was appropriate to change the Director's fees. Accordingly the Directors' fees were increased from £22,000 to £24,000 and the Chairman's fee was decreased from £29,500 to £26,000. It was also agreed that the Audit Committee Chairman would receive the same fee as the other Non-Executive Directors. These changes were effective from 8 February 2016, the date that the merger with Baronsmead VCT plc completed.

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 CPI at the time and the performance of the Company's portfolio. In November 2016, the Management Engagement and Remuneration Committee met to review the level of Directors' fees and concluded that, having regard for the amount and quality of work that Directors were required to undertake, it was appropriate to increase the Director's fees, in line with CPI, which as at 30 September 2016 was 1.0 per cent. Accordingly the Directors' fees were increased from £24,000 to £24,240 and the Chairman's fee was increased from £26,000 to £26,260 with effect from 1 October 2016.

Directors' Remuneration Report

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 in the box above, was last approved by the members at the 2013 AGM and will be submitted for re-approval at the forthcoming AGM. There are no proposed changes to the policy and therefore it is intended that this policy will continue for the year ending 30 September 2017 and subsequent years. In accordance with the regulations, an ordinary resolution to approve the directors' remuneration policy will be put to shareholders at least once every three years.

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

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

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy. At the last AGM, over 94 per cent of shareholders voted for the resolution approving the Directors Remuneration Report (5 per cent against). At the 2013 AGM, when the remuneration policy was last put to a shareholder vote, over 93 per cent voted for the resolution (6 per cent against), showing significant shareholder support.

Director's Tenure

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

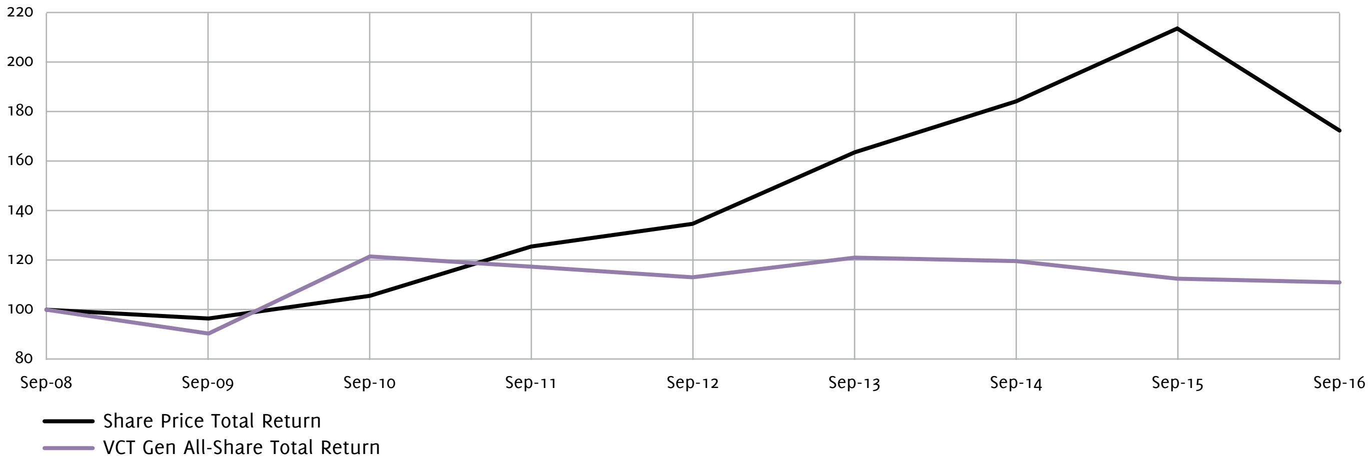
Annual Remuneration Report

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the 'Report of the Directors'. The graph overleaf compares, for the eight years ended 30 September 2016, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 70 generalist VCTs (source AIC), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

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

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



Directors' emoluments for the year (audited)

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

	Fees 2016 (Oct 15 – Sept 16) £	Fees 2015 (Oct 14 – Sept 15) £
Peter Lawrence†	**18,900**	–
Les Gabb†	**17,500**	–
Valerie Marshall†	**17,500**	–
Christina McComb	**23,200**	22,000
Clive Parritt^	**18,000**	29,500
Gill Nott*	**13,400**	22,000
Howard Goldring*	**14,600**	24,000
Total	**123,100**	97,500

† Appointed on 8 February 2016. Fees for 2016 include an additional payment of £1,500 each in respect of additional work carried out during the year.
^ Retired on 31 May 2016.
* Retired on 8 February 2016. Fees for 2016 include ex-gratia payments equivalent to three months fees (Gillian Nott: £5,500; Howard Golding: £6,500) in recognition of their contribution to the development of the Company.

Relative Importance of Spend on Directors' Fees

	2016 £	2015 £	Percentage change
Dividend	**28,512,000**	5,388,000	429.2*
Total directors fees	**123,060**	97,500	26.2

* As explained in the Chairman's Statement, significant dividends have been paid over the past few years due to the realisation of mature investments and therefore this percentage increase should be considered exceptional.

Directors' Remuneration Report

Directors' Interests

The interests of the Directors in the shares of the Company, at the beginning and at the end of the year were as follows:

	30 September 2016 Ordinary 10p shares	Changes during period		30 September 2015 Ordinary 10p shares
		Received during fundraising	Received as part of the merger	
Peter Lawrence	**707,936**	n/a	707,936	n/a
Les Gabb	**25,319***	24,319	n/a	n/a
Valerie Marshall	**52,033****	9,727	34,862	n/a
Christina McComb	**34,858**	9,727	n/a	25,131
Clive Parritt	**n/a**	48,638	n/a	161,633
Gill Nott	**n/a**	n/a	n/a	90,871
Howard Goldring	**n/a**	9,727	n/a	24,607
Total	**820,146**			302,242

* Mr Gabb held 1,000 in the Company prior to the merger.
** Ms Marshall also received 7,444 shares via the dividend reinvestment plan during the year.

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

Approved by the Board of Directors and signed by:
Christina McComb
Chairman of the Management Engagement and Remuneration Committee

17 November 2016

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

On behalf of the Board
Peter Lawrence
Chairman

17 November 2016

Independent Auditor's Report

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Baronsmead Venture Trust plc for the year ended 30 September 2016 set out on pages 41 to 57. In our opinion the financial statements:

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

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 30 September 2015):

Valuation of Unquoted Investments £49.3m (2015: £29.9m)
Risk vs 2015 (◄►)

Refer to page 30 (Audit & Risk Committee Report), page 46 (accounting policy) and pages 46 to 48 (financial disclosures)

- *The risk* – 32.5% (2015: 34.6%) of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value, being primarily earnings multiples. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.
- *Our response* – Our procedures included:
  - documenting and assessing the design and implementation of the investment valuation processes and controls in place;
  - attendance at quarterly valuation meetings with the Directors and investment manager to assess their discussion and review of the investment valuations;
  - assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
  - challenging the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors applied to earnings multiples, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
  - attending the year-end Audit & Risk Committee meeting where we assessed the effectiveness of the Audit & Risk Committee's challenge and approval of unlisted investment valuations; and
  - consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Carrying amount of Quoted Investments £79.0m (2015: £45.4m) Risk vs 2015 (◄►)

Refer to page 46 (accounting policy) and pages 46 to 48 (financial disclosures)

- **The risk** – The Company's portfolio of quoted investments makes up 52.1% (2015: 52.6%) of the company's total assets (by value) and is considered to be one of the key drivers of performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- **Our response** – Our procedures over the completeness, valuation and existence of the company's quoted investment portfolio included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the portfolio;
  - agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
  - agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

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

The materiality for the financial statements as a whole was set at £1,516,220 (2015: £862,661), determined with reference to a benchmark of total assets, of which it represents 1% (2015: 1%).

We report to the Audit & Risk Committee any corrected and uncorrected identified misstatements exceeding £75,811 (2015: £43,133), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

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

In our opinion:

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

Under the Listing Rules we are required to review:

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

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

17 November 2016

Income Statement

For the year ended 30 September 2016

	Notes	Year ended 30 September 2016 Revenue £'000	Year ended 30 September 2016 Capital £'000	Year ended 30 September 2016 Total £'000	Year ended 30 September 2015 Revenue £'000	Year ended 30 September 2015 Capital £'000	Year ended 30 September 2015 Total £'000
Unrealised gains on movements in fair value of investments	2.3	**–**	**3,190**	**3,190**	–	8,847	8,847
Realised gains on disposal of investments	2.3	**–**	**2,931**	**2,931**	–	522	522
Income	2.5	**2,115**	**–**	**2,115**	1,869	–	1,869
Investment management fee	2.6	**(650)**	**(1,949)**	**(2,599)**	(398)	(1,780)	(2,178)
Other expenses	2.6	**(990)**	**–**	**(990)**	(469)	–	(469)
Profit on ordinary activities before taxation		**475**	**4,172**	**4,647**	1,002	7,589	8,591
Taxation on ordinary activities	2.9	**–**	**–**	**–**	(89)	89	–
Profit for the year, being total comprehensive income for the year		**475**	**4,172**	**4,647**	913	7,678	8,591
Return per ordinary share:							
Basic	2.2	**0.34p**	**2.98p**	**3.32p**	1.10p	9.20p	10.30p

All items in the above statement derive from continuing operations.

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

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

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

Statement of Changes in Equity

For the year ended 30 September 2016

	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 2015		**9,497**	**16,561**	**24,820**	**34,152**	**102**	**85,132**
Profit on ordinary activities after taxation		**–**	**–**	**418**	**3,754**	**475**	**4,647**
Shares issued following the acquisition of Baronsmead VCT plc		**7,942**	**71,227**	**–**	**–**	**–**	**79,169**
Net proceeds of share issues, share buybacks & sale of shares from treasury		**973**	**8,727**	**–**	**422**	**–**	**10,122**
Dividends paid	2.4	**–**	**–**	**–**	**(28,239)**	**(273)**	**(28,512)**
At 30 September 2016		**18,412**	**96,515**	**25,238**	**10,089**	**304**	**150,558**

For the year ended 30 September 2015

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

Balance Sheet

As at 30 September 2016

Company Number: 03504214

	Notes	As as 30 September 2016 £'000	As as 30 September 2015 £'000
Fixed assets			
Investments	2.3	**128,261**	75,319
Current assets			
Debtors	2.7	**1,770**	240
Cash at bank and on deposit		**21,591**	10,707
		23,361	10,947
Creditors (amounts falling due within one year)	2.8	**(1,064)**	(1,134)
Net current assets		**22,297**	9,813
Net assets		**150,558**	85,132
Capital and reserves			
Called-up share capital	3.1	**18,412**	9,497
Share premium	3.2	**96,515**	16,561
Capital reserve	3.2	**10,089**	34,152
Revaluation reserve	3.2	**25,238**	24,820
Revenue reserve	3.2	**304**	102
Equity shareholders' funds		**150,558**	85,132
Net asset value per share			
– Basic	2.1	**87.09p**	102.56p
– Treasury	2.1	**86.80p**	101.65p

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

Peter Lawrence
Chairman

Statement of Cash Flows

For the year ended 30 September 2016

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Cash flows from operating activities		
Investment income received	**2,225**	1,806
Deposit interest received	**73**	43
Investment management fees paid	**(3,006)**	(2,134)
Other cash payments	**(564)**	(473)
Merger costs paid	**(246)**	–
Net cash outflow from operating activities	**(1,518)**	(758)
Cash flows from investing activities		
Purchases of investments	**(33,957)**	(56,951)
Disposals of investments	**49,955**	65,034
Net cash inflow from investing activities	**15,998**	8,083
Equity dividends paid	**(28,512)**	(5,388)
Net cash (outflow)/inflow before financing activities	**(14,032)**	1,937
Cash flows from financing activities		
Net proceeds of share issues, share buybacks & sale of shares from treasury	**8,554**	(1,369)
Net proceeds received from merger	**16,362**	–
Net cash inflow/(outflow) from financing activities	**24,916**	(1,369)
Increase in cash	**10,884**	568
Reconciliation of net cash flow to movement in net cash		
Increase in cash	**10,884**	568
Opening cash position	**10,707**	10,139
Closing cash at bank and on deposit	**21,591**	10,707
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities		
Profit on ordinary activities before taxation	**4,647**	8,591
Gains on investments	**(6,121)**	(9,369)
Decrease/(increase) in debtors	**37**	(13)
(Decrease)/increase in creditors	**(72)**	36
Written off expenses from merger	**(9)**	–
Income reinvested	**–**	(3)
Net cash outflow from operating activities	**(1,518)**	(758)

Notes to the Financial Statements

We have grouped notes into sections under three key categories:

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

The key accounting policies have been incorporated throughout the Notes to the Financial Statements adjacent to the disclosure to which they relate. All accounting policies are included within an outlined box.

1. Basis of Preparation

1.1 Basis of accounting

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

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

2. Investments, performance and shareholder returns

2.1 Net asset value per share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30 September 2016 number	30 September 2015 number	**30 September 2016 pence**	30 September 2015 pence	**30 September 2016 £'000**	30 September 2015 £'000
Ordinary shares (basic)	**172,870,866**	83,008,313	**87.09**	102.56	**150,558**	85,132
Ordinary shares (including treasury)	**184,124,685**	94,972,132	**86.80**	101.65	**159,828**	96,543

The treasury net asset value per share as at 30 September 2016 included ordinary shares held in treasury valued at the mid share price of 82.38p at 30 September 2016 (2015: 95.38p).

Notes to the Financial Statements

2. Investments, performance and shareholder returns (continued)

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit on ordinary activities after taxation	
	30 September 2016 number	30 September 2015 number	**30 September 2016 pence**	30 September 2015 pence	**30 September 2016 £'000**	30 September 2015 £'000
Revenue	**139,821,872**	83,436,491	**0.34**	1.10	**475**	913
Capital	**139,821,872**	83,436,491	**2.98**	9.20	**4,172**	7,678
Total			**3.32**	10.30	**4,647**	8,591

2.3 Investments

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

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

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

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

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

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

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

- Level 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.

2. Investments, performance and shareholder returns (continued)

2.3 Investments (continued)

	30 September 2016 £'000	30 September 2015 £'000
Level 1		
Listed interest bearing securities	–	4,498
Investments traded on AIM	60,575	32,141
	60,575	36,639
Level 2		
Collective investment vehicle (Wood Street Microcap Investment Fund)	18,400	8,778
Level 3		
Unquoted investments	49,286	29,902
	128,261	75,319

2. Investments, performance and shareholder returns (continued)

2.3 Investments (continued)

	Level 1		Level 2	Level 3	
	Listed interest bearing securities £'000	Traded on AIM £'000	Collective investment vehicle £'000	Unquoted £'000	Total £'000
Opening book cost	4,498	19,443	3,525	23,033	50,499
Opening unrealised appreciation	–	12,698	5,253	6,869	24,820
Opening valuation	4,498	32,141	8,778	29,902	75,319
Movements in the year:					
Purchases at cost	29,481	3,817	–	1,450	34,748
Holdings acquired following the acquisition of Baronsmead VCT plc	–	28,301	8,926	25,592	62,819
Sale – proceeds	(33,979)	(1,868)	–	(14,899)	(50,746)
– realised gains on sales	–	288	–	2,643	2,931
Unrealised gains realised during the year	–	428	–	2,344	2,772
(Decrease)/increase in unrealised appreciation	–	(2,532)	696	2,254	418
Closing valuation	**–**	**60,575**	**18,400**	**49,286**	**128,261**
Closing book cost	–	50,409	12,451	40,163	103,023
Closing unrealised appreciation	–	10,166	5,949	9,123	25,238
Closing valuation	**–**	**60,575**	**18,400**	**49,286**	**128,261**
Equity shares	–	60,575	18,400	12,264	91,239
Loan notes	–	–	–	37,022	37,022
Closing valuation	**–**	**60,575**	**18,400**	**49,286**	**128,261**

The gains and losses included in the above table have all been recognised in the Income Statement on page 41.

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

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

2. Investments, performance and shareholder returns (continued)

2.4 Dividends

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Amounts recognised as distributions to equity holders in the year:						
For the year ended 30 September 2016						
– First interim dividend of 3.5p per ordinary share paid on 18 December 2015	**–**	**2,905**	**2,905**	–	–	–
– Second interim dividend of 6.5p per ordinary share paid on 3 June 2016	**85**	**10,990**	**11,075**	–	–	–
– Third interim dividend of 8.5p per ordinary share paid on 30 September 2016	**188**	**14,344**	**14,532**	–	–	–
For the year ended 30 September 2015						
– First interim dividend of 2.5p per ordinary share paid on 19 June 2015	**–**	**–**	**–**	1,081	999	2,080
– Second interim dividend of 4.0p per ordinary share paid on 18 September 2015	**–**	**–**	**–**	–	3,308	3,308
	273	**28,239**	**28,512**	1,081	4,307	5,388

2.5 Income

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

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

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

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

Notes to the Financial Statements

2. Investments, performance and shareholder returns (continued)

2.5 Income (continued)

	Year ended 30 September 2016			Year ended 30 September 2015		
	Quoted securities £'000	**Unquoted securities £'000**	**Total £'000**	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments†						
UK franked	**1,452**	**–**	**1,452**	567	–	567
UK unfranked	**33**	**558**	**591**	27	1,228	1,255
UK unfranked – reinvested	**–**	**–**	**–**	–	3	3
	1,485	**558**	**2,043**	594	1,231	1,825
Other income‡						
Deposit interest			**60**			27
Other income			**12**			17
Total income			**2,115**			1,869
Total income comprises:						
Dividends			**1,465**			567
Interest			**650**			1,302
			2,115			1,869

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

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

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**650**	**1,949**	**2,599**	398	1,192	1,590
Performance fee	**–**	**–**	**–**	–	588	588
	650	**1,949**	**2,599**	398	1,780	2,178

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 capital.

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

2. Investments, performance and shareholder returns (continued)

2.6 Investment management fee and other expenses (continued)

The Manager, Livingbridge VC LLP, receives a fee of 2 per cent per annum of the net assets of the Company, calculated and payable on a quarterly basis.

The Manager is entitled to a performance fee if at the end of any calculation period, the total return on shareholders' funds exceeds the threshold of the higher of 4 per cent or base rate plus 2 per cent on shareholders' funds (calculated on a compound basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of shareholders' funds at the end of the period.

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

Other expenses

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Directors' fees	**123**	98
Secretarial and accounting fees paid to the Manager	**147**	137
Remuneration of the auditors and their associates:		
– audit	**31**	23
– Other services supplied pursuant to legislation (interim review)	**6**	–
– Other services supplied relating to taxation	**7**	7
Merger costs	**415**	–
Other	**261**	204
	990	469

Information on directors' remuneration is given in the directors' emoluments table on page 35.

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

2.7 Debtors

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Prepayments and accrued income	**203**	240
Amounts due from sale of shares from treasury	**1,567**	–
	1,770	240

Notes to the Financial Statements

2. Investments, performance and shareholder returns (continued)

2.8 Creditors (amounts falling due within one year)

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Management, secretarial and accounting fees due to the Manager	**792**	1,056
Merger costs	**169**	–
Other creditors	**103**	78
	1,064	1,134

2.9 Tax

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

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

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

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit on ordinary activities before taxation	**475**	**4,172**	**4,647**	1,002	7,589	8,591
Corporation tax at 20.0 per cent (2015: 20.5 per cent)*	**95**	**834**	**929**	205	1,556	1,761
Effect of:						
Non-taxable gains	**–**	**(1,224)**	**(1,224)**	–	(1,921)	(1,921)
Non-taxable dividend income	**(293)**	**–**	**(293)**	(116)	–	(116)
Losses carried forward	**198**	**390**	**588**	–	276	276
Tax charge/(credit) for the year	**–**	**–**	**–**	89	(89)	–

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

At 30 September 2016 the Company had surplus management expenses of £7,583,134 (2015: £4,648,934) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3. Other Required Disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
94,972,132 ordinary shares of 10p each listed at 30 September 2015	9,497
9,727,419 ordinary shares of 10p each issued during the year	973
79,425,134 ordinary shares of 10p each issued as consideration shares following the acquisition of BVCT	7,942
184,124,685 ordinary shares of 10p each listed at 30 September 2016	**18,412**
11,963,819 ordinary shares of 10p each held in treasury at 30 September 2015	**(1,196)**
2,040,000 ordinary shares of 10p each repurchased during the year and held in treasury	(204)
(2,750,000) ordinary shares of 10p each sold from treasury during the year	275
11,253,819 ordinary shares of 10p each held in treasury at 30 September 2016	**(1,125)**
172,870,866 ordinary shares of 10p each in circulation* at 30 September 2016	**17,287**

* Carrying one vote each.

During the year the Company bought back 2,040,000 ordinary shares and sold from treasury 2,750,000 ordinary shares, representing (0.75) per cent of the ordinary shares in issue at the beginning of the financial year.

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

Treasury shares

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

Shareholders have authorised the Board to sell treasury shares at a discount to the prevailing NAV subject to the following conditions:

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

3. Other Required Disclosures (continued)

3.2 Reserves

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

	Distributable reserves			Non-distributable reserves		
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve* £'000	Total £'000
At 1 October 2015	34,152	102	34,254	16,561	24,820	41,381
Gross proceeds of share issues	–	–	–	9,027	–	9,027
Shares issued as consideration following the acquisition of BVCT	–	–	–	71,227	–	71,227
Purchase of shares for treasury	(1,912)	–	(1,912)	–	–	–
Sale of shares from treasury	2,344	–	2,344	–	–	–
Expenses of share issue and buybacks	(10)	–	(10)	(300)	–	(300)
Reallocation of prior year unrealised gains	2,772	–	2,772	–	(2,772)	(2,772)
Realised gain on disposal of investments#	2,931	–	2,931	–	–	–
Net increase in value of investments#	–	–	–	–	3,190	3,190
Management fee capitalised#	(1,949)	–	(1,949)	–	–	–
Revenue return on ordinary activities after taxation#	–	475	475	–	–	–
Dividends paid in the year	(28,239)	(273)	(28,512)	–	–	–
At 30 September 2016	**10,089**	**304**	**10,393**	**96,515**	**25,238**	**121,753**

The total of these items is £4,647,000, which agrees to the total profit on ordinary activities.

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

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

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks

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

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

Market risk

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

Price Risk

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

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

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

	As at 30 September 2016			As at 30 September 2015		
	% of total investment	**5% increase in share price effect on net assets and profit £'000**	**5% decrease in share price effect on net assets and profit £'000**	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000
AIM & CIV	**62**	**3,949**	**(3,949)**	54	2,046	(2,046)
Unquoted	**38**	**2,464**	**(2,464)**	40	1,495	(1,495)

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

Interest rate risk

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

	As at 30 September 2016			As at 30 September 2015		
	Total investment £'000	**Weighted average interest rate %**	**Weighted average time for which rate is fixed days**	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed days
Fixed rate loan note securities	**37,022**	**8.95**	**#**	20,322	8.54	#
Fixed interest instruments	**–**	**–**	**–**	4,498	0.39	26
Cash at bank and on deposit	**21,591**	**–**	**–**	10,707	–	–
	58,613			35,527		

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

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Credit risk

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

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

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Investments in fixed rate instruments	**–**	4,498
Cash at bank and on deposit	**21,591**	10,707
Interest, dividends and other receivables	**1,770**	240
	23,361	15,445

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

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

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

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

There were no significant concentrations of credit risk to counterparties at 30 September 2016 or 30 September 2015. No individual investment exceeded 3.9 per cent of the net assets attributable to the Company's shareholders at 30 September 2016 (2015: 6.1 per cent).

Liquidity risk

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

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

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2016 these investments were valued at £21,591,000 (2015: £15,205,000).

3.4 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Livingbridge VC LLP, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors as disclosed in note 2.6. In addition, the Manager operates a Co-investment Scheme, detailed in the Management retention section of the Strategic Report on pages 19 and 20, whereby members and staff of the Manager are entitled to participate in all unquoted investments alongside the Company.

During the year ended 30 September 2016, the Manager received income of £nil (2015: BVCT £152,000 & BVCT2 £152,000) in connection with advisory fees and incurred abort fees of £12,000 (2015: BVCT £9,000 & BVCT2 £9,000), with respect to investments attributable to Baronsmead Venture Trust.

Directors' fees of £309,000 (2015: BVCT £206,000 & BVCT2 £206,000) were received by the Manager in relation to services provided to companies in the investment portfolio, during the year, with respect to investments attributable to Baronsmead Venture Trust.

3.5 Segmental reporting

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

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 Second Venture Trust plc in companies sourced by Livingbridge VC LLP ("the Manager").

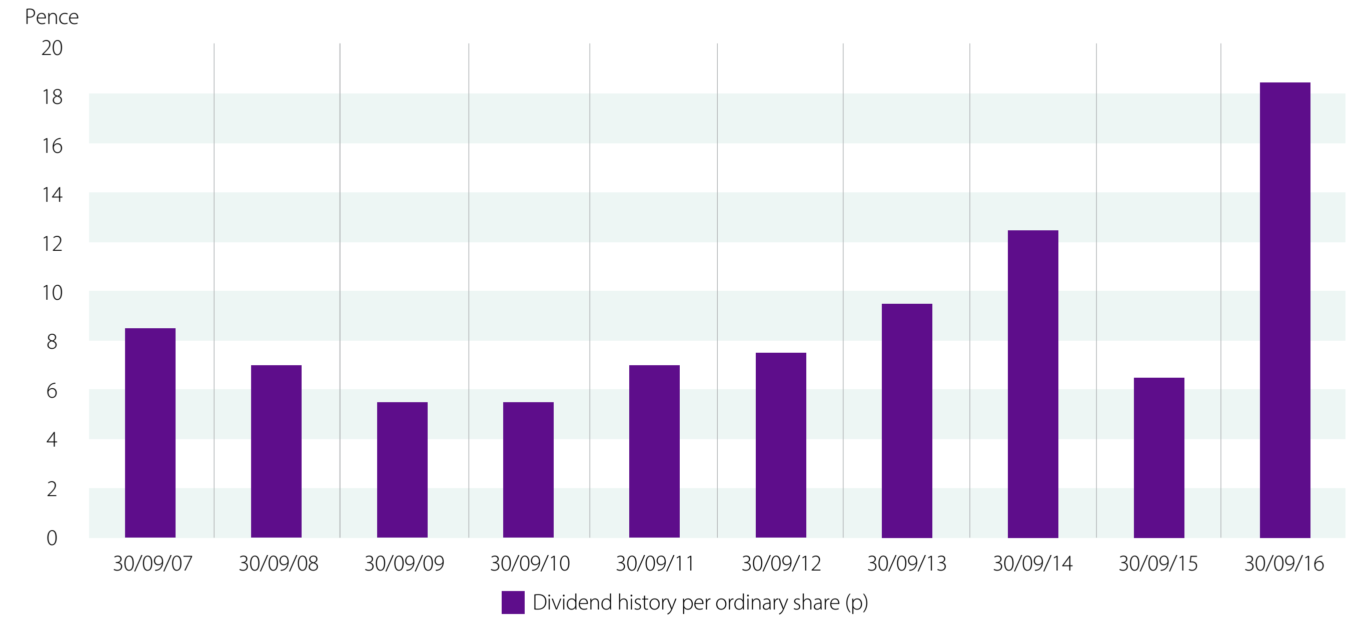
The Manager's members and staff invest in unquoted investments alongside the Company. This scheme is in line with current practice of private equity houses and its objective is to attract, recruit, retain and incentivise the Manager's team and is made on terms which align the interests of shareholders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

Borrowing powers

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

All comparative figures relate to Baronsmead VCT 2 plc prior to the merger with Baronsmead VCT plc.

Dividend History in the last ten years



Source: Livingbridge VC LLP

Dividends Paid Since Launch

	Ordinary share				
Year ended	Revenue (p)	Capital (p)	Dividend History per ordinary share (p)	Cumulative dividends (p)	Average total dividend per ordinary share (p)
6mths to 30/09/1998	1.00	0.00	1.00	1.00	0.50
30/09/99	3.80	0.00	3.80	4.80	3.20
30/09/00	3.60	0.00	3.60	8.40	3.36
30/09/01	3.50	0.00	3.50	11.90	3.40
30/09/02	2.50	0.00	2.50	14.40	3.20
30/09/03	1.70	10.20	11.90	26.30	4.78
30/09/04	1.40	3.50	4.90	31.20	4.80
30/09/05	2.50	7.70	10.20	41.40	5.52
30/09/06	1.80	9.20	11.00	52.40	6.16
30/09/07	2.10	6.40	8.50	60.90	6.41
30/09/08	2.80	4.20	7.00	67.90	6.47
30/09/09	0.70	4.80	5.50	73.40	6.38
30/09/10	1.50	4.00	5.50	78.90	6.31
30/09/11	2.65	4.35	7.00	85.90	6.36
30/09/12	0.50	7.00	7.50	93.40	6.44
30/09/13	2.85	6.65	9.50	102.90	6.64
30/09/14	1.40	11.10	12.50	115.40	6.99
30/09/15	1.30	5.20	6.50	121.90	6.97
30/09/16	**0.27**	**18.23**	**18.50**	**140.40**	**7.59**

Appendices

Performance Record Since Launch

Year ended	Ordinary share Total net assets £m	NAV per share (p)	Mid share price (p)	NAV TR per share (p)*	Ongoing charges (%)†
31/03/99	9.5	95.65	85.00	104.44	2.90
31/03/00	31.0	119.59	125.00	134.62	3.40
31/03/01	45.0	112.30	125.00	130.66	3.10
31/03/02	41.2	100.54	92.50	120.15	2.70
31/03/03	36.7	89.65	80.00	115.49	2.70
31/03/04	41.1	100.63	90.00	141.80	2.70
31/03/05	69.6	116.92	100.50	168.70	2.70
31/03/06	69.6	114.62	100.50	190.51	2.90
30/09/07	68.7	112.19	101.00	209.62	3.00
30/09/08	54.8	91.68	84.50	184.02	2.85
30/09/09	61.2	89.06	77.50	183.81	2.66
30/09/10	63.7	94.79	81.25	208.25	2.58
30/09/11	65.0	95.15	86.25	231.26	2.44
30/09/12	72.4	101.10	90.00	252.04	2.49
30/09/13	75.8	100.63	94.25	288.19	2.49
30/09/14	83.1	98.62	93.25	318.80	2.39
30/09/15	85.1	102.56	95.38	353.05	2.46
30/09/16	**150.6**	**87.09**	**82.38**	**363.36**	**2.30**

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

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

Cash Returned to Shareholders Since Launch

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

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid (p)	Return on cash invested (%)
1998 (April)	100.0	20.0	80.0	140.4	160.4
1999 (May)	102.0	20.4	81.6	136.9	154.2
2000 (February)	137.0	27.4	109.6	133.7	117.6
2000 (March)	130.0	26.0	104.0	133.7	122.8
2004 (October) – C Shares*	100.0	40.0	60.0	90.2	130.2
2009 (April)	91.6	27.5	64.1	72.5	109.2
2012 (December)	111.8	33.5	78.3	47.0	72.0
2014 (March)	103.8	31.1	72.7	29.5	58.4
2016 (February)	102.8	30.8	72.0	15.0	44.6

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

Full Investment Portfolio

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2016 Valuation £'000**	30 September 2015 Valuation+ £'000	% of net assets	% of Equity held by Baronsmead Venture Trust plc	% of Equity held by all funds#
Unquoted								
Crew Clothing Holdings Ltd	Consumer Markets	2,904	3,695	**5,023**	4,874	3.3	13.4	28.1
Create Health Ltd	Healthcare & Education	1,906	3,176	**4,800**	3,486	3.2	11.5	29.0
Happy Days Consultancy Ltd	Healthcare & Education	3,420	3,591	**4,005**	2,558	2.7	25.7	65.0
Pho Holdings Ltd	Consumer Markets	1,982	2,579	**3,851**	3,114	2.6	11.1	28.0
CableCom II Networking Holdings Ltd	TMT*	2,500	2,731	**3,187**	2,886	2.1	4.9	10.5
Carousel Logistics Ltd	Business Services	1,912	2,287	**3,062**	2,792	2.0	12.0	40.0
Eque2 Ltd	TMT*	1,532	2,073	**2,947**	2,594	2.0	15.2	38.5
Armstrong Craven Ltd	Business Services	1,346	1,854	**2,923**	1,802	1.9	14.8	46.0
Key Travel Ltd	Business Services	1,908	2,327	**2,918**	2,598	1.9	9.4	48.0
Kirona Ltd	TMT*	1,908	2,038	**2,675**	2,108	1.8	7.5	37.5
Niche Finance Group Ltd (formerly Mortgages Made Easy Ltd)	Consumer Markets	1,911	1,911	**2,442**	1,911	1.6	6.7	38.0
Upper Street Events Ltd	Consumer Markets	1,906	2,128	**2,281**	2,404	1.5	16.0	70.1
Ten10 Group Ltd (formerly Centre4 Testing Ltd)	Business Services	1,908	2,137	**2,201**	2,266	1.5	9.3	30.6
Kalyke Investments Ltd	Business Services	1,912	1,912	**1,912**	1,912	1.3	19.3	48.6
Yeo Bridge Ltd	Business Services	1,912	1,912	**1,912**	1,912	1.3	19.3	48.6
CR7 Services Ltd	TMT*	1,898	1,898	**1,887**	1,898	1.3	7.5	49.5
IP Solutions Ltd	TMT*	1,908	1,598	**1,260**	1,924	0.8	8.8	60.0
Xention Discovery Ltd	Healthcare & Education	632	316	**0**	0	0.0	2.3	2.9
Total unquoted		**35,305**	**40,163**	**49,286**		**32.8**		
AIM								
Staffline Group plc	Business Services	174	4,614	**5,801**	10,394	3.9	2.4	2.4
Netcall plc	TMT*	1,738	3,246	**5,249**	5,248	3.5	7.1	17.8
IDOX plc	TMT*	614	614	**4,387**	2,594	2.9	1.8	4.9
Tasty plc	Consumer Markets	1,188	2,832	**4,045**	4,072	2.7	5.0	14.4
Dods (Group) plc	TMT*	2,022	2,546	**3,678**	2,248	2.4	8.0	20.1
Cerillion plc	TMT*	1,800	1,800	**2,984**	–	2.0	8.0	17.8
TLA Worldwide plc	Business Services	1,466	2,315	**2,981**	4,254	2.0	5.1	12.5
Ideagen plc	TMT*	1,350	1,841	**2,658**	2,332	1.8	2.8	6.2
Inspired Energy plc	Business Services	574	1,542	**2,509**	2,052	1.7	3.8	9.5
Bioventix plc	Healthcare & Education	454	1,200	**1,861**	1,870	1.2	3.4	7.5
Plastics Capital plc	Business Services	1,586	1,486	**1,783**	1,624	1.2	4.5	11.6
Sanderson Group plc	TMT*	1,176	1,427	**1,498**	1,430	1.0	4.1	8.8
Venn Life Sciences Holdings plc	Healthcare & Education	1,224	1,289	**1,413**	510	0.9	9.8	21.7
SysGroup plc (formerly Daily Internet plc)	TMT*	1,292	1,310	**1,202**	800	0.8	9.4	20.8
Escher Group Holdings plc	TMT*	1,228	1,192	**1,192**	1,336	0.8	3.9	9.7
Anpario plc	Healthcare & Education	304	768	**1,078**	1,364	0.7	1.9	6.1
MartinCo plc	Consumer Markets	686	806	**1,063**	1,104	0.7	2.7	6.0
Electric Word plc	TMT*	1,392	1,460	**1,046**	1,046	0.7	10.2	27.6
Everyman Media Group plc	Consumer Markets	782	825	**1,028**	858	0.7	1.6	3.5
Driver Group plc	Business Services	1,126	1,306	**1,026**	1,462	0.7	6.9	16.1
CentralNic Group plc	TMT*	918	1,048	**1,013**	1,366	0.7	2.5	5.5
Eden Research plc	Business Services	900	900	**988**	–	0.7	4.8	10.6
Vianet Group plc	Business Services	1,292	1,144	**963**	1,004	0.6	3.7	9.6
EG Solutions plc	TMT*	1,428	1,193	**900**	1,246	0.6	8.4	19.1
Belvoir Lettings plc	Consumer Markets	752	671	**851**	424	0.6	1.8	4.1
Gama Aviation plc	Business Services	776	1,002	**626**	1,390	0.4	1.1	2.4
LoopUp Group plc	TMT*	504	504	**605**	–	0.4	1.2	2.7

Full Investment Portfolio (continued)

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2016 Valuation £'000**	30 September 2015 Valuation+ £'000	% of net assets	% of Equity held by Baronsmead Venture Trust plc	% of Equity held by all funds#
AIM (continued)								
Begbies Traynor Group plc	Business Services	433	474	**511**	515	0.3	1.0	2.1
Castleton Technology plc	TMT*	202	410	**496**	458	0.3	1.0	2.2
Wey Education plc	Healthcare & Education	428	458	**458**	–	0.3	12.8	28.3
Plant Impact plc	Business Services	378	419	**453**	520	0.3	1.1	2.5
InterQuest Group plc	Business Services	620	754	**439**	934	0.3	3.0	6.0
Synectics plc	Business Services	518	404	**401**	333	0.3	1.1	2.1
Brady plc	TMT*	352	342	**399**	530	0.3	0.7	2.0
Science In Sport plc	Consumer Markets	288	263	**341**	–	0.2	1.1	2.5
Scholium Group plc	Consumer Markets	900	625	**324**	243	0.2	6.6	14.7
STM Group plc	Business Services	322	313	**323**	344	0.2	1.1	3.6
Crawshaw Group plc	Consumer Markets	400	571	**310**	714	0.2	1.2	5.7
Paragon Entertainment Ltd	Consumer Markets	516	345	**304**	338	0.2	7.2	19.1
MXC Capital Ltd	Business Services	226	265	**261**	261	0.2	0.3	0.6
Totally plc	Healthcare & Education	70	171	**251**	126	0.2	2.0	4.5
Adept4 plc (formerly Pinnacle Technology Group plc)	TMT*	438	339	**226**	180	0.1	1.2	2.6
Fulcrum Utility Services Ltd	Business Services	102	100	**163**	78	0.1	0.3	2.5
Mi-Pay Group plc	Business Services	800	474	**154**	172	0.1	1.5	3.1
Gresham House plc	TMT*	112	116	**122**	122	0.1	0.4	0.9
One Media iP Group plc	TMT*	226	179	**66**	166	0.0	3.1	6.9
CloudCall Group plc (formerly Synety Group plc)	TMT*	226	144	**58**	80	0.0	0.5	1.2
Ubisense Group plc	TMT*	260	160	**56**	138	0.0	0.3	0.6
APC Technology Group plc	Business Services	1,864	942	**17**	20	0.0	0.2	0.4
Zoo Digital Group plc	TMT*	788	442	**8**	7	0.0	0.3	0.6
AorTech International plc	Healthcare & Education	509	289	**6**	11	0.0	0.5	0.5
Marwyn Management Partners plc	Business Services	1,050	529	**0**	10	0.0	0.0	0.1
Total AIM		**40,774**	**50,409**	**60,575**		**40.2**		
Collective investment vehicle								
Wood Street Microcap Investment Fund		7,050	12,451	18,400	17,556	12.2		
Total collective investment vehicle		**7,050**	**12,451**	**18,400**		**12.2**		
Total investments		**83,129**	**103,023**	**128,261**		**85.2**		
Net current assets				**22,297**		**14.8**		
Net assets				**150,558**		**100.0**		

† The original book cost column provides the pro-forma combined cost of investments made by BVCT & BVCT2 prior to the acquisition and re-naming of the VCT as BVT.

BVT acquired the investments of BVCT at fair value on 8 February 2016 (total cost - £62,819,000). The accounting cost column for the combined BVT reflects the original cost of BVCT2's assets plus the fair value cost at which BVCT's assets were purchased.

The accounting cost column ties into the investment note on page 48 of these accounts however the original cost of the investment has been included to make it clearer for shareholders to review the portfolio.

\+ For comparative purposes the valuation as at 30 September 2015 includes the fair value of the companies held by BVT (formerly BVCT2) & BVCT.

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

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

Shareholder Information and Contact Details

Shareholder Account Queries

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

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

You can contact Computershare with your queries in several ways:

Telephone:	0800 923 1533	• This is an automated self-service system • It is available 24 hours a day, 7 days a week • You should have your Shareholder Reference Number ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons • Press '0' if you wish to speak to someone • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line:	Investor Centre www.investorcentre.co.uk	• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online • You will need to register to use this service on the Investor Centre web site • You should have your SRN to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email:	web.queries@computershare.co.uk	
Post:	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	

Warning to Shareholders

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

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

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

Shareholder Information and Contact Details

Share Price

The Company's ordinary shares are listed on the London Stock Exchange. Share price information can be obtained from the link on the Company's website and many financial websites.

Calendar

February 2017 Annual General Meeting

May 2017 Announcement and posting of interim report for the six months to 31 March 2017

November 2017 Announcement and posting of final results for year to 30 September 2017

Additional Information

The information provided in this report has been produced in order for shareholders to be informed of the activities of the Company during the period it covers. Livingbridge VC LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

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

Secondary market in the shares of Baronsmead 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 through a stockbroker.

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

Panmure Gordon	020 7886 2500
Winterflood	020 3400 0251

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

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

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

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

Corporate Information

Directors
Peter Lawrence (Chairman)
Valerie Marshall[Δ]
Les Gabb*
Christina McComb†

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Livingbridge VC LLP

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020 7506 5717

Registered Number
03504214

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

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