Baronsmead

Baronsmead Second Venture Trust plc
Annual Report and Audited Financial Statements for the year ended 30 September 2020

Since 1857
Gresham House
Specialist asset management

About Baronsmead Second Venture Trust plc

Our Investment Objective

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

Investment Policy

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

Dividend Policy

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

Key elements of the Business Model

Access to an attractive, diverse portfolio

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

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

The Manager's approach to investing

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

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

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

The Manager as an influential shareholder

The Manager is an engaged and supportive shareholder (on behalf of the Company) in both unquoted and significant quoted investments. For unquoted investments, representatives of the Manager often join the investee board. The role of the Manager, with investees is to ensure that strategy is clear, the business plan can be implemented and that the management resources are in place to deliver profitable growth. The intention is to build on the business model and grow the company into an attractive target able to be either sold or potentially floated in the medium term.

A more detailed explanation of how the business model is applied is provided in the Other Matters section of the Strategic Report on pages 23 to 27. The full investment policy can be found on page 76.

Contents

Example investments

Rezatec (unquoted)
Rezatec is a geospatial data analytics company which applies its machine learning algorithms to a wide range of earth observation data, such as satellite imagery and weather, to create a data analytics platform which customers can access on a subscription basis. The business has developed solutions targeting the forestry, water and power utilities sectors, providing operators with intelligence on their assets at a higher accuracy and lower cost than possible through traditional monitoring methods.

Bioventix (quoted)
Bioventix manufactures and supplies high affinity sheep monoclonal antibodies for use in diagnostic applications such as clinical blood testing. The company was founded in 2003 as a biotechnology company and their strategy is to identify new or existing commercial assays for which there is a need for improved antibodies. They supply antibodies to almost all of the global multinational immunodiagnostics companies. Since the Baronsmead VCTs first invested in 2013, the company has more than tripled its revenue its revenues and quadrupled profits.

Ideagen (quoted)
Ideagen is a governance, risk management and compliance ("GRC") software and solutions business operating predominantly in the healthcare, transport, aerospace & defence, manufacturing and financial services sectors. It provides document management that enables organisations to meet their regulatory and compliance standards, helping them to reduce corporate risks and deliver operational excellence. Since the Baronsmead VCTs invested, the company has successfully executed a buy-and-build strategy in the GRC software market to add capability and build on its market position.

Ten10 (unquoted)
Ten10 is a market leading independent quality engineering and software testing consultancy. Ten10 consultancy services enables organisations to implement new or updated software faster and more effectively. The business also runs a fast growing graduate training academy – developing the next generation of technology talent.

Ten10 now has over 250 employees and offices in London, Leeds and Raleigh, North Carolina. Its portfolio of blue-chip clients spans the financial, legal, retail, and public sectors. This investment was fully realised post year-end.

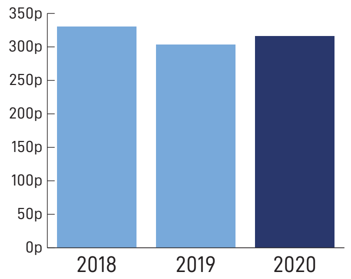
If you have sold or otherwise transferred all of your shares in Baronsmead Second Venture Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or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

Strategic Report

Financial Highlights

316.4p

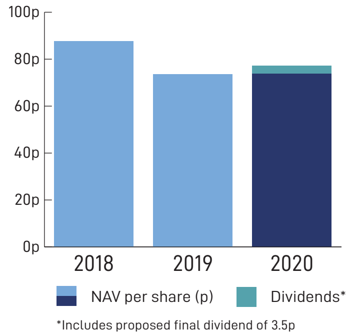
Net asset value total return[1]
(as at 30 September 2020)



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

+4.2%

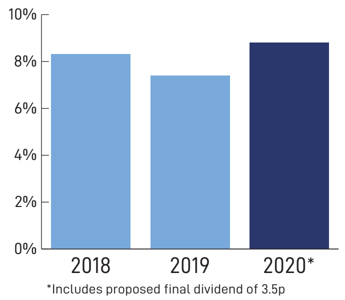
Increase in net asset value per share[1,2]
(12 months to 30 September 2020)



NAV per share increased 4.2 per cent to 76.7p before deduction of dividends in the year ended 30 September 2020.

8.8%

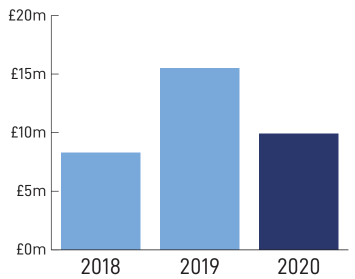
Annual tax free dividend yield[1]
(12 months to 30 September 2020)



Annual tax free dividend yield based on 6.5p dividends paid (including proposed final dividend of 3.5p) and opening NAV of 73.6p.

£9.9m

New investments
(as at 30 September 2020)



Investments made into 5 new and 10 follow-on opportunities during the year.

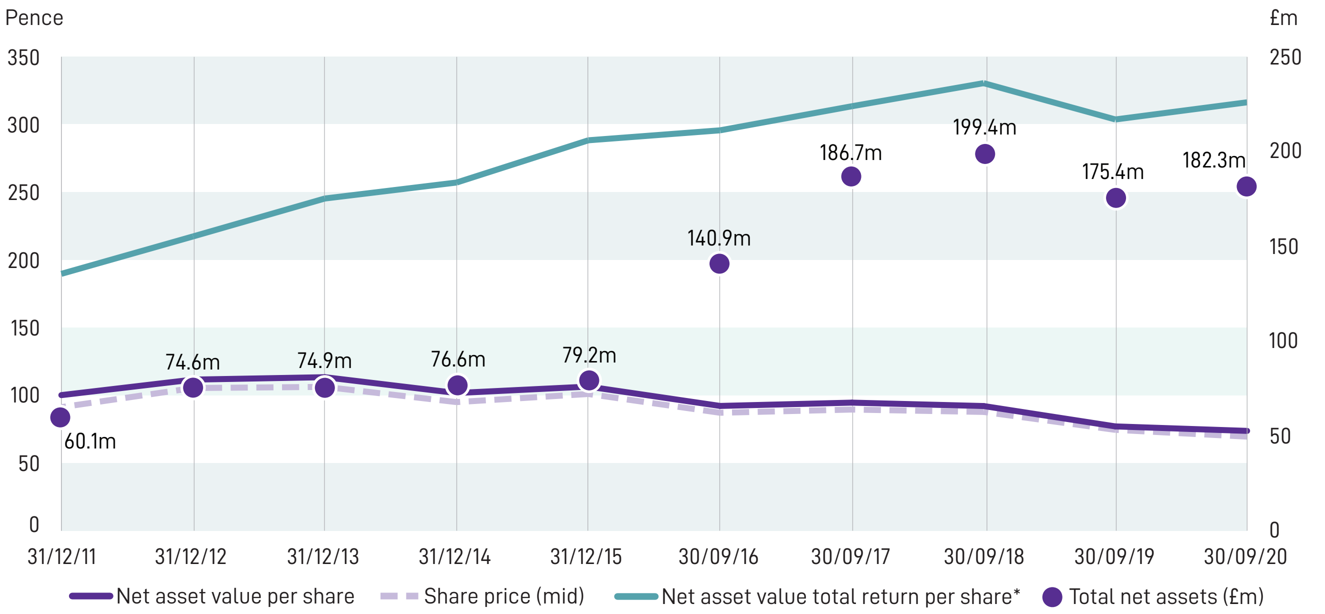
Unquoted: **£7.1m**

Quoted: **£2.8m**

1. Alternative Performance Measures ("APM")/Key Performance Indicators ("KPIs") – please refer to glossary on page 81 for definitions.
2. Please refer to table on page 4 for breakdown of NAV per share movement.

Performance Summary

Ten Year Performance Record



** Net asset value total return (gross dividends reinvested) rebased to 100p at launch.* *Source: Gresham House Asset Management Ltd*

Cash Returned to Shareholders by Date of Investment

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

**includes proposed final dividend of 3.5p.*

Strategic Report

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

Chairman's Statement

Sarah Fromson

Chairman

Despite the unprecedented challenges faced by the global economy and by many of the companies in which we invest, I am pleased to be able to report a valuation increase in NAV of 4.2 per cent in the portfolio during the financial year to 30 September 2020, before the payment of dividends.

After the significant reduction in the value of the public company portfolio as reported in the six months to March 2020, I am delighted to report a material bounce in the share prices of these listed companies in the second half of the financial year, leading to a valuation increase of 22 per cent in the directly-held AIM portfolio during the year as a whole. The unquoted portfolio also performed positively in the second half of the financial year, recovering some of the decline in value seen immediately after the outbreak of the pandemic. The consumer facing businesses in the portfolio still face substantial headwinds, but represent a relatively small part of the overall portfolio (currently 11 per cent). Your Board is confident that Gresham House, the Investment Manager, is well-resourced to continue supporting the portfolio companies through the ongoing uncertainty.

Results

	Pence per ordinary share
NAV as at 1 October 2019 (after final dividend)	73.6
Valuation increase (4.2 per cent)	3.1
NAV as at 30 September 2020 before dividends paid out	76.7
Less:	
Interim dividend paid on 11 September 2020	(3.0)
Proposed final dividend of 3.5p payable, after shareholder approval, on 5 March 2021	(3.5)
Illustrative NAV as at 30 September 2020 after proposed dividends	70.2

Portfolio Review

At 30 September 2020, the Company's investment portfolio was valued at £121 million and comprised direct investments in a total of 75 companies, of which 32 are unquoted and 43 are quoted companies. The Company's investments in the LF Gresham House UK Micro Cap Fund ("UK Micro Cap"), LF Gresham House UK Multi Cap Income Fund ("Multi Cap") and LF Gresham House UK Smaller Companies Fund ("Small Cap") provide additional diversity. These funds give investment exposure to an additional 75 AIM-traded and fully listed companies and thus mean that the overall portfolio has exposure to 150 companies.

During the 12 months to 30 September 2020, the underlying value of the unquoted portfolio decreased by 6 per cent. While it is always disappointing to see a reduction in the value, the Board has appreciated the efforts of the Investment Manager who has closely worked with portfolio company management teams helping them navigate through the highly disruptive and volatile economic and social environment. The Manager's review of the year provides further details of the impact of the pandemic on specific sectors of the portfolio.

In my half yearly statement, I reported that the direct AIM investments and Equity Fund portfolios each experienced a material reduction in share prices between mid-February and mid-March as the markets responded to the uncertainty about the economy, corporate earnings and, in some cases, balance sheet resilience.

I am pleased to report that the portfolio of directly held AIM investments increased by 22 per cent during the whole financial year while the UK Micro Cap, Multi Cap and Small Cap Funds increased by 5 per cent, 3 per cent and 3 per cent respectively.

The recovery of the public portfolio emphasises the benefits of having a mixture of private and publicly listed companies in the portfolio. Over the long-term, the return profiles of the quoted and unquoted portfolios have proved to be complementary, with both asset classes delivering robust performance.

Investments and Divestments

The Manager has continued to build its investment activity to focus on the provision of development capital to earlier stage companies. The Board is pleased to report that new investments have continued to be completed despite the disruption of COVID-19. During the year the Company invested a total of nearly £10 million in 15 companies. Further details of the new investments made are included in the Manager's review of the year. The new investments in earlier stage opportunities may result in greater volatility in returns over time. However, the more mature, established portfolio of existing investments should assist in sustaining returns for shareholders as the new portfolio develops and grows. The portfolio is also well diversified by sector split and by the number of holdings.

The Manager continues to focus on driving liquidity in the portfolio in order to create realised capital profits to fund current and future dividends for shareholders. There have been a number of realisations in both the unquoted and quoted portfolios. The sale of Glide delivered total proceeds of £6.2 million for a total gross money multiple of 2.6x cost. This return is in addition to the 4.8x return made on the partial exit in 2013 and represents a strong long-term investment return for shareholders.

As reported last year, the investment in CR7 was sold for nil proceeds in October 2019. CR7 required further investment beyond the levels expected and, rather than invest, the shareholders agreed to sell the business to a strategic trade buyer at a level that, unfortunately, did not recover any of the investment cost. This investment was fully provided for during the last financial year. Labrador Ltd was written off for nil proceeds (investment cost of £0.3 million) and, as a result of balance sheet restructuring in Armstrong Craven, its £0.2 million loan note cost was written off for nil proceeds.

There continues to be liquidity in the public markets and the Investment Manager has made a select number of divestments within the quoted portfolio where share prices have rallied strongly since the initial fall during March.

Total AIM-traded sales for the year delivered proceeds of £13.8 million at an overall multiple of 2.1x cost. A full list of realisations can be found on page 13. Notable examples are the partial realisations in Bioventix plc realising proceeds of £1.3 million at 16.1x cost multiple, Ideagen plc realising £5.4 million proceeds at 5.6x cost multiple and CentralNic Group plc realising proceeds of £2.4 million at 2.1x cost multiple. The Investment Manager also divested holdings in companies where it did not believe in the long-term value potential. These include Synetics plc, that realised 0.6x cost, and STM Group, that realised 0.6x cost.

COVID-19 impact

The impact of COVID-19 and the lockdown restrictions faced by the UK continues to affect all of our lives. As I write this statement, the United Kingdom remains under Government restrictions, as a result of a second spike in the number of infections. We continue to monitor developments and the impact that changes in the economic outlook might have on our portfolio. However, disruption and market dislocation also provide opportunity and we have been encouraged by the follow-on investments that are being made to continue supporting the growth plans of our ambitious and innovative investee companies.

As reported in the half yearly report, the current pandemic has presented operational risks for the Company in respect of the resilience of third-party service providers. The Board has appreciated the response and controls-robustness of key service providers including the Investment Manager (Gresham House), the Registrar (Computershare) and Link Asset Services who provide both Company Secretarial support and fund administration to the Company. All key service providers have been able to implement their business continuity plans and continue to follow Government advice.

Dividends

The Board is pleased to declare a final dividend of 3.5p per share for the year to 30 September 2020 payable 5 March 2021. This is in addition to the 3.0p interim dividend paid in September and means that the total dividends for the year are 6.5p. This is a 8.8 per cent yield based on the opening NAV of 73.6p and is above the target policy of 7 per cent of the NAV at the start of the year.

The Company has good levels of realised reserves to fund future dividends and the Investment Manager continues to focus on consistently selling investments and generating realised profits across the portfolio.

Environmental, social and corporate governance ("ESG")

The Board has been encouraged to see the steps the Investment Manager has taken during 2020 to formalise its approach to sustainability. Policies and procedures have been put in place to ensure ESG factors and stewardship responsibilities are built into the management of new investments and a process of reviewing the existing portfolio will begin in 2021. Further

Strategic Report

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

Chairman's Statement continued

details regarding Gresham House ESG policies can be found on page 21 in the Strategic Report.

Fundraising

In August 2020 the Board announced its intention to raise new funds alongside Baronsmead Venture Trust to enhance the Company's resources available for new and follow on investments over the next two to three years. Consequently, in September 2020 the Company launched an offer for subscription to raise £20 million (before costs) with an additional £17.5 million overallotment facility available, as required. As at the date of this statement, there has been £14.8 million invested by shareholders and the offer remains open. We would like to thank existing shareholders for their continued support and to welcome new shareholders.

Annual General Meeting ("AGM")

The ongoing impact of the COVID-19 pandemic has led to the imposition of government restrictions on public gatherings. As a consequence, it has been necessary to make changes to the way in which we conduct our forthcoming AGM. In light of the UK government's current guidance on public gatherings, the Board has concluded that shareholders will not be permitted to attend this year's AGM in person.

The Directors appreciate the engagement with shareholders that takes place at the AGM and in order to maintain this have decided to live stream the AGM and Investment Manager's presentation. The AGM will take place at 1pm on 16 February 2021 and will include a question and answer section with the Board. There will also be a separate joint Investment Manager presentation with Baronsmead Venture Trust shareholders held at 11.30am on 16 February 2021.

Registration details for the live stream will be included in the Notice of AGM and on the Baronsmead website www.baronsmeadvcts.co.uk). The live stream of the AGM and the Investment Manager's presentation will include a facility for questions to be submitted. However, in order to cover as many questions as possible, we would appreciate it if shareholders submit their questions to the Board before the meeting. Shareholders can submit questions up until noon on 15 February 2021 in the following ways:

By email: send your questions to baronsmeadvcts@greshamhouse.com

By telephone: contact Investor Relations on 020 3875 9862

Shareholders will not be able to vote on the resolutions to be proposed at the AGM on the day of the meeting. Shareholders are instead being asked to submit their votes by submitting their proxy electronically or by post as soon as possible. A Notice of Annual General Meeting is being sent to shareholders separately to this Annual Report and any shareholder who wishes to submit questions to the Board or Investment Manager is encouraged to do so by following the instructions set out in that Notice and above.

We will continue to monitor the evolving impact of the COVID-19 pandemic and if it becomes necessary to make changes to the proposed format of the AGM we will inform shareholders as soon as we are able. We would like to thank all shareholders for their co-operation and understanding in these challenging times.

Director changes

The financial year has seen a number of Director changes, with two Directors retiring from the Board; John Davies and Ian Orrock.

John served as a Director of Baronsmead VCT 5 from February 2006 until the Merger on 30 November 2016. He became interim Chairman of Baronsmead Second Venture Trust in November 2018, retiring at the February 2020 AGM. I succeeded John as Chairman and look forward to serving the Company over the coming years.

Ian Orrock joined the Board in 2010 and provided particularly valuable business experience following VCT legislation changes as the Company moved to investing in earlier stage companies.

We would like to thank both Directors for their huge contributions to the Company and wish them all the best for the future.

Following Ian's retirement on 1 May 2020, we are delighted to have appointed Tim Farazmand as a new, independent Non-Executive Director. Tim has spent 30 years in private equity and his last full-time role was as a Managing Director at Lloyds Development Capital. He brings a wide experience of supporting private companies through their challenges to ensure investment returns. He was previously Chairman of the British Venture Capital Association and a Chairman of the BVCA Impact Investment Advisory Group.

Board succession

The Board acknowledges that succession planning and refreshment of the Board remain a priority for the year ending 30 September 2021, during which there will be an emphasis on ensuring that the Board and its Committees continue to have a suitable combination of skills, experience and knowledge.

As announced to the market on 25 November 2020, Anthony Townsend will retire as a Non-Executive Director at the Company's forthcoming Annual General Meeting on 16 February 2021. The Board intends to appoint a new independent Non-Executive Director in Spring 2021 to ensure that there is the desired complement of four Directors.

The Board would like to express their appreciation to Mr Townsend for his hugely valuable contribution to the Company and the Baronsmead family during his tenure; both as a Director and as previous Chairman of the Company. The Board wish him well in the future.

Outlook

The impact of COVID-19 has been significant for us all, across both our personal and business lives. The Board was reassured by the swift reaction of the Investment Manager and the team's increased engagement with investee companies in the early stages of the pandemic. As the year progressed, your Company has resumed new investment activity and continues to support existing and new portfolio companies with the funds required to support growth initiatives. Several investments have also been successfully realised.

COVID-19 presents an unprecedented challenge to the country and economy. In the UK, the ongoing Brexit negotiations add an additional layer of economic uncertainty that may further slow any recovery. Companies within the portfolio currently employ well in excess of 15,000 people. The Board believes that Baronsmead Second Venture Trust has a role to play in rebuilding UK economic activity by continuing to back entrepreneurial, faster growing small and medium sized companies, with both capital and expertise. The Board remains focused on consistently delivering value for shareholders over the long-term by investing in high potential businesses and maintaining a well-diversified portfolio.

Sarah Fromson
Chairman

3 December 2020

Strategic Report

Manager's Review

Bevan Duncan
Fund Manager
Managing Director, Strategic Equity

Ken Wotton
Fund Manager
Managing Director, Public Equity

Tania Hayes
Finance Director, VCTs

Steve Cordiner
Head of Unquoted Investments

Andrew Hampshire
Chief Operating Officer

The financial year under review has been heavily impacted by the disruption and uncertainty caused by the COVID-19 pandemic. Despite the large-scale fiscal and monetary stimulus, the national lockdown and other restrictions led to a drastic decline in economic output in the months following the outbreak. Public markets have bounced back strongly since the initial drawdown in late March, driven by software, technology enabled services and healthcare and education businesses which to date have been more resilient. While we expect the economic environment to remain challenging heading into 2021, we have been encouraged by the way the management teams within our portfolio companies have responded to the pandemic and are increasingly looking to capitalise on the opportunities for growth which are opening up due to the marked shift in consumer behaviour and corporate priorities being driven by the pandemic.

The portfolio is well diversified, with exposure to 150 quoted and unquoted companies. Despite the disruption caused by COVID-19, the complementary mix of quoted and unquoted investments and weighting towards software, business services, healthcare and education companies, meant that the portfolio has delivered a resilient performance during the financial year, with net asset total return increasing by 4.2 per cent in the year.

PORTFOLIO REVIEW

Overview

The net assets of £182 million were invested as follows:

Asset class	NAV (£m)	% of NAV*	Number of investees***	% return in the year**
Unquoted	47	25	32	(6)
AIM-traded companies	74	41	43	22
LF Gresham House UK Micro Cap Fund	24	13	47	5
LF Gresham House UK Multi Cap Income Fund	3	2	44	3
LF Gresham House UK Smaller Companies Fund	2	1	35	3
Liquid assets#	32	18	N/A	–
Total	**182**	**100**	**201**	**–**

* By value as at 30 September 2020.
** Return includes interest received on unquoted realisations during the year.
*** Includes investee companies with holdings by more than one fund. Total number of individual companies held is 150.
\# Represents cash, OEICs and net current assets.

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

Investment Activity – Unquoted and Quoted

During the year, £9.9 million was invested in 15 companies including five new additions to the portfolio and ten follow on investments. Below are descriptions of the new investments made;

- **Funding Xchange Ltd** (unquoted) matches small businesses looking to borrow to lenders looking to lend, by holding the underwriting terms of the lenders so borrowers can receive instant decisions. It also sells its technology back into lenders enabling them to triage loan applications quicker and more efficiently, a proposition it calls Credit as a Service.
- **Glisser Ltd** (unquoted) is a virtual and hybrid event hosting platform with an integrated audience response system. The software integrates live streaming and instant content sharing to personal devices which improves the delegate experience and provides powerful event analytics.
- **Rezatec Ltd** (unquoted) is a geospatial data analytics company which applies its machine learning algorithms to a wide range of earth observation data, such as satellite imagery, soil, weather and topographic data. The product provides significant productivity benefits to the managers of forests and energy and water utilities assets.
- **Clarilis Ltd** (unquoted) is a legal document automation software and services provider, enabling both legal firms and in-house legal teams to automate legal contracts.
- **Panthera Biopartners Ltd** (unquoted) provides patient recruitment services to clinical research organisations, pharma and biotech companies. The primary focus is on phase III clinical trials for new drugs with similar therapeutic areas, such as chronic obstructive pulmonary disease (COPD), fatty liver disease and type 2 diabetes.

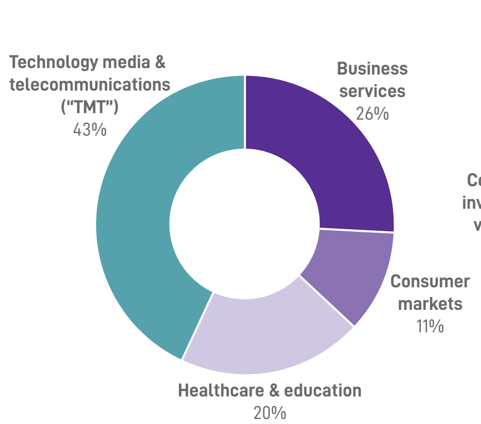
The Company's investment strategy is focused on companies operating in parts of the economy that are benefiting from long-term structural growth trends and in sectors where we have deep expertise. The amount of capital invested is matched to the scale, maturity and underlying risk profile of the company seeking investment. Typically, the initial investment is between £0.5 million and £3.0 million, but can be up to £5.0 million, with the expectation of selectively providing follow on funding to the companies that have executed well and have potential to continue to grow.

It has been encouraging to see a number of portfolio companies, both quoted and unquoted, seeking follow on funding from Baronsmead to support their growth plans, even during the disruption of the pandemic. The Company made additional investments into 10 portfolio companies, 5 quoted and 5 unquoted, during the year across a number of sectors. This provides strong validation of the investment strategy and demonstrates the improving visibility on future deployment and increasing conviction in the value creation opportunity as we build on our existing knowledge of these companies and our relationships with their management teams.

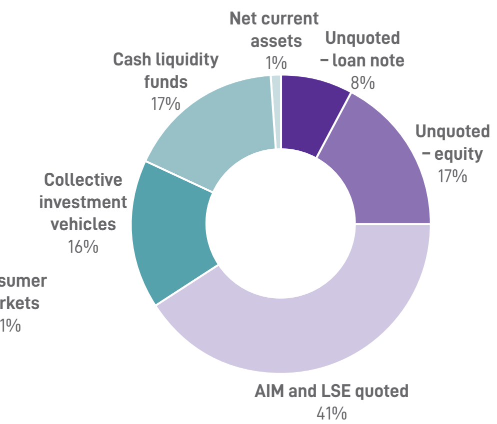
As Investment Manager we are actively engaged with each portfolio company working with the management teams to help them build long-term sustainable competitive advantage to accelerate growth. In addition to our in-house portfolio team, we have a network of operating partners who have extensive experience of supporting earlier stage investee companies and in delivering key business milestones to help unlock growth.

Investment Diversification at 30 September 2020 by value

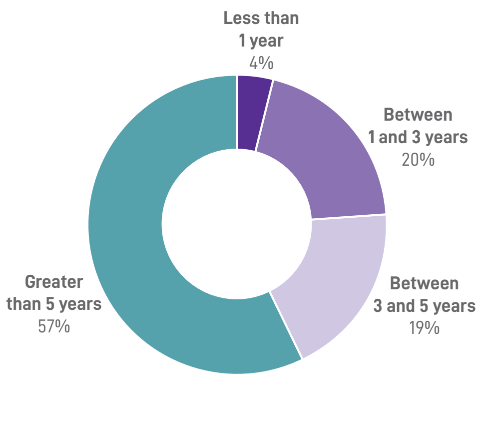
Sector



Total assets



Length of time investments held



Strategic Report

Manager's Review continued

Unquoted Portfolio

Performance

The unquoted portfolio decreased in value by 6 per cent during the year. The impact of COVID-19 within the unquoted portfolio has been most significant across our multi-site nursery chain and casual dining restaurant assets, where the national lockdowns and social distancing requirements have resulted in closures and reduced restaurant capacity. Investments in TravelLocal, a consumer travel business, and Silkfred, a marketplace for independent womenswear fashion brands, also experienced a material softening in demand immediately post the lockdown.

The reduction in the value of investments, primarily as a result of COVID-19, has largely been offset by uplifts in the technology and services companies within the portfolio. These companies tend to have recurring or contracted revenue business models which provide good visibility over future revenues and cash flows. SecureCloud+ and Ten10 are good examples of businesses in the portfolio that have continued to grow strongly over the year.

As Investment Manager we are an engaged and supportive investor. We are in regular contact with the management teams within the portfolio, helping them to navigate through the rapidly changing environment by sharing insight and best practice from across the portfolio, but also ensuring they continue to tightly manage costs and closely monitor future cash availability. In general, the businesses within the portfolio have adapted quickly and we are now working closely with our management teams to identify opportunities to both accelerate growth and develop new revenue streams. Through a combination of our in-house portfolio company talent and technology functions alongside our extensive network of earlier stage, high growth company experts, we are well positioned to help the companies we invest in to develop and scale.

Divestments

During the year the unquoted portfolio returned £6.2 million in proceeds following the realisation of Glide at 2.6x cost in May. Glide has grown to become the UK's leading provider of fibre broadband and connectivity into difficult to serve markets such as multi-tenanted buildings and business parks. Baronsmead Second Venture Trust first invested in Glide in 2007 and after a period of strong growth sold down part of its stake in 2013. Over the course of the Company's involvement with Glide, the investment has delivered strong returns for shareholders of over 6.3x original cost.

Along with this successful realisation, the Company realised its investment in CR7 at a full loss. The investment in CR7 was fully provided for at 30 September 2019. There has also been a balance sheet restructuring at Armstrong Craven, to incentivise a new management team, which resulted in a partial loan note and share write off. However, through earlier interest and loan note repayments the investment in Armstrong Craven has already returned original cost.

After the year end the Company successfully completed the sale of its investment in Ten10. Through acquisitive and organic growth, Ten10 has become a market leading independent quality engineering and software testing consultancy. The transaction generated proceeds of £7.3 million and produced an overall investment return of 3.7x.

Quoted Portfolio (AIM-traded investments)

Performance

The quoted portfolio has performed well, increasing 22 per cent over the course of the year. This was driven by the larger and more established AIM holdings, with particular emphasis on those in resilient parts of the market where their businesses were benefiting from trends such as digital transformation that have been accelerated by the pandemic. Significant positive contributions came from: Cerillion, a software provider into the telecoms industry, which delivered strong results and material new contract wins; Wey Education, an online educational services provider, where enquiries and new business volumes were significantly enhanced by lockdown and increasing requirements for remote teaching; and Ideagen, a governance, risk and compliance software provider, that delivered resilient trading through the COVID-19 crisis period.

Detractors from performance were Everyman Media, a boutique cinema operator; and Dods Group, a media and events operator; both as a result of lockdown temporarily impacting their ability to operate. Entertainment AI, a digital marketing technology provider, was de-rated as a result of concerns about reductions to the value of online advertising inventory, despite delivering results in line with market expectations.

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

Divestments

Proceeds totalled £13.8 million during the year following 7 full and 3 partial realisations. Castleton Technology plc was fully realised following a takeover by MRI Software, returning 3.6x cost, while Centralnic was also fully realised through market sales due to risks associated with increasing balance sheet leverage and the original investment thesis having largely played out, returning 2.1x cost. The opportunity to crystallise some profits was taken in two companies with proceeds of £1.3 million in Bioventix realising 16.1x cost and proceeds of £5.4 million in Ideagen realising 5.6x cost. Both companies remain within the portfolio as long-term holdings. The Manager also took the opportunity to fully exit holdings in Synectics plc and STM Group plc, long standing holdings that had underperformed, where the market conditions presented an opportunity to divest, realising returns of 0.6x each.

Collective Investment Vehicles

LF Gresham House UK Micro Cap Fund ("Micro Cap") had a positive return of 5 per cent over the year (2019: –7 per cent). At 30 September 2020, Baronsmead Second Venture Trust's cumulative £6.2 million investment was valued at £23.6 million (2019: £22.6 million). As at 30 September 2020, the UK Micro Cap fund held investments in 47 UK publicly listed companies.

The investment in LF Gresham House UK Multi Cap Income Fund ("Multi Cap") has had a modest increase of 3 per cent over the year (2019: 1 per cent). At 30 September 2020, Baronsmead Second Venture Trust's cumulative £2.5 million investment was valued at £3.1 million (2019: £3.0 million). As at 30 September 2020, the Multi Cap fund held investments in 44 UK publicly listed companies.

The investment in LF Gresham House UK Smaller Companies Fund ("Smaller Companies") has also had a modest increase of 3 per cent over the year (2019: 1 per cent). At 30 September 2020, Baronsmead Second Venture Trust's investment was valued at £2.6 million (2019: £2.5 million). As at 30 September 2020 the Smaller Companies fund held investments in 35 UK publicly listed companies.

The UK Micro Cap and Multi Cap funds are both highly rated funds by independent ratings agencies. Each fund has performed well on an absolute basis and also relative to their respective peer groups. The UK Micro Cap Fund has been consistently top quartile within the IA UK Smaller Companies sector and is the Fourth best performing fund over the past 10 years. The UK Multi Cap Fund has been the top performing fund within the IA UK Equity Income sector since launch in June 2017. The Manager believes that the Company's investments in these funds provides shareholders with additional diversification, as well as access to the potential returns available from a larger and more established group of companies that fall within the Manager's core area of expertise.

Liquid assets (cash and near cash)

Baronsmead Second Venture Trust plc had cash and liquidity OEICs of approximately £33.2 million at the year-end. This asset class is conservatively managed to take minimal or no capital risk.

Outlook

The ongoing economic impact of the COVID-19 pandemic is likely to have ramifications across companies and sectors throughout the coming financial year and beyond. UK and global political and macro-economic uncertainties are also likely to persist which may cause market and economic volatility. Whilst these factors create challenges for companies and for investors they also present opportunities for entrepreneurial management teams to develop and grow their businesses.

We believe that the Company's diverse portfolio of companies with strong fundamentals, in aggregate can deliver resilience and growth moving forward. Baronsmead's unique positioning among Venture Capital Trusts with diversification across public and private markets and by business maturity, sector and business model gives us confidence in the ability of the Company to produce attractive and consistent long-term investment returns which will underpin attractive dividends for shareholders over the cycle.

Gresham House Asset Management Ltd
Investment Manager

3 December 2020

Strategic Report

Investments in the year

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
New				
Clarilis Ltd	Birmingham	TMT	Legal document automation software	1,820
Rezatec Ltd	Oxfordshire	TMT	A geospatial data analytics business selling into the forestry and utilities sectors worldwide	1,620
Funding Xchange Ltd	London	Business Services	SME lending marketplace	795
Glisser Ltd	London	Business Services	Audience response software	662
Panthera Biopartners Ltd	Leeds	Healthcare & Education	Recruitment services for clinical trials	260
Follow on				
Storyshare Holdings Ltd	London	TMT	Employee engagement platform	530
Custom Materials Ltd	London	TMT	Retailer of customisable products	484
Yappy Ltd	Manchester	Consumer Markets	Supplier of customisable pet products	424
Tribe Digital Holdings Pty Ltd	London	TMT	Influencer marketing platform	279
Munnypot Ltd	West Sussex	TMT	Automated online investment platform	273
Total unquoted investments				**7,147**
AIM-traded investments				
Follow on				
Rosslyn Data Technologies plc	London	TMT	Data analytics software platform	880
PCI-PAL plc	London	TMT	Secure payment services provider	850
One Media iP Group plc	Buckinghamshire	TMT	Content acquisition and distribution	732
Eden Research plc	Gloucestershire	Business Services	Developer of biological fungicides and bio equivalents	275
Fusion Antibodies plc	Belfast	Healthcare & Education	Development of antibodies for both therapeutic and diagnostic applications	110
Total AIM-traded investments				**2,847**
Total investments in the year				**9,994**

TMT – Technology, Media and Telecommunications.

Realisations in the year

Company		First investment date	Original book cost† £'000	Proceeds‡ £'000	Overall multiple return*
Unquoted realisations					
Glide Ltd	Trade sale	May 07	2,500	6,214	6.3
CR7 Services Ltd**	Write Off	Aug 14	2,209	0	0
Armstrong Craven Ltd	Restructuring	Jun 13	241	0	1.1
Labrador Ltd**	Write Off	Aug 18	263	0	0
Total unquoted realisations			**5,213**	**6,214**	
AIM-traded realisations					
Ideagen plc	Market sale	Jan 13	959	5,379	5.6
Synnovia plc (formerly Plastics Capital plc)	Takeover	Nov 07	2,539	3,182	1.3
CentralNic Group plc	Market sale	Jun 15	1,122	2,373	2.1
Bioventix plc	Market sale	Jun 13	82	1,325	16.1
Castleton Technology plc	Takeover	Nov 14	247	887	3.6
STM Group plc	Market sale	Mar 08	466	284	0.6
Synectics plc	Market sale	Jan 04	481	268	0.6
APC Technology Group plc#	Takeover	Sep 14	118	33	0.3
Brady plc	Market sale	Dec 10	653	22	0.0
MXC Capital Ltd	Repurchase	May 15	6	6	0.0
Total AIM-traded realisations			**6,673**	**13,759**	
Total realisations in the year			**11,886**	**19,973**	

‡ Proceeds at time of realisation including interest.
** Includes interest/dividends received, loan note redemptions and partial realisations accounted for in prior periods.*
 # APC shares were received as part of an exchange; book cost of APC shares when received is listed here.
† Residual book cost at realisation date.
*** Investments in CR7 Services Ltd and Labrador Ltd were fully provided for at 30 September 2019.*

Strategic Report

Ten Largest Investments

The top ten investments by current value at 30 September 2020 illustrate the diversity of investee companies within the portfolio. For consistency across the top ten and based on guidance from the AIC, data extracted from the last set of published audited accounts is shown in the tables below. However, this may not always be representative of underlying financial performance for several reasons. Published accounts lodged at Companies House may be out of date and the Manager works from up to date management accounts and has access to draft but unpublished annual audited accounts prepared by the companies. In addition, pre-tax profit in statutory accounts is often not a representative indicator of underlying profitability as it can be impacted by, for example, deductions of non-cash items such as amortisation that relate to investment structures rather than operating performance.

1 Cerillion plc

London
Quoted
www.cerillion.com

Cerillion provides carrier-grade enterprise CRM and billing software to telecoms companies globally. Cerillion's core product provides mission critical functionality to allow customers to manage their billing, charging, network provisioning, workflow and CRM processes, all of which are key from a business operations, revenue delivery and customer pipeline management perspective. Cerillion solutions are now used in more than 40 countries across the world, which include their core product as well as Cerillion Skyline, an industry agnostic software-as-a-service billing application.

All funds managed by Gresham House

First investment: November 2015
Total original cost: £4,000,000
Total equity held: 17.8%

Baronsmead Second Venture Trust only

Original cost: £2,200,000
Valuation: £8,858,000
Valuation basis: Bid Price
% of equity held: 9.8%

Year ended 30 September

	2020 **£ million**	2019 £ million
Sales:	20.8	18.8
Pre-tax profits:	2.6	2.4
Net Assets:	16.0	15.5
No. of Employees:	n/a*	203

Source: Cerillion plc, Annual Report and Accounts 30 September 2020.
*At the date of issue of this Annual Report, this information is not publicly available

2 Carousel Logistics Ltd

Sittingbourne
Unquoted
www.carousel.eu

Carousel Logistics based in Kent, designs and manages bespoke supply chain management solutions for clients with time critical, challenging or high touch customer care needs. Carousel has a wide range of international clients for whom it delivers a complete integrated service including e-fulfilment, procurement, warehousing, distribution, reverse logistics and international in-night services. Carousel acquired BDA in 2019, cementing its position as an industry leader underpinned by cutting edge technology. The acquisition increased company revenue by 50 per cent.

All funds managed by Gresham House

First investment: October 2013
Total original cost: £4,245,000
Total equity held: 26.7%

Baronsmead Second Venture Trust only

Original cost: £2,336,000
Valuation: £7,930,000
Valuation basis: Earnings Multiple
Income recognised in the year: £168,000
% of equity held: 14.7%
Voting rights: 15.8%

Year ended 31 December

	2019 **£ million**	2018 £ million
Sales:	54.4	38.5
Pre-tax profits:	(2.3)	(1.6)
Net Assets:	(6.4)	(2.1)
No. of Employees:	283	124

Source: Carousel Logistics Holdings Limited, Annual Report and Financial Statement 31 December 2019.

3 Ten10 Group Ltd

London
Unquoted
www.ten10.com

Ten10 is a market leading independent quality engineering and software testing consultancy. Ten10 consultancy services enables organisations to implement new or updated software faster and more effectively. The business also runs a fast growing graduate training academy – developing the next generation of technology talent. Ten10 now has over 250 employees and offices in London, Leeds and Raleigh, North Carolina. Its portfolio of blue-chip clients spans the financial, legal, retail, and public sectors. This investment was fully realised post year-end.

All funds managed by Gresham House

First investment: February 2015
Total original cost: £4,237,000
Total equity held: 20.8%

Baronsmead Second Venture Trust only

Original cost: £2,331,000
Valuation: £6,734,000
Valuation basis: Sale proceeds
Income recognised in the year: £636,000
% of equity held: 11.4%
Voting rights: 10.3%

Year ended 30 April

	2020 **£ million**	2019 £ million
Sales:	26.5	24.9
Pre-tax profits:	(0.3)	(0.4)
Net Assets:	(4.6)	(0.1)
No. of Employees:	248	228

Source: Ten10 Group Limited, Annual Report and Financial Statements 30 April 2020.

4 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 to 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 Gresham House

First investment: July 2010
Total original cost: £4,354,000†
Total equity held: 22.8%

Baronsmead Second Venture Trust only

Original cost: £2,616,000
Valuation: £5,473,000
Valuation basis: Bid Price
Income recognised in the year: £78,000
% of equity held: 10.2%
Voting rights: 10.2%

Year ended 30 June

	2020 **£ million**	2019 £ million
Sales:	25.1	22.9
Pre-tax profits:	0.5	0.8
Net Assets:	22.9	21.9
No. of Employees:	230	230

Source: Netcall plc, Annual Report and Accounts, 30 June 2020.
† Excludes collective investment vehicles

5 Ideagen plc

Nottinghamshire
Quoted
www.ideagen.com

Ideagen is a governance, risk management and compliance ("GRC") software and solutions business operating predominantly in the healthcare, transport, aerospace & defence, manufacturing and financial services sectors. It provides content lifecycle solutions that enable organisations to meet their regulatory and compliance standards, helping them to reduce corporate risks and deliver operational excellence. Its solutions cover enterprise and incident risk management, operational safety and quality management, audit risk management, as well as content and clinical solutions for the NHS. Since the Baronsmead VCTs invested, the company has successfully executed a buy-and-build strategy in the GRC software market to add capability and build on its market position.

All funds managed by Gresham House

First investment: January 2013
Total original cost: £1,309,000
Total equity held: 2.1%

Baronsmead Second Venture Trust only

Original cost: £720,000
Valuation: £5,133,000
Valuation basis: Bid Price
Income recognised in the year: £13,000
% of equity held: 1.2%
Voting rights: 1.2%

Year ended 30 April

	2020 **£ million**	2019 £ million
Sales:	56.6	46.7
Pre-tax profits:	(0.1)	1.4
Net Assets:	76.9	73.7
No. of Employees:	537	451

Source: Ideagen plc, Annual Report and Accounts, 30 April 2020.

Strategic Report

Ten Largest Investments continued

6 IDOX plc

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

All funds managed by Gresham House

First investment: May 2002
Total original cost: £1,641,000
Total equity held: 3.9%

Baronsmead Second Venture Trust only

Original cost: £1,028,000
Valuation: £5,024,000
Valuation basis: Bid price
Income recognised in the year: £Nil
% of equity held: 2.5%
Voting rights: 2.5%

Year ended 31 October

	2019 **£ million**	2018 £ million
Sales:	65.5	66.4
Pre-tax profits:	(0.0)	(30.2)
Net Assets:	44.6	47.9
No. of Employees:	671	804

Source: IDOX plc, Annual Report and Accounts, 31 October 2019.

7 Bioventix plc

Surrey
Quoted
www.bioventix.com

Bioventix manufactures and supplies high affinity sheep monoclonal antibodies for use in diagnostic applications such as clinical blood testing. The company was founded in 2003 as a biotechnology company and their strategy is to identify new or existing commercial assays for which there is a need for improved antibodies. They supply antibodies to almost all of the global multinational immunodiagnostics companies. Since the Baronsmead VCTs first invested in 2013, the company has more than tripled its revenues and quadrupled profits.

All funds managed by Gresham House

First investment: June 2013
Total original cost: £562,000†
Total equity held: 4.8%

Baronsmead Second Venture Trust only

Original cost: £309,000
Valuation: £4,711,000
Valuation basis: Bid Price
Income recognised in the year: £209,000
% of equity held: 2.3%
Voting rights: 2.3%

Year ended 30 June

	2020 **£ million**	2019 £ million
Sales:	10.3	9.3
Pre-tax profits:	8.2	7.0
Net Assets:	12.5	10.8
No. of Employees:	16	16

Source: Bioventix plc, Annual Report and Financial Statements 30 June 2020.
† Excludes collective investment vehicles.

8 Custom Materials Limited (trading as Moteefe)

London
Unquoted
www.moteefe.com

Moteefe, based in London and Lisbon, is a technology company which provides an online platform for retailers, online and offline businesses of all sizes to design, market and sell products on demand into social commerce globally using print on demand technology.

Moteefe provides an end to end solution for merchants including product range, print supply network, logistics and payment, and a suite of marketing analytics for how a merchants campaigns are performing with little to no upfront cost or investment. Currently the business operates three B2B2C brands focussed on different international markets and target merchant segments.

All funds managed by Gresham House

First investment: March 2017
Total original cost: £4,431,000
Total equity held: 14.1%

Baronsmead Second Venture Trust only

Original cost: £2,436,000
Valuation: £4,593,000
Valuation basis: Last external funding round
Income recognised in the year: £Nil
% of equity held: 7.7%
Voting rights: 7.7%

Year ended 31 December

	2018 **£ million**	2017 £ million
Net Assets:	1.9	0.5

The Company has received an extension to 31 December 2020 for the filing of its financial statements for the year ended 31 December 2019. A full set of accounts is not publicly available
Source: Custom Materials Ltd, Unaudited Financial Statements 31 December 2018.

9 Pho Holdings Ltd

London
Unquoted
www.phocafe.co.uk

Pho is a fast casual restaurant chain serving freshly prepared Vietnamese street food. Pho – a noodle soup – is the national dish of Vietnam. Pho also offer an array of Vietnamese dishes and drinks.

Pho was founded in 2005 and now operates from a portfolio of 30 sites across the UK. Pho has experienced closures and reduced restaurant capacity due to lockdowns and social distancing requirements during 2020. However, the estate is well-diversified by location and restaurant type (Central London, suburban London, regional sites and University cities and shopping centres) and sales through the home delivery channel also continue to grow strongly.

All funds managed by Gresham House

First investment: July 2012
Total original cost: £4,402,000
Total equity held: 28.6%

Baronsmead Second Venture Trust only

Original cost: £2,422,000
Valuation: £4,016,000
Valuation basis: Earnings Multiple
Income recognised in the year: £Nil
% of equity held: 15.8%
Voting rights: 15.8%

Year ended 24 February

	2019* **£ million**	2018** £ million
Sales:	34.4	30.5
Pre-tax profits:	(1.5)	(1.0)
Net Assets:	2.1	3.5
No. of Employees:	678	605

*52 week period ended 24 February 2019.
**52 week period ended 25 February 2018.
Source: Pho 2012 Ltd, Directors' Report and Financial Statements 24 February 2019.

10 Inspired Energy plc

Lancashire
Quoted
www.inspiredplc.co.uk

Inspired Energy is an energy consultancy business for commercial and industrial clients, providing energy procurement, management and advisory services to optimise energy costs and carbon emissions. Established in 2000, the company now has a team of 240 energy professionals who advise and manage over 11,500 clients. The corporate division comprises five subsidiaries and provides review, analysis and negotiation of gas and electricity contracts on behalf of corporate clients; the SME division offers reduced tariffs and contracts based on unique customer situation. The Baronsmead VCTs first invested as cornerstone investors in the 2011 IPO and since then Inspired Energy has grown revenues 11.4x both organically and by acquisitions.

All funds managed by Gresham House

First investment: November 2011
Total original cost: £1,437,000†
Total equity held: 14.8%

Baronsmead Second Venture Trust only

Original cost: £861,000
Valuation: £3,832,000
Valuation basis: Bid Price
Income recognised in the year: £119,000
% of equity held: 2.8%
Voting rights: 2.8%

Year ended 31 December

	2019 **£ million**	2018 £ million
Sales:	49.3	32.7
Pre-tax profits:	4.8	4.2
Net Assets:	49.9	45.3
No. of Employees:	520	332

Source: Inspired Energy plc, Annual Report and Accounts 2019.
† Excludes collective investment vehicles.

Strategic Report

Principal Risks & Uncertainties

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

A key emerging risk now facing the company is that of ESG, given its regulatory, operational and potentially reputational implications if not appropriately addressed. In order to address this emerging risk, when looking to make a new investment the Manager will use an ESG Decision Tool to identify any material ESG risks that need to be managed and mitigated. For further detail, see page 21.

The Board considers the COVID-19 pandemic and Brexit to be factors which exacerbate existing risks, rather than new emerging risks. Their impact is considered within the relevant risks below.

Principal Risk	Context	Specific risks we face	Possible impact	Mitigation
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.	The loss of VCT status would result in shareholders who have not held their shares for the designated holding period having to repay the income tax relief they had already obtained and future dividends and gains would be subject to income tax and capital gains tax.	The Board maintains a safety margin on all VCT tests to ensure that breaches are unlikely to be caused by unforeseen events or shocks. The Investment Manager monitors all of the VCT tests on an ongoing basis and the Board reviews the status of these tests on a quarterly basis. Specialist advisors review the tests on a bi-annual basis and report to the audit committee on their findings.
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 would make them less attractive to investors.	The Company might not be able to maintain its asset base leading to its gradual decline and potentially an inability to maintain either its buy back or dividend policies.	The Board and the Investment Manager engage on a regular basis with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue. In addition, the Board and the Investment Manager have considered the options available to the Company in the event of the loss of tax reliefs to ensure that it can continue to provide a strong investment proposition for its shareholders despite the loss of tax reliefs.
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. The COVID-19 pandemic has had a significant impact on the performance of the consumer markets sector.	Investment in poor quality companies with the resultant risk of a high level of failure in the portfolio.	Reduction in both the capital value of investors shareholdings and in the level of income distributed.	The Company has a diverse portfolio where the cost of any one investment is typically less than 5 per cent of NAV thereby limiting the impact of any one failed investment. The Investment Management team has a strong and consistent track record over a long period. The Investment Manager undertakes extensive due diligence procedures on every new investment and reviews the portfolio composition maintaining a wide spread of holdings in terms of financing stage and industry sector. In light of the COVID-19 pandemic, the Investment Manager has undertaken a thorough risk review of the portfolio companies which has been reviewed by the Board. The Investment Manager has engaged with management teams to develop plans to mitigate the impact of the current crisis.
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. In addition the potential impact of leaving the European Union remains uncertain. The risks posed by the COVID-19 pandemic impact on all the economic, political and other external factors the Company faces.	Events such as fiscal policy changes, Brexit, economic recession, movement in interest or currency rates, civil unrest, war or political uncertainty or pandemics can adversely affect the trading environment for underlying investments and impact on their results and valuations.	Reduction in the value of the Company's assets with a corresponding impact on its share price may result in the loss of investors through buy backs and may limit its ability to pay dividends.	The Company invests in a diversified portfolio of companies across a number of industry sectors, which provides protection against shocks as the impact on individual sectors can vary depending upon the circumstances. In addition, the Investment Manager uses a limited amount of bank gearing in its investments which enables its investments to continue trading through difficult economic conditions. The Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility. The Board reviews the make up and progress of the portfolio each quarter to ensure that it remains appropriately diversified and funded.
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.	The Company's performance could be impacted severely by financial penalties and a loss of reputation resulting in the alienation of shareholders, a significant demand to buy back shares and an inability to attract future investment. The suspension of its shares would result in the loss of its VCT taxation status and most likely the ultimate liquidation of the Company.	The Board and the Investment Manager employ the services of leading regulatory lawyers, sponsors, auditors and other advisers to ensure the Company complies with all of its regulatory obligations. The Board has strong systems in place to ensure that the Company complies with all of its regulatory responsibilities. The Investment Manager has a strong compliance culture and employs dedicated compliance specialists within its team who support the Board in ensuring that the Company is compliant. The Board is being kept appraised of changes in the regulatory environment caused by the COVID-19 pandemic. The Company Secretary provides an update at each Board meeting.
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 including a cyber attack leading to an inability to service shareholder needs adequately, to provide accurate reporting and accounting and to ensure adherence to all VCT legislation rules.	Errors in shareholders' records or shareholdings, incorrect marketing literature, non compliance with listing rules, loss of assets, breach of legal duties and inability to provide accurate reporting and accounting all leading to reputational risk and the potential for litigation. A cyber attack or data breach could lead to loss of sensitive shareholder data resulting in a breach and liability under GDPR.	The Board has appointed an audit committee who review the internal control ("ISAE3402") and/or internal audit reports from all significant third party service providers, including the Investment Manager, on a bi-annual basis to ensure that they have strong systems and controls in place including Business Continuity Plans and matters relating to cyber security. The Board regularly reviews the performance of its service providers to ensure that they continue to have the necessary expertise and resources to provide a high class service and always where there has been any changes in key personnel or ownership. The operational requirements of the Company, including from its service providers, have been subject to rigorous testing (including remote working and virtual meetings) as to their application during the COVID-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust.

The financial risks faced by the Company are covered within the Notes to the Financial Statements on pages 63 to 75.

Strategic Report

Sustainable Investing

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, when making investment decisions and the Board will continue to monitor the Manager's progress in these areas.

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.

Whilst the requirements under company law to detail ESG matters are not directly applicable to the Company, the Board is conscious of its potential impact on the environment as well as its social and corporate governance responsibilities. The Manager has presented its ESG strategy to the Board and has started to provide regular updates to the Board regarding the ESG responsibilities of its portfolio of investee companies.

Sustainable Investment by the Manager

Gresham House is committed to sustainable investment as an integral part of its business strategy. During 2020, Gresham House has taken steps to formalise its approach to sustainability and has put in place several policies and processes to ensure ESG factors and stewardship responsibilities are built into asset management across all funds and strategies, including venture capital trusts.

Policies and processes

Gresham House has published its Sustainable Investing Policy along with asset specific policies, including the Public Equity Policy and the Private Equity Policy which are on the Gresham House website (greshamhouse.com), which cover Gresham House's sustainable investment commitments, how the investment processes meet these commitments and the application of the sustainable investment framework.

The Gresham House Board and Management Committee assess adherence to the commitments in the Sustainable Investment Policies on an annual basis.

Sustainable Investing Committee

The Sustainable Investing Committee (SIC) was formed at the start of 2020. It meets monthly and drives sustainability related deliverables, whilst providing a forum to share best practice, ideas and education.

The Committee is chaired by the Director of Sustainable Investment and has representation from the Gresham House Management Committee, each asset division, sales and marketing.

Embedding ESG analysis

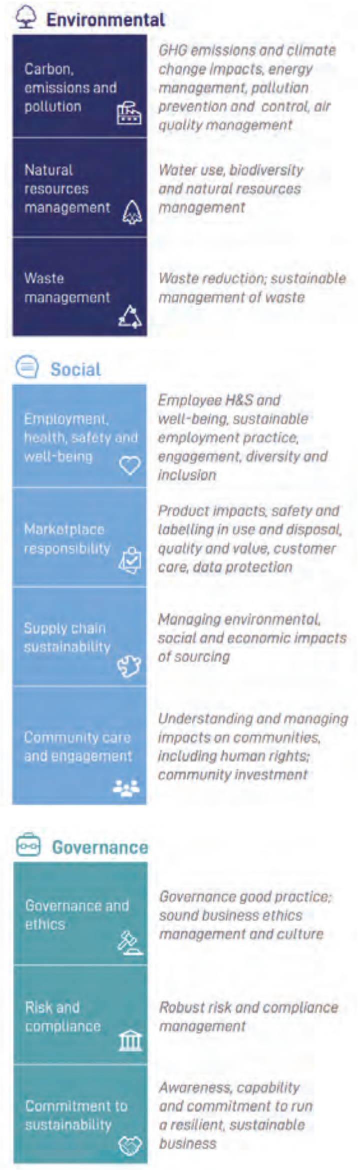
ESG analysis is embedded into the investment process by the Manager in order to build and protect long-term value for investors.

A framework based on ten key ESG themes is used to structure analysis, monitor and report on ESG risks and opportunities across the lifecycle of investments. The image to the right shows the ten themes and the most important ESG factors the Manager will use to assess an investment.

ESG Decision Tool

The ten themes are the basis of the ESG Decision Tools which are used to support the Manager in identifying material ESG risks that need to be managed and mitigated, and to help shape the due diligence process for each investment.

The Manager believes the "G" (Governance) of ESG is the most important factor in its investment processes for public and private equity. Board composition, governance, control, company culture, alignment of interests, shareholder ownership structure, remuneration policy etc. are important elements that will feed into the Manager's analysis and the company valuation.



The "E" and "S" (Environmental and Social) are assessed as risk factors during due diligence to eliminate companies that face environmental and social risks that cannot be mitigated through engagement and governance changes.

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

Stewardship Responsibilities

As an active investor, the Manager acts as a long-term steward of the assets in which it invests. Active ownership responsibilities include engagement and voting, which are used to protect and create value. Gresham House has published its Engagement and Voting Policy on its website which sets out the Manager's approach and explains how integrated these activities are to its business practices and investment processes.

Strategic Report

Sustainable Investing continued

Engagement

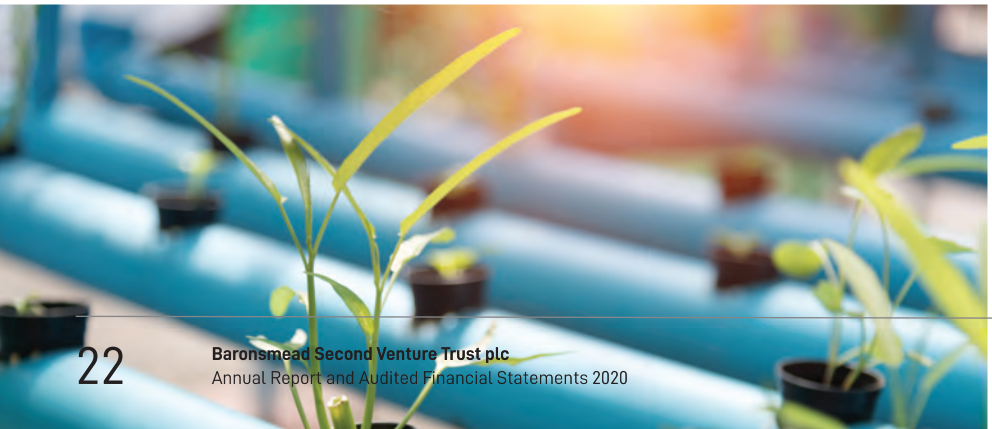
The Manager's investment philosophy means that it is an actively engaged shareholder. The Manager's assessments of management, board and governance form a critical part of the investment case, which necessitates that it works with companies on strategy, M&A, remuneration and related matters, from the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

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

Defining engagement objectives

The Manager will usually identify and agree strategic milestones that it expects a company to deliver on over the holding period. The Manager will typically identify three or four key strategic milestones that are bespoke to the organisation and its business development, aiming to keep the directors focused and ensure continued progress.

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



- Board composition
- Improvements to governance arrangements
- Product or geographic expansion or variance, including due to ESG related market forces
- Staff retention and reduction of absence rates
- Implementing compliance programmes with forthcoming ESG legislation.
- Improvements to reporting, including ESG factors

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

Voting

Voting is an important part of the Manager's investment strategy and Gresham House is a signatory to the UK Stewardship Code and the Principles of Responsible Investment ("PRI"). The Manager devotes the necessary research, management time and resources to ensuring it makes thoughtful voting decisions.

Voting decisions are based on the Manager's view of the course of action which will be in the best interests of the Company. Votes are informed by various sources including; procedures, research, engagement with the company, discussions with other stakeholders and advisers, internal discussions and consultations, and other relevant information.

Voting decisions

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

❶ Authority to allot shares – policy to vote against anything over 33 per cent.

❷ Disapplication of pre-emption rights – policy to vote against anything over 10 per cent.

❸ Authorise Company to purchase own shares – policy to vote against anything over 10 per cent.

❹ Political donations – policy to vote against all political donations.

Proxy voting providers

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

Stock lending

The Manager does not engage in stock lending, ensuring it maintains control over how votes are cast.

Voting against management

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

Voting evidence

In the year to 30 September 2020 the Manager voted on 409 resolutions with 92 per cent votes in favour, 6 per cent votes against and 2 per cent abstain.

Votes against included a public company where we objected against a political donation.

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

Investing in the Right Companies

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

The Board has delegated the management of the investment portfolio to Gresham House. The Investment Manager has adopted a 'top-down, macro economic and sector-driven' approach to identifying and evaluating potential investment opportunities, by assessing a forward view of firstly the broader business environment, then the sector and finally the specific potential investment opportunity.

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

The Manager's policy is not to invest in any of the following areas: human cloning; arms/munitions; or adult content.

The Manager's Review on pages 8 to 11 provides a review of the investment portfolio and of market conditions during the year, including the main trends and factors likely to affect the future development, performance and position of the business.

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

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

VCT Status

Compliance with the required VCT rules and regulations is considered when all investment decisions are made. Internally, this is monitored on a continuous basis and it is also reviewed by PwC every six months to ensure ongoing compliance. PwC have been appointed by the Company to advise on compliance with VCT requirements, including evaluation of investment opportunities as well as appropriate and regular review of the portfolio. Although PwC works closely with the Investment Manager, they report directly to the Board.

The principal tests are summarised below. Throughout the year ended 30 September 2020, and at the date of this report, the Company continued to meet these tests:

VCT status tests

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

Strategic Report

Other Matters continued

8) To ensure that the VCT has not made an investment in a company which causes it to receive more than the permitted investment from State Aid sources;

9) To ensure that since 17 November 2015, the VCT has not made an investment in a company which exceeds the maximum permitted age requirement;

10) To ensure that since 17 November 2015, funds invested by the VCT in another company have not been used to make a prohibited acquisition; and

11) To ensure that since 6 April 2016, the VCT has not made a prohibited non-qualifying investment.

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 7. The Board assesses the performance of the Manager in meeting the Company's objective against the KPIs highlighted on page 2 of the report.

Continuing Appointment of the Manager

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

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

The management agreement

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

Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee. The running cost as at 30 September 2020 was 2.7 per cent.

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

Performance fees

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

No performance fee is payable for the year to 30 September 2020 (2019: £nil).

Management retention

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

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

Prior to January 2017, executives participating in the VCT incentive scheme subscribed jointly for a proportion (12 per cent) of the ordinary shares (but not the prior ranking financial instruments) available to the Baronsmead VCTs in each eligible unquoted investment. The level of participation was increased from 5 per cent in 2007 when the Manager's performance fee was reduced from 20 per cent to its current level of 10 per cent. With effect from January 2017, an additional limb was added to the VCT incentive scheme to accommodate the increasing number of "permanent equity" investments being made by the Baronsmead VCTs. "Permanent equity" investments are those in which the Baronsmead VCTs hold a relatively lower proportion of prior ranking instruments (if any at all) and a higher proportion of permanent equity or ordinary shares. This means that there are fewer prior ranking instruments yielding a priority return for the Baronsmead VCTs before any gain accrues to the ordinary shares, hence this additional limb to create a hurdle described below. The cut off to define a "permanent equity" investment is one where permanent equity is greater than 25 per cent of the total or where permanent equity is greater than £250,000.

Under the terms of the amended VCT incentive scheme, in circumstances where the Baronsmead VCTs hold a sufficient number of prior ranking financial instruments (a "Traditional Structure"), the terms are identical to those set out above. However, in circumstances where the Baronsmead VCTs make a "permanent equity" investment, the executives participating in the incentive scheme are required to co-invest pari passu alongside the Baronsmead VCTs for a proportion (currently 0.75 per cent) of all instruments available to the Baronsmead VCTs and they also receive an option over a further proportion (currently 12 per cent) of the ordinary shares available to the Baronsmead VCTs. The ordinary shares can only be sold and the option can only be exercised by the scheme participants when the investment held by the Baronsmead VCTs is sold. The option exercise price has a built in hurdle rate to ensure that the options are only "in the money" if the Baronsmead VCTs achieve a good return (equivalent to the priority return they would have to achieve prior to any value accruing to the ordinary shares in a Traditional Structure).

Since the formation of the scheme in 2004, 86 executives have invested a total of £1,049,000 in 72 companies. At 30 September 2020, 45 of these investments have been realised generating proceeds of £350,000,000 for the Baronsmead VCTs and £19,000,000 for the VCT incentive scheme. For Baronsmead Second Venture Trust the average money multiple on these 45 realisations was 1.7x times cost. Had the VCT incentive shares been held instead by the Baronsmead VCTs, the extra return to Shareholders would have been the equivalent of 3.9p a share over 16 years (based on the current number of shares in issue). The

Strategic Report

Other Matters continued

Board considers this cost to retain quality people to be in the best interests of shareholders.

Advisory and Directors' fees

During the year, Gresham House Asset Management Limited received £204,000 (2019: £121,000) advisory fees, £360,000 (2019: £232,000) directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £11,000 (2019: £26,000) with respect to investments attributable to Baronsmead Second Venture Trust plc.

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

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

Viability Statement

In accordance with principle 21 of the Association of Investment Companies Code of Corporate Governance ("AIC Code"), the Directors have assessed the prospects of the Company over the three year period to 30 September 2023.

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

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

- The nature of the Company's portfolio
- The Company's investment strategy
- The potential impact of the Principal Risks and Uncertainties
- Share buy-backs
- The liquidity of the Company's portfolio
- Market falls and gains, with particular reference to the COVID-19 pandemic
- Maintaining VCT approval status

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

The Board also paid particular attention to the impact of the COVID-19 pandemic on the economic, regulatory and political environment as well as its direct impact upon the Company. The Board has also evaluated the ability of third party suppliers to continue to deliver services to the Company during COVID-19.

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

The Company's portfolio currently includes a large position in cash or liquid money market funds. Over the last five years, cash and liquid money market funds have averaged c.19 per cent of the NAV and reflected 24.6 per cent of the 30 September 2020 NAV. Cash balances can be varied due to changes in market conditions, but positive cash levels are expected to be maintained over the period. The Company has no debt, and it is expected that the Company will remain ungeared for the foreseeable future.

The Directors have also considered the Company's income and expenditure projections and find these to be realistic and sensible. The Directors have assessed the Company's ability to cover its annual running costs under several liquidity scenarios in which the value of liquid assets (including AIM-traded investments and OEICs) has been subject to sensitivity analysis. The Directors noted that under none of these scenarios was the Company unable to cover its costs.

Based on the Company's processes for monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model, asset allocation and the portfolio risk profile, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 September 2023.

Returns to Investors

Dividend policy

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

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

Shareholder choice

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

- Fund raising | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for costs. The Company currently has an Offer open to raise up to £20 million, with an additional £17.5 million overallotment facility available, as required.
- Dividend Reinvestment Plan | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 2,152,000 shares were bought in this way during the year to 30 September 2020.
- Buy back of shares | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid-share price discount of approximately 5 per cent to net asset value where possible. However, Shareholders should note this discount may widen during the periods of market volatility.
- Secondary market | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 567,000 shares were bought by investors in the Company's existing shares in the year to 30 September 2020.

Strategic Report

Directors' Duties

Overview

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

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

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

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

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

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

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

Decision Making

The importance of stakeholder considerations, in the context of decision making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Further information on the role of the Board in safeguarding stakeholder interests and monitoring ongoing investment activity can be found on pages 29 to 33.

Stakeholder Engagement

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

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

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

Stakeholder Group	Importance	Board Engagement
Shareholders	Continued shareholder support is critical to the sustainability of the Company and delivery of the long-term strategy of the business.	The Board is committed to maintaining open channels of communication and during the period has developed various meaningful ways of engaging with shareholders to gain an understanding of their views. These include: ■ **Annual General Meeting ("AGM")** – The Company welcomes and encourages attendance and participation from shareholders at the AGM and values any feedback and questions it may receive from shareholders ahead of and during the AGM. Shareholders were given the opportunity to meet the Directors and Manager and to address questions to them directly at the AGM on 27 February 2020. The Manager delivered a detailed presentation on the Company's performance and outlook. Following the AGM, a Board meeting was convened at which the Directors discussed the key questions and themes raised by shareholders and agreed appropriate actions to address these during the period. Following comments received from shareholders at the AGM and through the shareholder survey, the Board discussed whether it would be beneficial for the current Dividend Reinvestment Plan to be replaced with a Dividend Reinvestment Scheme ("DRIS"). The Board considered the advantages and disadvantages of a DRIS and agreed that, due to its dilutive impact and administrative cost, it would not be in the best interests of the shareholders or the long-term success of the Company. For further information regarding the AGM taking place on 16 February 2021, please refer to the Chairman's Statement on pages 4 to 7. ■ **Publications** – The Annual and Half-Year financial statements are made available on the Company's website (www.baronsmeadvcts.co.uk) and sent to shareholders. These publications provide shareholders with information regarding the Company's business model, strategy and investment portfolio and provide a clear understanding of the Company's financial position. This is supplemented by the monthly publication of the NAV on the Company's website and quarterly factsheets. Feedback and questions received by the Company from shareholders enables the Company to improve its reporting, which in turn helps to deliver transparent and understandable updates. During the year the website has been updated to provide clearer information and a better experience for shareholders of the Company. ■ **Shareholder Communication & Shareholder Concerns** – The Manager communicates with shareholders periodically and shareholders are welcome to raise any comments, issues or concerns with the Board at any time. Shareholders are invited to do so by writing to the Chairman at the registered office. Malcolm Groat, as Senior Independent Director, is also available to shareholders if they have concerns that contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate.

Directors' Duties continued

Stakeholder Group	Importance	Board Engagement
		In June 2020, a survey was disseminated to new shareholders to obtain information about the profile of the Company's shareholders including who they are, why they invest and what they want from their investment in the Company. The survey also provided shareholders with an opportunity to submit comments. The responses were collated and presented to the Board for their consideration. The Board values the opportunity to understand the views of its shareholders and therefore it has been agreed that a net promoter feedback survey will be completed periodically to help gauge shareholder satisfaction.
The Manager	The Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to achieve long-term investment returns for private investors.	The Board invites the Manager to attend Valuation Forums, Board meetings and Committee meetings to update Directors on the performance of the portfolio and execution of the investment strategy. The Board holds detailed discussions with the Manager on all key strategic and operational topics on an ongoing basis. In addition, the Chairman regularly meets with the Manager to ensure a close dialogue is maintained. In line with the Company's culture, the Board recognises the importance of working together with the Manager in such a way that: ■ encourages open, honest, and collaborative discussions at all levels, allowing time and space for original and innovative thinking; ■ draws on Board Members' individual experience and knowledge to support and challenge the Manager in its monitoring of and engagement with portfolio investee companies; ■ ensures that the impact on the Manager is fully considered and understood before any business decision is made; and ■ ensures that any potential conflicts of interest are avoided or managed effectively.
The Portfolio of Investee Companies	The Company selectively invests in growth businesses, whether unquoted or traded on AIM, which are primarily based in the UK. Investments are made selectively across a range of sectors to meet the Company's investment objectives and in accordance with VCT legislation.	Day-to-day engagement with the portfolio of investee companies is undertaken by the Manager, so a transparent and objective relationship between the Board and the Manager is vital. For unquoted and larger AIM holdings, the Manager is an influential and engaged shareholder (on behalf of the Company) and Manager representatives often join the boards of these companies. At each scheduled Valuation Forum, the Board receives detailed updates from the Manager covering the portfolio construction and performance, progress and trading within the underlying portfolio companies and valuation recommendations. The Board is also provided with investment pipeline reports, covering both new deals and potential follow-on investments at Board meetings.

Stakeholder Group	Importance	Board Engagement
External Service Providers	To function as a VCT with a premium listing on the London Stock Exchange, the Company relies on a diverse range of highly regarded advisers for support in meeting all relevant obligations.	The Board maintains regular contact with its external providers and receives reports from them at Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely considered. During the period, the Management Engagement and Remuneration Committee formally assessed the external service providers' performance, fees and continuing appointment to ensure that they continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit & Risk Committee reviews and evaluates the control environments in place at each service provider as appropriate. In particular, during the COVID-19 lockdown environment the Manager and Audit & Risk Committee received confirmation that all service providers had effectively implemented their Business Continuity Plans and were able to work remotely, with no impact to the service provided to the Company or to the internal controls in place at the providers.
HMRC & Regulators	The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Board regularly considers how it meets regulatory and statutory obligations and follows voluntary and best-practice guidance, including how any governance decisions it makes impact its stakeholders, both in the shorter and in the longer-term. In particular, the Audit & Risk Committee receives confirmation from its VCT status adviser regarding compliance with the VCT rules and at every board meeting the Board is presented with a Company Secretarial Report outlining the latest governance updates to keep the Board abreast of any relevant regulatory changes. The Board also receives reports from the Manager and Auditor on their respective regulatory compliance and any inspections or reviews that are commissioned by regulatory bodies. The Company ensures it meets all required HMRC obligations and payments promptly and as they fall due.

Directors' Duties continued

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

Principal Decision	Long-Term impact	Stakeholders and Engagement
Consideration of the Company's culture, purpose and values	Establishing and maintaining a healthy corporate culture within the Company will aid delivery of its long-term strategy.	During the reporting period, the Board considered the Company's culture, purpose and values. The Company seeks to invest in innovative, high growth quoted and unquoted companies providing capital and expertise at a critical stage of their development. The Company believes that the successful development of these companies will be crucial to the advancement of the UK economy. The Investment Manager has an extensive entrepreneurial network and specialist skills which are utilised both to source new investment opportunities as well as to support the portfolio company management teams to deliver their growth plans. The investment strategy is based on backing the highest potential companies operating in sectors and markets which are benefiting from long-term structural growth trends, whilst recognising the risk management benefits of diversification in portfolio construction. The Company has several policies in place to maintain a culture of good governance including those relating to Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board during the annual Board evaluation process which is undertaken by each Director. This is a formal internal process coordinated by the Chairman, given the small size of the Board.
Continued focus on the Manager's ESG impact	The Board recognises that sound ESG policies, when embedded with appropriate governance and responsible business practices, help generate long-term financial performance and contribute to the wider community.	The Board has continued its focus on responsible business practices and the impact of ESG matters. The Board notes that the Manager has added to resources in this area and has significantly developed its ESG policy and processes in the past 12 months. The Board has received a detailed presentation from the Manager's sustainable investment director on its responsible business practices and the methods used to evaluate ESG risks as part of its investment processes. The Board acknowledges the increased focus by the Manager on ensuring new and existing investee companies are adopting sound ESG policies and will continue to monitor the Manager's progress.

Principal Decision	Long-Term impact	Stakeholders and Engagement
Board Succession Planning	Effective succession planning, leading to the refreshment of the Board and its diversity is necessary for the long-term success of the Company.	In November 2020, the Board adopted a Tenure and Reappointment Policy (the "Policy"). In accordance with the Policy, the Board will seek to recruit a Director approximately every four years, with no Director expected to serve on the Board for longer than nine years. The Board acknowledges that succession planning and refreshment of the Board is a priority for the year ending 30 September 2021, during which there will be an emphasis on ensuring that the Board and its Committees continue to have a suitable combination of skills, experience and knowledge. As announced to the market on 25 November 2020, Mr Anthony Townsend will retire as a Non-Executive Director at the Company's forthcoming Annual General Meeting on 16 February 2021. The Board intends to appoint a new independent Non-Executive Director in Spring 2021 to ensure that there is the desired complement of four Directors.
Approval of Fundraising	Providing shareholders and potential new investors the opportunity to subscribe for shares in BSVT, in turn provides opportunities for Company growth and increased investor engagement.	In deciding to launch a fundraising during the reporting period, the Board considered: ▪ the ability to adhere to the Company's dividend policy; ▪ the effect on the NAV and the ability of the Company to be able to meet HMRC's VCT investment rules and timelines; ▪ the new investment pipeline; ▪ the costs involved in issuing a Prospectus and of fundraising; and ▪ the advantages and disadvantages of a joint Prospectus across the two Baronsmead VCTs which Gresham House advises.

On behalf of the Board

Sarah Fromson
Chairman

3 December 2020

Directors' Report

The Chairman's Statement on pages 4 to 7, the Corporate Governance Statement on pages 38 to 47 and the Strategic Report on pages 2 to 33 forms part of the Report of the Directors.

Board of Directors

Sarah Fromson	Chairman and Nomination Committee Chairman
Appointed:	1 October 2019
Experience:	Sarah retired from her executive role as Head of Risk at Wellcome Trust in 2019. Sarah was previously at RBS Asset Management (formerly Coutts) where she held a number of senior positions, including Chief Investment Risk Officer, Co-Head of Investments and Head of the Long-Only Investment team. Sarah is Chair of JP Morgan Global Emerging Markets Income Trust plc, as well as being a Non-Executive Board member of Boston-based Arrowstreet Capital Partners. Sarah is also a Pension Trustee Director of Genome Research Pensions Trustee Limited and Wellcome Trust Pensions Trustee Limited. She is also on the board of Quilter Investors Ltd, a subsidiary of Quilter plc.
Shareholding:	38,603 Ordinary Shares

Anthony Townsend	Non-Executive Director
Appointed:	4 August 2009
Experience:	Anthony has spent over 50 years working in the City and was Chairman of the Association of Investment Companies from 2001 to 2003. He is currently Chairman of Gresham House plc and Finsbury Growth & Income Trust plc. He was a Director of Brit Insurance Holdings plc (1999-2008), representing it on the Council of Lloyd's of London (2006 to 2008). Prior to this, he was Managing Director of Finsbury Asset Management Ltd (1988-1998). He was a Non-Executive Director of Worldwide Healthcare Trust plc (1995-2013) and retired as the Chairman of BMO Global Smaller Companies plc on 30 July 2020.
Shareholding:	247,504 Ordinary Shares

Malcolm Groat	Senior Independent Director and Audit and Risk Committee Chairman
Appointed:	11 March 2016
Experience:	Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales, and the Royal Society for the Encouragement of Arts, Manufactures and Commerce. During his executive career, Malcolm held C-suite positions with global businesses in engineering, construction and financial services. Since 2004, he has also served as Chairman or Non-Executive Director in a number of significant businesses, currently holding directorships at two AIM-listed ventures InfraStrata and Tomco Energy. He is also Chairman at The Corps of Commissionaires and at Zaim Credit Systems plc.
Shareholding:	251,804 Ordinary Shares

Tim Farazmand	Non-Executive Director and Management Engagement & Remuneration Committee Chairman
Appointed:	1 May 2020
Experience:	Tim has spent 30 years in private equity. His last full-time role was as a Managing Director at LDC, the private equity arm of Lloyds Bank. He previously worked for 3i Group Plc and Royal Bank of Scotland Private Equity. He was Chair of the British Venture Capital Association (BVCA) for the 2014-2015 term. He currently chairs the Palatine Impact Fund, sits on the Advisory Board of Beechbrook Capital and the boards of Estio, The Lakes Distillery and Vinoteca.
Shareholding:	65,147 Ordinary Shares

Directors' Report

The Directors of Baronsmead Second Venture Trust plc (Reg: 04115341) present their twentieth Annual Report and Audited Financial Statements of the Company for the year to 30 September 2020.

Shares and Shareholders

Share capital

Pursuant to the Prospectus published by the Company on 3 October 2019 in conjunction with Baronsmead Venture Trust plc in relation to an offer for subscription to each raise up to £20 million (before costs) with an over-allotment facility to each raise up to a further £5 million, the Company issued a total of 23,446,326 ordinary shares in the year by way of four allotments, raising approximately £18.4 million. Details of these allotments are as set out below:

- On 20 November 2019, the Company issued 11,596,119 ordinary shares under the first allotment at an issue price of 78.90p per share. The shares were admitted to trading on 21 November 2019.
- On 23 January 2020, the Company issued 5,978,704 ordinary shares under the second allotment at an issue price of 84.80p per share. The shares were admitted to trading on 24 January 2020.
- On 27 February 2020, the Company issued 2,318,288 ordinary shares under the third allotment at an issue price of 86.10p per share. The shares were admitted to trading on 28 February 2020.
- On 6 March 2020, the Company issued an additional 101,155 ordinary shares following an adjustment of the Company's 31 January 2020 NAV, after shareholder approval of the Company's final dividend at its February 2020 AGM. The shares were issued at a price of 82.50p and were admitted to trading on 11 March 2020.
- On 31 March 2020, the Company issued 3,452,060 ordinary shares under the fourth allotment at an issue price of 64.30p per share. The shares were admitted to trading on 1 April 2020.

On 10 November 2020 the Company issued 16,956,777 new ordinary shares pursuant to the offer for subscription set out in the prospectus published on 16 September 2020. These new shares were issued at a price of 77.90p per share, representing 5.88 per cent of the issued share capital following the allotment with an aggregate nominal value of £1,695,678, raising a further £13,209,329 of new funds (before expenses).

At the AGM held on 27 February 2020, the Company was granted authority to purchase up to 14.99 per cent of the Company's ordinary share capital in issue at that date on which the Notice of AGM was published, amounting to 38,916,505 ordinary shares. During the year, the Company bought back a total of 4,421,929 ordinary shares to be held in Treasury, representing 1.63 per cent of the issued share capital as at 30 September 2020, with an aggregate nominal value of £442,193. The total amount paid for these shares was £3,186,450. Since the 30 September 2020 the Company has bought back 400,000 shares. The Company has remaining authority to buy back 34,094,576 shares under the resolution approved at the AGM in 2020.

During the year, the Company sold 600,000 ordinary shares from Treasury. The total amount received by the Company for these shares was £420,000. Shares will not be sold out of Treasury at a discount wider than the discount at which the shares were initially bought back by the Company.

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

Share	Total	% of Shares in issue	Nominal Value
In issue	288,423,431	100.00	£28,842,343.10
Held in Treasury	24,615,084	8.53	£2,461,508.40
In circulation	263,808,347	91.46	£26,380,834.70

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

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

In addition to the powers provided to the Directors under UK company law and the Company's Articles of Association, at each AGM the shareholders are asked to authorise certain powers in relation to the issuing and purchasing of the Company's own shares. Details of the powers granted at the AGM held in 2020, all of which remain valid, can be found in the previous Notice of AGM.

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

Dividends

The Company has paid or declared the following dividends for the year to 30 September 2020:

Dividends	£'000
Interim dividend of 3.0p per ordinary share paid on 11 September 2020	7,405
Final dividend of 3.5p per ordinary share to be paid on 5 March 2021	8,654
Total dividends paid for the year	**16,059**

** Calculated on shares in circulation as at 30 September 2020.*

Subject to shareholder approval at the AGM on 16 February 2021, a final dividend of 3.5p per share will be paid on 5 March 2021 to shareholders on the register at 5 February 2021.

Directors' Report

Annual General Meeting
The AGM will be held on 16 February 2021. A separate notice convening the Annual General Meeting will be posted to shareholders and will be separate to the Annual Report. The Notice will include an explanation of the items to be considered at the Annual General Meeting and will be uploaded to the Company's website in due course.

Directors

Appointments
The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006. Further details in relation to the appointed Directors and the governance arrangements of the Board can be found on page 34 and in the Corporate Governance Statement.

Directors are entitled to a payment in lieu of three months notice by the Company for loss of office in the event of a takeover bid.

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

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

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

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

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

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

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

The Directors acknowledge that the COVID-19 outbreak has had a significant adverse impact globally and that this has caused substantial volatility in financial markets. The Board nevertheless consider the Company to be well placed to continue to operate through the crisis and to continue to operate for at least 12 months from the date of this report, as the Company has sufficient liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise.

In arriving at this conclusion the Directors have considered the guidance published by the Financial Reporting Council (FRC) regarding COVID-19 and going concern.

The Directors note that the Company's third-party suppliers, including its Investment Manager, Company Secretary, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company.

The Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved. As at 30 September 2020, the Company held cash balances and investments in readily realisable securities with a value of £40.5 million, representing 24.6 per cent of the Company's NAV.

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

The Company's forecasts and cash flow projections, taking into account the current economic environment and other, plausibly possible changes in performance, show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy.

Listing Rule Disclosure
The Company confirms that there are no items which require disclosure under the listing rule 9.8.4R in respect of the year ended 30 September 2020.

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

3 December 2020

Corporate Governance

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

Background

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

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

Compliance

The Board attaches great importance to the AIC Code and strives to observe its principles. Throughout the year ended 30 September 2020, the Company complied with most of the principles and provisions of the AIC Code and the table on the following pages reports on the Company's AIC Code compliance, providing explanation where the Company has not complied.

As an externally managed VCT, all the Directors are Non-Executive and therefore provisions of the AIC Code relating to the Chief Executive Officer and Executive Director remuneration are not relevant to the Company. Furthermore, the systems and procedures of the Manager and the provision of services provided by the Company's VCT Status Adviser, PricewaterhouseCooper LLP ("PwC"), give the Board full confidence that an internal audit function is not necessary. The Company has therefore not reported further in respect of these provisions.

The Principles of the AIC Code

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

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

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

AIC Code	Principle	Compliance Statement
BOARD LEADERSHIP & PURPOSE		
A.	**A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.**	Directors are fully engaged and committed to use their collective, extensive experience to foster healthy debate and drive business strategy for the long-term, sustainable success of the Company. The Company's investment objective is to achieve long-term investment returns for private investors within a tax efficient structure and the Board ensures that all decisions are made responsibly. The Board and the Manager are committed to managing the business and its investment strategy in a sustainable manner and the Board places increasing emphasis on the importance of ESG in its investment decisions and risk management.

AIC Code	Principle	Compliance Statement
B.	**The Board should establish the Company's purpose, values, and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture.**	The purpose of the Company is also its investment objective which is to achieve long-term investment returns for private investors within a tax efficient structure. It does this by investing primarily in a diverse portfolio of UK growth businesses whether unquoted or traded on AIM. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. The Directors agree that establishing and maintaining an open and inclusive culture among the Board, and in its interaction with the Manager, shareholders, and other stakeholders, will support the delivery of its purpose, values, and strategy. During the Board's annual evaluation process, it was apparent that all Directors seek to promote a culture of openness, integrity and debate through ongoing engagement and dialogue with the Manager, the Company's stakeholders, and the Company's service providers.
C.	**The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.**	The Board and Audit & Risk Committee regularly review the performance of the Company and the performance and resources of the Manager and service providers to ensure the Company can meet its objectives. At each quarterly meeting, the Board receives a report on Company performance, the performance of its investments and the VCT sector (including its competitors) and any industry issues. The report outlines the Company's adherence to VCT compliance tests and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments. The Board has agreed specific KPIs with the Manager that enable both parties to monitor compliance with the agreed Investment Policy and Risk Management framework. Directors regularly seek additional information from the Manager, where appropriate, to supplement these reports and formally review the performance measures and KPIs. The Manager also keeps the Board informed on all investor relations matters and peer group information as appropriate. Additionally, the Board has established a framework for monitoring and evaluating the performance of its third-party services providers and, on the Company's behalf, the Manager monitors the performance and systems and controls employed by them.
D.	**In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.**	The Board understands its responsibility to shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than its shareholders, its stakeholders are the Manager, the portfolio of investee companies, the Company's regulators, and its range of reputable advisors and service providers. The Board is also committed to monitoring its impact on the environment and wider community and is prioritising focus on ESG across the investment process. The Board always considers the impact that any decision will have on any relevant stakeholder. The Directors place considerable importance on shareholder engagement and on communications with them and all other stakeholders. Shareholders who wish to contact the Board may do so by writing to the Chairman at the Company's Registered Office and all Directors make themselves available to meet shareholders at the Company's AGM. As explained in the Chairman's Statement on page 6 the AGM on 16 February 2021 will be held by electronic means this financial year due to the UK government's current restrictions on public gatherings. A separate Notice of AGM is being sent to shareholders separately to this Annual Report and will be made available on the Company's website in due course. Any shareholder who wishes to submit questions to the Board or Manager is encouraged to do so by following the instructions set out in that Notice. The Directors' Statement on meeting their responsibilities under Section 172 of the Companies Act 2006 can be found on pages 28 to 33.

Corporate Governance

AIC Code	Principle	Compliance Statement
DIVISION OF RESPONSIBILITIES		
F.	**The chair leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all Non-Executive directors, and ensures that directors receive accurate, timely and clear information.**	There is a clear division of responsibility between the Chairman, the Directors, the Manager, and the Company's other third-party service providers. In addition, the Board has approved a policy during the year ended 30 September 2020 which sets out the responsibilities of the Chairman and Senior Independent Director which is available on the Company's website. The Chairman is responsible for leading the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Chairman ensures that all Directors receive accurate, timely and clear information and helps promote a culture of openness and debate in Board meetings by encouraging and facilitating the effective contribution of other Directors towards a consensus view. The Chairman also takes a leading role in ensuring effective communications with shareholders and other stakeholders. Further details on the Company's engagement with shareholders and other stakeholders can be found in the Section 172 Statement on pages 28 to 33. The Board meets regularly throughout the year and representatives of the Manager are in attendance, when appropriate, at each Board and/or Committee meeting. Prior to each Board and Committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position and all Directors have timely access to all relevant management financial and regulatory information.
G.	**The Board should consist of an appropriate combination of directors (and, in particular, independent Non-Executive directors) such that no one individual or small group of individuals dominates the Board's decision making.**	The Board comprises four Non-Executive Directors. All Directors are deemed to be independent, apart from Mr Anthony Townsend. As chairman of Gresham House plc, Mr Townsend is directly connected to the Manager and therefore the Board have deemed him to not be independent. Having considered the performance and independence of each Director, the Board has determined that, save for Mr Townsend, each Director is independent in character and judgement and that there are no other relationships or circumstances which are likely to affect their judgement nor impair their independence. Therefore, the majority of the Board remains independent of the Manager. The Chairman, Sarah Fromson, was deemed to be independent at the time of her appointment and remains so. The Board are aware that Tim Farazmand acted as a consultant to the Manager until October 2019. Having considered the role that Mr Farazmand undertook and the period of time that has elapsed since he acted in this role for Gresham House, the Board have resolved that Mr Farazmand is independent of the Manager for the purposes of the AIC Code of Corporate Governance. As a result of the Board evaluation process, the Board determined that each Director provided expert and valued contributions to Board deliberations and no one individual, or small group of individuals dominated Board decision making.
H.	**Non-Executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.**	As part of the Board evaluation process, the contributions of each Director, and the time commitment made by each Director, are considered. Directors' other commitments are regularly reviewed, and any new appointments are considered by the other Directors to ensure there is no conflict of interest. As a result of the Board evaluation, it was concluded that each Director provided appropriate levels of commitment and challenge to the Board and provided the Company and service providers with guidance and advice when required.

AIC Code	Principle	Compliance Statement
I.	**The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time, and resources it needs in order to function effectively and efficiently.**	The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are in place and followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties. The Directors also have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities properly.
COMPOSITION, SUCCESSION AND EVALUATION		
J.	**Appointments to the Board should be subject to a formal, rigorous, and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.**	The Board has established a Nomination Committee who lead the appointment process of new Directors as and when vacancies arise and as part of the Directors' ongoing succession planning. The Board believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and the Nomination Committee and Board consider issues of board balance and diversity when making new appointments. As a result of the Board evaluation held during the year, Directors emphasised the continued focus on diversity when considering future appointments to the Board. However, the Board ensure that all Board appointments are made on merit and the Board is committed to ensuring that any Board vacancies are filled by the most qualified candidates. As reported in the Nomination Committee report on pages 46 to 47 Sarah Fromson was appointed to the Board on 1 October 2019 and became Chairman of the Company on 27 February 2020, upon Mr John Davies' resignation of the same date. Mr Timothy Farazmand was appointed to the Board on 1 May 2020 and Mr Ian Orrock resigned from the Board on the same date.
K.	**The Board and its committees should have a combination of skills, experience, and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.**	The Directors' biographical details are set out on page 34. These demonstrate the wide range of skills and experience that each Director brings to the Board. The Board has approved a tenure policy, which encompasses the whole Board and Chairman, to ensure that the Board continues to have the right balance of skills and experience. The Board recognises the value of regular refreshment of its composition and remains committed to ensuring that Directors have the right mix of skills and experience that are aligned with the strategic plans of the Company. The Board recognises the importance of Directors maintaining independence of character and judgement. However, the Directors believe that the value brought through continuity and experience of Directors with longer periods of service can be desirable in an investment company. Both the Nomination Committee and the Board regularly considers the composition of the Board and the succession plans for each Director. This has ensured that its membership has included longer serving directors with a balance of knowledge and experience.

Corporate Governance

AIC Code	Principle	Compliance Statement
		With an objective to deliver long-term and consistent returns to shareholders it is important that the Board can maintain its long-term perspective, supported by a long corporate memory, but with the regular challenge provided by fresh thinking. The composition, skills and effectiveness of the Board are reviewed at least annually to ensure that the Board has the skills and experience necessary for the management of the Company, having regard to anticipated challenges and opportunities. Since the year end, and as announced to the market on 25 November 2020, Mr Anthony Townsend will retire as a Non-Executive Director at the Company's forthcoming Annual General Meeting on 16 February 2021. The Board intends to appoint a new independent Non-Executive Director in Spring 2021.
L.	**Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.**	The Board evaluates its own performance and that of its Committees and Chairman on an annual basis. For the period under review this was carried out by way of a questionnaire and individual meetings. The Chairman led the evaluation, which covered the functioning of the Board as a whole, composition and diversity of the Board, the effectiveness of the Board Committees and the independence and contribution made by each Director. Each Director also completed a self-evaluation questionnaire reflecting on their personal contribution and commitment as a Director during the period and discussed any key individual areas of focus with the Chairman. A separate evaluation of the Chairman was led by Malcolm Groat, Senior Independent Director. Directors provided constructive feedback regarding the Chairman by completing a Chairman evaluation questionnaire and sharing this with Mr Groat who then met with Ms Fromson to discuss this and address any points of action. The Nomination Committee receives relevant points from the performance evaluation process and considers the information when making a recommendation to the Board regarding the election and re-election of Directors. More information regarding the proposed election and re-election of each Director can be found in the Notice of Annual General Meeting which will be circulated separately to shareholders in due course. The results of the annual Board Evaluation process conducted during the period can be found on pages 46 to 47 .
AUDIT, RISK AND INTERNAL CONTROL		
M.	**The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.**	The Audit & Risk Committee has put in place a non-audit services policy which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit & Risk Committee or Board. This enables the Audit & Risk Committee to ensure that the external auditor remains fully independent. The Committee agrees that the implementation of this policy has ensured that division is maintained going forward. No non-audit services have been provided by KPMG during the period, therefore the Committee continues to believe that KPMG remain independent. Further information regarding the work of the Audit & Risk Committee can be found on pages 44 to 46.

AIC Code	Principle	Compliance Statement
N.	**The Board should present a fair, balanced, and understandable assessment of the Company's position and prospects.**	The Audit & Risk Committee has considered the Annual Report and Audited Financial Statements as a whole and agreed that it presents a fair, balanced, and understandable assessment of the Company's position and prospects.
O.	**The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.**	Risks faced by the business are considered, monitored, and assessed on a regular basis. Details regarding the Company's principal risks, and uncertainties and the appropriate measures taken to mitigate each risk can be found on pages 18 to 19. Additionally, the Audit & Risk Committee receives detailed information regarding the performance of all third-party service providers at each meeting. The Audit & Risk Committee also receives service provider controls reports from the Manager and the Board considers if a provider should be replaced.
REMUNERATION		
P.	**Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.**	The Company follows the recommendation of the AIC Code that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of the role. As stated in the Remuneration Report on page 49 the Company's policy is that remuneration of Non-Executive Directors should reflect the experience of the Board as a whole, the responsibilities and time commitments each Director would have to devote to the Company's affairs and be in line with that of other relevant venture capital trusts.
Q.	**A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.**	The Board's Management Engagement and Remuneration Committee consider at least annually the level of the Board's fees, in accordance with the Remuneration Policy approved by shareholders at the Annual General Meeting held in 2020. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 48 to 51. No Director is involved in deciding their own remuneration.
R.	**Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.**	All Directors of the Company are independent Non-Executive Directors, (with the exception of Mr Anthony Townsend) and all Directors are members of the Management Engagement and Remuneration Committee ("MERC"). Any decision about remuneration is taken after considering the performance of the Company and the current market conditions. The Chairman, Sarah Fromson who was independent on appointment (and remains so) is a member of the MERC. During the period under review Ms Fromson was also the Chair of the MERC. The Board acknowledges AIC Code Principle 9 which states that the Chairman may be a member of, but not chair a remuneration committee. Therefore, the decision was made that Ms Fromson be replaced as chair of MERC by Mr Farazmand, as announced to the market on 14 October 2020.

Board Committees

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

Corporate Governance

Audit & Risk Committee Report

Chairman: Malcolm Groat

Key responsibilities:

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

Membership

As reported above, given the size and nature of the Board, it is felt appropriate that all Directors are members of the Audit & Risk Committee. This includes Mr Anthony Townsend, who is not deemed by the Board to be independent due to his connection to the Manager. The Chairman, Ms Sarah Fromson, who was independent upon appointment (and remains so) is also a member of the Audit & Risk Committee. The Board believe that both Mr Townsend and Ms Fromson bring a wealth of knowledge to the Audit & Risk Committee and believe that they, and other members have recent, relevant financial and risk management experience to contribute gained from the Venture Capital and/or financial services sector.

Matters considered during the year

The Audit & Risk Committee met twice during the year. At those meetings, the Audit & Risk Committee has:

- Reviewed the Company's financial statements for the half year and year end and made recommendations to the Board;
- Reviewed the Company's going concern and viability statements;
- Reviewed the impact of COVID-19 on the Company's investment portfolio and financial statements;
- Reviewed the internal controls (and cyber security) of the Company and its third-party service providers with particular emphasis on the potential issues caused by remote working during COVID-19;
- Agreed the audit plan and audit fees with KPMG; and
- Reviewed its own performance as a Committee and its Terms of Reference.

The significant issues considered by the Committee during the year ended 30 September 2020 were:

Valuation of Investments

Discussions have been held with the Manager about the Company's valuation process, its ownership of assets and the systems in place at Gresham House to ensure the accuracy of the valuation of the Company's portfolio. The Manager, the Company's Joint Valuation Forum and the Board have given additional attention to the valuation methodology applied across the portfolio as a result of the COVID-19 pandemic. The Audit & Risk Committee received assurances from the Manager around the robust valuation processes in place, monitoring all potential COVID-19 risk that could impact the Company.

Review of Annual and Half-Yearly Financial Statements

The Audit & Risk Committee reviewed the Annual Financial Statements and the Half- Yearly Financial Statements during the period. A significant area of focus during these reviews was the valuation of the unquoted investments. The Manager confirmed to the Audit & Risk Committee that all valuations had been made in accordance with published industry guidelines and had taken account of the latest available information about the investee companies and current market data. The Board met quarterly to assess the appropriateness of the estimates and judgements made by the Manager during the valuation process and were satisfied with the approach taken and the supporting data used to finalise valuations across the portfolio.

Other areas of focus considered by the Audit & Risk Committee were:

Compliance with VCT tests

The Company engages PricewaterhouseCoopers LLP ("PwC") as its VCT Status adviser to advise on its compliance with legislative requirements relating to VCTs. PwC attend each Audit & Risk Committee meeting and present a VCT status monitoring report which details the Company's position against each of the VCT qualification tests.

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

Going Concern and long-term liability

The Committee considered the Company's long-term financial requirements and viability for the forthcoming year and the longer period of three years, particularly in light of the COVID-19 pandemic. This assessment included the review of possible declines in investment valuations and the impact of COVID-19 on financial statements disclosures including those relating to principal risks. As a result of this assessment, the Committee concluded that the Company had adequate resources to continue in operation and meet its liabilities as they fall due both for the forthcoming year and until 2023. Related Going Concern and long-term viability statements are included on pages 37 and 26.

Cyber Security

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

Internal Controls and Risk Management Systems

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit & Risk Committee, has undertaken a robust assessment and review of the principal risks facing the Company, together with a review of any new risks that may have arisen during the year to 30 September 2020 including those that would threaten its business model, future performance, solvency or liquidity. A statement of the principal risks and uncertainties faced by the Company can be found on pages 18 and 19.

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

The Audit & Risk Committee receives a Service Provider Control Report from the Manager at each meeting which provides an overview of the main risks identified by the Company's third-party service providers and the mitigating actions put in place for these. During the year ended 30 September 2020, the Manager assessed and reported to the Audit & Risk Committee on the operational risk of service providers and their ability to work remotely because of COVID-19. The Audit & Risk Committee was satisfied that each service provider had the ability to continue to deliver their service effectively, without disruption or issues resulting from the lockdown imposed during the COVID-19 pandemic.

Internal Audit Function

The Company does not have an internal audit function.

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

External Auditor

In November 2016, the Company completed an audit tender process and KPMG LLP ("KPMG") were reappointed as the Company's external auditor. The Company anticipates repeating an audit tender in 2024 in respect of the audit required for the year ended 30 September 2025. This is in line with the latest Corporate Governance provisions and EU requirements. In accordance with professional guidelines the senior audit partner is rotated after five years (at most). The current senior audit partner started working with the Company in 2016 and will therefore change in 2021.

As part of the audit strategy presentation KPMG LLP provided a clear description of the work undertaken for the audit process for the year ended 30 September 2020, including an in-depth review of the valuations.

The Audit & Risk Committee sought comfort from KPMG that they could perform their audit safely and remotely during the COVID-19 pandemic.

Review of Effectiveness of External Audit

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

Corporate Governance

Non-audit Services

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

During the period, no non-audit services have been provided by KPMG. The Audit & Risk Committee therefore remain satisfied that KPMG remain independent to the Company.

Malcolm Groat

Audit & Risk Committee Chairman

3 December 2020

Management Engagement & Remuneration Committee

Chairman: Tim Farazmand

A summary of this Committee's key responsibilities and activities carried out during the year can be found in the Remuneration Report on pages 48 to 51.

Nomination Committee

Chairman: Sarah Fromson

Key responsibilities:

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

Directorate Changes

During the year ended 30 September 2020, there were several changes to the Board, all of which were considered by the Nomination Committee, prior to recommendation to the Board for approval. As previously announced to the market, Ms Fromson was appointed as Non-Executive Director on 1 October 2019. Ms Fromson became Chairman of the Company, with effect from 27 February 2020 being the date that former Chairman and Non-Executive Director Mr John Davies retired, in accordance with the Board's agreed succession plan.

Mr Farazmand was appointed as a Non-Executive Director and Mr Ian Orrock retired as Non-Executive Director and as Senior Independent Director of the Company with effect from 1 May 2020. Mr Malcolm Groat was appointed as Senior Independent Director with effect from the same date.

Since the year end, and as announced to the market on 25 November 2020, Mr Anthony Townsend will retire as a Non-Executive Director at the Company's forthcoming Annual General Meeting on 16 February 2021. The Board intends to appoint a new independent Non-Executive Director in Spring 2021.

Nurole, an external recruitment agency, with no connection with the Company, was engaged to assist during the appointment process of Ms Fromson and Mr Farazmand. Nurole identified potential candidates and were provided by the Board with the required role profile for each candidate which included the experience, skills, attributes and qualities that the Board were seeking from their new Directors. A range of candidates from various backgrounds were considered and a short list of candidates was produced. Everyone from the short list was interviewed by the Nomination Committee who then recommended both Ms Fromson and Mr Farazmand to the Board for appointment based on their skills and wide experience of the investment management sector. NuRole have also been engaged to assist the Company in their search for the Board's new independent Non-Executive Director to be appointed in Spring 2021.

Board Evaluation

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

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

The results of the Board evaluation process indicated that the Board feel passionately that they operate in an open, committed and engaged manner with a strong, forward looking relationship with the Manager. Board members believe they are an effective board with clear strategic vision, decision making skills and a commitment to sound corporate governance. The Board are keen to keep Board succession planning as a key area of focus for the next financial year and have identified key strategic developments to achieve during the year ending 30 September 2021.

Succession Planning and Diversity

The Nomination Committee reviews the size and structure of the Board annually and succession planning remains a key area of focus for the Board for the year ending 30 September 2021. The Nomination Committee is also responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to undertake them.

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

Tenure Policy

In November 2020, the Board adopted a Tenure and Reappointment Policy (the "Policy"). In accordance with the Policy, the Board will seek to recruit a Director approximately every four years, with no Director expected to serve on the Board for longer than nine years. The Policy includes the Chair within its consideration of each Director's tenure. The Board intends to maintain a range of experience from Directors who have served on the Board for varying periods. This approach aims to reserve the cumulative experience and understanding of the Company, its commitments and investment portfolio amongst Directors, while benefiting from fresh thinking and promoting diversity.

However, considering the relatively short tenure of three of the Directors, and in accordance with the AIC Code, all Directors will stand for re-election at the Company's forthcoming AGM. This includes the re-election of Ms Fromson and Mr Farazmand, who (in accordance with the Company's Articles of Association) are standing for re-election at the first AGM post their appointment. Resolutions to elect and re-elect all Directors are contained within the Notice of AGM, which will be circulated separately to shareholders in due course. Mr Anthony Townsend will retire as a Non-Executive Director following the Company's 2021 Annual General Meeting.

Director's Meeting Attendance

The table below sets out the Directors' attendance at scheduled, quarterly meetings held during the year and additional Board or Board Sub-Committee meetings which also took place. These included meetings to discuss the valuations of unquoted investments in the portfolio, approval of Company financial statements and the Company's fundraising offer to shareholders for subscription.

	Board of Directors (21 meetings held)		Audit Committee (2 meetings held)		Management Engagement and Remuneration Committee (1 meetings held)		Nomination Committee (4 meetings held)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
John Davies*	7	6	1	1	1	1	2	2
Sarah Fromson**	21	21	2	2	1	1	4	4
Anthony Townsend	21	18	2	2	1	1	4	3
Ian Orrock***	12	11	1	1	1	1	4	4
Malcolm Groat	21	21	2	2	1	1	4	4
Tim Farazmand****	8	8	1	1	0	0	0	0

* *John Davies retired on 27 February 2020*
** *Sarah Fromson was appointed on 1 October 2019*
*** *Ian Orrock retired on 1 May 2020*
**** *Tim Farazmand was appointed on 1 May 2020*

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 53 to 58.

An ordinary resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming AGM on 16 February 2021.

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

The Management Engagement and Remuneration Committee is chaired by Mr Farazmand and comprises all the Directors of the Company, whose names are set out on page 34 of the Directors' Report.

As explained in the Corporate Governance Statement on page 43, given the size and nature of the Company it is felt appropriate that all Directors are members of the Management Engagement & Remuneration Committee. The Company has no Executive Directors and with the exception of Mr Townsend, the remaining Non-Executive Directors are considered independent.

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

1. Determining and agreeing with the Board the remuneration policy for the Board and the fees for the Company's Chairman and Non-Executive Directors, within the limits set in the Company's Articles of Association;
2. Reviewing the appropriateness of the Manager's appointment (including key executives thereof) together with the terms and conditions of the appointment. Due to this conflict of interest Mr Townsend abstains from discussions regarding the appointment and performance of the Manager; and
3. Reviewing (at least annually), the contractual relationship with the Manager and scrutinising and holding them to account for their performance.

Manager Duties

The Board delegates the execution of the Company's investment strategy and the management of assets to the Manager, by way of a Management Agreement, subject to the Board being kept informed of all material developments (including proposed acquisitions or divestment of investments) in the Company's Portfolio. The Board believe that the Manager's operations in the VCT sector are outstanding and that its ability to continue to achieve results by adapting to an ever-changing regulatory environment, and the challenges posed by the COVID-19 pandemic, has been impressive. The Board continue to work with the Manager to develop operational policies as and where relevant and note that Gresham House supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement.

Relationship with the Manager

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

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

Remuneration

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

In recent years, the Board has seen a significant increase in regulation in the industry which has in turn resulted in an increase in the workload of the Directors. In addition, the Directors spend a considerable amount of time monitoring the 80 per cent test, the other continuing VCT tests, the co-investment scheme and the fund raising. 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 fund raising 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 38 to 47, all of which the Board believes should be considered when determining the remuneration of the Directors.

Directors' Fees

All Directors act in a Non-Executive capacity and the fees for their services are approved by the Committee. The fees for the Directors are determined within the limits set out in the Company's Articles of Association. In November 2019, the Management Engagement and Remuneration Committee met to consider the level of Directors' fees for the year ending 30 September 2020 and concluded that the fees remained appropriate.

In November 2020, the Management Engagement and Remuneration Committee met to review the level of Directors' fees for the year ending 30 September 2021 and concluded that Director fees remained appropriate.

Directors' Remuneration Policy

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

The remuneration policy, as set out above, was approved by the members at the AGM held on 27 February 2020. There are no proposed changes to the policy and therefore it is intended that this policy will continue for the year ending 30 September 2021 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.

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

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

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

Shareholder views on remuneration

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

The votes cast by proxy at the last AGM were as follows:

Remuneration Report

	Number of of votes	% votes cast
For	12,012,301	76.34%
Discretion of the Chairman	1,310,285	8.32%
Against	2,413,597	15.34%
Votes withheld	389,756	

Remuneration Policy

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

Directors' Remuneration Report

Annual Remuneration Report

Scheme interests awarded during the financial year

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

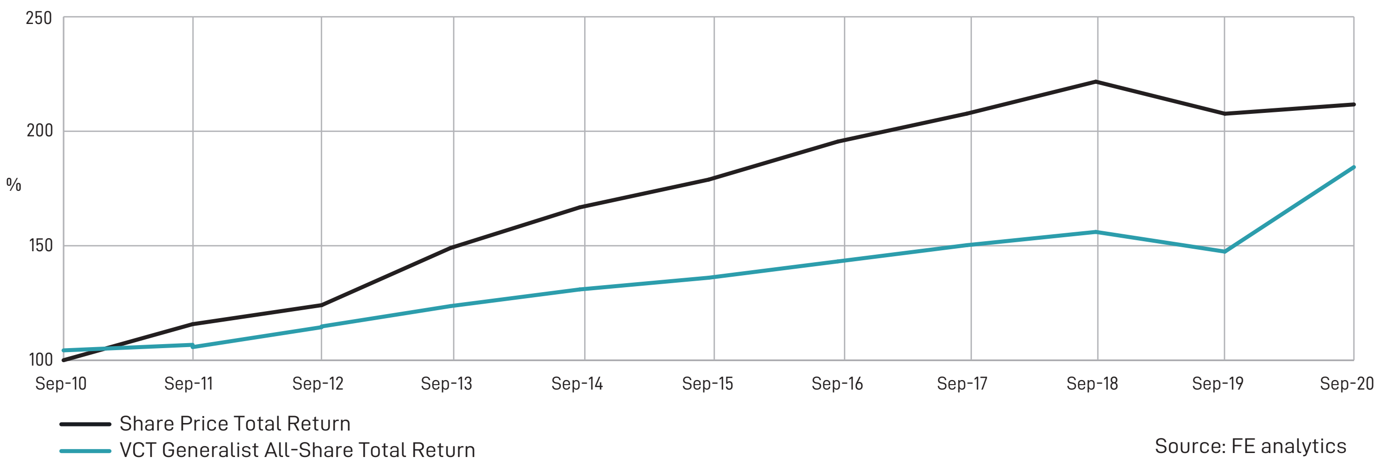
Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the 'Report of the Directors'.

The graph below compares, for the ten periods, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 44 generalist VCTs (source FE Analytics), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review on pages 4 to 11.

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

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



Source: FE analytics

Directors' emoluments for the year (audited)

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

	Year to 30 September 2020 Fees £	Year to 30 September 2019 Fees £	Percentage change in Directors' Fees*** %
Sarah Fromson (Chairman)‡	**32,733**	N/A	N/A
John Davies†	**14,850**	34,667	N/A
Tim Farazmand*	**11,666**	N/A	N/A
Malcolm Groat	**30,000**	30,000	N/A
Ian Orrock≠	**16,333**	28,000	N/A
Anthony Townsend**	**28,000**	29,333	N/A
Total	**133,583**	122,000	N/A

‡ Sarah was appointed as Chairman on 27 February 2020
† John Davies retired as Chairman and Non-Executive Director on 27 February 2020.
** Tim Farazmand was appointed as a Non-Executive Director on 1 May 2020.*
≠ Ian Orrock retired as a Non-Executive Director on 1 May 2020.
*** Anthony Townsend stood down as Chairman in November 2018.*
**** There is no percentage change shown as individual Director fees did not change between the year ended 30 September 2019 and the year ended 30 September 2020.*

There are no further fees to disclose as the Company has no employees, chief executive or executive directors. The figures detailed in the Directors' Remuneration Report disclose Director remuneration only.

Relative Importance of Spend on Directors' Fees

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

- the final dividend for the prior year was paid within the current financial year;
- the Director changes that occurred during the year; and
- the fundraising which was conducted in November 2019, January, February and March 2020.

	Year to 30 September 2020 £	Year to 30 September 2019 £	Percentage change
Dividend	**15,904,996**	17,171,000	(7.37)
Total Directors' fees	**133,583**	122,000	9.49
Shares repurchased	**3,186,000**	3,985,000	(20.05)

Directors' Interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company. The interests of the Directors in the shares of the Company (including their connected persons) as at 30 September 2020:

	30 September 2020 Ordinary 10p shares	30 September 2019 Ordinary 10p shares
Sarah Fromson (Chairman)	**19,011**	N/A
John Davies	**N/A**	157,206
Tim Farazmand	**0**	N/A
Malcolm Groat	**147,312**	115,627
Ian Orrock	**N/A**	110,291
Anthony Townsend	**221,381**	221,381
Total	**387,704**	604,505

The changes in holdings of the Directors between 30 September and 3 December 2020, following their participation in the fund raising were as follows:

	3 December 2020 Ordinary 10p shares	30 September 2020 Ordinary 10p shares
Sarah Fromson (Chairman)	38,603	19,011
Tim Farazmand	65,147	0
Malcolm Groat	251,804	147,312
Anthony Townsend	247,504	221,381
Total	603,058	387,704

Approved by the Board of Directors and signed by:

Tim Farazmand
Chairman of the Management Engagement and Remuneration Committee

3 December 2020

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for 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 and balanced 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 financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board:

Sarah Fromson
Chairman

3 December 2020

KPMG

Independent auditor's report

to the members of Baronsmead Second Venture Trust plc

1. Our opinion is unmodified

We have audited the financial statements of Baronsmead Second Venture Trust plc ("the Company") for the year ended 30 September 2020 which comprise the Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the notes to the financial statements, including the accounting policies in the notes.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its return 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 23 March 2005. The period of total uninterrupted engagement is for the 16 financial periods ended 30 September 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Financial statements as a whole	£1.83m (2019:£1.77m) 1.0% (2019: 1.0%) of Total Assets	
Key audit matters		**vs 2019**
Recurring risks	Valuation of unquoted investments (increased risk given the impact of COVID-19)	↑
	Carrying value of quoted investments	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of unquoted investments (£ 46.4.million; 2019: £48.9 million) *Refer to pages 44 to 46 (Audit Committee Report), page 64 and page 65 (accounting policy) and note 3.3 on page 71 (financial disclosures).*	**Subjective valuation:** As at 30 September 2020, 25.3% (2019:27.6%) of the company's total assets (by value) is held in investment where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples and net assets. Existence of the global COVID-19 pandemic brought elevated uncertainty and complexity to management's year end valuation process. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole The financial statements (note 3.3) disclose the sensitivity estimated by the Company	Our procedures included: **Historical comparisons:** 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; A retrospective review of prior period audited accounts (where available), in comparison to prior period management accounts included as key inputs to valuations is also undertaken to assess the accuracy of management information provided; **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; **Our valuations experience:** Challenging the investment manager on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report; **Comparing valuations:** Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation; **Our corporate finance expertise**: To incorporate the increased valuation uncertainty arising from COVID-19 we engaged our corporate finance specialists to assist the audit team in qualitatively assessing the valuation method for a selection of unlisted investments, and supporting our audit work around the appropriateness of inputs to those valuations, considering the impact of COVID-19 on the investee companies and relevant sectors in which they operate; and **Assessing transparency**: 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. **Our Findings:** We found the Company's valuation of unquoted investments to be balanced (2019: mildly cautious) with proportionate (2019: proportionate) disclosures of the related assumptions and sensitivities.

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2. Key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
Carrying value of quoted investments (£133.5 million; 2019: £117.0 million) *Refer to pages 44 to 46 (Audit Committee Report), page 64 and page 65 (accounting policy) and note 2.3 on page 64 to page 66 (financial disclosures).*	**Low risk, high value:** The company's portfolio of quoted investments makes up 73% (2019:66%) of the company's total assets by value and is considered to be one of the key drivers of results. We do not consider these investments to be at a 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 procedures included: **Tests of detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and **Enquiry of Custodians**: Agreeing 100 per cent of quoted investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our Findings** We found no differences between the third party custodian confirmation or the externally quoted prices and the valuation of listed investments of a size to require reporting to the Audit Committee (2019: no differences of a size to require reporting to the Audit Committee).

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report the relative significance of this matter on our audit work has reduced. Accordingly, we no longer consider this a key audit matter.

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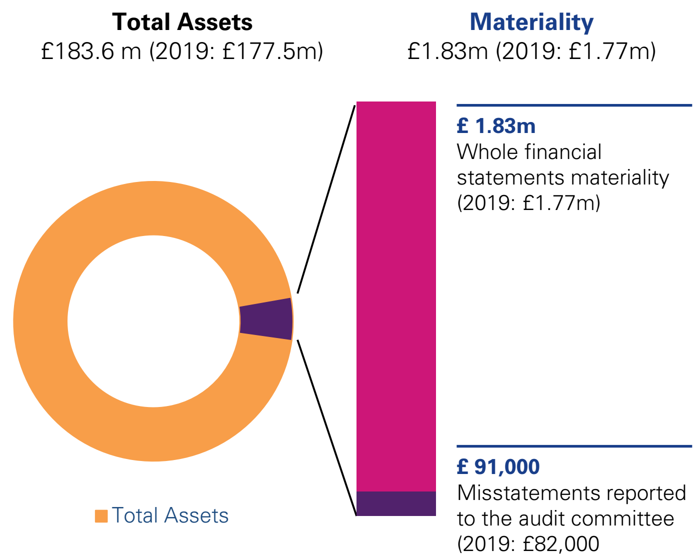
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.83m (2019: £1.77m), determined with reference to a benchmark of total assets of £183.6m (2019: £177.5m), of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £91k (2019: £82k), 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 performed by a single audit team.



4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on page 37 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

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

— the directors' confirmation within the Viability Statement on page 26 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 52, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, the Investment manager and the administrator (as required by auditing standards), and discussed with the directors and the manager the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as a Venture Capital Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

3 December 2020

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Income Statement

For the year ended 30 September 2020

		Year ended 30 September 2020			Year ended 30 September 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	2.3	**–**	**8,680**	**8,680**	–	(14,442)	(14,442)
Income	2.5	**4,008**	**–**	**4,008**	3,258	–	3,258
Investment management fee	2.6	**(1,078)**	**(3,235)**	**(4,313)**	(1,079)	(3,236)	(4,315)
Other expenses	2.6	**(674)**	**–**	**(674)**	(695)	–	(695)
Profit/(loss) before taxation		**2,256**	**5,445**	**7,701**	1,484	(17,678)	(16,194)
Taxation	2.9	**(275)**	**275**	**–**	(41)	41	–
Profit/(loss) for the year, being total comprehensive income for the year		**1,981**	**5,720**	**7,701**	1,443	(17,637)	(16,194)
Return per ordinary share:							
Basic and diluted	2.2	**0.82p**	**2.36p**	**3.18p**	0.64p	(7.87p)	(7.23p)

All items in the above statement derive from continuing operations.

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

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

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards or FRS 102. The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

The notes on pages 63 to 75 form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 September 2020

	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 2019		**24,802**	**31,191**	**25,492**	**92,316**	**1,575**	**175,376**
Profit after taxation		**–**	**–**	**5,398**	**322**	**1,981**	**7,701**
Net proceeds of share issues, share buybacks & sale of shares from treasury		**2,344**	**15,584**	**–**	**(2,782)**	**–**	**15,146**
Other costs charged to capital		**–**	**–**	**–**	**(1)**	**–**	**(1)**
Dividends paid	2.4	**–**	**–**	**–**	**(14,565)**	**(1,340)**	**(15,905)**
At 30 September 2020		**27,146**	**46,775**	**30,890**	**75,290**	**2,216**	**182,317**

There were no Share Premium cancellation costs in the 2020 year.

For the year ended 30 September 2019

	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 2018		23,279	20,080	47,205	105,243	3,583	199,390
(Loss)/profit after taxation		–	–	(21,713)	4,076	1,443	(16,194)
Net proceeds of share issues, share buybacks & sale of shares from treasury		1,523	11,111	–	(3,283)	–	9,351
Dividends paid	2.4	–	–	–	(13,720)	(3,451)	(17,171)
At 30 September 2019		24,802	31,191	25,492	92,316	1,575	175,376

Balance Sheet

As at 30 September 2020

Company Number: 04115341

	Notes	**As at 30 September 2020 £'000**	As at 30 September 2019 £'000
Fixed assets			
Investments	2.3	**179,932**	166,104
Current assets			
Debtors	2.7	**571**	406
Cash at bank		**3,108**	10,992
		3,679	11,398
Creditors (amounts falling due within one year)	2.8	**(1,294)**	(2,126)
Net current assets		**2,385**	9,272
Net assets		**182,317**	175,376
Capital and reserves			
Called-up share capital	3.1	**27,146**	24,802
Share premium	3.2	**46,775**	31,191
Capital reserve	3.2	**75,290**	92,316
Revaluation reserve	3.2	**30,890**	25,492
Revenue reserve	3.2	**2,216**	1,575
Equity shareholders' funds	2.1	**182,317**	175,376
Net asset value per share			
– Basic and diluted	2.1	**73.74p**	77.05p

The Financial Statements were approved, and authorised for issue, by the board of Directors of Baronsmead Second Venture Trust plc on 3 December 2020 and were signed on its behalf by:

Sarah Fromson
Chairman

Statement of Cash Flows

For the year ended 30 September 2020

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Cash flows from operating activities		
Investment income received	**3,603**	3,411
Investment management fees paid	**(4,269)**	(4,465)
Other cash payments	**(673)**	(710)
Net cash outflow from operating activities	**(1,339)**	(1,764)
Cash flows from investing activities		
Purchases of investments	**(36,999)**	(17,175)
Disposals of investments	**30,976**	36,896
Net cash (outflow)/inflow investing activities	**(6,023)**	19,721
Equity dividends paid	**(15,905)**	(17,171)
Net cash (outflow)/inflow before financing activities	**(23,267)**	786
Cash flows from financing activities		
Net proceeds of share issues, share buybacks & sale of shares from treasury	**15,384**	9,110
Costs charged to capital	**(1)**	–
Net cash inflow from financing activities	**15,383**	9,110
(Decrease)/increase in cash	**(7,884)**	9,896
Reconciliation of net cash flow to movement in net cash		
(Decrease)/increase in cash	**(7,884)**	9,896
Opening cash position	**10,992**	1,096
Closing cash at bank and on deposit	**3,108**	10,992
Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities		
Profit/(loss) before taxation	**7,701**	(16,194)
(Gains)/losses on investments	**(8,680)**	14,442
(Increase)/decrease in debtors	**(403)**	154
Increase/(decrease) in creditors	**43**	(162)
Written off expenses from merger	**–**	(4)
Net cash outflow from operating activities	**(1,339)**	(1,764)

Notes to the Financial Statements

For the year ended 30 September 2020

We have grouped notes into sections under three key categories:

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

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

1 Basis of Preparation

1.1 Basis of Accounting

These Financial Statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in January 2017, February 2018 and October 2019 and on the assumption that the Company maintains VCT status with HMRC.

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

After making the necessary enquiries, including those made during the preparation of the viability statement in the Strategic Report, the Directors believe that the Company will continue to be able to meet its liabilities as and when they fall due for a period of at least 12 months, therefore it is appropriate to apply the going concern basis in preparing the financial statements. The Directors acknowledge the significant adverse effect that the COVID-19 outbreak has had globally, however the Directors consider the Company to be well placed to continue to operate through the crisis and for at least 12 months from the date of this report. The Company has no debt and has sufficient liquidity to meet both its contracted expenditure and its discretionary cash outflows, including to invest in new opportunities as they arise. The Directors note that the Company's third-party suppliers are not experiencing significant operational difficulties affecting their respective services to the Company. The Directors have also assessed the Company's ability to cover its annual running costs under several liquidity scenarios in which the value of liquid assets (including AIM-traded investments and OEICs) has been subject to sensitivity analysis, taking into account the current economic environment and other, plausibly possible changes in performance. It is therefore appropriate to apply the going concern basis in preparing the financial statements.

2 Investments, Performance and Shareholder Returns

2.1 Net Asset Value Per Share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30 September 2020 number	30 September 2019 number	**30 September 2020 pence**	30 September 2019 pence	**30 September 2020 £'000**	30 September 2019 £'000
Ordinary shares (basic)	**247,251,570**	227,627,173	**73.74**	77.05	**182,317**	175,376

2.2 Return Per Share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit/(loss) after taxation	
	30 September 2020 number	30 September 2019 number	**30 September 2020 pence**	30 September 2019 pence	**30 September 2020 £'000**	30 September 2019 £'000
Revenue	**242,461,220**	224,063,666	**0.82**	0.64	**1,981**	1,443
Capital	**242,461,220**	224,063,666	**2.36**	(7.87)	**5,720**	(17,637)
Total			**3.18**	(7.23)	**7,701**	(16,194)

Notes to the Financial Statements

2 Investments, Performance and Shareholder Returns (continued)

2.3 Investments

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

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

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

In respect of collective investment vehicles, which consists of investments in open ended investment companies authorised in the UK, this is the closing price.

In respect of unquoted investments, these are valued at fair value by the Directors using methodology which is consistent with the International Private Equity and Venture Capital Valuation guidelines ("IPEV").

Judgements

The key judgements in the fair valuation process are:

i) The Manager's determination of the appropriate application of IPEV guidelines to each unquoted investment;

ii) The Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unquoted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unquoted investments. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 3.3 on page 71. The risk of an over or underestimation of fair values is greater when methodologies are applied using more subjective inputs.

Assumptions

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

i) Rebased Cost

ii) Earnings Multiple

iii) Offer Less 10 per cent

The Earnings Multiple approach involves more subjective inputs than the Rebased Cost and Offer approaches and therefore presents a greater risk of over or under estimation. Rebased cost approach involves holding the investment at the price set in the latest available funding round.

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

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

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

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

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

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

	As at 30 September 2020 £'000	As at 30 September 2019 £'000
Level 1		
Investments traded on AIM	**71,528**	63,807
Level 2		
Investments traded on AIM	**2,553**	7,749
Collective investment vehicles	**59,367**	45,618
Investments listed on LSE	**42**	–
Level 3		
Unquoted investments	**46,442**	48,930
	179,932	166,104

Notes to the Financial Statements

2 Investments, Performance and Shareholder Returns (continued)

2.3 Investments (continued)

	Level 1	Level 2			Level 3	
	Traded on AIM £'000	Listed on LSE £'000	Traded on AIM £'000	Collective investment vehicles £'000	Unquoted £'000	Total £'000
Opening book cost	62,148	–	8,443	32,865	37,156	140,612
Opening unrealised appreciation/(depreciation)	1,659	–	(694)	12,753	11,774	25,492
Opening fair value	63,807	–	7,749	45,618	48,930	166,104
Movements in the year:						
Transfer between levels	(2,274)	3,429	(1,930)	–	775	–
Purchases at cost	2,847	–	–	26,130	7,147	36,124
Sale – proceeds	(13,759)	–	–	(13,577)	(3,640)	(30,976)
– realised gains(losses) on sales	1,434	–	–	–	(1,496)	(62)
Unrealised gains/(losses) realised during the year	3,699	–	–	–	(355)	3,344
Increase/(decrease) in unrealised appreciation	15,774	(3,387)	(3,266)	1,196	(4,919)	5,398
Closing fair value	**71,528**	**42**	**2,553**	**59,367**	**46,442**	**179,932**
Closing book cost	54,095	3,429	6,513	45,418	39,587	149,042
Closing unrealised appreciation/(depreciation)	17,433	(3,387)	(3,960)	13,949	6,855	30,890
Closing fair value	**71,528**	**42**	**2,553**	**59,367**	**46,442**	**179,932**
Equity shares	71,528	42	2,553	–	27,452	101,575
Preference shares	–	–	–	–	3,217	3,217
Loan notes	–	–	–	–	15,773	15,773
Collective investment vehicles	–	–	–	59,367	–	59,367
Closing fair value	**71,528**	**42**	**2,553**	**59,367**	**46,442**	**179,932**

The gains and losses included in the above table have all been recognised in the Income Statement on page 59.

Two investments held, MXC Capital Ltd (previously Level 1) and Mi-Pay Group plc (previously Level 2) were transferred to Level 3 following their delisting from AIM. The investment in Hawkwing plc (previously Level 1, Traded on AIM) has been transferred to Level 2, listed on LSE following its admission to LSE's main market. Dods (Group) plc has been transferred to Level 2, traded on AIM.

The Company received £17.4 million (2019: £24.6 million) from investments sold in the year. The book cost of these investments when they were purchased was £14.2 million (2019: £13.5 million). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

2.4 Dividends

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

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
For the year ended 30 September 2020						
Interim dividend of 3.0p per ordinary share paid on 11 September 2020	**247**	**7,158**	**7,405**	–	–	–
For the year ended 30 September 2019						
Final dividend of 3.5p per ordinary share paid on 3 March 2020	**1,093**	**7,407**	**8,500**	–	–	–
Interim dividend of 3.0p per ordinary share paid on 27 September 2019	**–**	**–**	**–**	–	6,819	6,819
For the year ended 30 September 2018						
Final dividend of 4.5p per ordinary share paid on 8 March 2019	**–**	**–**	**–**	3,451	6,901	10,352
	1,340	**14,565**	**15,905**	3,451	13,720	17,171

2.5 Income

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

Where the terms of unquoted loan notes only require interest or a redemption premium to be paid on redemption, the interest and the redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium should be recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. A redemption premium of £nil was received in the year ended 30 September 2020.

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

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

	Year ended 30 September 2020			Year ended 30 September 2019		
	Quoted securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments						
Dividend income	**721**	**88**	**809**	1,184	84	1,268
Interest income	**62**	**3,137**	**3,199**	183	1,733	1,916
Redemption premium	**–**	**–**	**–**	–	74	74
Total income	**783**	**3,225**	**4,008**	1,367	1,891	3,258

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.

In the year ended 30 September 2020, the Company received interest income of £2.57 million from Glide Ltd (2019: £nil).

2.6 Investment Management Fee and Other Expenses

All expenses are recorded on an accruals basis.

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

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**1,078**	**3,235**	**4,313**	1,079	3,236	4,315
Performance fee	**–**	**–**	**–**	–	–	–
	1,078	**3,235**	**4,313**	1,079	3,236	4,315

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

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

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (on a simple basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of the shareholders' funds at the end of the calculation period. No performance fee is payable for the year ended 30 September 2020 (2019: £nil).

Notes to the Financial Statements

2 Investments, Performance and Shareholder Returns (continued)

2.6 Investment Management Fee and Other Expenses (continued)

Other Expenses

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Directors' fees	134	122
Secretarial and accounting fees paid to the Manager	175	172
Remuneration of the auditors and their associates:		
– audit	58	28
– Other services supplied pursuant to legislation (interim review)	–	5
Other	307	368
	674	695

Information on Directors' remuneration is given in the Directors' emoluments table on page 50.

Charges for other services provided by the Auditors in the year ended 30 September 2020 were in relation to the interim review. 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 2020 £'000	As at 30 September 2019 £'000
Prepayments and accrued income	571	168
Amounts due from brokers	–	238
	571	406

2.8 Creditors (amounts falling due within one year)

	As at 30 September 2020 £'000	As at 30 September 2019 £'000
Management, secretarial and accounting fees due	1,188	1,146
Amounts due to brokers	–	875
Other creditors	106	105
	1,294	2,126

2.9 Tax

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

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

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

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

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	2,256	5,445	7,701	1,484	(17,678)	(16,194)
Corporation tax at 19.0 per cent (2019: 19.0 per cent)	429	1,035	1,464	282	(3,359)	(3,077)
Effect of:						
Non-taxable gains	–	(1,649)	(1,649)	–	2,744	2,744
Non-taxable dividend income	(154)	–	(154)	(241)	–	(241)
Non-deductible expenses	–	–	–	–	–	–
Losses carried forward	–	339	339	–	574	574
Tax charge/(credit) for the year	275	(275)	–	41	(41)	–

At 30 September 2020 the Company had surplus management expenses of £15,321,306 (2019: £13,588,622) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future year in excess of the deductible expenses of that future year and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3 Other Required Disclosures

3.1 Called-up Share Capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
248,020,328 ordinary shares of 10p each listed at 30 September 2019	24,802
23,446,326 ordinary shares of 10p each issued during the year	2,344
271,466,654 ordinary shares of 10p each listed at 30 September 2020	**27,146**
20,393,155 ordinary shares of 10p each held in treasury at 30 September 2019	(2,039)
4,421,929 ordinary shares of 10p each repurchased during the year and held in treasury	(442)
600,000 ordinary shares of 10p each sold from treasury during the year	60
24,215,084 ordinary shares of 10p each held in treasury at 30 September 2020	**(2,421)**
247,251,570 ordinary shares of 10p each in circulation* at 30 September 2020	**24,725**

** Carrying one vote each.*

The 23,446,326 ordinary shares were issued at an average price of 78.525p.

During the year the Company bought back into treasury 4,421,929 ordinary shares, representing 1.78 per cent of the ordinary shares in issue at the beginning of the financial year. During the year the Company also sold 600,000 shares from treasury.

Notes to the Financial Statements

3 Other Required Disclosures (continued)

3.1 Called-up Share Capital (continued)

Treasury Shares

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

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

→ It is in the best interests of the Company;

→ Demand for the Company's shares exceeds the shares available in the market;

→ A full prospectus must be produced if required; and

→ HMRC will not consider these 'new shares' for the purposes of the purchasers' entitlement to initial income tax relief.

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 2019	92,316	1,575	93,891	31,191	25,492	56,683
Gross proceeds of share issues	–	–	–	16,091	–	16,091
Purchase of shares for treasury	(3,186)	–	(3,186)	–	–	–
Sale of shares from treasury	420	–	420	–	–	–
Expenses of share issue and buybacks	(16)	–	(16)	(507)	–	(507)
Other costs charged to capital	(1)	–	(1)	–	–	–
Reallocation of prior year unrealised gains	3,344	–	3,344	–	(3,344)	(3,344)
Realised loss on disposal of investments#	(62)	–	(62)	–	–	–
Net increase in value of investments#	–	–	–	–	8,742	8,742
Management fee charged to capital#	(3,235)	–	(3,235)	–	–	–
Taxation relief from capital expenses#	275	–	275	–	–	–
Profit after taxation#	–	1,981	1,981	–	–	–
Dividends paid in the year	(14,565)	(1,340)	(15,905)	–	–	–
At 30 September 2020	**75,290**	**2,216**	**77,506**	**46,775**	**30,890**	**77,665**

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

 # The total of these items is £7,701,000, which agrees to the total profit for the year.

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

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

3.3 Financial Instruments Risks

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

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

Market Risk

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

Price Risk

The investment portfolio is managed in accordance with the policies and procedures described in the full Annual Report and Audited Financial Statements.

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

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

Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange. The fair valuation of these unquoted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 2.3 above). The estimation uncertainty for unquoted investments held as at 30 September 2020 has been further increased by the COVID-19 pandemic and associated government intervention.

Price Risk Sensitivity

As at 30 September 2020, each unquoted company has been classified as having a higher, medium or lower level of estimation uncertainty by considering a range of factors including the availability and extent of cash resources, and the potential disruption to business activities caused by measures adopted to tackle the spread of COVID-19. In addition, the impact of COVID-19 on the relevant industry, liquidity concerns for the specific company, and operational impacts on the business were also considered in arriving at the level of estimation uncertainty. For example, we have classified investments in the casual dining and travel sectors as higher risk as the impact of COVID-19 on these industries has been particularly severe. There is higher uncertainty around the estimated sustainable earnings of these businesses, and the extent of their cash resources, and therefore there are a larger range of possible outcomes from the valuation of these investments.

A greater sensitivity factor has been applied to those investments assessed as having a higher level of estimation uncertainty. The sensitivities applied illustrate the impact of varying the key inputs by the levels specified, however it is possible that by applying reasonable alternative assumptions to individual investments, the fair value may vary to a greater extent than that illustrated.

The sensitivity factors applied to each risk category are based on experience of valuation movements during the pandemic so far. A higher sensitivity of 30 per cent has been applied to the higher risk companies, to reflect that the full impact of COVID-19 is much more uncertain and challenging to predict than for the medium and lower risk companies, where a sensitivity of between 20 per cent and 5 per cent has been applied respectively.

The table below reflects both the potential positive and negative impacts of COVID-19, recognising that there are investments that in our view bear increased valuation uncertainty due to possible positive impacts from COVID-19. The combined value of the holdings felt to be more likely to see a positive impact is £10.3 million. Several of these holdings have benefitted from the increased shift to e-commerce, for example Yappy and Custom Materials, and others, such as SecureCloud+, have benefitted from the growth in remote working and newly fragmented workforces.

The table below has split out each risk category and applied both upside and downside sensitivities to the key variable inputs. The sensitivities give an indication of the effect of changing one or more of the inputs to these valuations, and the impact of increased volatility depending on exposure to the future and current effects of COVID-19. The valuation has then been recalculated using this adjusted key variable input, in order to determine the impact on the fair value of the Company's investment. The structure of the investment will vary between investee companies, and therefore the impact on the investment's fair value will vary. For example, the Company holds a preferred, or priority position, in many of the investee companies and therefore in these cases may be more protected from severe downside scenarios.

Notes to the Financial Statements

3 Other Required Disclosures (continued)

3.3 Financial Instruments Risks (continued)

Price Risk Sensitivity (continued)

As at 30 September 2020

Security	Valuation basis	Key variable inputs	Risk Level	Sensitivity %	Fair Value £'000s	Positive impact £'000s	Positive impact % of net assets	Negative impact £'000	Negative impact % of net assets
Unquoted	Earnings multiple	Estimated sustainable earnings							
		Selection of comparable companies	High	+/–30	9,158	2,334	1.3	(4,672)	(2.6)
		Application of illiquidity discount	Medium	+/–20	16,828	6,525	3.6	(4,047)	(2.2)
		Probability estimation of Liquidation event	Low	+/–10	5,367	632	0.3	(407)	(0.2)
	Price of recent investment	Latest funding round price	Low	+/–5	8,046	4,481	2.5	(448)	(0.2)
	Other		Low	+/–5	7,043	352	0.2	(352)	(0.2)

A sensitivity has also been performed for quoted AIM investments, which are valued at the latest share price set by the market. A sensitivity of +/– 20 per cent has been applied to the fair value of £74.1 million, reflecting the greater level of volatility in financial markets in 2020 when compared to 2019. A movement of +/– 20 per cent would cause an increase or decrease of £14.8 million to the fair value of the quoted AIM.

The COVID-19 pandemic only emerged during the year ended 30 September 2020, therefore the comparatives for the Price Risk Sensitivity are presented considering known risks at the prior reporting date, and exclude possible fluctuations due to COVID-19.

A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs. The sensitivity analysis below applies a wider range of input variable sensitivity to the earnings multiple method due to the increased subjectivity involved in the use of this method compared to the rebased cost method, which refers to the price of a recent investment.

As at 30 September 2019

Security	Valuation basis	Key variable inputs	Fair Value £'000	Sensitivity %	Impact £'000	Impact % of Net Assets
Unquoted	Rebased Cost	Latest funding round price	16,857	+/–10	1,686	+/–1.0
	Earnings Multiple	Estimated sustainable earnings Selection of comparable companies Application of illiquidity discount Probability estimation of Liquidation event*	32,074	+/–20	6,415	+/–3.7
	Offer less 10%	Current offer price received for sale Discount applied to offer	–	+/–10	–	–
Quoted AIM	Latest share price	N/A*	71,566	+/–10	7,156	+/–4.1

**Latest share price is set by the market.*

Key Variable Inputs/Valuation Bases

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

Latest funding round price

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

Estimated sustainable earnings

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

Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and at each valuation thereafter. The key criteria in selecting appropriate comparable companies are the industry sector, the business model, and the respective revenue and earnings growth rates of the company. Typically between 4 and 14 comparable companies will be selected for each investment. The resultant revenue or earnings multiples derived can vary in the range of 2x to 11x.

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

Application of illiquidity discount

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

Probability estimation of Liquidation event

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

Interest Rate Risk

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

	As at 30 September 2020 Total investment £'000	As at 30 September 2020 Weighted average interest rate %	As at 30 September 2020 Weighted average time for which rate is fixed Years	As at 30 September 2019 Total investment £'000	As at 30 September 2019 Weighted average interest rate %	As at 30 September 2019 Weighted average time for which rate is fixed Years
Fixed rate loan note securities	**15,773**	**7.82**	**1.99**	23,992	8.66	3.11
Floating rate sterling liquidity funds	**30,084**	**–**	**–**	17,530	–	–
Cash at bank and on deposit	**3,108**	**–**	**–**	10,992	–	–
	48,965			52,514		

Movements in interest rates would not significantly affect net assets attributable to the Company's Shareholders and total profits due to the interest rate income received from floating rate notes being less than 1 per cent of total investment.

Credit Risk

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

Notes to the Financial Statements

3 Other Required Disclosures (continued)

3.3 Financial Instruments Risks (continued)

Interest Rate Risk (continued)

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

	As at 30 September 2020 £'000	As at 30 September 2019 £'000
Cash at bank and on deposit	**3,108**	10,992
Interest, dividends and other receivables	**571**	406
	3,679	11,398

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. Should the credit quality or the financial position of the bank deteriorate significantly the Investment Manager will seek to move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties at 30 September 2020 or 2019. No individual investment in a portfolio company exceeded 4.9 per cent of the net assets attributable to the Company's Shareholders at 30 September 2020 (2019: 5.6 per cent).

Liquidity Risk

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2020 these investments were valued at £41,075,000 (2019: £28,522,000).

3.4 Investments in Associates

The Company has chosen not to rebut the presumption that the following holdings are investments in associates, owing to the proportion of equity held and representation on the Board representing significant influence over the operations of the company. The investments held are held as part of an investment portfolio, and are therefore measured at fair value through profit and loss, as detailed in note 2.3 rather than using the equity method, as permitted by Section 14 of FRS 102:

Name	Location	Class of Shares held	% of Equity	Profit (£m)	Net Assets (£m)	Results for year ended
Happy Days Consultancy	UK	A Ordinary & A Preference	35.7	(1.9)	(8.2)	31 December 2018
Storyshare Holdings Limited*	UK	A Ordinary	26.9	–	–	–

**Accounts for Storyshare Holdings Limited are not publicly available.*

3.5 Related Parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Gresham House Asset Management Ltd, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors along with their shareholdings as disclosed in the Directors' Remuneration Report. In addition, the Manager operates a VCT Incentive Scheme, detailed in the Management retention section of the Strategic Report on page 24, whereby members and staff of the Manager are entitled to participate in all eligible unquoted investments alongside the Company.

During the year, Gresham House Asset Management Ltd received £204,000 (2019: £121,000) advisory fees, £360,000 (2019: £232,000) directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £11,000 (2019: £50,000) with respect to investments attributable to Baronsmead Second Venture Trust plc.

A related party relationship exists between Baronsmead Second Venture Trust plc and Happy Days Consultancy, owing to the significant influence held over the operations of the company. As at 30 September 2020, the loan balance stood at £3,326,000, including £2,694,000 of capitalised interest.

A related party relationship exists between Baronsmead Second Venture Trust and Storyshare Holdings Limited, owing to the significant influence held over the operations of the company.

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

3.6 Segmental Reporting

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

3.7 Commitments

As at 30 September 2020, the Company has commitments to provide loan facilities to its investee companies of up to £0.5 million, of which nil has been drawn. Subsequent to the reporting date, the Company has committed an additional £0.7 million, of which nil has been drawn as at the date of this report

3.8 Post Balance Sheet Events

The following events occurred between the balance sheet date and the signing of these financial statements:

→ 17 million shares were issued on 10 November 2020 at an allotment price of 77.90p under the current offer

→ Two new investments, eConsult and RevLifter, completed totalling £3.4 million

→ Two full realisations: Ten10, realising proceeds of £7.3 million and making a return of 3.7x cost; and Collagen Solutions realising proceeds of £0.7 million and making a return of 1.3x cost

→ Purchased 400,000 Ordinary Shares of 10p at a price of 70p per share to be held in Treasury

→ One partial realisation: Cerillion plc, realising proceeds of £1.9 million and making a return of 4.2x cost.

Appendices

Investment policy

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

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

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

Investment securities

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

Liquidity

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

Investment style

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

Co-investment

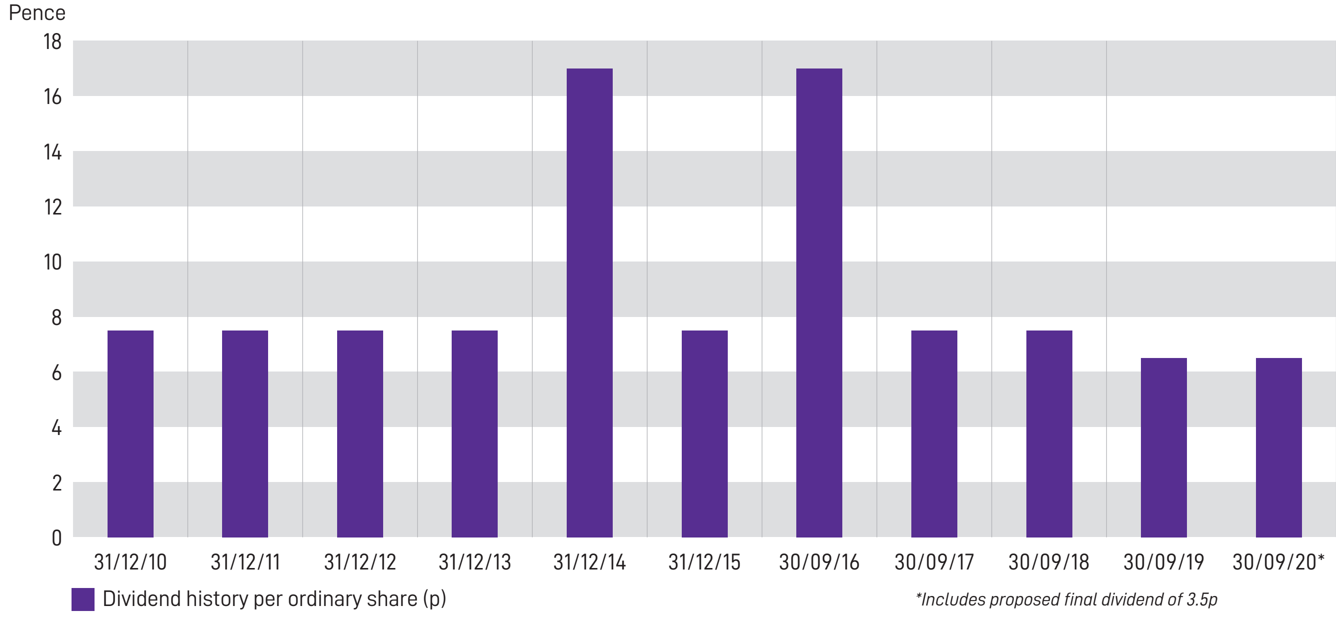
The Company typically invests alongside Baronsmead Venture Trust plc in companies sourced by Gresham House.

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.

Dividend History in Last Ten Years



Source: Gresham House Asset Management Ltd

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)
31/12/2001	2.30	0.00	2.30	2.30	2.30
31/12/2002	2.80	0.00	2.80	5.10	2.55
31/12/2003	2.20	2.00	4.20	9.30	3.10
31/12/2004	1.20	3.30	4.50	13.80	3.45
31/12/2005	2.00	3.50	5.50	19.30	3.86
31/12/2006	1.75	4.75	6.50	25.80	4.30
31/12/2007	2.30	5.20	7.50	33.30	4.76
31/12/2008	2.40	5.10	7.50	40.80	5.10
31/12/2009	1.20	6.30	7.50	48.30	5.37
31/12/2010	2.00	5.50	7.50	55.80	5.58
31/12/2011	1.65	5.85	7.50	63.30	5.75
31/12/2012	0.50	7.00	7.50	70.80	5.90
31/12/2013	3.00	4.50	7.50	78.30	6.02
31/12/2014	1.95	15.05	17.00	95.30	6.81
31/12/2015	0.90	6.60	7.50	102.80	6.85
30/09/2016	0.00	17.00	17.00	119.80	7.61
30/09/2017	0.60	6.90	7.50	127.30	7.60
30/09/2018	0.15	7.35	7.50	134.80	7.59
30/09/2019	0.65	5.85	6.50	141.30	7.54
30/09/2020*	0.60	5.90	6.50	147.80	7.48

** Includes proposed final dividend of 3.5p. Estimated revenue and capital split based on number of shares at 30 September 2020.*

Appendices

Performance Record Since Launch

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

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

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

Cash Returned to Shareholders

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid (p)	Return on cash invested (%)
2001 (January)	100.0	20.0	80.0	147.8	167.8
2005 (March) - C share	100.0	40.0	60.0	105.1	145.1
2010 (March)	103.1	30.9	72.2	99.5	126.5
2012 (December)	117.4	35.2	82.2	81.5	99.4
2014 (March)	112.4	33.7	78.7	61.5	84.7
2016 (February)	107.2	32.2	75.0	45.0	72.0
2017 (October)	97.5	29.2	68.2	25.0	55.6
2019 (February)	85.3	25.6	59.7	17.5	50.5
2019 (November)	78.9	23.7	55.2	10.0	42.7
2020 (January)	84.8	25.4	59.4	10.0	41.8
2020 (February)	82.5	24.8	57.7	6.5	37.9
2020 (March)	64.3	19.3	45.0	6.5	40.1

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

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

Full Investment Portfolio

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2020 Fair value £'000**	30 September 2019 Fair value £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
Unquoted								
Carousel Logistics Ltd	Business Services	2,336	2,967	**7,930**	9,812	4.3	14.7	26.7
Ten10 Group Ltd	Business Services	2,331	2,626	**6,734**	4,185	3.7	11.4	20.8
Custom Materials Ltd	TMT	2,436	2,437	**4,593**	3,664	2.5	7.7	14.1
Pho Holdings Ltd	Consumer Markets	2,422	3,435	**4,016**	5,391	2.2	15.8	28.6
Happy Days Consultancy Ltd	Healthcare & Education	4,180	4,482	**3,326**	6,144	1.8	35.7	64.9
Yappy Ltd	Consumer Markets	954	954	**2,049**	530	1.1	11.5	24.7
Clarilis Ltd	TMT	1,820	1,819	**1,819**	–	1.0	7.6	16.7
Rezatec Ltd	TMT	1,620	1,620	**1,735**	–	1.0	–	–
IWP Holdings Ltd	Business Services	1,587	1,587	**1,640**	1,587	0.9	4.2	9.0
SecureCloud+ Ltd	TMT	789	789	**1,533**	789	0.9	8.8	16.6
Your Welcome Ltd	TMT	1,030	1,030	**1,031**	1,030	0.6	8.3	15.6
SilkFred Ltd	Consumer Markets	966	966	**966**	1,585	0.5	2.7	4.9
Tribe Digital Holdings Pty Ltd	TMT	1,067	1,067	**945**	788	0.5	3.5	6.7
CMME Group Ltd	Consumer Markets	1,136	1,204	**904**	678	0.5	2.3	4.2
Storyshare Holdings Ltd	TMT	1,135	1,135	**832**	605	0.5	26.5	53.2
Pointr Ltd	TMT	526	526	**813**	526	0.5	2.8	5.3
Funding Xchange Ltd	Business Services	795	795	**795**	–	0.4	3.7	8.0
Cisiv Ltd	TMT	789	789	**759**	789	0.4	9.3	17.5
Vinoteca Ltd	Consumer Markets	1,054	1,054	**708**	1,054	0.4	6.7	14.3
Glisser Ltd	Business Services	662	662	**662**	–	0.4	5.7	12.3
Equipsme (Holdings) Ltd	Business Services	579	579	**579**	579	0.3	4.9	9.3
Munnypot Ltd	TMT	546	546	**515**	273	0.3	1.5	2.7
Rainbird Technologies Ltd	TMT	789	789	**395**	592	0.2	3.3	6.3
RockFish Group Ltd	Consumer Markets	789	789	**395**	789	0.2	6.6	12.5
Key Travel Ltd	Business Services	255	255	**309**	286	0.2	–	–
Panthera Biopartners Ltd	Healthcare & Education	260	260	**260**	–	0.1	4.0	8.8
TravelLocal Ltd	Consumer Markets	795	795	**199**	795	0.1	4.5	9.5
Armstrong Craven Ltd	Business Services	664	1,335	**–**	972	0.0	11.6	21.1
InterQuest Group plc	Business Services	620	726	**–**	–	0.0	2.2	4.3
Mi-Pay Group plc	Business Services	800	474	**–**	42	0.0	1.4	2.8
Samuel Knight International Ltd	Business Services	795	795	**–**	595	0.0	7.0	15.0
MXC Capital Ltd	Business Services	270	300	**–**	220	0.0	0.3	0.6
Total unquoted		**36,797**	**39,587**	**46,442**		**25.5**		
AIM								
Cerillion plc	TMT	2,200	2,432	**8,858**	4,979	4.9	9.8	17.8
Netcall plc	TMT	2,616	5,983	**5,473**	3,994	3.0	10.2	22.8
Ideagen plc	TMT	720	1,063	**5,133**	8,950	2.8	1.2	2.1
IDOX plc	TMT	1,028	2,972	**5,024**	3,496	2.8	2.5	3.9
Bioventix plc	Healthcare & Education	309	940	**4,711**	5,517	2.6	2.3	4.8
Inspired Energy plc	Business Services	861	2,682	**3,832**	4,133	2.1	2.8	14.8
Anpario plc	Healthcare & Education	662	2,239	**3,739**	3,068	2.1	4.1	6.0
Wey Education plc	Healthcare & Education	523	516	**3,732**	1,567	2.0	10.8	19.6
IXICO plc	Healthcare & Education	825	825	**2,740**	1,473	1.5	6.3	11.4
CloudCall Group plc	TMT	2,608	2,478	**2,450**	2,777	1.3	7.3	13.2
Diaceutics plc	Healthcare & Education	1,590	1,590	**2,322**	1,904	1.3	2.5	11.2
Rosslyn Data Technologies plc	TMT	1,407	1,407	**1,758**	842	1.0	8.6	28.3
Property Franchise Group plc	Consumer Markets	838	1,032	**1,593**	1,325	0.9	3.2	9.0
PCI-PAL plc	TMT	1,345	1,345	**1,534**	286	0.8	6.6	12.1
Vianet Group plc	Business Services	2,092	1,724	**1,493**	1,907	0.8	5.7	14.3
Dods (Group) plc	TMT	3,268	4,253	**1,439**	2,673	0.8	7.1	11.7
Open Orphan plc	Healthcare & Education	1,496	1,488	**1,381**	432	0.8	1.1	2.0
Driver Group plc	Business Services	1,529	1,747	**1,378**	1,466	0.8	5.6	18.6
Access Intelligence plc	Business Services	716	716	**1,336**	932	0.7	2.4	4.4
Fulcrum Utility Services Ltd	Business Services	438	1,650	**1,331**	917	0.7	1.6	4.6
LoopUp Group plc	TMT	616	640	**1,232**	339	0.7	1.1	2.0

Appendices

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2020 Fair value £'000**	30 September 2019 Fair value £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
AIM (continued)								
Fusion Antibodies plc	Healthcare & Education	660	660	**1,229**	436	0.7	3.1	5.7
Belvoir Lettings plc	Consumer Markets	919	826	**1,101**	797	0.6	2.2	8.1
Eden Research plc	Business Services	1,375	1,380	**1,072**	885	0.6	4.0	7.3
Begbies Traynor Group plc	Business Services	545	513	**1,018**	936	0.6	0.9	1.8
The Panoply Holdings plc	TMT	660	660	**981**	758	0.5	1.3	2.4
One Media iP Group plc	TMT	1,008	912	**856**	122	0.5	5.9	10.8
Everyman Media Group plc	Consumer Markets	956	1,010	**842**	2,098	0.4	1.3	4.0
SysGroup plc	TMT	1,579	1,578	**785**	937	0.4	5.1	28.3
Beeks Financial Cloud Group plc	TMT	413	413	**743**	709	0.4	1.6	2.9
Collagen Solutions plc	Healthcare & Education	551	551	**689**	386	0.4	2.5	4.5
SEEEN plc (formerly Entertainment AI plc)	TMT	1,590	1,590	**671**	1,767	0.4	7.1	13.3
Gresham House plc*	Business Services	137	145	**357**	273	0.2	0.1	0.3
Scholium Group plc	Consumer Markets	1,100	682	**330**	407	0.2	8.1	14.7
Science In Sport plc	Consumer Markets	352	330	**214**	309	0.1	0.4	0.8
KRM22 plc	TMT	550	550	**198**	275	0.1	2.1	3.7
Gama Aviation plc	Business Services	1,004	1,171	**181**	416	0.1	0.9	1.7
Tasty plc	Consumer Markets	2,033	6,085	**95**	160	0.0	3.5	14.2
Totally plc	Healthcare & Education	86	197	**88**	45	0.0	0.3	0.5
Zoo Digital Group plc	TMT	817	586	**61**	82	0.0	0.1	0.3
I-nexus Global plc	TMT	688	688	**44**	218	0.0	2.9	5.4
CloudCoco Group plc (formerly Adept4 plc)	TMT	535	359	**37**	81	0.0	0.7	1.2
Total AIM		**45,245**	**60,608**	**74,081**		**40.6**		
Listed								
Hawkwing plc	Business Services	2,136	3,429	**42**	106	0.0	1.1	28.3
Total listed		**2,136**	**3,429**	**42**		**0.0**		
Collective investment vehicles								
LF Gresham House UK Micro Cap Fund		6,189	10,334	**23,617**	22,573	12.9		
BlackRock Sterling Liquidity Fund		15,042	15,042	**15,042**	8,765	8.3		
JPMorgan Sterling Liquidity Fund		15,042	15,042	**15,042**	8,765	8.3		
LF Gresham House UK Multi Cap Income Fund		2,500	2,500	**3,084**	2,999	1.7		
LF Gresham House UK Smaller Companies Fund		2,500	2,500	**2,582**	2,516	1.4		
Total collective investment vehicles		**41,273**	**45,418**	**59,367**		**32.6**		
Total investments		**125,451**	**149,042**	**179,932**		**98.7**		
Net current assets				**2,385**		**1.3**		
Net assets				**182,317**		**100.0**		

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

The accounting cost column ties into the investment note on page 66 of these accounts. For Investments owned before the assets of BVCT 4 and BVCT 5 were acquired by BVCT 3 the accounting book cost is a sum of the original cost of the investments held in BVCT 3 and the market value of the investment in BVCT 4 and BVCT 5 at the date of each of the mergers.

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

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

Glossary

AIM – The Alternative Investment Market, a sub-market of the London Stock Exchange, designed to help smaller companies access capital from the public market.

Annual Dividend Yield – The rate of dividend paid/declared for financial year divided by opening net asset value per share.

Book Cost (Original) – Total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Book Cost (Accounting) – The original book cost of an asset, rebased to the value at which it was used in a subsequent transaction, such as a transfer between entities.

Collective Investment Vehicle – An entity which allows investors to pool their money, investing the pooled funds on their behalf.

Discount/Premium – If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the Company's discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation – a proxy for the cash flow generated by a business, most commonly used for businesses that do not (yet) generate operating or shareholder profits.

IFA – Independent Financial Advisers, professionals who offer independent advice to their clients and recommend suitable financial products.

Key Performance Indicators ("KPIs") – A measurable value that demonstrates how effectively the Company is achieving core business objectives.

NAV – The total value of all the Company's assets, at current market value, having deducted all liabilities at their carrying value.

NAV per share – Total Net Asset Value divided by the number of shares.

NAV total return – A measure showing how the Net Asset Value has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

Return on Cash Invested to shareholders – The amount of cash returned to shareholders through income tax reclaimed, and cumulative dividends paid, expressed as a percentage of the initial investment.

Shares Held in Treasury – Shares in the Company repurchased by itself, reducing the number of freely traded shares.

SME – Small and medium-sized entities. These are independent companies which meet two of the three recognition criteria for small or medium companies according to EU Legislation.

TMT – Technology, Media and Telecommunications

Total Assets – All assets, both current and non-current. An asset is an economic resource owned by an entity that can lead to an increase in economic value.

VCT Value – The value of an investment when acquired, rebased if the holding is added to or any payment is made which causes an increase or decrease in its value.

80 per cent test – Ensuring that the Company meets the requirement to hold 80 per cent of its investments in qualifying holdings.

Glossary

NAV total return reconciliation	Q1	Q2	Q3	Q4
Opening NAV Total return (p)	303.7	326.6	274.0	307.1
NAV movement (p)	7.4	(20.7)	11.7	(1.0)
Dividend (p)	0.0	4.2	0.0	4.06
Total return (p)	7.4	(16.6)	11.7	3.1
Change in NAV Total return (p)	22.9	(52.7)	33.1	9.4
Closing NAV Total return (p)	**326.6**	**274.0**	**307.0**	**316.4**

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

Annual Dividend yield reconciliation	2020	2019
Interim dividend	3.0p	3.0p
Recommended final dividend	3.5p	3.5p
Total dividend	6.5p	6.5p
Opening NAV (after final dividend)	73.6p	87.6p
Dividend yield	**8.8%**	**7.4%**

Shareholder Information and Contact Details

Warning to Shareholders

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

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

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

Shareholder Account Queries

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

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

You can contact Computershare with your queries in several ways:

Telephone:	0800 923 1534	• This is an automated self-service system. • It is available 24 hours a day, 7 days a week. • You should have your shareholder Reference Number ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons. • Press '0' if you wish to speak to someone. • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday.
On-line:	Investor Centre www.investorcentre.co.uk	• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online. • You will need to register to use this service on the Investor Centre website. • 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	

Shareholder Information and Contact Details

Share Price

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

Calendar

16 February 2021 Annual General Meeting.

May/June 2021 Announcement and posting of Interim report for the six months to 31 March 2021.

November/December 2021 Announcement of final results for year to 30 September 2021.

Additional Information

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

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

Secondary Market in the Shares of Baronsmead Second Venture Trust plc

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

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

Panmure Gordon & Co.	020 7886 2500 (the Company's broker)
Winterflood	020 3400 0251

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

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

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

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

Corporate Information

Directors

Sarah Fromson (Chairman)‡
Anthony Townsend
Timothy Farazmand**
Malcolm Groat*†

Secretary

Gresham House Asset Management Ltd

Registered Office

5 New Street Square
London EC4A 3TW

Investment Manager

Gresham House Asset Management Ltd
5 New Street Square
London EC4 3TW

Registered Number

04115341

‡ Chairman of the Nomination Committee
** Chairman of the Audit Committee*
***Chairman of the Management Engagement & Remuneration Committee*
† Senior Independent Director

Registrars and Transfer Office

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Tel: 0800 923 1534

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One New Change
London EC4M 9AF
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Auditor

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Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

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

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
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