

# BARONSMEAD

## Baronsmead Second Venture Trust plc

### Prospectus

Issue of up to 50 million New Shares in connection with the recommended proposals for the merger with Baronsmead VCT 5 plc



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This document comprises a prospectus relating to Baronsmead Second Venture Trust plc (the “Company”) prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000 (“FSMA”). This document has been approved by the Financial Conduct Authority in accordance with section 85 of the Financial Services and Markets Act 2000 and has been delivered to the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

The Directors and the Proposed Director of the Company, whose names appear on page 18 of this document, and the Company, each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors, the Proposed Director and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

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# **BARONSMEAD SECOND VENTURE TRUST PLC**

*(a company incorporated in England and Wales with registered number 04115341)*

## **Issue of up to 50 million New Shares in connection with the recommended proposals for the merger with Baronsmead VCT 5 plc**

Sponsored by  
**Dickson Minto W.S.**

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Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 2 December 2016.

The Issue is not being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory. No action has been taken to permit the distribution of this document in any jurisdiction outside the United Kingdom where such action is required to be taken. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory or to, or for the account or benefit of, any resident of the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory and persons receiving this document (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The New Shares have not been, and they will not be, registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia, Japan or South Africa. Accordingly, unless an exemption under such act or laws is applicable, the New Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor to the Company and is not advising any other person in this capacity or treating any other person in this capacity as its customer in relation to the Issue or to the matters referred to in this document and will not be responsible to anyone other than the Company for providing advice as sponsor in relation to the Issue, the contents of this document and the accompanying documents or any other matter referred to therein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. does not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Investment Manager or the Shares. Dickson Minto W.S. accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

**Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the sections of this document headed “Risk factors” (pages 11 to 13) and “Forward looking statements” (page 15).**

17 October 2016

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## Summary

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

### Section A – Introduction and warnings

Element	Disclosure
A.1	<b><i>Warning</i></b> This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<b><i>Financial Intermediaries</i></b> Not applicable. No consent has been given by the issuer or person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

### Section B – Issuer

Element	Disclosure
B.1	<b><i>Legal and commercial name</i></b> Baronsmead Second Venture Trust plc.
B.2	<b><i>Domicile and legal form</i></b> The Company was incorporated and registered in England and Wales on 22 November 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04115341. The Company operates under the CA 2006 and regulations made under the CA 2006.
B.5	<b><i>Group description</i></b> Not applicable. The Company is not part of a group.
B.6	<b><i>Major shareholders</i></b> As at 13 October 2016, the Company had received no notifications of significant voting rights (under the Disclosure Guidance and Transparency Rules). The Directors are not aware of any person or persons who, following the Issue, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder, save for those which derive from the Articles.

B.7

**Key financial information**

Selected historical financial information relating to the Company and BVCT5 which summarises the financial condition of the Company and BVCT5 for each of the three financial years up to 31 December 2015 and for the six months ended 30 June 2015 and 30 June 2016 is set out in the following tables:

**The Company**

	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014	Audited financial results for the year ended 31 December 2015
<b>Net asset value</b>			
Net assets (£'000)	74,879	76,617	79,196
Net asset value per Ordinary Share (p)	113.40	101.72	106.46
<b>Income</b>			
Revenue return after taxation (£'000)	2,322	1,425	675
Revenue return per Ordinary Share (p)	3.50	1.95	0.90
Dividend per Ordinary Share (p)	7.50	17.00	7.50
<b>Portfolio summary</b>			
Shareholders' funds (£'000)	74,879	76,617	79,196
Ordinary Share price (p)	106.25	95.00	101.00
		Unaudited half yearly report for the six months ended 30 June 2015	Unaudited half yearly report for the six months ended 30 June 2016
<b>Net asset value</b>			
Net assets (£'000)		79,712	150,150
Net asset value per Ordinary Share (p)		107.35	99.16
<b>Income</b>			
Revenue return/(loss) after taxation (£'000)		232	(346)
Revenue return/(loss) per Ordinary Share (p)		0.31	(0.29)
Dividend per Ordinary Share (p)		3.0	7.0
<b>Portfolio summary</b>			
Shareholders' funds (£'000)		79,712	150,150
Ordinary Share price (p)		99.38	97.12

During the financial period from 1 January 2013 to, and since, 30 June 2016 (being the end of the last financial period of the Company for which financial information has been published) there has been no significant change in the financial or trading position of the Company, save for the merger between the Company and Baronsmead VCT 4 plc which became effective on 11 March 2016.

**BVCT5**

	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014	Audited financial results for the year ended 31 December 2015
<b>Net asset value</b>			
Net assets (£'000)	39,850	39,319	45,425
Net asset value per Ordinary Share (p)	80.21	80.36	86.41
<b>Income</b>			
Revenue loss after taxation (£'000)	(189)	(136)	(14)
Revenue loss per Ordinary Share (p)	(0.38)	(0.28)	(0.03)
Dividend per Ordinary Share (p)	6.0	4.0	4.0
<b>Portfolio summary</b>			
Shareholders' funds (£'000)	39,850	39,319	45,425
Ordinary Share price (p)	72.25	72.75	81.00



		Unaudited half yearly report for the six months ended 30 June 2015	Unaudited half yearly report for the six months ended 30 June 2016
	<b>Net asset value</b>		
	Net assets (£'000)	43,438	44,376
	Net asset value per Ordinary Share (p)	81.98	78.09
	<b>Income</b>		
	Revenue return/(loss) after taxation (£'000)	(31)	(97)
	Revenue return/(loss) per Ordinary Share (p)	(0.06)	(0.17)
	Dividend per Ordinary Share (p)	2.0	5.0
	<b>Portfolio summary</b>		
	Shareholders' funds (£'000)	43,438	44,376
	Ordinary Share price (p)	77.37	77.12
	During the financial period from 1 January 2013 to, and since, 30 June 2016 (being the end of the last financial period of BVCT5 for which financial information has been published) there has been no significant change in the financial or trading position of BVCT5.		
B.8	<b><i>Key pro forma financial information</i></b> The key pro forma financial information included in this document has been prepared to illustrate the effect on the net assets and earnings of the Enlarged Company as if the Scheme and the Previous Merger had become effective on 1 January 2016.		
B.9	<b><i>Profit forecast</i></b> Not applicable. No profit forecasts or estimates are made in this document.		
B.10	<b><i>Description of the nature of any qualifications in the audit report on the historical financial information</i></b> Not applicable. The audit reports on the historical financial information contained within this document are not qualified.		
B.11	<b><i>Insufficient working capital</i></b> Not applicable. The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements (that is, for at least the next 12 months from the date of this document).		
B.34	<b><i>Investment policy</i></b> The Board has recently updated the Company's investment policy to ensure that it is in line with the recent legislative changes to the VCT rules and HMRC's guidance on the new rules. The Company's investment policy is set out in full below.  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, <i>inter alia</i> , on the type and age of investee companies as well as the maximum amount of investment that such investee companies may receive.  <b><i>Investment securities</i></b> 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		

	<p>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.</p> <p><b>Liquidity</b></p> <p>Pending investment in VCT qualifying investments, the Company's cash and liquid funds are held in permitted non qualifying investments.</p> <p><b>Investment style</b></p> <p>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.</p> <p><b>Co-investment</b></p> <p>The Company typically invests alongside the other Baronsmead VCTs in companies sourced by Livingbridge VC LLP (the "Manager").</p> <p>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.</p> <p><b>Borrowing powers</b></p> <p>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.</p> <p>To the extent that any future changes to the investment policy are considered to be material, Shareholder consent to such changes will be sought.</p>
B.35	<p><b><i>Borrowing limits</i></b></p> <p>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 Articles.</p>
B.36	<p><b><i>Regulatory status</i></b></p> <p>Save for its compliance with the CA 2006, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and the UK Code, the Company is not a regulated entity.</p>
B.37	<p><b><i>Typical investor</i></b></p> <p>The Directors believe that the profile of a typical investor in the Company is an individual retail investor aged 18 or over who is a UK tax payer and who already has a portfolio of VCT and non-VCT investments (such as unit trusts, OEICs, investment trusts and direct shareholdings in listed and non-listed companies).</p>
B.38	<p><b><i>Investment of 20% or more in single underlying asset or investment company</i></b></p> <p>Not applicable. No investment in the portfolio may exceed 15 per cent. by value of the Company's investments at the time of the latest purchase.</p>
B.39	<p><b><i>Investment of 40% or more in single underlying asset or investment company</i></b></p> <p>Not applicable. No investment in the portfolio may exceed 15 per cent. by value of the Company's investments at the time of the latest purchase.</p>
B.40	<p><b><i>Applicant's service providers</i></b></p> <p><b>The Investment Manager</b></p> <p>The Company has appointed Livingbridge VC LLP, as its investment manager. The Investment Manager is a limited liability partnership and was incorporated in England</p>

	<p>and Wales under the Limited Liability Partnerships Act 2000 (and the regulations made from time to time thereunder) with registered number OC320408 on 16 June 2006. The Investment Manager operates under the Limited Liability Partnerships Act 2000 and is authorised and regulated by the FCA.</p> <p>The Company has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager is responsible for the day-to-day management of the Company's investment portfolio, subject to the overall control and supervision of the Board. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Directors from time to time and in accordance with the investment restrictions referred to in the Investment Management Agreement.</p> <p>The Investment Manager is entitled to a fee of an amount equal to 2.5 per cent. per annum of the net assets of the Company.</p> <p>In line with normal VCT practice, the Investment Manager is also entitled to a performance fee. The performance fee will not be payable to the Investment Manager until the total return on the net asset value of the Ordinary Shares exceeds an annual threshold of 8.0 per cent. (simple). To the extent that the total return exceeds the threshold over the relevant period then a performance fee of 10.0 per cent. of the excess will be paid to the Investment Manager. The performance fee will not be triggered, however, until the total return on the aggregate of the amounts paid to the Company pursuant to the offers of Shares exceeds 140 per cent. The amount of any performance fee which is paid in an accounting period shall be capped at 5.0 per cent. of the Net Asset Value.</p> <p>The Investment Management Agreement can be terminated by either party at any time on 12 months' notice.</p> <p><b>Administration arrangements</b></p> <p>Under the Investment Management Agreement the Investment Manager is responsible for providing all secretarial, administrative and accounting services to the Company. The Investment Manager has appointed Capita to provide these services to the Company on its behalf. The Company is responsible for paying the fee charged by Capita to the Investment Manager in relation to the performance of these services, which is currently £143,000 per annum. If the Scheme becomes effective this fee will increase to £163,000 per annum to reflect the increased size of the Enlarged Company. The Investment Manager shall consult with the Board in relation to any increase in the fee charged by Capita, which is considered to be material.</p>
B.41	<p><b><i>Regulatory status of investment manager and custodian</i></b></p> <p>The Investment Manager and JPMorgan Chase Bank, the Company's custodian, are authorised and regulated by the FCA.</p>
B.42	<p><b><i>Calculation of Net Asset Value</i></b></p> <p>The Net Asset Value per Share is calculated by the Investment Manager in accordance with the Company's accounting policies and is published monthly through a Regulatory Information Service. The calculation of the Net Asset Value per Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	<p><b><i>Cross liability</i></b></p> <p>Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investments in another collective investment undertaking.</p>



B.44	<p><i>No financial statements have been made up</i></p> <p>Not applicable. The Company has commenced operations and historical financial information is included within this document.</p>																				
B.45	<p><i>Portfolio</i></p> <p>The Company invests in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. An unaudited summary of the Company’s unquoted and quoted portfolio (representing at least 50 per cent. of its gross assets as at the date of this document (the NAV values being as at 30 September 2016)) is set out below:</p> <table><tr><th></th><th>Number of holdings</th><th>Cost £’000</th><th>Market Value £’000</th><th>% of NAV</th></tr><tr><td>Unquoted</td><td>18</td><td>35,567</td><td>49,286</td><td>35</td></tr><tr><td>Quoted (AIM-traded and other listed companies)</td><td>50</td><td>38,893</td><td>58,093</td><td>41</td></tr><tr><td>Wood Street</td><td>42</td><td>3,525</td><td>9,200</td><td>7</td></tr></table>		Number of holdings	Cost £’000	Market Value £’000	% of NAV	Unquoted	18	35,567	49,286	35	Quoted (AIM-traded and other listed companies)	50	38,893	58,093	41	Wood Street	42	3,525	9,200	7
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Wood Street	42	3,525	9,200	7																	
B.46	<p><i>Net Asset Value</i></p> <p>The unaudited NAV per Share as at 30 September 2016 (being the latest date in respect of which the Company has published its NAV per Share) was 92.17 pence.</p>																				

## Section C – Securities

<b>Element</b>	<b>Disclosure</b>
C.1	<p><b><i>Type and class of securities</i></b></p> <p>The Company will issue new ordinary shares of 10 pence each pursuant to the Issue. The ISIN number for the Ordinary Shares is GB0030028103. The SEDOL number for the Ordinary Shares is 3002810.</p>
C.2	<p><b><i>Currency</i></b></p> <p>The Company will issue New Shares denominated in Sterling.</p>
C.3	<p><b><i>Number of securities to be issued</i></b></p> <p>The number of New Shares to be issued pursuant to the Scheme will be determined at the Calculation Date and will be calculated using the calculation methodology set out in Part II of this document.</p>
C.4	<p><b><i>Description of the rights attaching to the securities</i></b></p> <p>The New Shares will rank equally in all respects with the existing Shares.</p> <ul style="list-style-type: none"> <li>• Holders of the New Shares shall be entitled to receive all dividends and other distributions made, paid or declared by the Company equally with each other and with the holders of existing Ordinary Shares.</li> <li>• Each New Share carries the right to receive notice of and to attend and vote at any general meeting of the Company.</li> <li>• On a winding up, the holders of New Shares are entitled to receive back their nominal value and will participate in the distribution of any surplus assets of the Company <i>pro rata</i> with all other Ordinary Shares.</li> <li>• Statutory pre-emption rights apply on any issue of New Shares for cash or the sale of any existing Ordinary Shares from treasury for cash unless disapplied in accordance with the CA 2006.</li> <li>• New Shares are not redeemable at the option of the Company or the Shareholder.</li> </ul>

C.5	<p><b><i>Restrictions on the free transferability of the securities</i></b></p> <p>There are no restrictions on the free transferability of the Shares.</p>
C.6	<p><b><i>Admission</i></b></p> <p>Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 2 December 2016.</p>
C.7	<p><b><i>Dividend policy</i></b></p> <p>The Board seeks to maintain a minimum annual dividend of 4.5 pence per Ordinary Share which primarily depends on the value of realisations achieved. There is no certainty that any dividends will be paid.</p>

## Section D – Risks

Element	Disclosure
D.2	<p><b><i>Key information on the key risks specific to the issuer or its industry</i></b></p> <p>The key risks in respect of the Company are:</p> <ul style="list-style-type: none"> <li>• if the Scheme is not implemented certain costs and expenses incurred in connection with the Scheme will be borne by the Company;</li> <li>• there can be no guarantee that the investment objective of the Company will be achieved or that suitable investment opportunities will be available. The success of the Company will depend on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investment policy and there can be no assurance that the Investment Manager will be able to do so;</li> <li>• investment in private companies involves a higher degree of risk than investment in companies traded on the Main Market. 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. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining their value or the risks to which they are exposed may also not be available;</li> <li>• the Company's investments may be difficult to realise. The valuation of the Company's portfolio and opportunities for realisation may also depend on market conditions; and</li> <li>• changes in legislation concerning VCTs may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have been achievable or result in the Company not being able to meet its investment objective.</li> </ul>
D.3	<p><b><i>Key information on the key risks specific to the securities.</i></b></p> <p>The key risk factors relating to the Ordinary Shares are:</p> <ul style="list-style-type: none"> <li>• the value of New Shares depends on the performance of the Company's underlying assets. The market price of the New Shares may not fully reflect their underlying Net Asset Value. Trading in VCT shares is generally limited and shares in VCTs tend to be valued at a discount to their net asset value and may be difficult to realise. As a result, Shareholders may be offered a price which is less than the full value of the Company's underlying assets;</li> </ul>

	<ul style="list-style-type: none"> <li>it is likely that there will not be a liquid market in the New Shares (which may be partly due to up-front tax relief not being available for VCT shares bought in the market and as VCT shares generally trade at a discount to net asset value) and Shareholders may have difficulty in selling their New Shares as a result. Shareholders may not be able to realise their investment at Net Asset Value or at all; and</li> <li>on 23 June 2016 the UK voted to leave the European Union. The uncertainty and volatility that this has caused, and may continue to cause, may affect the value of the Company's investments, as well as its Shares.</li> </ul>
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## Section E – Offer

Element	Disclosure
E.1	<p><b><i>Net proceeds and costs of the Issue</i></b></p> <p>The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs of the Merger are approximately £355,000 (including VAT and stamp duty).</p> <p>The Board and the BVCT5 Board have agreed that the most appropriate allocation of the costs of the Merger is on the basis of the relative ongoing cost savings for each company. On this basis the costs will be allocated as 25 per cent. to the Company and 75 per cent. to BVCT5. This method of splitting the costs ensures that the Existing Shareholders and the BVCT5 Shareholders will have the same payback period of approximately 12 months.</p>
E.2 A	<p><b><i>Reasons for the offer and use of proceeds</i></b></p> <p>Not applicable. No offer to the public.</p>
E.3	<p><b><i>Terms and conditions of the offer</i></b></p> <p>Not applicable. No offer to the public.</p>
E.4	<p><b><i>Material interests</i></b></p> <p>Not applicable. No interest is material to the Issue.</p>
E.5	<p><b><i>Name of person selling securities</i></b></p> <p>Not applicable. No person or entity is offering to sell securities as part of the Issue.</p>
E.6	<p><b><i>Dilution</i></b></p> <p>Not applicable. No offer to the public.</p> <p>If the Scheme took place on the basis of the Net Asset Values of the Company and BVCT5 as at 30 September 2016, the existing issued Shares in the Company would represent approximately 77 per cent. of the Ordinary Share capital of the Enlarged Company immediately following completion of the Scheme and on that basis Existing Shareholders who do not own any BVCT5 Shares would have their percentage shareholding diluted by approximately 23 per cent.</p> <p>For the avoidance of doubt, the value of the underlying assets attributable to the Existing Shares will not be diluted as a result of the Merger.</p>
E.7	<p><b><i>Expenses charged to the investor</i></b></p> <p>Not applicable. No expenses charged to the investor.</p>

## Risk factors

The risk factors set out below are those which are considered by the Directors to be material as at the date of this document but are not the only risks relating to the Company and the Shares. Additional risks and uncertainties relating to the Company that are not currently known to the Directors or that the Directors do not currently consider to be material may also have a material adverse effect on the Company. Before investing in the Company, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if they are in the United Kingdom or, in the case of overseas investors, another appropriately authorised financial adviser.

Any holding of Shares is subject to a number of risks. Prior to acquiring any New Shares, potential investors should consider carefully the factors and risks associated with an investment in the New Shares and the investment objective of the Company.

Potential investors should consider the following risk factors in relation to the Company and the Shares.

### Risks associated with the Scheme

Implementation of the Scheme is conditional, amongst other conditions, upon the approval of Existing Shareholders at the General Meeting and BVCT5 Shareholders approving the Scheme (full details of the conditions of the Scheme are set out in Part II of this document). If any condition of the Scheme is not met, the Scheme will not be implemented and certain costs and expenses incurred in connection with the Scheme (estimated to be in the region of £54,000 (including VAT)) will be borne by the Company. In these circumstances, the Company would continue as a separate VCT.

### The Company's portfolio

In order to comply with VCT legislation, the Company invests in AIM-traded and unquoted companies. Investment in AIM-traded and unquoted companies by its nature, may involve a higher degree of risk than investment in companies traded on the Main Market. In particular, 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. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining the value of smaller or unquoted companies or the risks to which they are exposed may also not be available.

The Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The valuation of the Company's portfolio and opportunities for realisation may also depend on stock market conditions.

Changes in legislation concerning VCTs and in particular, changes in relation to qualifying holdings and qualifying trades, may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have been achievable or result in the Company not being able to meet its objective, may delay the investment of any proceeds raised by the Company in future fundraisings and may reduce the levels of returns to investors.

### Changes to governmental, economic, fiscal, monetary or political policy

Any change of governmental, economic, fiscal, monetary or political policy, in particular current government spending reviews and cuts and any changes to taxation and tax reliefs, in particular changes to the VCT rules, could materially affect, directly or indirectly, the operation of the Company and/or the performance of the Company (and the portfolio companies in which it invests) and the value of and returns from Shares and/or its ability to maintain VCT status.

### *Loss of tax reliefs*

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective. While it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained and could also cause the Company to lose its exemption from corporation tax on capital gains.

### *State aid*

As a result of the tax status of VCTs, investments by VCTs in underlying portfolio companies are regarded as State aided investments. Where the European Commission believes that State aid has been provided which is unlawful, in particular if it is not in accordance with the Risk Finance Guidelines, they may require that the UK government recovers that State aid. Such recovery may be from the investee company, the VCT or the VCT's investors. On 23 June 2016 the UK voted in a referendum to leave the European Union. Accordingly, the extent to which State aid rules will apply, or continue to apply, to VCTs in the future is uncertain.

### *European Union referendum*

On 23 June 2016 the UK voted to leave the European Union. The outcome of this referendum has caused, and may continue to cause, market uncertainty and volatility. This may affect the value of the Shares on the secondary market and the valuations of the Company's underlying investments, in particular the valuation of the Company's AIM-traded and other listed investments.

### *Legal and regulatory risks*

Legal and regulatory changes could adversely affect the Company. Regulation of investment vehicles such as the Company is subject to change. The effect of any future legal or regulatory change on the Company is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of Shareholders.

### **Investment objective**

The Company's investment objective is to achieve long-term investment returns for private investors, including tax-free dividends. There can be no guarantee that the investment objective of the Company will be met. Meeting its objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it will be met (as this will depend on the performance of and returns generated by portfolio companies). If the Company does not meet its investment objective the returns made to Shareholders may go down. The value of an investment in the Company may go down as well as up and investors may not get back the full value of their investment.

### **Economic environment**

The profitability of the businesses of the Company's portfolio companies could be impacted by business conditions and adverse economic conditions. Factors such as unemployment levels, the levels and volatility of equity markets, consumer confidence, exchange rates, interest rates and inflation could significantly affect the market for products or services of portfolio companies. The economic climate in the UK and the uncertainty over the manner in which the UK may leave the European Union may adversely affect the prospects for both existing portfolio companies and any new investments.

### **The Shares may trade at a discount to Net Asset Value**

At any given point in time, the price for a Share which a Shareholder could achieve on the stock market may be significantly less than the Net Asset Value or the price paid by the Shareholder to acquire that Share. The Shares may trade at a discount to their Net Asset Value for a variety of reasons, including as a consequence of general market conditions, concerns regarding the general liquidity or marketability of the Shares or the actual or expected performance of the Company.



## Liquidity

The Company is a closed-ended company. Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Shares on the stock market. Accordingly, the ability of Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the Shares and the market price of such Shares.

Although the existing Ordinary Shares issued by the Company have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List of the UK Listing Authority and traded on the Main Market, there may not be a liquid market for the Ordinary Shares as there is a limited secondary market for VCT shares (primarily because initial VCT income tax relief is only available to individuals subscribing for newly issued shares) and investors may find it difficult to realise their investments.

## Share buy backs

The Company has stated its aim to seek a mid market share price discount to NAV of no more than 5 per cent. but keeps the share price discount policy under continuous review. The performance of the Company's Share price and the discount to NAV is monitored continuously and Shares may be bought back depending on market conditions at the time and only when the Directors believe it to be in the best interests of all Shareholders. There can, however, be no guarantee that the Company will buy back Ordinary Shares from Shareholders or that if it does the discount to NAV will not be greater than 5 per cent. Share buy backs will be subject to applicable legislation and VCT regulations and the availability of sufficient reserves and cash in the Company.

## Restrictions in relation to payment of dividends

The Board seeks to maintain a minimum annual dividend of 4.5 pence per Ordinary Share which primarily depends on the value of realisations achieved. There is no certainty that any dividends will be paid. A reduction of income from the Company's portfolio would adversely affect the ability of the Company to pay dividends on the Ordinary Shares. Any adverse performance of the assets acquired from BVCT5, as well as the existing investments of the Company, may restrict the ability of the Company to pay dividends.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Shares. Such a reduction could arise, for example, from lower rates of dividend paid by investee companies or difficulties realising gains on portfolio investments.

## Investment Manager

The Company has a Board of non-executive Directors and has no employees and is dependent on the skills and experience of the Investment Manager to manage its investments. If the Investment Manager ceases to act as investment manager of the Company or if key personnel cease to remain with the Investment Manager or be involved in the management of the Company's portfolio, there is no assurance that suitable replacements will be found. If this occurs there may be an adverse effect on the performance of the Company and the value of the Shares.

# Important information

## General

This document should be read in its entirety. Existing Shareholders and BVCT5 Shareholders should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document nor that the information contained herein is correct as at any time subsequent to its date.

Shareholders must not treat the contents of the document or any subsequent communications from the Company, or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issue. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser authorised under FSMA.

## Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of the Prospectus may be prohibited in some countries.

The Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such an offer or invitation. In particular, the Prospectus may not be distributed in or into the United States or to or for the account of any US Person. The Company has not been and will not be registered under the Investment Company Act of 1940 (as amended), and investors will not be entitled to the benefits of the Investment Company Act of 1940 (as amended). In addition, the Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, in or into the United States, or to or for the benefit of any US Person, except in transactions that are exempt from registration under the US Securities Act and under circumstances which will not require the Company to register under the Investment Company Act of 1940 (as amended). There will be no public offer of the Shares in the United States.

## Scheme considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. BVCT5 Shareholders must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the purchase,

holding, transfer or other disposal of Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares.

BVCT5 Shareholders must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

It should be remembered that the price of a Share, and the income from such Shares (if any), can go down as well as up. An investment in Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Any investment objectives of the Company are targets only and should not be treated as assurance or guarantees of performance.

## Forward looking statements

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in section 8 of Part VI of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Documents incorporated by reference

The published annual report and accounts of the Company for each of the three financial years up to 31 December 2015 and the published unaudited half yearly reports of the Company for the six months ended 30 June 2015 and 30 June 2016, on the pages specified in the table below, are incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Company and half yearly reports of the Company are either not relevant to investors or covered elsewhere in this document.

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Financial Headlines	1	3	2	2	1
Balance sheet	42	43	44	14	13
Income statement	41	42	42	12	11
Reconciliation of movements in Shareholders' funds	41	42	43	13	12
Cash flow statement	43	44	45	15	14
Independent auditor's report	38	40	39	—	—
Notes to the financial statements	44	45	46	—	—

The published annual report and accounts of BVCT5 for each of the three financial years up to 31 December 2015 and the published unaudited half yearly reports for the six month periods ended 30 June 2015 and 30 June 2016, on the pages specified in the table below, are also incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts and half yearly reports of BVCT5 are either not relevant to investors or covered elsewhere in this document.

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Financial Headlines	1	3	2	2	1
Balance sheet	41	43	43	14	12
Income statement	40	42	41	12	10
Reconciliation of movements in Shareholders' funds	40	42	42	13	11
Cash flow statement	42	44	44	15	13
Independent auditor's report	37	40	38	—	—
Notes to the financial statements	43	45	45	—	—

The documents incorporated by reference can be obtained from the Company's and BVCT5's website [www.baronsmeadvcts.co.uk](http://www.baronsmeadvcts.co.uk), as set out in section 14 of Part VII of this document.

## Expected Scheme timetable

2016

Latest time and date for receipt of forms of proxy for the General Meeting	2.00 p.m. on 4 November
Latest time and date for receipt of BLUE forms of proxy for the First General Meeting of BVCT5	3.00 p.m. on 4 November
<b>General Meeting of the Company</b>	<b>2.00 p.m. on 8 November</b>
First General Meeting of BVCT5	3.00 p.m. on 8 November
Time and date from which it is advised that dealings in BVCT5 Shares should only be for cash settlement and immediate delivery of documents of title	8.00 a.m. on 24 November
Latest time and date for receipt of GREEN forms of proxy for the Second General Meeting of BVCT5	11.00 a.m. on 28 November
Calculation Date	5.00 p.m. on 28 November
Record Date for BVCT5 Shareholders' entitlements under the Scheme	6.00 p.m. on 28 November
Dealings in BVCT5 Shares suspended	7.30 a.m. on 30 November
Second General Meeting of BVCT5	11.00 a.m. on 30 November
<b>Effective Date for implementation of the Scheme and commencement of the liquidation of BVCT5</b>	<b>30 November</b>
Admission to listing and dealings commence in the New Shares issued pursuant to the Scheme	8.00 a.m. on 2 December
New Shares issued in uncertificated form credited to CREST accounts of BVCT5 Shareholders under the Scheme	8.00 a.m. on 2 December
Cancellation of listing of BVCT5 Shares on the premium segment of the Official List and trading on the Main Market	8.00 a.m. on 2 December
Share certificates in respect of New Shares issued in certificated form pursuant to the Scheme despatched to Shareholders entitled thereto	week commencing 12 December

**Note:** Each of the times and dates in the above expected timetable (other than in relation to the General Meetings) may be extended or brought forward. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.



# Directors, Proposed Director, Investment Manager and advisers

## Existing Directors

Anthony Townsend (*Chairman*)  
Malcolm Groat  
Ian Orrock

## Directors of the Enlarged Company following the Merger

Anthony Townsend (*Chairman*)  
Malcolm Groat  
Ian Orrock  
John Davies

The Directors and the Proposed Director are all non-executive and of

100 Wood Street,  
London EC2V 7AN

## Investment Manager and Secretary

Livingbridge VC LLP  
100 Wood Street  
London EC2V 7AN

## Solicitors and Sponsor

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

## Auditors

KPMG LLP  
Saltire Court  
Castle Terrace  
Edinburgh EH1 2EG

## Reporting Accountant

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

## VCT status adviser

Philip Hare & Associates LLP  
4-6 Staple Inn  
High Holborn  
London WC1V 7QH

## Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

# Part I – Letter from the Chairman

## BARONSMEAD SECOND VENTURE TRUST PLC

*(Incorporated in England and Wales with registered number 04115341)*

*Directors:*

Anthony Townsend (*Chairman*)  
Malcolm Groat  
Ian Orrock

*Registered office:*

100 Wood Street  
London  
EC2V 7AN

17 October 2016

Dear Investor

The Company and BVCT5 announced today that the Board and the BVCT5 Board have reached agreement in relation to the recommended proposals to merge the Company and BVCT5 (the “**Merger**”). I am now delighted to be able to provide Existing Shareholders and BVCT5 Shareholders with further information on the Merger which, if approved, will result in the Company having approximately £184 million of assets (based on the 30 September 2016 NAVs) and provide both sets of shareholders with significant annual cost savings (the “**Proposals**”).

### The Merger

The Board believes that the Merger would be in the best interests of Shareholders for the following reasons.

- It would result in estimated aggregate cost savings for the Enlarged Company of around £345,000 per annum.
- It would avoid duplicate communications being sent to the many shareholders who have investments in both the Company and BVCT5.
- It would create a larger merged Company with net assets of approximately £184 million (based on the 30 September 2016 NAVs) which could mean that the Shares would become more widely available on investment platforms and potentially make it more attractive to private client wealth managers, which may enhance the liquidity of the Shares in the secondary market.

**Note:** The net assets of the Enlarged Company are based on the combined net assets of the Company and BVCT5 as at 30 September 2016 after taking account of the costs of the Proposals, being approximately £355,000.

Under the Proposals, BVCT5 will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 (the “**Scheme**”). The Scheme provides for the assets and liabilities of BVCT5 to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to BVCT5 Shareholders. The New Shares issued under the Scheme will rank equally in all respects with the existing Shares in the Company.

The Scheme is subject to, amongst other conditions, its approval by BVCT5 Shareholders and approval by the Existing Shareholders. Further details of the Scheme are set out in Part II of this document. The Scheme will be familiar to the Existing Shareholders, many of whom are also BVCT5 Shareholders, as similar arrangements previously led to the successful merger of the Company and Baronsmead VCT 4 plc.

The Board and the BVCT5 Board have considered what the size and future composition of the board of the Enlarged Company should be. The Board currently comprises three Directors, following the retirement of Robert Owen on 13 October 2016. It is anticipated that John Davies (who is currently Chairman of BVCT5) will be appointed to the Board of the Enlarged Company following the Merger.

## 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 Board has recently updated the Company's investment policy to ensure that it is in line with the recent legislative changes to the VCT rules and HMRC's guidance on the new rules. The Company's investment policy is set out in full in Part III of this document.

## Dividend policy

The Board seeks to maintain a minimum annual dividend level of 4.5 pence per Ordinary Share which primarily depends on the value of realisations achieved. There is no certainty that any dividends will be paid. Since launch, the average annual dividend paid to Shareholders has been 7.6 pence per Share.

## Share certificates

If the Scheme becomes effective, the Registrar will send BVCT5 Shareholders a share certificate in relation to their holdings of New Shares in the Company issued under the Scheme. Existing Shareholders who hold BVCT5 Shares will have the New Shares they receive under the Scheme added to their current holdings in the Company and the Registrar will send them share certificates in relation to the New Shares.

The receipt by BVCT5 Shareholders of New Shares under the Scheme will allow BVCT5 Shareholders to retain any upfront VCT income tax relief they obtained on subscription for their BVCT5 Shares (provided they retain their New Shares until at least five years after their BVCT5 Shares were issued). The new holdings of New Shares will be treated as having been acquired at the same time and at the same cost as the existing BVCT5 Shares from which they are derived. Further details on the tax position of BVCT5 Shareholders are set out in Part VIII of this document.

I very much look forward to welcoming those BVCT5 Shareholders who are not already Existing Shareholders to the Company.

Yours faithfully

**Anthony Townsend**  
*Chairman*

## Part II – The Scheme

### Background to and reasons for the Scheme

The Board has reached agreement with the BVCT5 Board in respect of a recommended merger of the assets of BVCT5 and the Company pursuant to a scheme of reconstruction and winding up of BVCT5 under section 110 of the Insolvency Act 1986.

As at 30 September 2016, the Net Asset Values of the Company and BVCT5 were approximately £141 million and £43 million respectively. If the Merger is approved, the Net Asset Value of the Enlarged Company is expected to be approximately £184 million (based on the 30 September 2016 Net Asset Values).

Prior to April 2012, the VCT rules restricted the amount a VCT could invest in a portfolio company to £1 million per annum. This led to investment managers, such as Livingbridge, establishing numerous VCTs that pursued the same investment strategy allowing larger investments to be made in VCT qualifying companies. With effect from 6 April 2012, the VCT rules were amended and the annual investment limit was increased to £5 million per investee company. As a result there is no longer as significant an advantage in having multiple VCTs pursuing the same investment strategy.

Since 2012 Livingbridge has been reviewing the merits of merging the Baronsmead VCTs. In April 2014 changes to the stamp duty rules significantly reduced the overall cost of a merger. As a result, the Board believes that there is a compelling argument for the merger of the Company and BVCT5 from a cost savings point of view, with Shareholders and BVCT5 Shareholders benefiting from estimated aggregate cost savings of the Enlarged Company of approximately £345,000 per annum. In addition, the Directors believe that the size of the Enlarged Company could mean that the Shares would become more widely available on investment platforms and potentially make it more attractive to private client wealth managers, which may enhance the liquidity of the Shares in the secondary market.

For these reasons, the Board and the BVCT5 Board believe that the interests of their respective shareholders will be best served by the Merger of the Company with BVCT5.

### The Scheme

Under the Scheme, BVCT5 will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986. The Scheme provides for the assets and liabilities of BVCT5 to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to BVCT5 Shareholders. The Scheme is subject to, amongst other conditions, its approval by Existing Shareholders and BVCT5 Shareholders.

Under the Proposals, the Company will, pursuant to the Deed of Indemnity, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of BVCT5 and the purchase for cash of any holdings of dissenting BVCT5 Shareholders.

### New Shares to be issued to BVCT5 Shareholders

If the Scheme becomes effective, the Company will acquire all of BVCT5's assets and liabilities. The consideration for such acquisition shall be the issue of New Shares to BVCT5 Shareholders and the Merger will be completed on a relative net asset basis. The Company already holds investments in all of the companies that currently make up the BVCT5 portfolio and therefore the portfolio of assets to be transferred to the Company is consistent with the Company's investment policy.

The number of New Shares to be issued to BVCT5 Shareholders under the Scheme will be based on the adjusted Net Asset Value of an Ordinary Share (the "**FAV per BSVT Share**") and the adjusted Net Asset Value of a BVCT5 Share (the "**FAV per BVCT5 Share**"). The FAV per BSVT Share and the FAV per BVCT5 Share will be calculated as at the Calculation Date using each company's respective accounting policies (which are identical). The investments held by the Company and BVCT5 which are listed, quoted or traded on either AIM or a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or dealt. Unquoted investments held by the Company and BVCT5 will be valued at their fair value as at the Calculation Date as determined by the Directors and the BVCT5 Directors respectively.

The FAV per BSVT Share will be the Net Asset Value of an Ordinary Share adjusted to take account of the costs and expenses of the Proposals apportioned to the Company under the Scheme. The FAV per BVCT5 Share will be the Net Asset Value of a BVCT5 Share adjusted to take account of the costs and expenses of the Proposals apportioned to BVCT5 under the Scheme. Any costs incurred by the companies in relation to the Proposals, prior to the Calculation Date, will be added back to the relevant company's Net Asset Value prior to the apportionment of the costs of the Proposals between the Company and BVCT5.

BVCT5 Shareholders will be issued such number of New Shares in the Company with a FAV per BSVT Share equal to 100 per cent. of the FAV per BVCT5 Share of their holding of BVCT5 Shares.

The New Shares issued pursuant to the Scheme will rank equally in all respects with the existing issued Ordinary Shares.

For illustrative purposes only, had the Calculation Date been 30 September 2016 (being the date of the latest published NAV per Ordinary Share prior to publication of this document) and assuming that all of the BVCT5 Shareholders are eligible to receive New Shares under the Scheme, the FAV per BSVT Share and FAV per BVCT5 Share would have been 92.12 pence and 76.21 pence respectively and 46,433,133 New Shares would have been issued to former BVCT5 Shareholders under the Scheme, representing approximately 23 per cent. of the issued Ordinary Share capital of the Enlarged Company.

The cash transferred to the Company by BVCT5 under the Scheme will be used and invested in accordance with the Enlarged Company's investment policy (save to the extent required to meet BVCT5's liabilities).

## Dilution

If the Scheme took place on the basis of the Net Asset Values of the Company and BVCT5 as at 30 September 2016, the existing issued Shares in the Company would represent approximately 77 per cent. of the Ordinary Share capital of the Enlarged Company immediately following completion of the Scheme and on that basis Shareholders who do not own any BVCT5 Shares would have their percentage shareholding diluted by approximately 23 per cent.

For the avoidance of doubt, the value of the underlying assets attributable to the existing Shares will not be diluted as a result of the Merger.

## Costs and expenses of the Proposals

The aggregate costs and expenses to be incurred by the Company and BVCT5 in connection with the Scheme are expected to be approximately £355,000 (including VAT and stamp duty).

The Board and the BVCT5 Board have agreed that the most appropriate way to split the costs of the Merger is to allocate them on the basis of the relative ongoing cost savings for each company. On this basis the costs of the Merger will be split 25 per cent. to the Company and 75 per cent. to BVCT5. This method of splitting the costs ensures that the Existing Shareholders and the BVCT5 Shareholders will have the same payback period of approximately 12 months.

In the event that the Scheme does not become effective, it is estimated that the costs incurred by the Company and BVCT5 in connection with the Scheme will be in aggregate approximately £215,000 (including VAT). The Company and BVCT5 have agreed to bear these abort costs on the same basis as the Merger costs, being 25 per cent. and 75 per cent. respectively.

## Proposed Director

It is intended that John Davies (currently Chairman of BVCT5) will join the Board on the Effective Date. The Proposed Director will be a non-executive Director and is independent of the Investment Manager. It is proposed that John Davies will be paid £22,000 per annum in respect of his appointment as a non-executive Director of the Enlarged Company.

Biographies of all current Directors and the Proposed Director are set out in Part IV of this document.



## Conditions of the Scheme

The Scheme is conditional, amongst other conditions, on:

- (i) the passing of the Resolution at the General Meeting (which authorises the allotment of the New Shares to BVCT5 Shareholders pursuant to the Scheme);
- (ii) the passing of the resolutions to approve the Scheme at the First General Meeting of BVCT5 and the Second General Meeting of BVCT5 and the Scheme becoming unconditional; and
- (iii) the UK Listing Authority, having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application of the New Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("listing conditions")) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied and the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading, subject only to allotment.

If any of these conditions is not satisfied by 16 December 2016, the Scheme will not become effective and no New Shares will be issued to the BVCT5 Shareholders.

**Full details of the Scheme are set out in the circular sent to BVCT5 Shareholders dated 17 October 2016.**

## Part III – The Company

### Investment objective

The Company is a tax-efficient listed company which aims to achieve long-term investment returns for private investors. Following the Merger, it is intended that the Enlarged Company will continue to co-invest with Baronsmead Venture Trust plc.

The Directors believe that the profile of a typical investor in the Company is an individual retail investor aged 18 or over who is a UK tax payer and who already has a portfolio of VCT and non-VCT investments (such as unit trusts, OEICs, investment trusts and direct shareholdings in listed and non-listed companies).

### Investment policy

The Board has recently updated the Company's investment policy to ensure that it is in line with the recent legislative changes to the VCT rules and HMRC's guidance on the new rules. The Company's investment policy is set out in full below.

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 the other Baronsmead VCTs in companies sourced by Livingbridge VC LLP (the "Manager").

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

## Borrowing powers

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

To the extent that any future changes to the investment policy are considered to be material, Shareholder consent to such changes will be sought. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

## Established companies with invested portfolios

The Company was established in January 2001 as Baronsmead VCT 3 plc. On 11 March 2016 the Company merged with Baronsmead VCT 4 plc and was renamed Baronsmead Second Venture Trust plc. As at 30 September 2016, the Company had a Net Asset Value of approximately £141 million, being the equivalent of 92.17 pence per Share and had an investment portfolio comprising investments in 18 unquoted companies, 50 AIM-traded and other listed companies and an investment in Wood Street giving investment exposure to a further 42 companies.

BVCT5 was established in March 2006 as Baronsmead AIM VCT plc. On 14 December 2010 BVCT5 Shareholders approved a change to the BVCT5 investment policy making it a "generalist" VCT with an investment strategy similar to the other Baronsmead VCTs. Following the change of investment policy Baronsmead AIM VCT plc was renamed Baronsmead VCT 5 plc. As at 30 September 2016, BVCT5 had a Net Asset Value of approximately £43 million, being the equivalent of 76.68 pence per BVCT5 Share and had an investment portfolio comprising 15 unquoted companies, 45 AIM-traded and other listed companies and an investment in Wood Street giving investment exposure to a further 42 companies. The Company already holds investments in all of the companies that make up the BVCT5 portfolio.

Summaries of the Company's and BVCT5's unaudited investment portfolio as at 30 September 2016 and the expected investment portfolio of the Enlarged Company, are shown in the following table.

	Percentage of net assets in asset class				
	Number of directly held portfolio companies	Investments in unquoted companies	Investments in AIM-traded and fully listed companies	Investment in Wood Street	Cash and other liquid investments
The Company as at 30 September 2016	68	35	41	7	17
BVCT5 as at 30 September 2016	60	21	53	16	10
The Enlarged Company	68	32	44	9	15

The future performance of the Enlarged Company's portfolio will be determined in the short to medium term by its investment portfolio. As investments are sold and new investments made, the longer term performance of the Enlarged Company's portfolio will be determined by the Investment Manager's ability to find, select and manage such new investments. The market for stock in smaller unquoted and quoted companies is often less liquid than that for larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such investments. In addition, past performance is no indication of future performance.

## Investment outlook

The Company has an established and diverse portfolio of investments that continue to perform well, despite the recent volatility of stock markets.

It will take time for the impact of the UK's decision to leave the European Union on the UK economy to become apparent and in turn what the impact on the Company and its investments will be. In particular, it is too early to determine what the implications will be with regard to the VCT rules that

are heavily influenced by the EU State aid rules and whether in time there will be any relaxation to these restrictions. The Company is therefore proceeding on the basis that this will not be the case as it is likely to be a number of years before there will be clarity on that matter.

The Company's current portfolio mix is diverse, gearing levels are low and so far trading activity has remained steady since the UK voted to leave the European Union. There are a number of more mature investments that may be disposed of over the coming years that should assist in generating returns for investors and enable the Company to continue to pay dividends in line with its dividend policy. The VCT industry in general and the Investment Manager in particular are adapting to the new VCT rules and as a result the number of investment opportunities being considered is growing. The Board believes that the Investment Manager is one of the most experienced managers in the sector with a track record of investing for the long term and is therefore confident it can adapt to the challenges of the new VCT rules and the disruption that the UK's decision to leave the European Union may bring.

## Co-investment with other funds

The Company aims to invest in unquoted and AIM-traded companies and invests alongside the other clients of the Investment Manager, which include Baronsmead Venture Trust plc.

## Dividends

The Board seeks to maintain a minimum annual dividend of 4.5 pence per Share which primarily depends on the value of realisations achieved.

The Board has sought to maintain a regular flow of dividends to Shareholders over time, as illustrated in the table below. It has done so through the retention of some of the profits realised from the sale of investments for the payment of future dividends, where it has been possible and appropriate to do so. The Board of the Enlarged Company intends to continue this strategy in the future where appropriate, and at the sole discretion of the Board, should it consider it to be in the best interests of Shareholders and subject to the legal and regulatory requirements at the time.

Average dividends paid (pence per Share)			
To 30 September 2016	Since Launch	Last 10 years	Last 5 years
	7.6	9.8	11.3

It is the intention of the Enlarged Company that Shareholders receive dividends twice a year following the publication of the interim and final results, as shown in the table below.

Interim reporting date	Normally paid	Financial year end	Normally paid
31 March	June	30 September	December/January

The ability of the Company to meet its dividend policy objective cannot be guaranteed and depends primarily on the level and timing of profitable realisations of its investments. As a result, there may be variations in the amounts and timing of dividends paid year on year. The value of the investment in, and the dividend stream from, the Company can rise and fall.

## Share buy back policy

The Company will buy back its Shares if, in the opinion of the Board, a repurchase of Shares would be in the best interests of Shareholders as a whole. The Company will seek to buy back its Shares at a 5 per cent. discount to Net Asset Value. Any purchases of Shares will be made subject to the Listing Rules of the UK Listing Authority, as well as other statutory and regulatory restrictions, and will be made within the guidelines established from time to time by the Board. There can be no guarantee that the Company will be able to maintain its share buy back policy and future share buy backs, if any, will depend on market circumstances at the time.

## Shareholder communications

The Directors are committed to a policy of regular and open communication with Shareholders and this is expressed not only in the statutory accounts but also through quarterly updates, annual general meetings and ad hoc Shareholder surveys.

## Annual running costs

Annual running costs, including the Investment Manager's fees, Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (but excluding any performance fees payable to the Investment Manager and irrecoverable VAT), are capped at 3.5 per cent. of the Company's net assets, with any excess being met by the Investment Manager by way of reduction in future management fees. Further details of the fees paid to the Investment Manager are set out in Part IV of this document.

## Capital structure

The Company has one class of share in issue, Ordinary Shares. The Ordinary Shares are listed on the premium segment of the Official List and traded on the Main Market. As at 13 October 2016 (the latest practicable date prior to the publication of this document) there were 152,870,796 Ordinary Shares in issue (excluding 9,089,214 Shares held in treasury).

New Shares issued pursuant to the Scheme will rank equally in all respects with the existing Ordinary Shares.

The ISIN number for the Ordinary Shares is GB0030028103. The SEDOL number for the Ordinary Shares is 3002810.

Further details of the rights attaching to the Ordinary Shares are set out in section 3 of Part VII of this document.

## Accounts and auditors

In August 2016, the Company announced that it had changed its financial year end from 31 December to 30 September. Annual accounts are normally despatched in November each year with half yearly accounts for the six month period to 31 March being despatched in May each year. The annual accounts for the period ended 30 September 2016 will be despatched in December 2016 or January 2017 to allow for completion of the Merger. The auditors of the Company are KPMG LLP.

## Publication of NAV

The NAV of an Ordinary Share is calculated by the Investment Manager in accordance with the Company's accounting policies. The NAV of an Ordinary Share will be calculated at least on a monthly basis and published via a Regulatory Information Service. The most recent unaudited NAV and share price of an Ordinary Share are available free on the website of the London Stock Exchange. The calculation of the NAV of an Ordinary Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

## Advising ordinary retail investors

The Company currently conducts its affairs so that the Shares can be recommended by financial intermediaries to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to any of the Shares because they are shares in a VCT which, for the purposes of the FCA rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.



## VCT status

The Board has managed and intends to continue to manage the affairs of the Company in order that it complies with the legislation applicable to VCTs. In this regard, the Company has retained Philip Hare & Associates LLP to advise on its VCT status. The Company has continued to conduct its affairs so as to comply with section 274 of the Tax Act for its current financial year and will continue to do so for subsequent periods. However, there can be no guarantee that VCT status will be maintained and investors' attention is drawn to Part VIII of this document.

## Part IV – Directors, Proposed Director, Investment Manager and administration of the Company

### Existing Directors

The Board currently comprises three Directors, following the retirement of Robert Owen on 13 October 2016, all of whom are non-executive and independent of the Investment Manager. The Directors are responsible for the determination of the Company's investment policy and the overall supervision of the Company. The Directors are as follows:

**Anthony Townsend (Chairman)** Anthony has over 40 years' experience in financial services. He was previously a director of Rea Brothers Group plc, a non-executive director of Worldwide Healthcare Trust plc and was chairman of the Association of Investment Companies. He is chairman of British & American Investment Trust plc, Gresham House plc, F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc and Miton Global Opportunities plc and a non-executive director of Hansa Capital Ltd.

**Malcolm Groat** 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 career, Malcolm has worked as finance director for global businesses in engineering, construction and financial services. He has also served as chairman or non-executive director in a number of significant businesses and currently holds directorships at established companies Corps Security, Maritime House and Tekcapital plc, and at young ventures daVictus plc and Vale International Group Limited.

**Ian Orrock** Ian has particularly wide experience having founded, developed and sold a number of businesses particularly focussing on the international media, technology and telecoms sectors ("TMT") and has worked at board level in quoted global organisations. He is a founder and director of a number of TMT businesses including Arkessa and Iotic-Labs and was a non-executive director of Henderson Private Equity Investment Trust plc until June 2013.

### Proposed Director

It is intended that John Davies (currently Chairman of BVCT5) will join the Board on the Effective Date. John Davies will be a non-executive Director and is independent of the Investment Manager. Further details of the Proposed Director are set out below.

**John Davies** John was a director of BlackRock Smaller Companies Trust plc until his retirement in July 2011. He was managing director of 3i Asset Management Ltd (1985-2002) responsible for the management of three investment trusts and the Group's quoted portfolio. He has extensive experience of smaller quoted companies, particularly where there have been private equity shareholders on flotation. John has a special interest in portfolio construction, the merits of investment vehicles and their risk profiles.

### The Investment Manager

The Investment Manager and its related predecessor businesses have managed the Baronsmead VCTs since the incorporation of Baronsmead VCT plc in 1995. As at 30 September 2016, the combined net asset value of the Baronsmead VCTs including the Company was approximately £335 million. Livingbridge and Livingbridge EP LLP (a sister partnership to Livingbridge) have offices in London, Birmingham, Manchester and an Australian office in Melbourne and as at 13 October 2016 (being the last practicable date before the publication of this document) had a total of 76 members and employees, 43 being engaged in finding, investing in and managing investments on behalf of their VCT and institutional clients. As at 30 September 2016, Livingbridge and Livingbridge EP LLP managed approximately £1.5 billion on behalf of their institutional clients.

The Investment Manager aims to bring capital and strategic support to profitable growth businesses that have ambitious management teams, scaleable business models and the potential for market leadership. The Investment Manager takes an active role in helping the portfolio companies to grow, providing expertise from within its own team and helping to source external support when required.

Details of the senior members of the Investment Manager's VCT team are set out below:

**Wol Kolade** has been the managing partner (formerly managing director) of Livingbridge since 2000 and leads the team of investment professionals. He joined Livingbridge in 1993 from Barclays Bank plc and has played a key role in the strategic and operational development of the business and, in particular, the development of Livingbridge's investment strategy. He is a past chairman of the British Private Equity and Venture Capital Association.

**Andrew Garside** joined Livingbridge in 2005 and has been leading new investment teams investing on behalf of the Baronsmead VCTs since that date. Notable investments include the successful realisations of Inspired Thinking Group and Nexus. He has extensive private equity experience having previously worked on growth investments at 3i plc for 15 years (1989 to 2004), latterly as the Director of a large regional office for 3i.

**Ken Wotton** joined Livingbridge in February 2007 and leads the quoted investment team managing AIM and other listed investments on behalf of the Baronsmead VCTs and Wood Street. He had previously spent two years at Evolution Securities where he worked in equity research, specialising in the telecoms and technology sectors, focusing on smaller companies with significant experience of AIM market fund raisings. Prior to that, he spent five years in the equity research department of Commerzbank Securities where he focused on the pan-European telecoms sector. Ken qualified as a chartered accountant with KPMG in London.

**Adam Holloway** joined Livingbridge in 1999 and has overall responsibility for all portfolio management activities within Livingbridge. He also directly manages investments and has been an active board member of several companies that the Baronsmead VCTs invest in. Previously he worked at Deloitte where his experience encompassed corporate finance, corporate restructuring and insolvency.

**Sheenagh Egan** joined Livingbridge in 1997. She is the chief operating officer of Livingbridge and is jointly responsible for the overall management of the Baronsmead VCTs. Before joining Livingbridge, her experience encompassed both corporate finance, advising on private equity transactions, and corporate recovery. She trained as a chartered accountant with Deloitte, and has also worked for PricewaterhouseCoopers.

**Michael Probin** joined Livingbridge in 1999 and is responsible for investor relations with respect to the Baronsmead VCTs. He has experience of tax efficient investments, having previously worked on Business Expansion Scheme products at AXA Sun Life Group from 1989 to 1999.

**Tania Hayes** joined Livingbridge in 2005 and has worked on the Baronsmead VCTs since then, progressing from administration assistant to Finance Manager in 2011 and qualified as a Chartered Management Accountant in 2012 while working for Livingbridge. Previously she had worked at a Chartered Accountancy practice in New Zealand for eight years where she commenced her accounting training.

## Custodian arrangements

JPMorgan Chase Bank has been appointed as the custodian of the assets of the Company which are traded on AIM and recognised exchanges. JPMorgan Chase Bank has its registered office at 1111 Polaris Parkway, Columbus, Ohio 43240, United States and its principal place of business in the UK is 25 Bank Street, Canary Wharf, London E14 5JP. Its telephone number is 0212 270 6000. The Custodian is authorised by the PRA and regulated by the FCA and PRA.

Ipes holds the share certificates in relation to the Company's unquoted investments. Ipes has its registered office at 1 Royal Plaza Avenue, St Peter Port, Guernsey GY1 2HL. Its telephone number is 01481 713843.

## Management and administration

Under the Investment Management Agreement, the Investment Manager receives a fee of 2.5 per cent. per annum of the net assets of the Company. In addition, the Investment Manager is responsible for providing all secretarial, administrative and accounting services to the Company. The Investment Manager has appointed Capita to provide these services to the Company on its behalf. The Company

is responsible for paying the fee charged by Capita to the Investment Manager in relation to the performance of these services, which is currently £143,000 per annum. If the Scheme becomes effective this fee will increase to £163,000 per annum to reflect the increased size of the Enlarged Company. The Investment Manager shall consult with the Board in relation to any increase in the fee charged by Capita, which is considered to be material.

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

## Performance fee and management incentive

### *Performance fee*

In line with normal VCT practice, the Investment Manager is also entitled to receive a performance related fee. The performance fee will not be payable to the Investment Manager until the total return on the net asset value of the Ordinary Shares exceeds an annual threshold of 8.0 per cent. (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 Investment Manager. The performance fee will not be triggered, however, until the total return on the aggregate of the amounts paid to the Company pursuant to the offers of Shares exceeds 140 per cent. The amount of any performance fee which is paid in an accounting period shall be capped at 5.0 per cent. of the Net Asset Value. No performance fee was payable for the year ended 31 December 2015.

### *Management incentivisation and retention*

The Board wishes the Investment Manager to maintain the quality of its investment teams in the VCT and private equity market place. As a result, a co-investment incentive scheme was introduced in November 2004 to help attract, recruit, retain and incentivise the Investment Manager's staff.

Founding members and certain members and employees of the Investment Manager are invited to participate in the scheme. Members of the scheme are required to subscribe for, in aggregate, 12 per cent. of each investment being made in ordinary shares in the unquoted investee company by the Company. Members of the scheme have to invest in all unquoted investments (unless the aggregate amount to be invested in ordinary shares by the Companies is greater than £1.425 million and participation would be onerous or the investee company is within the biotechnology or biopharmaceutical sectors) and cannot choose in which investments to participate.

## Other fees received by the Investment Manager

In addition to the fees described above, which are paid by the Company, the Investment Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. Where expenses have been incurred and the investment does not proceed, the Investment Manager pays any abort fees. The Investment Manager also receives monitoring fees from unquoted portfolio companies. Details of these fees are disclosed each year in the Company's annual report and accounts.

Both the management and performance fees set out above (the management fee taking priority) are reduced by an amount equal to any fee received by the Investment Manager in respect of investments made by the Company in Wood Street.

## Conflicts of interest

The Investment Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. As a result, the Investment Manager may have conflicts of interest in allocating investments among the Baronsmead VCTs and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

The Board of the Company has noted that the Investment Manager has other clients and the Directors have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest.

## Part V – Pro forma financial information

### Section A – report by Scott-Moncrieff on the unaudited pro forma financial information relating to the Enlarged Company

The Directors  
Baronsmead Second Venture Trust plc  
100 Wood Street  
London  
EC2V 7AN

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

17 October 2016

Dear Sirs

#### **Baronsmead Second Venture Trust plc (“the Company”)**

We report on the pro forma financial information (the “**Pro forma Financial Information**”) set out in Section B of Part V of the prospectus dated 17 October 2016 (the “**Prospectus**”) of Baronsmead Second Venture Trust plc, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Scheme and the Previous Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the six months ending 30 June 2016. This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**PD Regulation**”) and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, or consenting to its inclusion in the Prospectus.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex 1 of the PD Regulation consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.



**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

**Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

**Yours faithfully**

**Scott-Moncrieff**

## Section B – Unaudited pro forma financial information of the Enlarged Company

### Part 1 – Unaudited pro forma statement of earnings

The following unaudited pro forma statement of earnings has been prepared to illustrate the effect of the Scheme on the earnings of the Enlarged Company for the six months ended 30 June 2016 as if the Scheme had occurred at the start of the period, 1 January 2016.

The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Company's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma statement of earnings is based on the earnings of the Company and Baronsmead VCT 5 plc for the six months ended 30 June 2016, as set out in the unaudited half yearly accounts for that period (summarised in Part VI of this document) which have been prepared on a basis consistent with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland.

#### Unaudited pro forma statement of earnings

	Baronsmead Second Venture Trust plc (Note 1) £'000	Adjustments Baronsmead VCT 5 plc (Note 1) £'000	Merger costs (Note 2) £'000	Pro forma total £'000
Fixed asset investment holdings gain/(loss)	855	(1,723)	—	(868)
Realised gain on disposal of fixed asset investments	2,130	477	—	2,607
Other income	702	250	—	952
Management fees	(1,592)	(547)	—	(2,139)
Performance fee incentive	—	—	—	—
Other expenses	(650)	(210)	(355)	(1,215)
<b>Profit/(loss) before taxation</b>	<b>1,445</b>	<b>(1,753)</b>	<b>(355)</b>	<b>(663)</b>
Taxation	—	—	—	—
<b>Profit/(loss) after taxation</b>	<b>1,445</b>	<b>(1,753)</b>	<b>(355)</b>	<b>(663)</b>
Dividends paid	(10,553)	(2,841)	—	(13,394)
<b>Retained loss for the period</b>	<b>(9,108)</b>	<b>(4,594)</b>	<b>(355)</b>	<b>(14,057)</b>

#### Notes

1. The earnings of the Company and Baronsmead VCT 5 plc for the six months ended 30 June 2016 have been extracted without material adjustment from their unaudited half yearly accounts for that period which are summarised in Part VI of this document.

#### Adjustments

2. An adjustment has been made to reflect the proportion of transaction costs relating to the Scheme which are to be expensed. This adjustment will not have a continuing impact on the earnings of the Enlarged Company.
3. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Scheme occurred on 1 January 2016 and that may subsequently have affected the results of the Company in the six months ended 30 June 2016.
4. No account has been taken of the trading performance of the Company or Baronsmead VCT 5 plc since 30 June 2016 nor of any other event save as disclosed above.

## Part 2 – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of the Enlarged Company as if the Scheme and the Previous Merger had taken place on 1 January 2016.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Company's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of the Company and Baronsmead VCT 5 plc as at 30 June 2016, as set out in the unaudited half yearly accounts for that period (summarised in Part VI of this document) which have been prepared on a basis consistent with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland.

### Unaudited pro forma statement of net assets

	Baronsmead Second Venture Trust plc (Note 1) £'000	Baronsmead VCT 5 plc (Note 1) £'000	Adjustments Merger costs (Note 2) £'000	Pro forma total £'000
Fixed asset investments	126,385	40,567	—	166,952
Debtors	370	131	—	501
Cash at bank & on deposit	24,700	4,065	—	28,765
Creditors	(1,305)	(387)	(355)	(2,047)
<b>Net current assets</b>	<b>23,765</b>	<b>3,809</b>	<b>(355)</b>	<b>27,219</b>
<b>Net assets</b>	<b>150,150</b>	<b>44,376</b>	<b>(355)</b>	<b>194,171</b>

#### Notes

1. The net assets of the Company and Baronsmead VCT 5 plc as at 30 June 2016 have been extracted without material adjustment from their unaudited half yearly accounts for that period which are summarised in Part VI of this document.

#### Adjustments

2. An adjustment has been made to reflect the proportion of transaction costs relating to the Scheme which are to be expensed.
3. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Scheme occurred on 1 January 2016 and that may subsequently have affected the results of the Company in the six months ended 30 June 2016.

## Part VI – Financial information (including portfolio information)

### 1. Introduction

The Company has produced annual statutory accounts for the three financial years ended 31 December 2015. The Company's auditors, KPMG LLP of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG have reported on these statutory accounts without qualification and without statements under sections 495 to 497 of the CA 2006.

The annual reports referred to above were also prepared in accordance with the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The annual reports contain a description of the Company's financial condition, changes in financial condition and results of operations for each relevant financial year and are being incorporated by reference and can be accessed at the following website: [www.baronsmeadvcts.co.uk](http://www.baronsmeadvcts.co.uk).

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of the Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the Prospectus.

### 2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three years ended 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016 as set out in the table below and is incorporated by reference into this document.

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Financial Headlines	1	3	2	2	1
Balance sheet	42	43	44	14	13
Income statement	41	42	42	12	11
Reconciliation of movements in Shareholders' funds	41	42	43	13	12
Cash flow statement	43	44	45	15	14
Independent auditor's report	38	40	39	—	—
Notes to the financial statements	44	45	46	—	—

Historical financial information relating to BVCT5 on the matters referred to below is included in the published annual report and audited accounts of BVCT5 for the three years ended 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016 as set out in the table below and is incorporated by reference into this document.

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Financial Headlines	1	3	2	2	1
Balance sheet	41	43	43	14	12
Income statement	40	42	41	12	10
Reconciliation of movements in Shareholders' funds	40	42	42	13	11
Cash flow statement	42	44	44	15	13
Independent auditor's report	37	40	38	—	—
Notes to the financial statements	43	45	45	—	—

### 3. Selected financial information

The information in this section 3 has been extracted directly from the financial information referred to in section 2 of this Part VI. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 December 2015 is set out in the following table:

Nature of information	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014	Audited financial results for the year ended 31 December 2015
<b>Net asset value</b>			
Net assets (£'000)	74,879	76,617	79,196
Net asset value per Ordinary Share (p)	113.40	101.72	106.46
<b>Income</b>			
Revenue return after taxation (£'000)	2,322	1,425	675
Revenue return per Ordinary Share (p)	3.50	1.95	0.90
Dividend per Ordinary Share (p)	7.50	17.00	7.50
<b>Portfolio summary</b>			
Shareholders' funds (£'000)	74,879	76,617	79,196
Ordinary Share price (p)	106.25	95.00	101.00

Selected historical financial information relating to the Company which summarises the financial condition of the Company for the six months ended 30 June 2015 and 30 June 2016 is set out in the following table:

Nature of information	Unaudited half yearly report for the six months ended 30 June 2015	Unaudited half yearly report for the six months ended 30 June 2016
<b>Net asset value</b>		
Net assets (£'000)	79,712	150,150
Net asset value per Ordinary Share (p)	107.35	99.16
<b>Income</b>		
Revenue return/(loss) after taxation (£'000)	232	(346)
Revenue return/(loss) per Ordinary Share (p)	0.31	(0.29)
Dividend per Ordinary Share (p)	3.0	7.0
<b>Portfolio summary</b>		
Shareholders' funds (£'000)	79,712	150,150
Ordinary Share price (p)	99.38	97.12

Selected historical financial information relating to BVCT5 which summarises the financial condition of BVCT5 for the three financial years ended 31 December 2015 is set out in the following table:

Nature of information	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014	Audited financial results for the year ended 31 December 2015
<b>Net asset value</b>			
Net assets (£'000)	39,850	39,319	45,425
Net asset value per Ordinary Share (p)	80.21	80.36	86.41
<b>Income</b>			
Revenue loss after taxation (£'000)	(189)	(136)	(14)
Revenue loss per Ordinary Share (p)	(0.38)	(0.28)	(0.03)
Dividend per Ordinary Share (p)	6.0	4.0	4.0
<b>Portfolio summary</b>			
Shareholders' funds (£'000)	39,850	39,319	45,425
Ordinary Share price (p)	72.25	72.75	81.00

Selected historical financial information relating to BVCT5 which summarises the financial condition of BVCT5 for the six months ended 30 June 2015 and 30 June 2016 is set out in the following table:

Nature of information	Unaudited half yearly report for the six months ended 30 June 2015	Unaudited half yearly report for the six months ended 30 June 2016
<b>Net asset value</b>		
Net assets (£'000)	43,438	44,376
Net asset value per Ordinary Share (p)	81.98	78.09
<b>Income</b>		
Revenue loss after taxation (£'000)	(31)	(97)
Revenue loss per Ordinary Share (p)	(0.06)	(0.17)
Dividend per Ordinary Share (p)	2.0	5.0
<b>Portfolio summary</b>		
Shareholders' funds (£'000)	43,438	44,376
Ordinary Share price (p)	77.37	77.12



## 4. Operational and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Performance Summary", "Chairman's Statement", "Manager's Review" and "Full Investment Portfolio" in the published statutory accounts of the Company for the periods stated as follows and are incorporated by reference into this document:

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Performance Summary	3	4	3	3	2
Chairman's Statement	5	5	4	5	4
Manager's Review	8	8	7	—	—
Full Investment Portfolio	62	61	63	18	17

A description of changes in the performance of BVCT5, both capital and revenue, and changes to BVCT5's portfolio of investments is set out in the sections headed "Performance Summary", "Chairman's Statement", "Manager's Review" and "Full Investment Portfolio" in the published statutory accounts and half yearly reports of BVCT5 for the periods stated as follows and are incorporated by reference into this document:

Nature of Information	Statutory accounts for the year ended 31 December 2013 Page No.	Statutory accounts for the year ended 31 December 2014 Page No.	Statutory accounts for the year ended 31 December 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2015 Page No.	Half yearly report and accounts for the six months ended 30 June 2016 Page No.
Performance Summary	3	4	3	3	2
Chairman's Statement	5	5	4	5	4
Manager's Review	8	8	7	—	—
Full Investment Portfolio	59	61	63	18	16

## 5. Significant change

Since 30 June 2016 (being the end of the last financial period of the Company for which financial information has been published) there has been no significant change in the financial or trading position of the Company.

## 6. Significant gross change

The participation of the Company in the Scheme will constitute a significant gross change in relation to the Company. Had the Scheme become effective on 30 June 2016 (being the date of the Company's latest published financial information) and had the Company completed the acquisition of BVCT5's assets and liabilities on that date, the effect of this significant gross change would have been to increase the net assets of the Company by approximately £43 million (being the aggregate of the assets of BVCT5 (after deduction of any amounts retained by the Liquidators to meet its liabilities), less the aggregate costs and expenses in connection with the Proposals). The participation of the Company in the Scheme is not expected to have a material impact on the Company's earnings per Share.

## 7. Capitalisation and indebtedness

The following table shows the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 13 October 2016.

	As at 30 September 2016 £'000	As at 13 October 2016 £'000
<b>Total current debt</b>		
Guaranteed	—	—
Secured	—	—
Unguaranteed/unsecured	—	—
<b>Total non-current debt</b>		
Guaranteed	—	—
Secured	—	—
Unguaranteed/unsecured	—	—
<b>Shareholders' equity</b>		
Share capital	16,196	16,196
Other reserves	124,712	124,712
<b>Total debt and Shareholders' equity</b>	<b>140,908</b>	<b>140,908</b>

The information in the table above is unaudited financial information of the Company as at 30 September 2016, extracted from internal accounting records. There has been no material change to the capitalisation of the Company since 30 September 2016.

The following table shows the Company's net indebtedness at 30 September 2016.

	£'000
A. Cash	24,110
B. Cash equivalent	—
C. Trading Securities	67,294
<b>D. Liquidity (A+B+C)</b>	<b>91,404</b>
<b>E. Current financial receivable</b>	<b>1,464</b>
F. Current bank debt	—
G. Current portion of non-current debt	—
H. Other current financial debt	—
<b>I. Current financial debt (F + G + H)</b>	<b>—</b>
<b>J. Net current financial indebtedness (I - E - D)</b>	<b>(92,868)</b>
K. Non-current bank loans	—
L. Bonds issued	—
M. Other non-current loans	—
<b>N. Non-current financial indebtedness (K + L + M)</b>	<b>—</b>
<b>O. Net financial indebtedness (J + N)</b>	<b>(92,868)</b>

The information in the table above is unaudited financial information of the Company and has been extracted from internal accounting records as at 30 September 2016 and has not been reported on by an accountant.

## 8. Working capital

The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements (that is for at least the next 12 months from the date of this document).

## 9. Net Asset Value

The unaudited NAV per Ordinary Share as at 30 September 2016 (being the latest date in respect of which the Company has published its NAV per Share) was 92.17 pence.

## 10. Analysis of the Company's investment portfolio

As at 30 September 2016, the Company's portfolio consisted of 18 unquoted investments, 50 AIM-traded and other listed companies and exposure to another 42 investments through the Company's investment in Wood Street. As at 30 September 2016 (being the date of the latest valuations of the Company's portfolio) the aggregate valuation of the Company's portfolio was approximately £116.6 million. In addition the Company had cash and liquidity fund investments of approximately £24.3 million. As at 30 September 2016, the Net Asset Value per Ordinary Share was 92.17 pence.

An unaudited summary of the Company's unquoted and quoted portfolio (representing at least 50 per cent. of its gross assets as at the date of this document (the NAV values being as at 30 September 2016)) is set out below:

	Cost £'000	Market Value £'000	% of NAV
Unquoted	35,567	49,286	35
Quoted (AIM-traded and other listed companies)	38,893	58,093	41
Wood Street	3,525	9,200	7

The following tables show the distribution of the Company's portfolio by sector, asset class and time investments held as at the date of this document (the valuations are based on valuations as at 30 September 2016, the latest date for which valuations have been produced):

By sector	% by value
Business Services	27
Consumer Markets	20
Healthcare and Education	13
Technology, Media and Telecommunications	40
By asset class	% by value
Unquoted – loan stock	26
Unquoted – equity	9
AIM, listed, ISDX and collective investment vehicle	48
Listed interest bearing securities	—
Net current assets (principally cash)	17
By time investments held	% by value
Less than 1 year	5
Between 1 and 3 years	30
Between 3 and 5 years	30
Greater than 5 years	35

The table below shows the Company's portfolio as at the date of this document (the valuations are based on valuations as at 30 September 2016, the latest date for which valuations have been produced):

Company	Sector	Location	Book cost £'000	Valuation £'000
<b>Unquoted investments</b>				
Armstrong Craven Limited	Business Services	Manchester	1,346	2,923
Cablecom II	Technology, Media and Telecommunications	Somerset	2,500	3,187
Carousel Logistics Limited	Business Services	Kent	1,910	3,062
Centre4 Testing Limited	Business Services	Sussex	1,907	2,201
CR7 Limited	Technology, Media and Telecommunications	Kent	1,898	1,887
Create Health Limited	Healthcare and Education	London	1,906	4,800
Crew Clothing Holdings Limited	Consumer Markets	London	2,907	5,023
Eque2 Limited	Technology, Media and Telecommunications	Manchester	1,532	2,947
Happy Days Consultancy Limited	Healthcare and Education	Cornwall	3,420	4,005
IP Solutions Ltd	Technology, Media and Telecommunications	London	1,908	1,260
Kalyke Investment Ltd	Business Services	London	1,912	1,912
Key Travel Holdings Limited	Business Services	London	1,908	2,917
Kirona Holdings Limited	Technology, Media and Telecommunications	Cheshire	1,909	2,675
Niche Finance Group Ltd	Consumer Markets	London	1,911	2,442
Pho Holdings Limited	Consumer Markets	London	1,981	3,851
Upper Street Events Ltd	Consumer Markets	London	1,906	2,281
Xention Pharma Limited	Healthcare and Education	Cambridge	893	0
Yeo Bridge Limited	Business Services	London	1,912	1,912
<b>Total unquoted investments</b>			<b>35,567</b>	<b>49,286</b>
<b>Quoted investments</b>				
Adept4 plc	Technology, Media and Telecommunications	Cheshire	437	226
Anpario plc	Healthcare and Education	Surrey	304	1,078
APC Technology Group plc	Business Services	Kent	79	17
Begbies Traynor Group plc	Business Services	Manchester	448	528
Belvoir Lettings plc	Consumer Markets	Lincolnshire	752	851
Bioventix plc	Healthcare and Education	Surrey	454	1,861
Brady plc	Technology, Media and Telecommunications	Cambridge	351	399
Castleton Technology plc	Technology, Media and Telecommunications	Cambridge	202	496
Centralnic Group plc	Technology, Media and Telecommunications	London	918	1,013
Cerillion plc	Technology, Media and Telecommunications	London	1,800	2,984
Cloudcall Group plc	Technology, Media and Telecommunications	Leicester	225	58
Crawshaw Group plc	Consumer Markets	Rotherham	400	310
Dods (Group) plc	Technology, Media and Telecommunications	London	2,210	3,777
Driver Group plc	Business Services	Rossendale	1,127	1,026
Eden Research plc	Business Services	Yorkshire	900	988
EG Solutions plc	Technology, Media and Telecommunications	Staffordshire	1,428	900
Electric Word plc	Technology, Media and Telecommunications	London	1,408	1,053
Escher Group Holdings plc	Technology, Media and Telecommunications	Dublin	1,229	1,192
Everyman Media Group plc	Consumer Markets	London	783	1,028
Fulcrum Utility Services Limited	Business Services	Sheffield	31	163
Gama Aviation plc	Business Services	Oxford	776	626

Company	Sector	Location	Book cost £'000	Valuation £'000
<b>Quoted investments (continued)</b>				
Gresham House plc	Technology, Media and Telecommunications	London	112	122
Ideagen plc	Technology, Media and Telecommunications	Matlock	1,350	2,658
IDOX plc	Technology, Media and Telecommunications	London	1,027	7,555
Inspired Energy plc	Business Services	Kirkham	575	2,509
InterQuest Group plc	Business Services	London	619	439
LoopUp Group plc	Technology, Media and Telecommunications	London	504	605
MartinCo plc	Consumer Markets	Bournemouth	686	1,063
Marwyn Management Partners plc	Business Services	London	1,050	(0)
Mi-Pay Group plc	Business Services	Surrey	800	154
MXC Capital Limited	Business Services	Guernsey	225	261
Necall plc	Technology, Media and Telecommunications	St Ives	1,738	5,249
One Media iP Group plc	Technology, Media and Telecommunications	Buckinghamshire	226	66
Paragon Entertainment Limited	Consumer Markets	London	498	304
Plant Impact plc	Business Services	Hertfordshire	378	453
Plastics Capital plc	Business Services	London	1,586	1,783
Sanderson Group plc	Technology, Media and Telecommunications	Coventry	1,224	1,562
Scholium Group plc	Consumer Markets	London	900	324
Science in Sport plc	Consumer Markets	London	287	341
STM Group plc	Business Services	Gibraltar	323	323
Synectics plc	Business Services	Warwickshire	482	373
Sysgroup plc	Technology, Media and Telecommunications	Liverpool	1,293	1,202
Tasty plc	Consumer Markets	London	1,189	4,045
TLA Worldwide plc	Business Services	London	1,467	2,981
Totally plc	Healthcare and Education	London	71	251
Ubisense Group plc	Technology, Media and Telecommunications	Cambridge	260	56
Venn Life Sciences Holdings plc	Healthcare and Education	London	1,224	1,413
Vianet Group plc	Business Services	Stockton on Tees	1,293	963
Wey Education plc	Healthcare and Education	London	428	458
Zoo Digital Group plc	Technology, Media and Telecommunications	London	817	8
<b>Total quoted investments</b>			<b>38,893</b>	<b>58,093</b>
<b>Wood Street Microcap Investment Fund</b>			<b>3,525</b>	<b>9,200</b>
<b>Total</b>			<b>77,985</b>	<b>116, 579</b>

Set out below are further details of the Company's top ten investments by value as at 30 September 2016 (being the latest date for which valuations have been produced):

### **IDOX plc**

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 website through to document storage. In the private sector, its engineering information management software combines McLaren and CTSpace, who are leaders in their markets.

The Baronsmead VCTs first invested in IDOX in 2002, approximately two years after the company floated on AIM. Over the last decade IDOX has shown strong growth through a combination of organic growth and acquisition, and is now seeking to diversify from its core local authority markets into the private sector to become a leading player in industries like oil, gas and pharmaceuticals.

### **Netcall plc**

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

Currently over 750 organisations in the Public, Private and Healthcare markets use one or more of the Netcall solutions which include contact management, business process management, workforce optimisation and enterprise content management.

### **Crew Clothing Holdings Limited**

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

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

### **Create Health Limited**

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

Its leading edge fertility service has an international reputation through its research and development of advanced ultrasound techniques, IVM and the one stop fertility MOT. The investment will enable the business to expand nationally and internationally, making this type of choice available to more women.

### **Tasty plc**

Tasty is a branded restaurant operator in the UK casual dining market. Tasty's two core trading brands are Dim T and Wildwood restaurants. Wildwood serves pizza, pasta and grills and offers customers a warm homely and rustic feeling. It is core growth brand with 17 units around the M25 and South East of England. Dim T serves pan Asian food with Dim Sum and offers customers a modern, ethnic and relaxed feel, trading from six units. It is primarily more London focused, positioned in high footfall areas. With both brands now established and the group having achieved critical mass Tasty is now self-funding for its continued roll-out strategy. Tasty's highly regarded management team have prior experience of opening over 20 restaurants a year and have critical knowledge of the UK property market, which underpins this strategy.

### **Happy Days Consultancy Limited**

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

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

### **Pho Holdings Limited**

Pho is a fast casual restaurant chain serving Vietnamese food. Pho – a noodle soup – is the national dish of Vietnam. Pho also offer an array of Vietnamese dishes, coffees, beers and fresh juices.

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



**Dods Group plc**

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

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

**CableCom II Networking Holdings Limited**

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

**Carousel Logistics Limited**

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. Livingbridge will support Carousel's continued business expansion within the UK and continental Europe.

## Part VII – Additional information

### 1. Incorporation and general

- 1.1. The Company was incorporated and registered in England and Wales on 22 November 2000 as a public company limited by shares with registered number 04115341. The Company operates under the CA 2006 (and the regulations from time to time made thereunder). Its registered office and principal place of business is at Livingbridge, 100 Wood Street, London EC2V 7AN (telephone number 020 7506 5717). Save for its compliance with the CA 2006 (and the regulations from time to time made thereunder), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules, the Company is not an authorised or regulated entity.
- 1.2. The objects of the Company are unrestricted.
- 1.3. The Company has been granted approval as a VCT under section 274 of the Tax Act and the Directors have managed and intend to manage the affairs of the Company in such a manner so as to comply with section 274 of the Tax Act.
- 1.4. The Company is registered as a small UK registered Alternative Investment Fund under the Alternative Investment Fund Managers Directive.
- 1.5. Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 2 December 2016.
- 1.6. The Investment Manager was incorporated and registered in England and Wales on 16 June 2006 as a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC320408. The Investment Manager operates under the Limited Liability Partnerships Act 2000 (and the regulations from time to time made thereunder). Its registered office and principal place of business is at 100 Wood Street, London EC2V 7AN (telephone number 020 7506 5600). The Investment Manager is authorised and regulated by the FCA.
- 1.7. JPMorgan Chase Bank was registered in England and Wales on 1 January 1993 as an overseas company with registered number FC004891. Its registered office is at 1111 Polaris Parkway, Columbus, Ohio 43240, United States and its principal place of business in the UK is 25 Bank Street, Canary Wharf, London E14 5JP (telephone 020 7777 2000). JPMorgan Chase Bank is authorised by the PRA and regulated by the FCA and PRA with firm reference number 124491.
- 1.8. Ipes was incorporated and registered in Guernsey on 9 January 1998 with registered number 33475. Its registered office is at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL (telephone number is 01481 713843).

### 2. Share capital and indebtedness

- 2.1. The issued share capital of the Company (all of which is, and will be, fully paid) as at the date of this document and immediately following completion of the Issue (based on Merger calculations using the Company's NAV as at 30 September 2016) is and will be:

	Number of Ordinary Shares	Nominal value of each Share
<b>As at the date of this document</b>		
Ordinary Shares	161,960,010	10 pence
<b>Immediately following completion of the Scheme*</b>		
Ordinary Shares	208,393,143	10 pence

\* **Note:** The above table assumes that 46,433,133 New Shares are issued pursuant to the Scheme.

As at the date of this document, 9,089,214 Shares are held by the Company in treasury.

- 2.2. The following changes have occurred in the share capital of the Company between 1 January 2013 and 30 June 2016 (being the period covered by the historical financial information incorporated by reference into this document).
  - 2.2.1 On 27 March 2013, the Company purchased a total of 220,000 Ordinary Shares of 10 pence each at a price of 104.0 pence per Share to be held in treasury.
  - 2.2.2 On 30 May 2013, the Company purchased a total of 550,000 Ordinary Shares of 10 pence each at a price of 106.25 pence per Share to be held in treasury
  - 2.2.3 On 14 March 2014, the Company issued 8,896,261 Ordinary Shares of 10 pence each at an offer price of 112.40 pence per Share pursuant to an offer for subscription.
  - 2.2.4 On 19 September 2014, the Company purchased a total of 190,000 Ordinary Shares of 10 pence each at a price of 100.5 pence per Share to be held in treasury.
  - 2.2.5 On 18 December 2014, the Company sold a total of 200,000 Ordinary Shares of 10 pence each at a price of 94.75 pence per Share from the Shares held in treasury.
  - 2.2.6 On 27 March 2015, the Company purchased a total of 330,000 Ordinary Shares of 10 pence each at a price of 96.75 pence per Share to be held in treasury.
  - 2.2.7 On 29 June 2015, the Company purchased a total of 735,000 Ordinary Shares of 10 pence each at a price of 99.0 pence per Share to be held in treasury.
  - 2.2.8 On 16 September 2015, the Company sold a total of 140,000 Ordinary Shares of 10 pence each at a price of 100.0 pence per Share from the Shares held in treasury.
  - 2.2.9 On 15 March 2016, the Company issued a total of 68,003,674 Ordinary Shares of 10 pence each at a price of 107.2 pence per Share pursuant to an offer for subscription.
  - 2.2.10 On 30 March 2016, the Company purchased a total of 970,000 Ordinary Shares of 10 pence each at a price of 98.625 pence per Share to be held in treasury.
  - 2.2.11 On 1 June 2016, the Company sold a total of 950,000 Ordinary Shares of 10 pence each at a price of 96.5 pence per Share from the Shares held in treasury.
  - 2.2.12 On 29 June 2016, the Company purchased a total of 285,000 Ordinary Shares of 10 pence each at a price of 96.875 pence per Share to be held in treasury.
  - 2.2.13 On 29 September 2016, the Company sold a total of 1,450,000 Ordinary Shares of 10 pence each at a price of 87 pence per Share from the Shares held in treasury.
- 2.3. As at 1 January 2013, the Company had in issue 66,802,705 Ordinary Shares and, as at 30 June 2016, the Company had in issue 151,420,796 Ordinary Shares (excluding treasury shares). Since 1 July 2016 and up to 13 October 2016, being the latest practicable date before publication of this document, the Company has sold 1,450,000 Ordinary Shares out of treasury.
- 2.4. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5. At the annual general meeting of the Company held on 19 April 2016, amongst other resolutions, the Directors were;
  - 2.5.1. in substitution for all subsisting authorities to the extent unused, generally and unconditionally authorised in accordance with section 551 of the CA 2006 to allot shares in the Company up to an aggregate nominal amount of £7,586,289 (such authority to expire on the fifth anniversary following the passing of the resolution);
  - 2.5.2. in substitution for all subsisting authorities to the extent unused, generally and unconditionally empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash, pursuant (save in relation to a transfer of equity shares out of treasury) to the authority referred to in

paragraph 2.5.1 above, as if section 561 of the CA 2006 did not apply to any such allotment (such authority to expire on the expiry of fifteen months following the passing of the resolution or, if earlier, the conclusion of the Company's next annual general meeting); and

- 2.5.3. the Company was authorised, generally and unconditionally, in accordance with section 701 of the CA 2006 to make market purchases (within the meaning of section 693(4) of the CA 2006) of no more than 22,743,696 Ordinary Shares in aggregate or, if lower, up to 14.99 per cent. of the issued Ordinary Shares (such authority to expire on the expiry of fifteen months following the passing of the resolution or, if earlier, the conclusion of the Company's next annual general meeting).
- 2.6. At the General Meeting of the Company to be held on 8 November 2016 the Directors will seek authority, in addition to any existing authority, in accordance with section 551 of the CA 2006 to allot shares in the Company to BVCT5 Shareholders under the Scheme up to an aggregate nominal value of £5,000,000.
- 2.7. The disapplication of statutory pre-emption rights in the terms provided under the special resolutions noted at paragraphs 2.5.1 and 2.5.2 of this Part VII has given and will give the Company the flexibility to resell Ordinary Shares which it may purchase and hold in treasury for cash without first being required to offer such Ordinary Shares to Shareholders in proportion to their existing holdings.
- 2.8. In order for the Company to issue the New Shares, Shareholders will be asked at the General Meeting to pass a resolution in relation to the Company's share capital to authorise the Directors to allot New Shares in connection with the Scheme.
- 2.9. The provisions of section 561 of the CA 2006, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply except as referred to in paragraphs 2.5.1 and 2.5.2 of this Part VII.
- 2.10. It is expected that the New Shares will be allotted pursuant to resolutions of the Board on or around 30 November 2016.
- 2.11. Under the terms of the Scheme, the New Shares will be issued in registered form and may be held in certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of Shares under the CREST system.
- 2.12. Temporary documents of title will not be issued in respect of the New Shares in certificated form. Definitive certificates for New Shares issued pursuant to the Scheme are expected to be despatched in the week commencing 12 December 2016.
- 2.13. Panmure Gordon & Co acts as market maker in respect of the Ordinary Shares.

### **3. Summary of the Articles**

The Articles were adopted on 18 May 2010 by way of special resolution and contain, *inter alia*, provisions as summarised below.

#### **3.1. Voting rights**

Subject to the provisions of the CA 2006 or any special terms as to voting on which any shares may have been issued, or may for the time being be held, and to any suspension or abrogation of voting rights pursuant to the Articles, on a show of hands every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll every member who is present in person or who (being a corporation) is present by a representative or by proxy shall have one vote for every share of which he is the holder.

#### **3.2. Issue of shares**

Subject to the provisions of the CA 2006 and the Articles and to any relevant authority of the Company in general meeting required by the CA 2006, unissued shares shall be at the disposal

of the Board and they may allot, grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons at such time and on such terms as the Board may decide, provided that no share may be issued at a discount to its nominal value. The Board may also issue redeemable shares on such terms as provided in the Articles.

### **3.3. Transfer of shares**

Subject to such of the restrictions of the Articles and CA 2006 as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual form or in any other form that the Board may approve. Such instrument shall be signed for or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The Board may, in its absolute discretion, refuse to register any transfer of a share unless (i) it is in respect of a share which is fully paid up, (ii) it is in respect of only one class of shares, (iii) it is in favour of a single transferee or not more than four joint transferees, (iv) it is duly stamped (if so required) and (v) it is delivered for registration to the registered office of the Company or such other place as the Board may reasonably require to prove the title of the transferor and the due execution of the transfer by him or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

### **3.4. Variation of rights**

Where the Company's share capital is divided into different classes of shares, the rights attached to any shares or class of shares may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class of shares. The quorum for such a class meeting is two persons holding or representing by proxy at least one third of the nominal amount of the issued shares of that class.

### **3.5. Alteration of capital**

The Company may from time to time in general meeting, by ordinary resolution, increase its share capital by such sums to be divided into shares of such amount as the resolution prescribes, consolidate and divide all or any of its share capital into shares of larger nominal amounts than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled, and sub-divide its shares, or any of them into shares of a smaller amount and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred or deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

### **3.6. Dividends and distributions**

The Company may, subject to the provisions of the CA 2006 and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the CA 2006, in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. The Board may, if authorised by an ordinary resolution of the Company, offer shareholders in respect of any dividend the right to receive shares instead of cash. The Board may withhold dividends payable (with no obligation to pay interest thereon) on shares after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the CA 2006 until such failure has been remedied. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board resolves, be forfeited and shall revert to the Company.



### 3.7. **Distribution of realised capital profits**

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a “**Relevant Period**”), distribution of the Company’s capital profits (within the meaning of section 833(2)(c) of the CA 2006) shall be prohibited except to the extent that the requirements for investment company status under section 833 of the CA 2006 do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, repayment of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 2006, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or repayment of or other dealing with any investments or other capital assets and, subject to the CA 2006, any expense or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which the sums standing to any revenue reserve are applicable except and provided that, notwithstanding any other provision of the Articles, no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the CA 2006), except to the extent that the requirements for investment company status under section 833 of the CA 2006 do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association, or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the CA 2006) or applied in paying dividends on any shares in the Company.

### 3.8. **Duration and winding up**

The Board shall procure that, at the annual general meeting of the Company falling after the fifth anniversary of the then latest allotment of shares and every third annual general meeting thereafter, an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at any such meeting, such resolution is not passed the Board shall, within nine months of such meeting, convene an extraordinary general meeting to propose a special resolution for the re-organisation or re-construction of the Company and (if such resolution is not passed) a special resolution to wind up the Company voluntarily. In the case of the special resolution relating to voluntary winding up only, any member may demand a poll and each holder of shares present in person or by proxy and who votes in favour of the special resolution shall have such number of votes in respect of each share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of shares in respect of which votes are cast against the resolution and each holder of shares who votes against the resolution shall have one vote for each share held by him.

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution and subject to any sanction, divide among the members *in specie* or in kind the whole or Part of the assets of the Company and may determine how such a division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any Part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved, but no member shall be compelled to accept any assets in respect of which there is a liability.



### **3.9. Directors**

- 3.9.1. Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall not be less than two and not more than ten in number.
- 3.9.2. The Company may by ordinary resolution appoint a person who is willing to be a Director. The Board may appoint any person who is willing to act as a Director. The Board may appoint one or more of its body to hold any employment or executive office and may revoke or terminate such appointment, without prejudice to any claim for damages for breach of contract between the Director and the Company.
- 3.9.3. A Director shall not be required to hold any shares in the Company.
- 3.9.4. The Company may by ordinary resolution remove any Director before the expiration of his period of office.
- 3.9.5. The business and affairs of the Company shall be managed by the Board, which may exercise all such powers of the Company, subject nevertheless to the provisions of the CA 2006 and the Articles and to any directions given by the Company in general meeting by special resolution.
- 3.9.6. Subject to the provisions of the Articles, at every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director will retire.

### **3.10. Authorisation of interests of Directors**

- 3.10.1. Subject to the provisions of the CA 2006 and of the Articles, a Director, notwithstanding his office:
  - (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
  - (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;
  - (c) may be a Director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
  - (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.
- 3.10.2. A Director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

3.10.3. Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he is, to his knowledge, alone or together with any person connected with him, materially interested, unless the resolution concerns any of the following matters:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other body corporate (a “**relevant company**”) in which he (together with persons connected with him), directly or indirectly (and whether as an officer or shareholder, creditor or otherwise), does not hold or have a beneficial interest in 1.0 per cent. or more of either a relevant company or an intermediate company (as defined in the Articles) (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
- (e) any contract, arrangement, transaction or proposal relating to an arrangement for the benefit of the employees of the Company or its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to which such arrangement relates, and concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees’ share scheme under which he may benefit and which either has been approved by or is subject to and conditional on approval by, HMRC for taxation purposes or relates to both employees and Directors of the Company (or any of its subsidiaries) and does not accord to any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; or
- (f) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors pursuant to the Articles.

3.10.4. A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

3.10.5. Subject to the provisions of the CA 2006 and the Articles:

- (a) the Board shall have the power to purchase and maintain insurance at the expense of the Company for, or for the benefit of any persons who are or were at

any time Directors, officers or employees of the Company, including insurance against any liability incurred by such persons in relation to or in connection with their duties, powers or offices in relation to the Company; and

- (b) every Director, alternate director, secretary and other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, damages and liabilities incurred by him in connection with his duties or the exercise of his powers.

### 3.11. **Borrowing powers**

The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any Part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the CA 2006, to create and issue debentures, other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Such powers are however limited so that the aggregate principal amount outstanding in respect of monies borrowed by the Company shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 25 per cent. of the value of its gross assets.

### 3.12. **General meetings**

Annual general meetings shall be called by not less than 21 clear days notice in writing. Any other general meeting shall be called by not less than 14 clear days notice in writing.

### 3.13. **Uncertificated Shares**

Uncertificated Shares may be transferred by means of a relevant system. The Board may refuse to register a transfer of uncertificated Shares in such circumstances as may be permitted or required by the regulations relating thereto and the relevant system.

## 4. **Directors', Proposed Director's and others' interests**

- 4.1. The aggregate financial remuneration paid, and benefits in kind granted, to the Directors by the Company for the last completed financial period of the Company to 30 September 2016 was £88,700. The Directors who served the Company during the financial period to 30 September 2016 received the said aggregate remuneration in the form of the following fees:

Name	Financial period to 30 September 2016
Anthony Townsend	£22,100
Gillian Nott OBE (retired on 11 March 2016)	£10,700
Andrew Karney (retired on 11 March 2016)	£9,800
Ian Orrock	£20,600
Robert Owen (retired on 13 October 2016)	£12,200
Malcolm Groat	£13,300

It is currently estimated that the aggregate remuneration to be paid and benefits in kind granted to the Directors by the Company for the current financial period will not exceed £97,500. None of the Directors are eligible for bonuses, pensions, retirement or other similar benefits or share options. It is expected that the Directors will receive the said aggregate remuneration in the form of the following fees:

Name	Year ended 30 September 2017
Anthony Townsend	£29,500
Malcolm Groat	£24,000
Ian Orrock	£22,000
John Davies	£22,000

- 4.2. Each of Anthony Townsend, Malcolm Groat and Ian Orrock has been appointed pursuant to the terms of letters of appointment with the Company dated 4 August 2009, 11 March 2016 and 21 October 2010 respectively. The fees will be reviewed annually by the Board and may be increased in line with market rates. No amounts have been set aside by the Company to provide pension, retirement or similar benefits. John Davies (currently Chairman of BVCT5) will become a Director and enter into a letter of appointment with the Company if the Proposals become effective. John Davies will resign and stand for re-election at the next annual general meeting of the Company expected to be held in March 2017, being the first annual general meeting of the Company after he joins the Board. The fees payable to the Directors are set out in paragraph 4.1 above. The fees will be reviewed annually and may be increased in line with usual market rates. Save as set out in this paragraph 4.2, there are no existing or proposed letters of engagement between any Director and the Company.
- 4.3. No Director has, or has had, any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4. The Company has no current borrowings nor any borrowing requirements and the Directors have no current intention of making any borrowings.
- 4.5. None of the Directors or the Proposed Director have any options over Ordinary Shares. As at the date of this document, the Directors, the Proposed Director, and their immediate families and related trusts, had the following interests in the issued share capital of the Company (all of which are beneficial) and will, if the Proposals are implemented, have the following interests (all of which are beneficial) immediately following the implementation of the Proposals (based on the assumptions set out below): (a) which are required to be notified to the Company pursuant to the Disclosure Guidance and Transparency Rules; or (b) being interests of persons connected (within the meaning given in the Disclosure Guidance and Transparency Rules) with the Directors or the Proposed Director which would, if such persons were a Director, be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director or the Proposed Director:

Name	Ordinary Shares currently held	Percentage of current issued share capital	New Shares to be issued pursuant to Issue	Percentage of issued share capital following the Issue
Anthony Townsend	177,444	0.12	—	0.09
Ian Orrock	41,430	0.03	—	0.02
Malcolm Groat	37,426	0.02	—	0.02
John Davies	18,822	0.01	93,151	0.06

**Notes:**

- (1) The figures above assume that 46,433,133 New Shares are issued pursuant to the Scheme.
- (2) John Davies holds 112,598 BVCT5 Shares and it is assumed he would be issued 93,151 New Shares under the Scheme.
- 4.6. The Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercise control over the Company or could do so following completion of the Issue.
- 4.7. As at 13 October 2016 (being the latest practicable date prior to publication of this document), the Company is not aware of any person who is or, following the Issue will be, interested directly or indirectly in 3.0 per cent. or more of the issued share capital of the Company.
- 4.8. There are no different voting rights for any Shareholder, save those which derive from the Articles.
- 4.9. Details of those companies (other than the Company) and partnerships of which the Directors and the Proposed Director have been a member of the administrative, management or supervisory body or a partner at any time during the five years immediately preceding the date of this document (apart from their directorships of the subsidiaries of any issuers of which the

Directors and the Proposed Director are or have been members of the administrative, management or supervisory bodies) are as follows:

	<i>Current directorships</i>	<i>Previous directorships</i>
Anthony Townsend	British & American Investment Trust PLC Cranleigh Foundation Cranleigh Enterprises Limited Cranleigh School F&C Global Smaller Companies PLC Finsbury Growth & Income Trust PLC Gresham House PLC Hansa Capital Limited Miton Global Opportunities plc	Worldwide Healthcare Trust PLC
Ian Orrock	Acrossair Limited Arkessa GmbH Arkessa Limited Iotic Labs Limited Silchester Limited	Ness Software Design Services Limited Henderson Private Equity Investment Trust PLC Tvguide.co.uk Limited
Malcolm Groat	Baronsmead VCT 4 plc (in liquidation) Corps of Commissionaires Management Ltd daVictus PLC London Mining PLC (in administration) Maritime House Limited MMM Consulting Ltd Tekcapital PLC Vale International Group Ltd	Cordula Home Improvements Limited Landmark Development Group Ltd Nusantara Energy Limited Powerhouse Home Group Limited Rare Metals UK Limited
John Davies	Gardens Pension Trustees Limited Baronsmead VCT 5 plc	None

4.10. As at the date of this document there are no potential conflicts of interest between any of the Directors' duties to the Company and their private interests and/or other duties.

4.11. Save as disclosed in paragraph 4.9 above, as at the date of this document, none of the Directors or the Proposed Director:

4.11.1. has any convictions in relation to fraudulent offences during the previous five years;

4.11.2. has in the past five years immediately preceding the date of this document been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years; or

4.11.3. has been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

## 5. Corporate governance

The Board consists solely of non-executive Directors of whom Anthony Townsend is Chairman. All of the Directors are considered by the Board to be independent of the Manager and the Board does not consider that a Director's tenure reduces his ability to act independently. If the Scheme becomes effective, it is intended that John Davies will be appointed Senior Independent Director.

By reporting against the AIC Code and by following the AIC Corporate Governance Guide, as at the date of this document the Company complies with its obligations under the UK Code.



In view of the requirement in the Articles that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code and provision B.2.3 of the UK Code. However, the Board has agreed that each Director will retire and, if appropriate, seek re-election after each three years service and annually after serving on the Board for more than nine years.

The Board has delegated certain responsibilities and functions to the audit committee, the management engagement and remuneration committee and the nomination committee.

The audit committee, chaired by Malcolm Groat, operates within clearly defined terms of reference and comprises all the Directors. The duties of the audit committee include reviewing the annual and interim accounts, the system of internal controls, the terms of appointment of the auditors together with their remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditors. It also provides a forum through which the auditors may report to the Board and meets at least twice yearly.

The management engagement and remuneration committee, chaired by Malcolm Groat, comprises all of the Directors and reviews the appropriateness of the Investment Manager's appointment together with the terms and conditions thereof on a regular basis.

The nomination committee, chaired by Anthony Townsend, comprises all of the Directors and is convened for the purpose of considering the appointment of additional directors as and when considered appropriate. In considering appointments to the Board, the nomination committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience and knowledge within its Board, together with diversity of experience and approach.

## 6. Material contracts

The following are the only material contracts (being contracts other than contracts entered into in the ordinary course of business) that have been entered into by the Company during the period beginning two years prior to publication of this document and which are, or may be, material to the Company, or are all of the contracts which have been entered into by the Company and contain any provisions under which the Company has any obligations or entitlements which are material as at the date of this document:

### 6.1. Investment Management Agreement

A management agreement that was made on 20 December 2006, as supplemented on 11 October 2007, varied on 19 May 2009 and, by way of an oral agreement, in August 2012, as amended and restated on 1 June 2014 and as further amended and restated on 25 January 2016 whereby the Investment Manager agreed to provide investment management services to the Company. Livingbridge has appointed JPMorgan Chase Bank to provide custodian services in respect of the assets that are traded on a recognisable exchange, as well as AIM and Ipes to provide custodian services in relation to its unquoted assets. The Investment Management Agreement is terminable by either party at any time by 12 months' prior written notice. The Investment Management Agreement is subject to early termination in the event of, *inter alia*, a party committing a material breach of the Investment Management Agreement and/or becoming insolvent, and by the Company if the Investment Manager ceases to be regulated by the FCA or ceases to provide its services or perform its obligations to the Company pursuant to the Investment Management Agreement.

Under the Investment Management Agreement, Livingbridge is entitled to receive an annual management fee of 2.5 per cent. of the Company's net assets, calculated and paid on a quarterly basis. In addition the Investment Manager is responsible for providing all secretarial administrative and accounting services to the Company. The Investment Manager has appointed Capita to provide these services to the Company on its behalf. The Company is responsible for paying the fee charged by Capita to the Investment Manager in relation to the performance of these services, which is currently £143,000 per annum. If the Merger becomes effective this fee will increase to £163,000 per annum to reflect the increased size of the Enlarged Company. The Investment Manager shall consult with the Board if there is a material increase in the fee charged by Capita.



Under the terms of the Investment Management Agreement, and in line with normal VCT practice, the Investment Manager is also entitled to receive a performance related incentive fee. A performance fee is payable to the Investment Manager when the total return on the net asset value of the Ordinary Shares exceeds 8.0 per cent. per annum (simple). To the extent that the total return exceeds the threshold, a performance fee (plus VAT) will be paid to the Investment Manager of an amount equal to 10 per cent. of the excess. The performance fee will not be triggered, however, until the total return on the aggregate of the amounts paid to the Company pursuant to the offers of Shares exceeds 140 per cent. The performance fee payable in any one year is capped at 5.0 per cent. of the net assets.

No performance fee was payable for the year ended 31 December 2015.

The annual running costs of the Company are capped at 3.5 per cent. of the net assets of the Company (excluding any performance fee payable to the Investment Manager and irrecoverable VAT). Any excess of this amount is refunded to the Company by the Investment Manager by way of an adjustment to its management fee.

**6.2. Custodian agreement with JPMorgan Chase Bank**

A global custody agreement between the Company and JPMorgan Chase Bank made on 30 March 2015, whereby JPMorgan Chase Bank is appointed to undertake certain custodian functions in relation to the assets of the Company that are traded on a recognised exchange. JPMorgan Chase Bank is paid an annual fee based on the number of transactions that take place during the relevant period, subject to a minimum annual fee of £30,000 from the Baronsmead VCTs. The agreement provides for an initial period of three years from the date on which JPMorgan Chase Bank commenced providing services under the agreement. Following the initial term the Company may terminate the agreement on 60 days written notice and JPMorgan may terminate on 180 days written notice.

**6.3. Safekeeping agreement with Ipes**

A safekeeping agreement between the Company and Ipes made on 1 June 2014, whereby Ipes is appointed to undertake certain custodian functions in relation to the Company's unquoted assets. The fee to be paid to Ipes will be calculated by reference to the number of transactions that take place during the relevant period. Either party may terminate the agreement by giving not less than 60 days written notice.

**6.4. Directors' letters of appointment**

Letters of appointment between the Company and each of its Directors, dated 11 March 2016 in the case of Malcolm Groat, 21 October 2010 in the case of Ian Orrock and 4 August 2009 in the case of Anthony Townsend, under which each Director is required to devote such time to the affairs of the Company as the Board reasonably requires and as is consistent with his role as a non-executive Director. The letters are terminable on notice by either party. Other than these letters of appointment, none of the Directors has a service contract with the Company. In the financial period ended 30 September 2016 Anthony Townsend received £22,100, Malcolm Groat £13,300 and Ian Orrock £20,600. No amount has been set aside or accrued by the Company to provide pension, retirement or similar benefits to any of the Directors. No benefits are provided for on termination.

**6.5. Transfer Agreement**

If the resolution to be proposed at the Second General Meeting of BVCT5 is passed, the Company will enter into the Transfer Agreement on or about the Effective Date, pursuant to which the undertaking and assets of BVCT5 will be transferred to the Company in consideration for the issue of New Shares to BVCT5 Shareholders. The parties to the Transfer Agreement have entered into irrevocable undertakings, to enter into the Transfer Agreement on the Effective Date.

**6.6. Deed of Indemnity**

If the resolution to be proposed at the Second General Meeting of BVCT5 is passed, the Company will enter into the Deed of Indemnity with the Liquidators and BVCT5 pursuant to which the

Company will undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of BVCT5 and the purchase for cash of any holdings of dissenting BVCT5 Shareholders. The parties to the Deed of Indemnity have entered into irrevocable undertakings to enter into the Deed of Indemnity on the Effective Date.

**6.7. 2016 Offer Agreement**

The 2016 Offer Agreement between the Company and Livingbridge made on 25 January 2016, pursuant to which Livingbridge was appointed to administer an offer for subscription. As consideration for the services provided by Livingbridge to the Company, the Company agreed to pay Livingbridge a fee of 3.0 per cent. of the gross proceeds of the offer for subscription. The 2016 Offer Agreement provided that Livingbridge would be responsible for all costs and expenses of and incidental to the offer for subscription.

**6.8. 2016 transfer agreement**

The transfer agreement dated 11 March 2016 between Baronsmead VCT 4 plc (in members' voluntary liquidation), William Duncan and Gareth Harris (as liquidators), the Company and the Investment Manager pursuant to which the undertaking and assets of Baronsmead VCT 4 plc were transferred to the Company in consideration for the issue of Ordinary Shares to the shareholders of Baronsmead VCT 4 plc.

**6.9. 2016 deed of indemnity**

The deed of indemnity dated 11 March 2016 between the Company, William Duncan and Gareth Harris, and the Investment Manager pursuant to which the Company undertook to pay all liabilities incurred by the liquidators of Baronsmead VCT 4 plc including, but not limited to, the implementation of the Scheme, the winding up of Baronsmead VCT 4 plc and purchase for cash of any holdings of dissenting Baronsmead VCT 4 shareholders.

**6.10. Co-investment agreement**

A co-investment agreement between the Company and Livingbridge EP LLP (the "Administrator") made on 30 June 2005, as amended and restated on 1 June 2014 and as further varied on 11 August 2015 by an agreement to vary between the Company and the Investment Manager, as more fully described in the section headed "Management incentivisation and retention" in Part IV of this document. The co-investment agreement will terminate on 1 November 2017 unless the Company and the Administrator agree in writing that it will terminate on 1 November 2018 or the Administrator resolves to terminate it earlier.

## **7. Investment and other restrictions**

- 7.1. The Company is a closed-ended investment fund and must comply with Chapter 15 of the Listing Rules. In accordance with Chapter 15 of the Listing Rules, the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy. A detailed description of the current investment policy of the Company is set out in Part III of this document. In accordance with Chapter 15 of the Listing Rules, the Company will not make any material changes to its investment policy without the approval of its Shareholders by ordinary resolution passed at a general meeting of the Company. Such an alteration would be announced by the Company through a Regulatory Information Service. The Company will be subject to and will comply with the restrictions regarding investments for closed-ended investment funds that are contained in the Listing Rules.
- 7.2. In the event of any breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such a breach) by an announcement issued through a Regulatory Information Service.

- 7.3. The Company is not required to be, and is therefore not, regulated by the FCA. In order to obtain Venture Capital Trust status, the Company must, however, obtain and maintain approval as a VCT from HMRC.
- 7.4. The Company is regulated by Part 6 of the Tax Act in respect of the investments it makes. The Company has appointed Philip Hare & Associates LLP as its VCT status adviser. Philip Hare & Associates LLP will report twice yearly to the Company in its annual and half yearly reporting obligations. In respect of any breach of the VCT rules, the Company will report the matter immediately to HMRC.
- 7.5. The Company will not invest in any derivatives or currencies save for the purpose of efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.
- 7.6. The Company does not intend to conduct any significant trading activity.
- 7.7. In accordance with Chapter 15 of the Listing Rules, the Company will not invest more than 10 per cent. in aggregate of the value of its total assets at the time of a new investment in other closed-ended investment funds listed on the premium segment of the Official List (except to the extent that those closed-ended investment funds have published investment policies to invest no more than 15 per cent. of their total assets in other closed-ended investment funds listed on the premium segment of the Official List).

## **8. Related party transactions**

Save for the Investment Management Agreement and the 2016 Offer Agreement the Company is not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) in the period from 1 January 2012 (being the start of the period covered by the historical financial information in Part VI of this document up to the date of this document).

## **9. General**

- 9.1. The aggregate costs and expenses to be incurred by the Company and BVCT5 in connection with the Scheme are expected to be approximately £355,000 (including VAT and stamp duty). It has been agreed that the costs of the Scheme will be allocated on the basis of the relative ongoing cost savings for each company. On this basis the costs of the Merger will be split 25 per cent. to the Company and 75 per cent. to BVCT5. This method of splitting the costs ensures that the Shareholders and BVCT5 Shareholders will have the same payback period of approximately 12 months.
- 9.2. In the event that the Scheme does not become effective, it is estimated that the costs incurred by the Company and BVCT5 in connection with the Scheme will be in aggregate approximately £215,000 (including VAT). The Company and BVCT5 have agreed to bear these abort costs on the same basis as the Merger costs, being 25 per cent. and 75 per cent. respectively.
- 9.3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past (covering the 12 months preceding the date of this document), significant effects on the financial position or profitability of the Company.
- 9.4. The Company has no subsidiaries.
- 9.5. The Company has no employees and owns no premises.
- 9.6. Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which it is included.

## 10. Mandatory bids, squeeze-out and sell-out rules

### 10.1. Mandatory bids

As a company incorporated in England and Wales with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. The Takeover Code is issued and administered by the Panel on Takeovers and Mergers. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the Takeover Code which are derived from the Takeovers Directive now have a statutory basis in the United Kingdom.

Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when he/she had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

### 10.2. Squeeze-out and sell-out rules

Other than as provided by the CA 2006, there are no rules or provisions relating to squeeze-out and sell out rules in relation to the Shares.

## 11. Restrictions on transfer

### 11.1. General

The distribution of this document and offer of New Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

### 11.2. European Economic Area

11.2.1. In relation to each of the EEA States (other than the United Kingdom) which has implemented the Prospectus Directive (each, a “**relevant member state**”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”) no New Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with effect from and including the relevant implementation date, offers of New Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or



- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any New Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

11.2.2. For the purpose of the expression an “offer of any New Shares to the public” in relation to any New Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the issue of any New Shares, so as to enable a potential investor to decide to purchase or subscribe for the New Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

## 12. Disclosure requirements and notification of interest in shares

Under Chapter 5 of the Disclosure Guidance and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FCA) of the percentage of voting rights he or she holds (within two trading days) if he or she acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he or she holds as a shareholder (or, in certain cases, which he or she holds indirectly) or through his or her direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

- 12.1. reaches, exceeds or falls below 3.0 per cent. and each 1.0 per cent. threshold thereafter; or
- 12.2. reaches, exceeds or falls below an applicable threshold in paragraph 12.1 of this Part VII above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR1 available from the FCA’s website at <http://www.fca.org.uk>. Under the Disclosure Guidance and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

The FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure Guidance and Transparency Rules.

## 13. Overseas investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an invitation or offer to him unless, in the relevant territory, such an invitation or offer could be lawfully made to him without contravention of any registration or other legal requirements.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction.

It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

No action has been taken to permit the distribution of the Prospectus in any jurisdiction outside the UK where such action is required to be taken.

The New Shares have not been, nor will they be, registered in the United States under the US Securities Act or under the securities laws of any Restricted Territory and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of US Persons or any national, citizen or resident of the United States or any of the Restricted

Territories. The New Shares are not being offered, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective shareholders who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only.

All applicants under the Offers will be required to warrant that they are not a US Person nor a resident, national or citizen of a Restricted Territory.

#### **14. Documents available for inspection**

Copies of the following documents are available for inspection in person during normal business hours on any Business Day at the offices of Livingbridge VC LLP, 100 Wood Street, London EC2V 7AN until the Effective Date:

- 14.1. the Articles;
- 14.2. the letters of appointment as referred to in paragraph 6.4 of this Part VII;
- 14.3. a draft (subject to non-material updating and amendment) of the Transfer Agreement and undertakings to enter into the Transfer Agreement;
- 14.4. the Company's report and accounts for the three financial years to 31 December 2015;
- 14.5. the Company's half yearly report for the six month periods ended 30 June 2015 and 30 June 2016;
- 14.6. the Circular;
- 14.7. the BVCT5 Circular; and
- 14.8. this document.

#### **15. Availability of Prospectus**

The Prospectus is available for inspection at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm) and, until 30 November 2016, copies are available for collection, free of charge, from the offices of Livingbridge VC LLP, 100 Wood Street, London EC2V 7AN on any Business Day.

**17 October 2016**



## Part VIII – Taxation considerations

The following paragraphs apply to such persons holding BVCT5 Shares as an investment in BVCT5 who are the absolute Beneficial Owners of such BVCT5 Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice and is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

### 1. Receipt by BVCT5 Shareholders of New Shares

The receipt by BVCT5 Shareholders of New Shares under the Scheme will allow BVCT5 Shareholders to retain any upfront VCT income tax relief they obtained on subscription for their BVCT5 Shares (provided they retain their New Shares until at least five years after their BVCT5 Shares were issued).

The effective exchange of BVCT5 Shares for New Shares should not constitute a disposal of the BVCT5 Shares for the purposes of UK taxation. Instead, the new holdings of New Shares will be treated as having been acquired at the same time and at the same cost as the BVCT5 Shares from which they are derived.

For Shareholders holding (together with their associates) more than 5.0 per cent. of the shares in BVCT5, clearance has been obtained from HMRC in terms of section 138 of TCGA that the treatment described above for persons who (together with their associates) own less than 5.0 per cent. of the shares in BVCT5 should also apply to them.

Shareholders in the Company, as a VCT, will be afforded the usual reliefs available to shareholders in VCTs. Shareholders should receive dividends paid tax free and should not be subject to UK taxation on any capital gains on the disposal of Shares in the Company.

No UK stamp duty will be payable by BVCT5 Shareholders as a result of the implementation of the Scheme.

### 2. Dissenting BVCT5 Shareholders

Dissenting BVCT5 Shareholders whose holdings are purchased for cash shall be treated as having disposed of their BVCT5 Shares. BVCT5 should still be able to claim the benefit of VCT status and the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in BVCT5. Depending upon the length of time that they have held their BVCT5 Shares dissenting Shareholders may, in these circumstances, be deemed to have disposed of BVCT5 Shares within the holding period required to retain upfront tax relief and income tax relief on those subscriptions may also be repayable. As BVCT5 will still be able to claim the benefit of VCT status whilst in liquidation the dissenting BVCT5 Shareholder will not be subject to any UK taxation in respect of any capital gains arising from the disposal.

### 3. Clearances

Clearance has been received from HMRC in respect of the Scheme under section 701 of the Tax Act and section 138 of TCGA. With regard to the former, the receipt of New Shares would not, except in the case of dealers, fall to be regarded as an income receipt for the purposes of UK taxation.

Clearance has been received from HMRC that the receipt by BVCT5 Shareholders of New Shares under the Scheme would not prejudice tax reliefs obtained by BVCT5 Shareholders on existing Ordinary Shares and would not be regarded as a disposal.

### 4. Linked sales

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which has merged, or merges at any time, with that VCT or if there is a contractual link between the subscription and the disposal.

# Definitions

The following definitions apply throughout this document unless the context requires otherwise:

<b>2016 Offer Agreement</b>	the agreement between the Company and the Investment Manager, the terms of which are summarised in paragraph 6.7 of Part VII of this document
<b>Admission</b>	the admission of the New Shares to be issued under the Proposals to the Official List with a Premium Listing and to trading on the Main Market
<b>AIC Code</b>	the AIC Code of Corporate Governance
<b>AIM</b>	the Alternative Investment Market operated by the London Stock Exchange
<b>Articles</b>	the articles of association of the Company in force from time to time
<b>Baronsmead VCTs</b>	Baronsmead Venture Trust plc, the Company and BVCT5
<b>Beneficial Owner</b>	a person in whom the beneficial ownership of the Shares is vested, or will be vested immediately upon the issue of the Shares
<b>Board</b>	the board of Directors of the Company
<b>Business Day</b>	any day on which banks are open for business in London (excluding Saturdays and Sundays)
<b>BVCT5</b>	Baronsmead VCT 5 plc, a company incorporated in England and Wales with registered number 05689280
<b>BVCT5 Board or BVCT5 Directors</b>	the directors of BVCT5 or any duly constituted committee thereof
<b>BVCT5 Circular</b>	the circular published by BVCT5 on or around 17 October 2016
<b>BVCT5 Share</b>	ordinary share of 10 pence in the capital of BVCT5
<b>BVCT5 Shareholder</b>	a registered holder of shares in BVCT5 prior to the Scheme becoming effective
<b>CA 2006</b>	the Companies Act 2006 (as amended)
<b>Calculation Date</b>	the time and date, to be determined by the Directors but expected to be 5.00 p.m. on 28 November 2016 (unless the First General Meeting is adjourned), at which the FAV per BSVT Share and the FAV per BVCT5 Share will be calculated for the purposes of the Scheme
<b>Capita</b>	Capita Sinclair Henderson Limited, a company incorporated in England and Wales with registered number 02056193
<b>certificated or in certificated form</b>	a share which is not in uncertificated form
<b>Circular</b>	the circular published by the Company on or around 17 October 2016
<b>Company</b>	Baronsmead Second Venture Trust plc, a company incorporated in England and Wales with registered number 04115341

<b>CREST</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>Deed of Indemnity</b>	deed of indemnity between the Company, the Liquidators and BVCT5 as more fully described at paragraph 6.6 of Part VII
<b>Directors</b>	the directors of the Company from time to time
<b>Disclosure Guidance and Transparency Rules</b>	the Disclosure Guidance and Transparency Rules of the FCA
<b>EEA States</b>	the member states of the European Economic Area
<b>Effective Date</b>	the date of the passing of the resolution to be proposed at the Second General Meeting of BVCT5 or, if later, on all conditions of such resolution being satisfied (which is expected to be 30 November 2016)
<b>Enlarged Company</b>	the Company following completion of the Merger
<b>EU</b>	the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited
<b>European Commission</b>	The European Commission of the European Union
<b>Existing Shareholders</b>	a registered holder of Ordinary Shares prior to the Scheme becoming effective
<b>FAV per BSVT Share</b>	the formula asset value of an Ordinary Share calculated as at the Calculation Date in accordance with the Scheme
<b>FAV per BVCT5 Share</b>	the formula asset value of a BVCT5 Share calculated as at the Calculation Date in accordance with the Scheme
<b>FCA</b>	the Financial Conduct Authority
<b>First General Meeting of BVCT5</b>	the general meeting of BVCT5 convened for 3.00 p.m. on 8 November 2016, or any adjournment thereof
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>General Meeting</b>	the general meeting of the Company convened for 2.00 p.m. on 8 November 2016, or any adjournment thereof
<b>HMRC</b>	HM Revenue & Customs
<b>Investment Management Agreement</b>	the investment management agreement between the Company and Livingbridge first made on 20 December 2006, as more fully described in paragraph 6.1 of Part VII
<b>Investment Manager or Livingbridge</b>	Livingbridge VC LLP, a limited liability partnership registered in England and Wales with registered number OC320408
<b>Ipes</b>	Ipes (Guernsey) Limited, a company registered in Guernsey with registered number 33475
<b>Issue</b>	the issue of New Shares in accordance with the Scheme

<b>JPMorgan Chase Bank</b>	JPMorgan Chase Bank, N.A. a company registered as an overseas company in England and Wales with registered number FC004891
<b>Liquidators</b>	the liquidators for the time being of BVCT5, being initially the persons appointed at the Second General Meeting
<b>Listing Rules</b>	the Listing Rules made by the FCA under Part VI of FSMA, as amended
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Main Market</b>	the London Stock Exchange's main market for listed securities
<b>NAV or Net Asset Value</b>	in relation to a share, its net asset value on the relevant date calculated on the basis of the relevant company's normal accounting principles and policies
<b>New Shares</b>	the Ordinary Shares to be issued pursuant to the Scheme
<b>Nominee</b>	a party who holds, or subscribes for shares on behalf of, and as trustee of, a Beneficial Owner
<b>Official List</b>	the Official List of the UK Listing Authority
<b>Ordinary Shares or Shares</b>	ordinary shares of 10 pence each in the capital of the Company
<b>Overseas Investors</b>	investors who have a registered address outside or who are resident in, or citizens, residents or nationals of jurisdictions outside the United Kingdom
<b>PRA</b>	the Prudential Regulation Authority
<b>Premium Listing</b>	a listing on the premium segment of the Official List
<b>Previous Merger</b>	the merger of the Company and Baronsmead VCT 4 that became effective on 11 March 2016
<b>Proposals or Merger</b>	the proposals for the voluntary winding up and reconstruction of BVCT5 (including the Scheme) described in this document
<b>Proposed Director</b>	John Davies
<b>Prospectus</b>	this document
<b>Prospectus Rules</b>	the Prospectus Rules made by the FCA under Part VI of FSMA, as amended
<b>Qualifying Company</b>	an unquoted (including AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
<b>Qualifying Investment</b>	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act
<b>Record Date</b>	6.00 p.m. on 28 November 2016, being the record date for determining which BVCT5 Shareholders are entitled to participate in the Scheme
<b>Registrar or Computershare</b>	Computershare Investor Services PLC, a company incorporated in England & Wales with registered number 03498808

<b>Regulatory Information Service</b>	any of the services authorised from time to time by the FCA for the purposes of disseminating regulatory announcements
<b>Resolution</b>	the special resolution to be proposed at the General Meeting to authorise the allotment of New Shares in connection with the Scheme
<b>Restricted Territories</b>	US, Canada, Australia, Japan and South Africa (and each a Restricted Territory)
<b>Risk Finance Guidelines</b>	European Commission communication C(2014) 34/2 – Guidelines on State aid to promote risk finance investments
<b>Scheme</b>	the scheme under section 110 of the Insolvency Act 1986 set out in Part II of this document
<b>Second General Meeting of BVCT5</b>	the general meeting of BVCT5 convened for 11.00 a.m. on 30 November 2016, or any adjournment thereof
<b>Shareholders</b>	holders of Ordinary Shares in the Enlarged Company
<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Tax Act</b>	the Income Tax Act 2007 (as amended)
<b>Transfer Agreement</b>	the agreement to be entered into on or about the Effective Date between the Liquidators (in their personal capacity and on behalf of BVCT5), the Investment Manager and the Company, the terms of which are summarised in paragraph 6.5 of Part VII of this document
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Code</b>	the UK Corporate Governance Code and published by the Financial Reporting Council
<b>UK Listing Authority</b>	the FCA acting in its capacity as the UK Listing Authority pursuant to Part VI of FSMA
<b>uncertificated or in uncertificated form</b>	recorded in the register of members of the Company or BVCT5 (as appropriate) as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>US Persons</b>	as defined in Regulation S made under the US Securities Act
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended
<b>VAT</b>	value added tax
<b>VCT or Venture Capital Trust</b>	a venture capital trust as defined in section 259 of the Tax Act
<b>VCT Value</b>	the value of an investment calculated in accordance with section 278 of the Tax Act
<b>Wood Street</b>	Wood Street Microcap Investment Fund, an investment company with variable capital incorporated in England and Wales with company number IC000714