BARONSMEAD

Baronsmead Second Venture Trust plc

2018

Audited Annual Report and Financial Statements
for the year ended 30 September 2018

About Baronsmead Second Venture Trust plc

Our Investment Objective

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

Investment Policy

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

Dividend Policy

The board of Baronsmead Second Venture Trust has the objective to maintain a minimum annual dividend level of around 6.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

Key elements of the Business Model

Access to an attractive, diverse portfolio

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

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

The Manager's approach to investing

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

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

In order to ensure a strong pipeline of opportunities, the Manager invests in sector knowledge and networks and undertakes significant proactive marketing to interesting target companies in preferred sectors. This is building a database of businesses that are keen to maintain a relationship with the Manager ahead of possible investment opportunities.

The Manager as an influential shareholder

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

On 8 November 2018, Livingbridge VC LLP announced the sale of its fund and investment management business, including its Baronsmead VCT business, to a subsidiary of Gresham House plc, a specialist alternative asset manager listed on the London Stock Exchange. The transaction is expected to complete on or around 30 November 2018.

A more detailed explanation of how the business model is applied is provided in the Other Matters section of the Strategic Report on pages 18 to 21. The full investment policy can be found on page 62.

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Some examples of our recent Investments

SilkFred Ltd

SilkFred is an online fashion marketplace for independent brands, providing consumers access to fashion not available on the high street. Brands benefit from a wider audience than available through their own channels, data-led feedback on best-selling styles, in-house photography and logistics services, allowing them to focus on design. The SilkFred platform is thus a growth enabler for young and inspiring fashion brands.

Beeks Financial Cloud Group

Beeks Financial Cloud provides cloud connectivity solutions for institutional capital markets. Founded by CEO Gordon McArthur in 2010, Beeks focuses on reducing barriers to entry and time to market for institutional trading clients.

SecureCloud+ Ltd

Founded in 2014, SecureCloud+ is a provider of specialist managed IT services to defence and other public sector organisations with demanding security requirements. It can deliver bespoke solutions to solve complex issues facing government agencies, and specialises in information collaboration systems allowing customers to store and share high security level information across multiple locations in real time without compromising the security of that information.

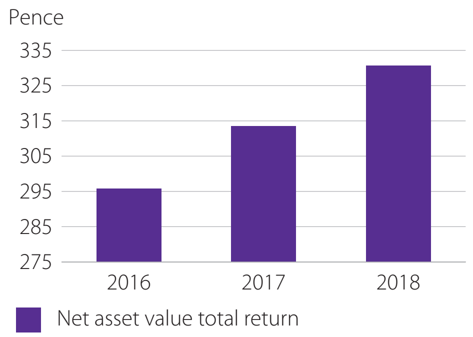
Access Intelligence

Access Intelligence provides corporate communications and reputation management software to public and private organisations in the UK. The company's solutions help customers protect and enhance their brands, influence relevant political agendas and communicate across the full range of interested parties.

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

Strategic Report

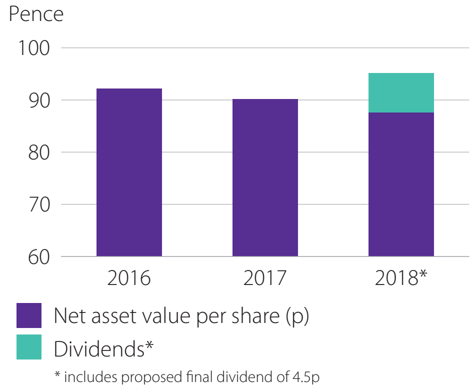
Financial Headlines



NAV total return

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

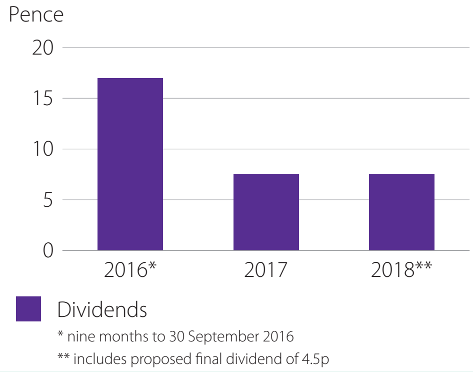
330.6p



Net Asset Value per share

NAV per share increased 5.5 per cent to 95.1p in the year ended 30 September 2018, before deduction of 2018 dividend payments.

+5.5%



Dividends in the year

Dividends totalled 7.5p in the year to 30 September 2018, including the proposed final dividend of 4.5p to be paid on 8 March 2019.

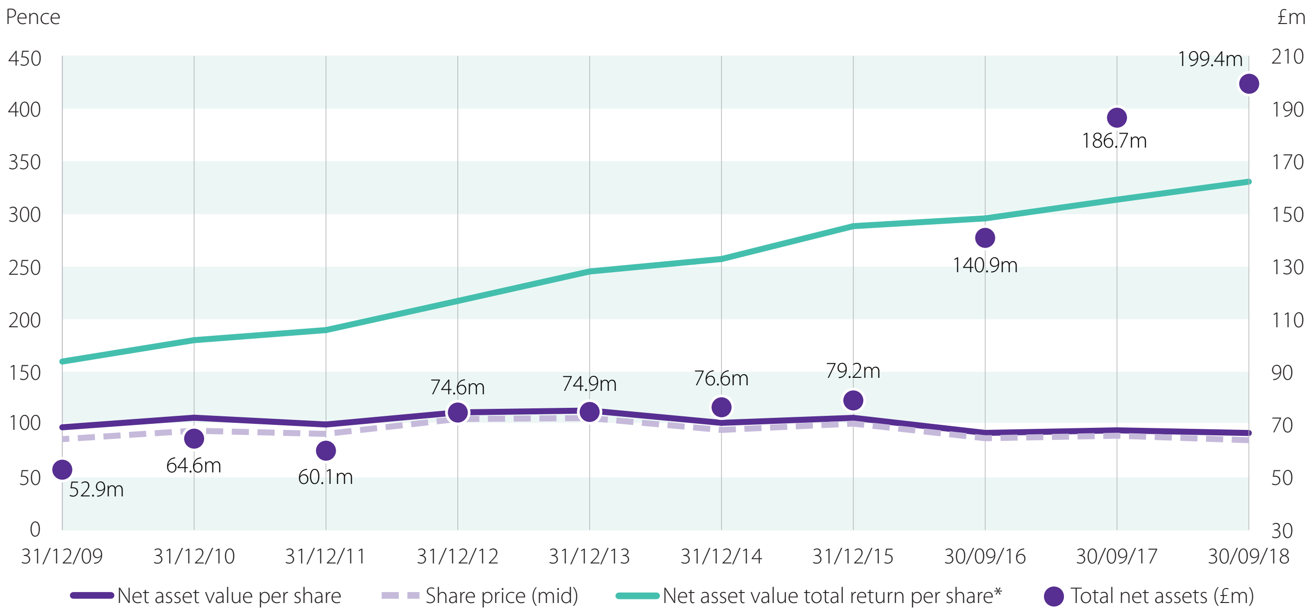
7.5p

New Investments

£8.3m investments made during the year.

Performance Summary

Ten Year Performance Record



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

Source: Livingbridge VC LLP

Cash Returned to Shareholders by Date of Investment

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

*includes proposed final dividend of 4.5p.

Strategic Report

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

Chairman's Statement

Anthony Townsend
Chairman

I am pleased to report a 5.5 per cent (5.0p) increase in the Company's NAV per share to 95.1p per share for the year to 30 September 2018, before dividend payments.

During the year to 30 September 2018 the Company has invested in 13 new and 3 follow on investments, and I am delighted to report it has also successfully realised investments from both the unquoted and AIM-traded portfolio.

The Company paid an interim dividend of 3.0p in September 2018. In line with previous years and underpinned by the successful realisations this year, the Board has recommended a final dividend of 4.5p to be paid in March 2019, subject to shareholder approval.

Results

	Pence per ordinary share
NAV as at 1 October 2017 (after final dividend)	90.1
Valuation uplift (5.5 per cent)	5.0
NAV as at 30 September 2018 before dividends	**95.1**
Less:	
Interim dividend paid on 21 September 2018	(3.0)
Proposed final dividend of 4.5p payable, after shareholder approval, on 8 March 2019	(4.5)
Illustrative NAV as at 30 September 2018 after dividends	**87.6**

Portfolio Review

As at 30 September 2018, the portfolio comprised direct investments in a total of 75 unquoted and AIM-traded companies, providing shareholders with diverse exposure. LF Livingbridge UK Micro Cap Fund ("Micro Cap") consisted of 44 companies and there were 45 companies held by LF Livingbridge UK Multi Cap Income Fund ("Multi Cap"), in which the company has invested, providing yet further diversification.

The underlying value of the unquoted investments increased by 14.6 per cent during the year to 30 September 2018 reflecting the continued positive performance of this portfolio. I am also pleased to report that the AIM-traded portfolio increased by 4.1 per cent, Micro Cap increased by 18.8 per cent and Multi Cap also increased by 14.0 per cent in value. Although the performance across both unquoted and listed businesses has been strong during the year, the current volatility in the markets and uncertainty over Brexit may impact this over the coming months. However, the portfolio remains diverse with investments in both established unquoted and AIM-traded companies, as well as earlier stage growth businesses all of which are spread widely across the sectors in which the Manager invests.

Investments and Divestments

In line with the more recent VCT regulation changes, the Manager has adapted its investment strategy to focus on the provision of development capital to earlier stage companies helping them to grow organically rather than through acquisition. The Board is therefore pleased to report that during the year the Company invested a total of £8.3m in 13 new and 3 follow-on unquoted and AIM-traded investments. The new investments in earlier stage opportunities may result in greater volatility in returns over time, albeit that the more mature, established portfolio of investments should continue to determine returns for shareholders for several years to come.

In addition to these new investments, I am pleased to report that the Company has realised 10 unquoted and AIM-traded investments during the year, as well as 3 loan repayments, realising total proceeds (including interest due at time of realisation) of £25.4m. This included the sale from the unquoted portfolio of Crew Clothing Holdings, one of the longest standing Baronsmead investments, for a 2.3x return; Eque2 for a 3.0x return; and Key Travel for a 3.2x return. The AIM-traded portfolio realisations included a 1.4x return from the sale of FreeAgent Holdings; 1.1x return from the sale of Escher Group Holdings, and EG Solutions which realised 1.4x return. Against these successes, losses were realised on In the Style Fashion, Ubisense Group and Plant Impact.

Details of all the Company's investments and divestments during the year are set out in the tables on pages 10 and 11 and further commentary on portfolio companies is provided in the Manager's Review on pages 7 to 9.

Fundraising

The Board is pleased to confirm its intention to raise new funds in the 2018/2019 tax year. As announced in August this year, the Company plans to launch a joint fundraising with Baronsmead Venture Trust plc in early January 2019 to raise £25m in aggregate which is principally to fund new investments in the short to medium term. We will send the Prospectus containing the full details of the offer to shareholders as soon as it is available. Subscriptions to the fundraising will only be accepted on a first come, first served basis. However, this year for the first time, I can confirm that it will be possible to subscribe online as well as with the more traditional paper subscription form. We will include details of how to do this with the Prospectus.

Dividend Policy

The Company has for many years maintained a policy of paying a minimum annual dividend level of around 4.5p per ordinary share but the Board is very pleased to report that since 2007 a dividend of at least 7.5p has been paid to shareholders. With the large and diverse portfolio it is anticipated that there will be a continued flow of realisations from which to pay dividends and the Company also has considerable reserves to cover any year where there are fewer disposals. It would therefore seem appropriate to adopt a more realistic dividend policy, which I have set out below.

The board of Baronsmead Second Venture Trust has the objective of maintaining a minimum annual dividend level of around 6.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

Change of Management Arrangements

As I communicated in my letter to shareholders on 8 November 2018, the Investment Manager for the Company, Livingbridge VC LLP ("Livingbridge" or the "Manager"), will change to Gresham House plc ("Gresham House"), a specialist alternative asset manager listed on the London Stock Exchange, on or around 30 November 2018.

I can confirm that no changes are being made to the terms of the investment management and co-investment agreements for the Company.

As you would expect, the Board completed due diligence on Gresham House during the process and was satisfied that its management team appreciates the important heritage of the Baronsmead VCTs and is committed to maintaining the strong governance culture of the Company as well as its investment performance.

Since the Company was founded in 2001 there have been several changes in the ultimate ownership of the Manager. Throughout these changes the Board has focused on ensuring there has been continuity in the executive team

7.5p per share in total dividend payments for the year, including proposed final dividend of 4.5p.

£8.3m invested during the year.

NAV total return of 330.6p per 100p invested for founder shareholders.

who make and manage the investments and can confirm that the team that has been responsible for the investment management of the Company will all transfer from Livingbridge to Gresham House. The 16 transferring employees are led by a senior team of five people who have an average tenure of 12 years at Livingbridge working with the Baronsmead VCTs. The two key Partners, Andrew Garside and Sheenagh Egan, will continue as consultants to Gresham House for up to three years to provide continuity and support.

Additionally, an agreement has been put in place between Livingbridge and Gresham House to enable a smooth transition over a three-year period including passing on insight, best practice and networks for the future benefit of the Company and its shareholders.

We are confident that this transaction will benefit both the Company and its shareholders as it will provide additional resources for the team going forward. This will enable them to maintain and develop the VCT business, specifically focussing on increasing the deployment of capital under the new VCT rules as well as managing the existing diverse portfolio. We believe that Gresham House is committed to working with the Board to deliver consistent performance over the long term for all our shareholders.

Board Succession

As I advised shareholders, I am Chairman of Gresham House and for this reason I took no part in the decision to appoint it as the new Investment Manager for the Company. John Davies, as senior non-executive director of the Company, led the Board discussions, due diligence and final decision on the matter.

Given my role at Gresham House, I have proposed that I stand down as Chairman of the Company following completion, but that I remain as a non-executive director to ensure Board continuity going forward. The Board has agreed that John Davies, previously the Chairman of Baronsmead VCT5 plc, will assume the role of Chairman on an interim basis while it considers the longer-term arrangements.

The Board has been discussing succession planning and diversity over the past year and will commence a search for a new Director in the New Year. We will be seeking shareholder approval for an increase to the Directors fee cap at the next AGM. This will enable the Board to accommodate up to five Directors, on a temporary basis only, to ensure continuity and minimise disruption, particularly in view of the change of Manager.

Annual General Meeting

We look forward to meeting as many shareholders as possible at the Annual General Meeting to be held at 11.00 am on 28 February 2019, at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR. As usual the Company will present a review of the year and will be joined by both Livingbridge and Gresham House. We would be delighted if you would join us afterwards for lunch.

Outlook

It was expected that by now the UK would have had greater certainty on the timing and terms of its exit from the European Union, however the outcome remains uncertain. Consequently, while the UK economy has remained largely resilient over the past year, volatility in global markets, the ongoing uncertainty in the UK and decreasing consumer confidence, have resulted in a degree of UK market volatility which we anticipate may remain a feature in the short term.

However, we continue to invest in the future of British businesses, supporting innovative growth companies which we believe are the driving force of the UK economy. Despite the macro-economic uncertainties we are experiencing, the Company's investment strategy remains consistent. The investment team continues to be disciplined when deploying capital, particularly in the earlier stage companies which carry more risk and we closely manage all investments once they are in the portfolio. Therefore, I continue to believe that our large and diverse investment portfolio should underpin the returns to our shareholders over the medium to long term.

Personal

It has been an honour and a privilege to be Chairman of this Company and I am sorry that the impending change of management obliges me to stand down; I will however remain on the board and continue to hold my investment in the Company. I am very pleased that all of the key members of the Livingbridge team will continue uninterrupted to manage the Company.

Anthony Townsend
Chairman

22 November 2018

Manager's Review

Ken Wotton
Head of Quoted Investments

Steve Cordiner
Head of Unquoted Investments

Bevan Duncan
Head of Portfolio Management

Andrew Garside
Partner

Sheenagh Egan
Partner

The year has seen another strong overall performance from the investment portfolio. We have continued to increase the investment rate following the changes to VCT legislation in 2015.

PORTFOLIO REVIEW

Overview

The net assets of £199m were invested as follows:

	NAV (£m)	% of NAV*	Number of investees	% return in the year**
Unquoted	**52**	**26**	**23**	**15**
AIM-traded companies	**90**	**45**	**52**	**4**
LF Livingbridge UK Microcap Fund	**24**	**12**	**44**	**19**
LF Livingbridge UK Multi Cap Income Fund	**3**	**2**	**45**	**14**
Liquid assets	**30**	**15**	**N/A**	
Totals	**199**	**100**	**164**	

* By value as at 30 September 2018.
** Return includes interest received on unquoted realisations during the year.

During the year there were:

- 13 new and 3 follow on investments in unquoted and quoted companies totalling £8.3m
- 10 realisations and 3 loan note repayments delivered proceeds totalling £25.4m

Each quarter the direction of general trading and profitability of all investee companies is assessed so that the Board can monitor the overall health and trajectory of the portfolio. At 30 September 2018, 87 per cent of the 75 companies directly held in the portfolio (excluding the investments held by Collective Investment Vehicles) were progressing steadily or better.

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

Strategic Report

Investment Activity – *Unquoted and Quoted*

Below are descriptions of some of the new investments made;

- **SecureCloud+ (unquoted)** is an accredited provider of specialist managed IT services to the defence and security sector focussed on delivering services to upper tiers of security including official-sensitive, secret and top-secret environments.
- **Pointr (unquoted)** is an Internet of Things smart indoor location positioning business looking to improve the location accuracy for consumers when indoors and provide meaningful data and insight to businesses looking to better understand consumer behaviours in physical locations.
- **Equipsme (Holdings) (unquoted)** is an innovative provider of health insurance products to SMEs, allowing them to customise products for employees whilst delivering an affordable, simple, modular and accessible solution.
- **Your Welcome (unquoted)** supplies tablets and software into vacation rental, Airbnb and corporate letting properties, with their proprietary software improving the guest experience through an information portal, providing tips and recommendations on the local area and a guest communication tool.
- **Labrador (unquoted)** is a technology business providing an automated energy switching service for consumers. This is a free consumer product which can be plugged into a home to deliver energy savings for life by monitoring energy usage and switching to the most appropriate and lowest cost tariffs.
- **Munnypot (unquoted)** is a software business which delivers automated, regulated financial advice to its users ('robo-advisory'). The business provides its solution to financial institutions, employee benefits providers and IFA networks.
- **PCI-Pal (quoted)** is a suite of secure card payment solutions designed to solve the Payment Card Industry's compliance issues faced by contact centres & the world's largest organisations including All Saints, Virgin, IKEA and MADE.COM.

Investment Diversification at 30 September 2018

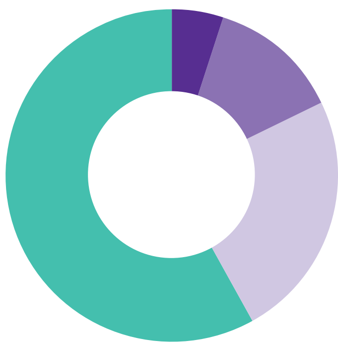
Sector by value

Business Services	**25%**
Consumer Markets	**12%**
Healthcare & Education	**19%**
Technology, Media & Telecommunications ("TMT")	**44%**

Total assets by value

Unquoted – loan note	**15%**
Unquoted – equity	**11%**
AIM	**45%**
Collective investment vehicles	**29%**

Time investments held by value



Less than 1 year	**5%**
Between 1 and 3 years	**13%**
Between 3 and 5 years	**24%**
Greater than 5 years	**58%**

- **IXICO (quoted)** provides data analytics services for pharma companies and clinical research organisations with a particular focus on neurodegenerative diseases. IXICO's analytics solutions combine technology and specialist services for customers running clinical trials, as well as real world data applications.

Unquoted Portfolio

Performance

The unquoted portfolio has had a strong year of progress with a 15 per cent increase in value over the course of the year. The portfolio is valued by the Board using a consistent process every quarter. The majority of the value created by portfolio companies comes from trading and operational improvements including revenue and margin growth, rather than financial leverage.

Divestments

During the year the unquoted portfolio returned £19.3m in proceeds following the full realisation of Key Travel (3.2x cost), Crew Clothing Holdings (2.3x cost) and Eque2 (3.0x cost). This represents an excellent trio of realisations. Kirona and Create Health made loan note repayments within the year.

Alongside this strong performance, we had one significant disappointment in realising our investment in In The Style Fashion at nil proceeds. This business needed investment beyond the levels we anticipated and rather than invest further we were diluted and replaced by another funder. The 15 per cent unquoted portfolio returns includes the negative of this divestment.

After the year end, the Company realised it's investment in Symphony Ventures returning proceeds of £4.3m (2.4x cost).

Quoted Portfolio (AIM-traded investments)

Performance

The quoted portfolio has had a good overall performance during the year with an increase of 4 per cent. Stand out performers were: Ideagen, a provider of governance, risk and compliance ("GRC") software to highly regulated industries, following strong financial results and a successful oversubscribed placing to fund the acquisition of MK Insight; Netcall, a customer engagement software provider, which traded well through the period and completed the acquisition of low code platform provider MatsSoft; and Cerillion, a provider of carrier-grade enterprise CRM and billing software to telecoms companies, following in line trading updates and some good customer wins. These were partially offset by weaker share price performance from IDOX, a software and services provider to the local government sector, following a profit downgrade and change of CEO, and Dods (Group), a business to business media and information provider, which was de-rated on no specific news.

Divestments

Proceeds totalled £6.1m during the year following 5 full realisations. The two largest divestments were EG Solutions and Escher Group Holdings returning £2.7m and £1.5m respectively, generating returns of 1.4x cost and 1.1x cost.

Collective Investment Vehicles

Micro Cap had strong performance over the year increasing by 18.8 per cent (2017: 26.9 per cent). At 30 September 2018, Baronsmead Second Venture Trust's cumulative £6.2m investment was valued at £24.2m. As at 30 September 2018, Micro Cap held investments in 44 AIM-traded and listed companies.

The investment into Multi Cap has had a good performance over the year increasing by 14.0 per cent. At 30 September 2018, Baronsmead Second Venture Trust's investment was valued at £3.0m. As at 30 September 2018, Multi Cap held investments in 45 AIM-traded and listed companies.

Liquid assets (cash and near cash)

Baronsmead Second Venture Trust had cash of approximately £32m at the year-end. This asset class is conservatively managed to take minimal or no capital risk, a strategy outlined in prospectuses that have been issued in the past.

OUTLOOK

The majority of investee companies continue to perform well, providing good returns over the year and a firm foundation for future returns. The investment management team continues to adapt its deal origination and sourcing activities which have resulted in the Company adding 6 unquoted and 7 AIM-traded companies to the portfolio and the investment management team look forward to making further additions over the coming year.

Livingbridge VC LLP
Investment Manager

22 November 2018

Strategic Report

Investments in the year

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments ***New***				
SecureCloud+ Ltd	Berkshire	TMT	Defence and public sector IT systems	789
Pointr Ltd	London	TMT	AI/ IOT Indoor Positioning Platform	526
Equipsme (Holdings) Ltd	London	Business Services	SME Health Insurance Plans Provider	421
Your Welcome Ltd	London	TMT	Supplier of tablets and software for vacation rental properties	368
Munnypot Ltd	West Sussex	TMT	Automated online investment platform	273
Labrador Ltd	London	TMT	Smart energy switching technology	263
Follow on				
Custom Materials Ltd	London	Consumer Markets	Retailer of customisable products	722
SilkFred Ltd	London	Consumer Markets	Online fashion market place	275
Total unquoted investments				**3,637**
AIM-traded investments ***New***				
IXICO plc	London	Healthcare & Education	Provides technology enabled services to the biopharmaceutical industry worldwide	825
I-nexus Global plc	West Midlands	TMT	Strategy and continuous improvement software	688
Access Intelligence plc	London	Business Services	Provider of corporate communications and reputation management software	633
Fusion Antibodies plc	Belfast	Healthcare & Education	Development of antibodies for both therapeutic and diagnostic applications	550
KRM22 plc	London	TMT	Software as a service platform buy & build in risk and compliance software	550
PCI-Pal plc	London	TMT	Secure payment services provider	495
Beeks Financial Cloud Group plc	Renfrewshire	TMT	Cloud hosting services for the financial trading sector	413
Follow on				
CloudCall Group plc	Leicestershire	TMT	Cloud based telephony platform	549
Total AIM-traded investments				**4,703**
Total investments in the year				**8,340**

Realisations in the year

Company		First investment date	Proceeds‡ £'000	Overall multiple return*
Unquoted realisations				
Key Travel Ltd	Trade sale	Jul 13	6,430	3.2
Crew Clothing Holdings Ltd	Trade sale	Nov 16	5,362	2.3
Eque2 Ltd	Trade sale	Apr 13	5,129	3.0
Kirona Ltd	Loan repayment	Dec 14	1,201	1.2
IP Solutions Ltd	Loan repayment	Dec 14	642	0.3
Create Health Ltd	Loan repayment	Mar 13	550	1.0
In The Style Fashion Ltd	Write Off	Apr 17	0	0.0
Xention Pharma Ltd	Write Off	Jul 05	0	0.0
Total unquoted realisations			**19,314**	
AIM-traded realisations				
EG Solutions plc	Scheme of arrangement	May 05	2,728	1.4
Escher Group Holdings plc	Take over	Aug 11	1,486	1.1
FreeAgent Holdings plc	Scheme of arrangement	Nov 16	1,375	1.4
Plant Impact plc	Scheme of arrangement	Feb 15	493	0.3
Ubisense Group plc	Market sale	Jun 11	29	0.2
Total AIM-traded realisations			**6,111**	
Total realisations in the year			**25,425†**	

‡ Proceeds at time of realisation including interest.

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

† Proceeds of £332,000 were received in respect of Optimisa which has been written off in a prior period. Deferred consideration of £115,000 was received in respect of Nexus Vehicle Holdings and £54,000 in respect of Kingsbridge Risk Solutions, both of which had been sold in a prior period.

Strategic Report

The top ten investments by current value at 30 September 2018 illustrate the diversity of investee companies within the portfolio. For consistency across the top ten and based on guidance from the AIC, data extracted from the last set of published audited accounts is shown in the tables below. However, this may not always be representative of underlying financial performance for several reasons. Published accounts lodged at Companies House are out of date and the Manager works from up to date management accounts and has access to draft but unpublished annual audited accounts prepared by the companies. In addition, pre-tax profit in statutory accounts is often not a representative indicator of underlying profitability as it can be impacted by, for example, deductions of non-cash items such as amortisation that relates to investment structures rather than operating performance.

Ten Largest Investments

1 Ideagen Plc
Nottinghamshire

Quoted

www.ideagen.com

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

All funds managed by Livingbridge†

First investment: January 2013
Total original cost: £3,000,000
Total equity held: 5.1%

Baronsmead Second Venture Trust only

Original cost: £1,650,000
Valuation: £9,747,000
Valuation basis: Bid Price
% of equity held: 2.8%

Year ended 30 April

	2018 £ million	2017 £ million
Sales:	**36.1**	27.1
Pre-tax profits:	**1.4**	0.7
Net Assets:	**50.5**	46.4
No. of Employees:	**375**	305

(Source: Ideagen Plc, Annual Report and Accounts, 30 April 2018.)

2 Netcall Plc
Hertfordshire

Quoted

www.netcall.com

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

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

All funds managed by Livingbridge†

First investment: July 2010
Total original cost: £4,354,000
Total equity held: 17.3%

Baronsmead Second Venture Trust only

Original cost: £2,616,000
Valuation: £9,245,000
Valuation basis: Bid Price
% of equity held: 10.4%

Year ended 30 June

	2018 £ million	2017 £ million
Sales:	**21.9**	16.2
Pre-tax profits:	**0.0**	1.7
Net Assets:	**21.7**	21.0
No. of Employees:	**217**	169

(Source: Netcall Plc, Annual Report and Accounts, 30 June 2018.)

3 Bioventix Plc
Surrey

Quoted

www.bioventix.com

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

All funds managed by Livingbridge†

First investment: June 2013
Total original cost: £1,008,000
Total equity held: 7.5%

Baronsmead Second Venture Trust only

Original cost: £555,000
Valuation: £6,621,000
Valuation basis: Bid Price
% of equity held: 4.1%

Year ended 30 June

	2018 £ million	2017 £ million
Sales:	**8.0**	7.2
Pre-tax profits:	**6.9**	5.8
Net Assets:	**11.0**	10.1
No. of Employees:	**15**	16

(Source: Bioventix Plc, Annual Report and Financial Statements, 30 June 2018.)

The top 10 investments represent 45 per cent of the value of the investment portfolio

Excluding collective investment vehicles.

Cerillion Plc

- Cerillion provides carrier-grade CRM and billing software to telecoms companies globally
- Revenue has increased from£13.3m in 2014 to £16.0m in 2017
- Market Value has increased 90% since investment

Inspired Energy Plc

- Baronsmead first invested at 2011 IPO. Since then revenues have grown 9.5x organically through acquisitions
- Revenue up 28% from 2016 to 2017 financial years
- It is now managing £2.5bn worth of annual utility costs from over 1,800 clients

4 Happy Days Consultancy Ltd

Cornwall

Unquoted

www.happydaysnurseries.com

Happy Days is a leading child day care and early years education provider operating from 19 settings across the South West. The business focusses on delivering outstanding quality childcare in premium settings within its geographic target markets.

The investment enables Happy Days to continue its UK expansion strategy through supporting the funding to develop new leasehold nursery settings in attractive markets.

All funds managed by Livingbridge
First investment: April 2012
Total original cost: £7,617,000
Total equity held: 65.0%

Baronsmead Second Venture Trust only
Original cost: £4,180,000
Valuation: £6,214,000
Valuation basis: Earnings Multiple
% of equity held: 31.5%

Year ended 31 December

	2017 £ million	2016 £ million
Sales:	**8.0**	7.0
Pre-tax profits:	**(2.2)**	(1.8)
Net Assets:	**(6.5)**	(4.2)
No. of Employees:	**398**	309

(Source: H. Days Holdings Ltd Annual Report and Financial Statements 31 December 2017.)

5 Carousel Logistics Ltd

Kent

Unquoted

http://www.carousel.eu

Carousel Logistics, based in Kent, designs and manages bespoke supply chain management solutions for clients with time critical, challenging or high touch customer care needs. Carousel has a wide range of international clients for whom it delivers a complete integrated service including e-fulfilment, procurement, warehousing, distribution, reverse logistics and international in-night services.

Carousel merged with German business LSi Logistik in 2017 increasing its European reach.

All funds managed by Livingbridge
First investment: October 2013
Total original cost: £5,595,000
Total equity held: 40.0%

Baronsmead Second Venture Trust only
Original cost: £2,336,000
Valuation: £5,929,000
Valuation basis: Earnings Multiple
% of equity held: 14.7%

Year ended 31 December

	2017 £ million	2016 £ million
Sales:	**31.8**	21.4
Pre-tax profits:	**0.0**	0.3
Net Assets:	**1.8**	3.0
No. of Employees:	**128**	92

(Source: Carousel Logistics Ltd Financial Statement 31 December 2017.)

Strategic Report

INSPIRED
ENERGY PLC

6 Inspired Energy Plc
Lancashire

Quoted

www.inspiredplc.co.uk

Inspired Energy is an energy consultancy business for commercial and industrial clients, providing energy procurement, management and advisory services to optimise energy costs and carbon emissions. Established in 2000, the company now has a team of 240 energy professionals who advise and manage over 11,500 clients. The corporate division comprises five subsidiaries and provides review, analysis and negotiation of gas and electricity contracts on behalf of corporate clients; the SME division offers reduced tariffs and contracts based on unique customer situation. The Baronsmead VCTs first invested as cornerstone investors in the 2011 IPO and since then Inspired Energy has grown revenues 9.5x through both organic and acquisitive means.

All funds managed by Livingbridge†
First investment: November 2011
Total original cost: £1,437,000
Total equity held: 7.6%

Baronsmead Second Venture Trust only
Original cost: £861,000
Valuation: £5,748,000
Valuation basis: Bid Price
% of equity held: 4.6%

Year ended 31 December

	2017 £ million	2016 £ million
Sales:	**27.5**	21.5
Pre-tax profits:	**3.6**	4.0
Net Assets:	**25.1**	14.9
No. of Employees:	**266**	200

(Source: Inspired Energy Plc, Annual Report and Accounts 2017.)

7 Create Health Ltd
London

Unquoted

www.createfertility.co.uk

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

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

All funds managed by Livingbridge
First investment: March 2013
Total original cost: £1,253,000
Total equity held: 29.0%

Baronsmead Second Venture Trust only
Original cost: £680,000
Valuation: £5,722,000
Valuation basis: Earnings Multiple
% of equity held: 14.0%

Year ended 31 March

	2017 £ million	2016 £ million
Sales:	**13.7**	11.5
Pre-tax profits:	**1.1**	1.5
Net Assets:	**4.0**	3.0
No. of Employees:	**94**	71

(Source: Create Health Holding Ltd Annual Report and Consolidated Financial Statements 31 March 2017.)

8 Pho Holdings Ltd
London

Unquoted

www.phocafe.co.uk

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

Pho was founded in 2005 and now successfully operates from 27 sites in several different channels: London High St sites (e.g. Soho, Clerkenwell); regional sites (e.g. Brighton, Leeds); and food courts in shopping centres (e.g. Westfield).

All funds managed by Livingbridge
First investment: July 2012
Total original cost: £4,415,000
Total equity held: 28.0%

Baronsmead Second Venture Trust only
Original cost: £2,422,000
Valuation: £5,052,000
Valuation basis: Earnings Multiple
% of equity held: 13.6%

Year ended 28 February

	2017* £ million	2016** £ million
Sales:	**25.9**	19.4
Pre-tax profits:	**0.0**	0.0
Net Assets:	**4.5**	4.5
No. of Employees:	**540**	399

(Source: Pho 2012 Ltd, Directors' Report and Financial Statements 26 February 2017.)

* 52 week Period ended 26 February 2017.
**52 week Period ended 28 February 2016.

Year on year sales growth of 33 per cent p.a. across the top 10 investments

Source: Top Ten Audited Financial Statements.

Ideagen Plc

- Governance, risk and compliance software solutions.
- Number of employees increased by 23 per cent during 2018.
- Ideagen has grown revenues from £6.5m in 2013 to £36.1m in 2018.

Carousel Logistics Ltd

- Revenues up 49% from 2016 to 2017
- Carousel led a merger with German-based LSi Logistiks in 2017 to develop a European platform
- Setting up a new Sales & Innovation centre in Frankfurt

9 Cerillion Plc
London

Quoted

www.cerillion.com

Cerillion provides carrier-grade enterprise CRM and billing software to telecoms companies globally. Cerillion's core product provides mission critical functionality to allow customers to manage their billing, charging, network provisioning, workflow and CRM processes, all of which are key from a business operations, revenue delivery and customer pipeline management perspective. Currently Cerillion provide solutions to customers across 43 countries, which include their core product as well as Cerillion Skyline, an industry agnostic software as a service billing application.

All funds managed by Livingbridge
First investment: November 2015
Total original cost: £4,000,000
Total equity held: 17.8%

Baronsmead Second Venture Trust only
Original cost: £2,200,000
Valuation: £4,689,000
Valuation basis: Bid Price
% of equity held: 9.8%

Year ended 30 September

	2017 £ million	2016* £ million
Sales:	**16.0**	8.4
Pre-tax profits:	**2.0**	0.2
Net Assets:	**13.8**	13.0
No. of Employees:	**171**	162

(Source: Cerillion Plc, Annual Report and Accounts 2017.)
*Revenue from acquisition, as the Group came into existence on 18 March 2016.

10 Anpario Plc
Nottinghamshire

Quoted

www.anpario.com

Anpario is a producer of natural feed additives for the global agriculture and aquaculture markets. Their products are designed to boost growth and improve the health of the animals to which they are fed. In an era where the traditional antibiotic based growth supplements are being steadily phased out, Anpario's natural solutions can help to fill the gap. Sales growth is supported by both the increasing global demand for meat (and hence feed) as well as the trend towards organic foods and healthy eating.

All funds managed by Livingbridge
First investment: November 2006
Total original cost: £965,000
Total equity held: 6.0%

Baronsmead Second Venture Trust only
Original cost: £662,000
Valuation: £4,602,000
Valuation basis: Bid Price
% of equity held: 4.1%

Year ended 31 December

	2017 £ million	2016 £ million
Sales:	**29.2**	24.3
Pre-tax profits:	**3.4**	2.7
Net Assets:	**30.5**	28.5
No. of Employees:	**111**	101

(Source: Anpario Plc Annual Report 2017.)

†Excludes collective investment vehicles

Principal Risks & Uncertainties

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

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

The financial risks faced by the Company are covered within the Notes to the Financial Statements on pages 58 to 60.

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

Other Matters

Applying the Business Model

This section of the Strategic Report sets out the practical steps that the Board has taken in order to apply the business model, achieve the investment objective and adhere to the investment policy. The investment policy, which is set out in full on page 62, is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs.

Investing in the Right Companies

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

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

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

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

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

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

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

Environmental, Human Rights, Employee, Social and Community Issues

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

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

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

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

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

Global Greenhouse Gas Emissions

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

Gender Diversity

The Board of Directors of the Company comprises four male Directors. The Manager has an equal opportunity policy and currently employs 56 men and 40 women.

Appointment of the Manager

As announced on 8 November 2018, the Investment Manager for Baronsmead Second Venture Trust, Livingbridge, will change to Gresham House, a specialist alternative asset manager listed on the London Stock Exchange, on or around 30 November 2018.

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

The management agreement

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

Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee. The running cost as at 30 September 2018 was 2.7 per cent.

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

Performance fees

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

No performance fee was payable for the year to 30 September 2018 (2017: £nil).

Management retention

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

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

Prior to January 2017, executives participating in the VCT incentive scheme subscribed jointly for a proportion (12 per cent) of the ordinary shares (but not the prior ranking financial instruments) available to the Baronsmead VCTs in each eligible unquoted investment. The level of participation was increased from 5 per cent in 2007 when the Manager's performance fee was reduced from 20 per cent to its current level of 10 per cent. With effect from January 2017, an additional limb was added to the VCT incentive scheme to accommodate the increasing number of "permanent equity" investments being made by the Baronsmead VCTs (being investments in which the Baronsmead VCTs hold an insufficient number of prior ranking financial instruments (if any) relative to the number of ordinary shares they hold in order to yield a priority return for the Baronsmead VCTs before any gain accrues to the ordinary shares).

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

Since the formation of the scheme in 2004, 74 executives have invested a total of £943,000 in 57 companies. At 30 September 2018, 37 of these investments have been realised generating proceeds of £306.9m for the Baronsmead VCTs and £15.5m for the VCT incentive scheme. For Baronsmead Second Venture Trust the average money multiple on these 37 realisations was 1.9 times cost. Had the VCT incentive shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been the equivalent of 3.7p a share (based on the current number of shares in issue). The Board considers this small cost to retain quality people to be in the best interests of shareholders.

Advisory and Directors' fees

During the year the Manager and an affiliate received £16,000 (2017: £48,000) advisory fees, £356,000 (2017: £448,000) directors' fees for services provided to companies in the investment portfolio and incurred £42,000 (2017: £14,000) abort fees with respect to investments attributable to BSVT.

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

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

Viability Statement

In accordance with principle 21 of the AIC Code of Corporate Governance ("AIC Code"), the Directors have assessed the prospects of the Company over the three year period to 30 September 2021. This period is used by the Board during the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that we request from the Manager and the estimated time line for finding, assessing and completing investments.

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

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

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

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

Based on the Company's processes for monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model, asset allocation and the portfolio risk profile, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 September 2021.

Returns to Investors

Dividend policy

The Board of Baronsmead Second Venture Trust has the objective to maintain a minimum annual dividend level of around 6.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

Since launch, the average annual tax free dividend paid to shareholders has been 7.3p per ordinary share.

Shareholder choice

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

- Fund raising | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for costs. The Company has announced its intention to raise funds in early 2019.
- Dividend Reinvestment Plan | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 1,844,000 shares were bought in this way during the year to 30 September 2018.
- Buy back of shares | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid-share price discount of approximately 5 per cent to net asset value where possible. However, shareholders should note this discount may widen during the periods of market volatility.
- Secondary market | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. Approximately 811,000 shares were bought by investors in the Company's existing shares in the year to 30 September 2018.

On behalf of the Board
Anthony Townsend
Chairman

22 November 2018

Report of the Directors

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

Board of Directors

As at 30 September 2018

Anthony Townsend	Chairman
Appointed:	4 August 2009
Past experience	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.
Other appointments	He is chairman of F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc and Gresham House plc and a non-executive director of Hansa Capital Ltd.
Beneficial Shareholding	197,935 Ordinary Shares

Malcolm Groat	Audit and Risk Committee Chairman
Appointed:	11 March 2016
Past experience	Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Royal Society for the encouragement of Arts, Manufactures and Commerce. During his 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.
Other appointments	He currently holds directorships at established companies Corps Security, Maritime House and Tekcapital plc, and at young ventures daVictus plc, Tomco Energy plc and Golden Saint Technologies plc.
Beneficial Shareholding	80,458 Ordinary Shares

Ian Orrock	Non-Executive Director
Appointed:	21 October 2010
Past experience	Ian has wide experience having founded, developed and sold a number of businesses particularly focussing on the international media, technology and telecoms sectors, and has worked at board level in quoted global organisations. He was also a non-executive director of Henderson Private Equity Investment Trust plc.
Other appointments	He is currently a director of a number of TMT businesses including Arkessa Limited, Iotic-Labs Ltd and Silchester Limited.
Beneficial Shareholding	51,675 Ordinary Shares

John Davies	Senior Independent Director
Appointed:	30 November 2016
Past experience	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.
Other appointments	He is a director of Gardens Pension Trustees, a corporate trustee of the 3i Group Pension Scheme. He is also a member of the investment committee of the scheme.
Beneficial Shareholding	133,760 Ordinary Shares

The Directors of Baronsmead Second Venture Trust plc (Reg: 04115341) present their Eighteenth Report and Audited Financial Statements of the Company for the year to 30 September 2018.

Shares and Shareholders

Share capital

During the year, the Company bought back a total of 5,005,000 ordinary shares to be held in Treasury, representing 2.15 per cent of the issued share capital as at 30 September 2018, with an aggregate nominal value of £500,500. The total amount paid for these shares was £4,410,184.5. The Company's remaining authority to buy back shares from the AGM held in 2018 is 29,791,984. During the year, there were 400,000 ordinary shares sold from Treasury.

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

Share	Total	% of Shares in issue	Nominal Value
In issue	232,791,189	100.0	£23,279,118.90
Held in Treasury	16,298,214	7.0	£1,629,821.40
In circulation	216,492,975	93.0	£21,649,297.50

The maximum number of shares held in Treasury during the year was 16,298,214. Shares will not be sold out of Treasury at a discount wider than the discount at which the shares were initially bought back by the Company.

Shareholders

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

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

In addition to the powers provided to the Directors under UK company law and the Company's Articles of Association, at each AGM the shareholders are asked to authorise certain powers in relation to the issuing and purchasing of the Company's own shares. Details of the powers granted at the AGM held in 2018, all of which remain valid, can be found in the previous Notice of AGM.

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

Dividends

The Company has paid or declared the following dividends for the year to 30 September 2018:

Dividends	£'000
Interim dividend of 3.0p per ordinary share paid on 21 September 2018	6,517
Final dividend of 4.5p per ordinary share to be paid on 8 March 2019	9,742*
Total dividends paid for the year	**16,259**

* Calculated on shares in circulation as at 30 September 2018.

Subject to shareholder approval at the AGM, a final dividend of 4.5p per share will be paid to shareholders on the register at 8 February 2019.

Annual General Meeting

The notice of the AGM of the Company to be held at 11.00am on 28 February 2019 at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR will be sent to shareholders and will be available on the Company's website.

Directors

Appointments

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

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

Report of the Directors

Directors' Indemnity

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

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

Conflicts of Interest

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

Responsibility for accounts and going concern

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

After making enquires, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 30 September 2018, the Company held cash balances and investments in readily realisable securities with a value of £31.8m. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing or covenants.

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

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

22 November 2018

Corporate Governance

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

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of Baronsmead Second Venture Trust plc, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The tables on pages 25 to 29 provide an explanation of how the Company has complied with the AIC Code during the year and provide explanations where the Company has not complied.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
1	**The Chairman should be independent.**	The Board does not consider that Anthony Townsend has any conflict of interest that compromises his independence and the Company's independent directors (excluding the Chairman) have determined that he remains an independent director.
2	**A majority of the board should be independent of the manager.**	All of the Directors' appointments are non-executive and, having considered the performance and independence of each Director, the Board has determined that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement or impair their independence. As explained in the disclosure relating to AIC Code Provision 4, the Board does not believe that length of service has a bearing on independence and the nature of the Company's business is such that an individual director's experience and continuity of board membership can significantly enhance the effectiveness of the board as a whole.
3	**Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.**	The Board has agreed that each Director will retire and, if appropriate, seek re-election annually, in line with best practice. Director performance is assessed during the annual Board evaluation process, as described on page 32, prior to nomination for re-election.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
4	**The board should have a policy on tenure, which is disclosed in the annual report.**	The Board does not believe that the tenure of a director on a wholly non-executive board has any direct bearing on their independence and, in common with many VCTs, the Board ensure that its membership includes longer-serving directors who provide a balance of knowledge and experience that is not present in the absence of executive directors. In addition, the average period for holding private equity investments is considerably longer than for other types of investment. As a result, the Nomination Committee considers the composition of the Board regularly and has determined that a formal policy on tenure would not be appropriate.
5	**There should be full disclosure of information about the board.**	The Board is profiled on page 22 and biographies are available on the Company's website. Details of the Board's committees are set out from page 30. The recommendation of the AIC Code under Principle 5 states that the Chairman may be a member of, but not chair, the Remuneration Committee. Having taken account of the size of the Board and the remit of the Management Engagement and Remuneration Committee, which extends only to consideration of non-executive remuneration, the Board believes that Anthony Townsend remains the most suitable Director to chair the Committee. The Remuneration of the Chairman is considered by the Management Engagement and Remuneration Committee in his absence.
6	**The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.**	The profiles of each of the Directors are set out on page 22 and highlights their range of skills, experience, length of service and knowledge. The Board believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and the Board and its Nomination Committee give careful consideration to issues of board balance and diversity when considering the composition of the Board and making new appointments. As reported in the Nomination Committee report on page 32, no changes to the composition of the Board were recommended in the year.
7	**The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.**	During the year, the performance of the Board, Committees and individual Directors was evaluated through an assessment process by way of interviews. The results of the Board Evaluation were considered by the Nomination Committee which ultimately concluded that the Directors, the Board and its committee remained effective. The Directors will meet collectively to consider the output from the individual meetings. The performance of the Chairman is evaluated by the other Directors led by John Davies, the Senior Independent Director.
8	**Director remuneration should reflect their duties, responsibilities and the value of their time spent.**	The Board's Management Engagement and Remuneration Committee considers at least annually the level of the Board's fees, in accordance with the Remuneration Policy approved by shareholders at the AGM held in 2017. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 33 to 36.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
9	**The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.**	The Nomination Committee, which is comprised entirely of independent directors, is responsible for overseeing the recruitment of new directors. Potential candidates are identified through either the appointment of a recruitment consultant or the Board's/Manager's knowledge of available individuals.
10	**Directors should be offered relevant training and induction.**	New Directors are provided with an induction pack containing key information and governance documents relating to the Company when they are appointed. In addition, they are offered a tailored induction programme with the Manager which covers the investment portfolio and the Manager's approach to investment. Directors receive detailed updates on market and regulatory developments and are provided periodically with training to enhance and refresh their knowledge.
11	**The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.**	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.
12	**Boards and managers should operate in a supportive, co-operative and open environment.**	Formal Board meetings provide important forums for the Directors and key members of the Manager's team to interact and for Directors to receive reports and provide challenge to the Manager but interaction between the Board and the Manager is not restricted to these meetings. Between meetings, the Manager continuously updates the Board on developments and responds to queries and requests by Directors as they arise. Informal meetings take place regularly between the Directors and the Manager and senior members of the Manager's team are also invited to the Board's annual strategy meeting.
13	**The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.**	At each quarterly meeting, the Board receives a report on the performance of the Company, its investments and the VCT sector (including competitors). The report also outlines compliance with the 70 per cent test and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments that will/may impact upon the Manager's management of the investment portfolio. The Board has agreed with the Manager specific KPIs that enable both parties to monitor compliance with the agreed Investment Policy and Risk Management framework. Directors regularly seek additional information from the Manager to supplement these reports and formally review the performance measures and KPIs at their annual strategy meeting.
14	**Boards should give sufficient attention to overall strategy.**	The Board monitors performance against its agreed strategy on an ongoing basis and reviews its overall strategy, including the viability of the Company in its current form, at its annual strategy meeting.

Corporate Governance

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
15	**The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed fund).**	The Management Engagement and Remuneration Committee reviews the overall performance of the Manager annually and considers both the appropriateness of the Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Manager. The Board believe that the Manager's track record in the VCT sector remains outstanding and that its ability to continue to achieve strong results by adapting to an ever changing regulatory environment has been particularly impressive. As stated in the Chairman's Statement on page 5, the Investment Manager of the Company will change to Gresham House. Due to the Management team transferring to the new Investment Manager, the Board has concluded that the appointment of Gresham House, following the completion of the sale, is in the best interests of shareholders as a whole.
16	**The board should agree policies with the manager covering key operational issues.**	Certain matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board. Under the terms of management agreement, the Board has delegated the management of the investment portfolio to the Manager. The management agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. The Manager also provides or procures the provision of company secretarial, accounting, administrative and custodian services to the Company. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principal approach to corporate governance. The Board has considered the adequacy of arrangements by which staff of the Manager or Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.
17	**Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.**	The Company has stated its aim to seek a mid-share price discount to NAV of 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 will be bought back depending on market conditions at the time and only where the Directors believe it to be in the best interests of all shareholders.

AIC Code	Principle	Evidence of compliance and/or explanation of departure from the Code
18	**The board should monitor and evaluate other service providers.**	The Board has established a framework for monitoring and evaluating the performance of its third party services providers and, on the Company's behalf, the Manager monitors the performance and systems and controls employed by the service providers. The Audit Committee receives service provider control reports from the Manager and the Board considers if a provider should be replaced.
19	**The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views for communicating the board's view to shareholders**	As a VCT, the Company's share register is made up almost entirely of retail shareholders and the Board, through the Manager, remains in constant engagement with wealth managers and brokers to inform their understanding of its investor base. The Company's Annual Report & Financial Statements provides the Board with an opportunity to report on the performance and outlook for the Company and to update shareholders on developments. At the AGM shareholders have an opportunity to receive more detailed presentations from the Manager on specific investments and it also provides a forum to speak directly to the Directors and members of the Manager's team. The Directors welcome the views of shareholders and are happy to correspond directly with shareholders or make themselves available to meet shareholders. Shareholders seeking to communicate with the Board should contact the Manager in the first instance (see page 70 for contact details). The AGM held in 2018 was held on 30 January 2018. The Company provided 21 days' notice, in accordance with the Companies Act 2006 and 20 working days' notice, as required under the AIC Code.
20	**The board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.**	The Board takes responsibility for approving the content and timing of communications regarding major corporate issues. Communications usually take the form of stock exchange announcements, press releases and direct correspondence with shareholders and the Board seeks the advice and guidance of the Manager when drafting such communications.
21	**The board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.**	The Company's annual report is drafted to provide shareholders with sufficient information to understand the nature of their investment in the Company. The format and content of the annual report is updated each year in response to changes in best practice and to improve the quality of the information available to shareholders. Details of the Company's full portfolio as at 30 September 2018 can be found on the Company's website and on pages 65 and 66. Under the AIC Code the Company must provide an explanation regarding the prospects of the Company over a period of more than 12 months. The Company's viability statement can be found on pages 20 and 21.

The Board's Committees

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

Audit & Risk Committee

Chairman: Malcolm Groat

Key responsibilities:

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

In the past financial year, the Audit Committee has consistently assessed the Boards compliance with Regulations and Legislative updates. As of 3 January 2018, the Company has been subject to MiFID II regulation. During the course of the year, the Committee has worked with the Manager and external advisors to ensure ongoing compliance with the legislation.

Throughout the financial year, the Committee has received informative updates from the Manager to ensure compliance with General Data Protection Regulation ("GDPR"). As part of its oversight, the Manager reviewed the cyber security procedures and controls of its service providers to mitigate cyber risk. We will continue to receive updates and to work with the Manager to satisfy ourselves that procedures in place are robust and enable continuous compliance with GDPR.

During the year and as part of the audit strategy presentation by KPMG, the Committee discussed the valuation approach in respect of unlisted investments and the degree of judgement that was adopted as part of this process. KPMG provided a clear description of the work they undertook as part of the audit process to review these valuations.

The Committee reviewed the Annual Financial Statements and the significant area of focus was the valuation of unquoted investments. The Manager confirmed that the investment valuations had been performed consistently with prior years and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The Directors had met quarterly to assess the estimates and judgements made by the Manager in the valuations for their appropriateness.

Given the quantum of quoted investments, making up a significant portion of the Company's total assets, the Directors assessed the Manager's approach to valuation. The Manager and external auditor confirmed that such investments comprise liquid, quoted investments, the valuation of which is obtained from externally quoted prices.

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

During the year, we reviewed and agreed changes to the Risk Mapping Report and Risk Register. We carried out a formal review of the effectiveness of the risk management and internal control systems during the year and concluded that this remained appropriate.

The Committee receives a Service Provider Control Report from the Manager that provides an overview of the main risks identified by our third-party service providers and the mitigating actions put in place for these. In addition, the Committee approved the introduction of internal monitoring programmes for all procedures and controls; including investment, finance and operations. We believe this process provides additional rigour to the Committee's oversight and review of internal control and risk management processes.

The Committee also reviewed the need for an internal audit function. We considered the risk profile of the Company, the internal controls in place to mitigate these risks and the processes in place to provide confirmation that these controls were appropriate and effective. We concluded that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. We therefore believe that an internal audit function, specific to the Company, is not currently required.

Under the Competition and Markets Authority regulations, the Company is required to carry out an audit tender every ten years and mandatory rotation at least every 20 years. As reported in last year's report, in November 2016, the Company conducted a full audit tender process. As KPMG have only been in office for 12 years and would only be required to retire following the 2026 audit, the auditor was able to participate in the tender process.

Each firm was considered to offer extensive experience of VCTs, together with accounting, tax and financial reporting and governance expertise. Out of the three invited to the tender, only two of the audit firms presented to the Committee. The conclusion of this process was that KPMG be reappointed. The Committee expects to repeat a tender process in 2026 in respect of the audit for the year ended 30 September 2027, in line with the latest Corporate Governance provisions and EU Requirements. In accordance with professional guidelines the senior statutory auditor is rotated after at most five years, and the current senior statutory audit partner started working with the Company in 2016.

Following the implementation of the EU Audit Directive and in accordance with the FRC's Guidance on Audit Committees, the Committee approved a non-audit services policy to ensure that the auditor's independence and objectivity was not impaired. The policy outlines those services that the external auditor is prohibited from providing as well as those that require pre-approval from the Committee. During the year, the Committee approved KPMG's review of the Half Yearly Report and Accounts as a permissible non-audit service.

The Committee carefully considered the independence of KPMG and were satisfied that there was a clear division between audit and non-audit services and the implementation of this policy will ensure that this division is maintained going forward. The Committee continues to believe that the non-audit services provided by KPMG, as reported on page 54, does not represent a conflict of interest.

Following a review of the effectiveness of the audit, the Committee was satisfied that KPMG had continued to carry out its duties in a diligent and professional manner, maintained a good knowledge of the VCT market and continued to provide a high level of service. A resolution to re-appoint KPMG as the Company's Auditor will be put to shareholders at the forthcoming AGM.

Corporate Governance

Looking ahead to the work that will be undertaken by the Committee in the next financial year, we will continue to work with our advisors to continue to understand the current impact of the legislative changes to ensure full compliance and that our policies in place provide the necessary comfort.

Management Engagement & Remuneration Committee

Chairman: Anthony Townsend

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

Nomination Committee

Chairman: Anthony Townsend

Key responsibilities:

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

During the year the Nomination Committee reviewed the composition of the Board and Committees, including the chairmanship of each Committee. In order to review the Board's performance, an evaluation was carried out by way of an interview with the Chairman. The Chairman's effectiveness was also assessed by the other Board members and views fed back to the Senior Independent Director. Following the evaluation, we remain satisfied with the performance of the Board, its sub-committees and that of individual Directors and Chairman.

The Committee annually reviews its size and structure of the Board and will continue to review succession planning and recruitment further. When considering future appointments of Directors, the Nomination Committee, will look at the balance of skills, knowledge and experience, including gender diversity of the Board and will also take into account recommendations from the external board evaluations. The Committee will also consider the use of external consultants, as appropriate, when shortlisting candidates.

In accordance with the Articles of Association and best practice, all Directors will be submitted for re-election on an annual basis.

The below table sets out the Directors' attendance at Board and Committee meetings held during the year ended 30 September 2018. In addition, the Board established committees to approve financial statements and the payment of dividends. Other ad-hoc meetings were held as required. The Directors also attended quarterly meetings to consider in detail the valuations of the unquoted investments in the portfolio.

	Board of Directors (4 meetings held)		Audit Committee (2 meetings held)		Management Engagement and Remuneration Committee (1 meeting held)		Nomination Committee (1 meeting held)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Anthony Townsend	4	4	2	2	1	1	1	1
John Davies	4	4	2	2	1	1	1	1
Ian Orrock	4	4	2	2	1	1	1	1
Malcolm Groat	4	4	2	2	1	1	1	1

Directors' Remuneration Report

Directors' Remuneration Report

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

The law requires the Company's auditor, KPMG, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the 'Independent Auditor's Report' on pages 38 to 43.

An Ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM.

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

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

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

Each year the Committee reviews the Directors' fees to make sure they are in line with others in the VCT industry, so that the Board can attract suitably qualified candidates to the Board. In addition, they have regard to the workload that individual directors and the Chairman undertake as members of the Board. In recent years the Board has seen a significant increase in regulation in the industry which has, in turn, resulted in an increase in the workload of the Directors. This trend of ever increasing regulation seems set to continue. In addition, the Directors spend a considerable amount of time monitoring the 70 per cent test, the other continuing VCT tests, and the VCT incentive scheme. They are also responsible for monitoring the key risks to the Company and for scrutiny of all costs. The Directors set the strategy for the Company's continuing success and decide when fundraising is appropriate. They then monitor the performance of the Company against the strategic objectives set.

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

Further details of the responsibilities of the Directors are provided in the Corporate Governance Statement on pages 25 to 29, all of which the Board believes should be taken into account when determining the remuneration of the Directors.

Directors' Fees

In July 2017, The Management Engagement and Remuneration Committee met to consider the level of Directors' fees and concluded that, having regard for the amount and quality of work that Directors were required to undertake and the increase in the complexity in the VCT industry, it was appropriate to change the Directors fees. Accordingly, the Directors' fees were increased from £22,000 to £27,000, the Audit Chairman's fee from £24,000 to £29,000, and the Chairman's fee was increased from £29,000 to £35,000.

In determining the remuneration of the Directors, the Company has regard inter alia, to the time spent by the Directors on matters concerning the Company, the comparative fees paid to Directors of other VCTs relative to the NAV of the VCT, the prevailing rate of Consumer Price Index ("CPI") at the time and the performance of the Company's portfolio. The Management Engagement and Remuneration Committee considered the level of Directors' fees for the year ending 30 September 2018 and concluded that, having regard for the increased amount and quality of work that Directors would be required to undertake, it was appropriate to increase the Director's fees. Accordingly the Directors' fees were increased from £27,000 to £28,000, the Audit Chairman's fee from £29,000 to £30,000 and the Chairman's fee was increased from £35,000 to £36,000. These changes were effective from 1 October 2018.

Directors' Remuneration Report

Directors' Remuneration Policy

Remuneration Policy

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

The remuneration policy was approved by the members at the AGM held in 2017. There are no proposed changes to the policy and therefore it is intended that this policy will continue for the year ending 30 September 2019 and subsequent years. In accordance with the regulations, an ordinary resolution to approve the directors' remuneration policy will be put to shareholders at least once every three years.

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

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

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy. At the last AGM, over 78 per cent of shareholders voted for the resolution approving the Directors Remuneration Report (10 per cent) against. At the AGM held in 2017, when the remuneration policy was last put to a shareholder role, over 86 per cent voted for the resolution, (5 per cent against) showing significant shareholder support.

Directors' Tenure

The terms of Directors' appointments, as set out in their appointment letters, provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. As per the Company's Articles of Association, the Directors are thereafter obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. As agreed previously by the Nomination Committee, all Directors will submit themselves for annual re-election, in line with best practice.

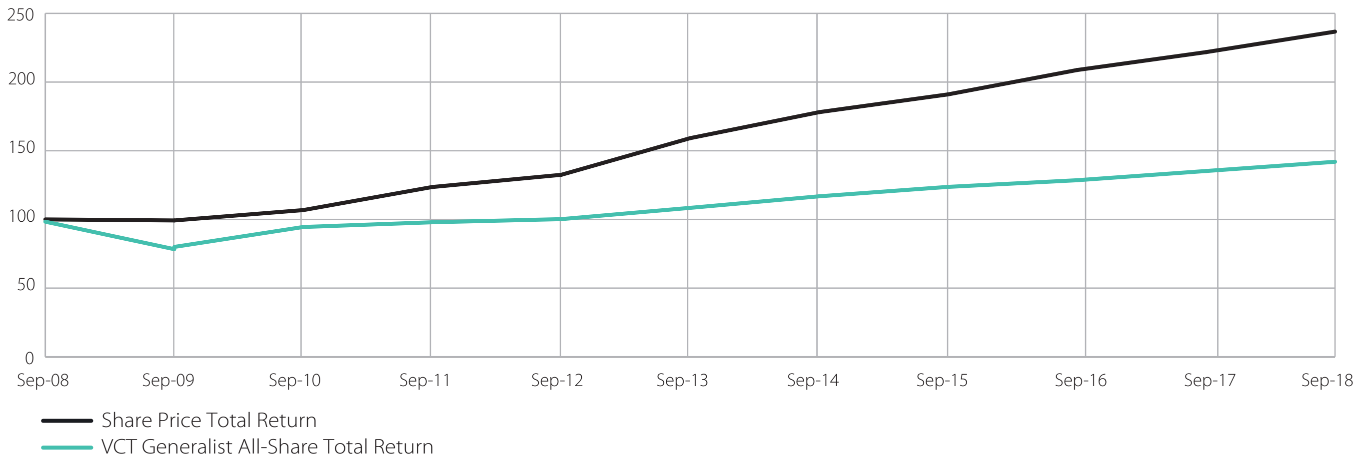
Annual Remuneration Report

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the 'Report of the Directors'. The graph overleaf compares, for the ten periods, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 41 generalist VCTs (source FE Analytics), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

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

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



Source: FE analytics

Directors' emoluments for the year (audited)

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

	Year to 30 September 2018 Fees £	Year to 30 September 2017 Fees £
Anthony Townsend (Chairman)	**35,000**	29,500
Ian Orrock	**27,000**	22,000
Malcolm Groat	**29,000**	24,000
John Davies	**27,000**	18,300
Robert Owen*	**—**	6,300
Total	**118,000**	100,100

* Resigned on 13 October 2016. Fees include ex-gratia payments equivalent to three months fees (£5,500) in recognition of his contribution to the development of Baronsmead VCT4 PLC.

Directors' Remuneration Report

Relative Importance of Spend on Directors' Fees

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

- the number of larger realisations completed, the proceeds of which were required to be returned to shareholders by way of an increased dividend in the prior period, due to VCT regulations;
- the final dividend for the prior year was paid within the current financial year; and
- the fundraising which was conducted in November 2017.

	Year to 30 September 2018 £	Year to 30 September 2017 £	Percentage change
Dividend paid during the period	**16,375,000**	5,987,000	173.51
Total directors fees	**118,000**	100,100	17.88
Shares repurchased	**4,410,000**	2,303,000	91.49

Directors' Interests (audited)

The interests of the Directors in the shares of the Company, at the beginning and at the end of the year, or date of appointment, if later, were as follows:

	30 September 2018 Ordinary 10p shares	30 September 2017 Ordinary 10p shares
Anthony Townsend (Chairman)	**197,935**	177,444
Ian Orrock	**51,675**	41,430
Malcolm Groat	**80,458**	37,426
John Davies	**133,760**	113,269
Total	**463,828**	369,569

Approved by the Board of Directors and signed by:

Anthony Townsend
Chairman of the Management Engagement and Remuneration Committee

22 November 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

On behalf of the Board
Anthony Townsend
Chairman

22 November 2018

Independent auditors' report

to the members of Baronsmead Second Venture Trust plc

1. Our opinion is unmodified

We have audited the financial statements of Baronsmead Second Venture Trust ("the Company") for the year ended 30 September 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the related explanatory notes.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its return for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were appointed as auditor by the shareholders on 23 March 2005. The period of total uninterrupted engagement is the 14 years ended 30 September 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: financial statements as a whole	£2.01m (2017:£1.88m) 1% (2017: 1%) of total assets

Risks of material misstatement		vs 2017
Recurring risks	Carrying value of quoted investments	◄►
	Valuation of unquoted investments	◄►

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of unquoted investments (£52.0 million; 2017: £62.8 million) *Refer to page 30 (Audit Committee Report), pages 49 and 50 (accounting policy) and pages 50 and 51 (financial disclosures).*	**Subjective valuation** 25.9% of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples and net assets. There is a significant risk over the valuation of these investments.	Our procedures included: — **Historical comparisons:** Assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations; — **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; — **Our valuations experience:** Challenging the investment manager on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report; — **Comparing valuations:** Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. — **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions. — **Our results:** We found the resulting valuation of unquoted investments to be acceptable. (2017: acceptable).

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

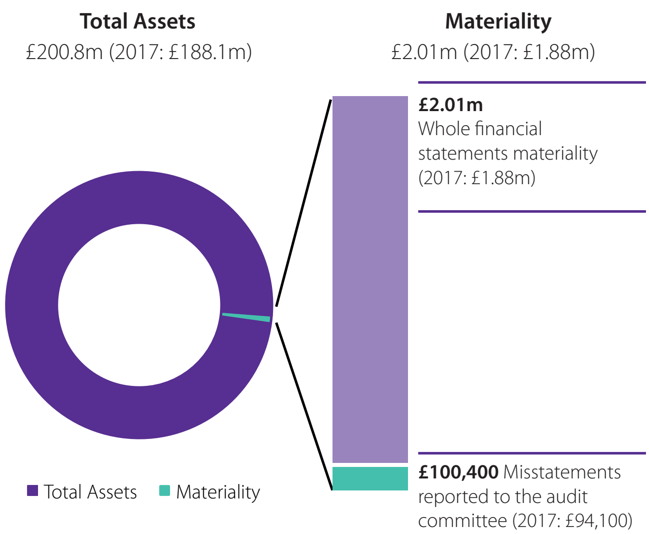
	The risk	Our response
Carrying amount of quoted investments (£147.4 million; 2017: £124.6 million) *Refer to page 30 (Audit Committee Report), pages 49 and 50 (accounting policy) and pages 50 and 51 (financial disclosures).*	**Low risk, high value** The company's portfolio of quoted investments makes up 73.4% of the company's total assets (by value) and is considered to be one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgment because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Tests of detail:** Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results** — We found the resulting carrying amount of quoted investments to be acceptable. (2017: acceptable)

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

Materiality for the financial statements as a whole was set at £2.01m (2017: £1.88m), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £100.4k (2017: £94.1k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the administrator's office in Exeter and the investment manager's office in London.



4. We have nothing to report on going concern

We are required to report to you if:

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

— if the related statement under the Listing Rules set out on page 24 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

— the directors' confirmation within the Viability Statement on pages 20 and 21 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

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

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

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

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective Responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 37, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the Company's qualification as a Venture Capital Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors.

We communicated identified laws and regulations throughout our team which included individuals with experience relevant to those laws and regulations and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

22 November 2018

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Income Statement

For the year ended 30 September 2018

	Notes	Year ended 30 September 2018 Revenue £'000	Year ended 30 September 2018 Capital £'000	Year ended 30 September 2018 Total £'000	Year ended 30 September 2017 Revenue £'000	Year ended 30 September 2017 Capital £'000	Year ended 30 September 2017 Total £'000
Gains on investments	2.3	–	**10,601**	**10,601**	–	13,238	13,238
Income	2.5	**5,634**	–	**5,634**	3,119	–	3,119
Investment management fee	2.6	**(1,221)**	**(3,662)**	**(4,883)**	(1,092)	(3,276)	(4,368)
Other expenses	2.6	**(649)**	–	**(649)**	(832)	–	(832)
Profit before taxation		**3,764**	**6,939**	**10,703**	1,195	9,962	11,157
Taxation	2.9	**(240)**	**240**	–	–	–	–
Profit for the year, being total comprehensive income for the year		**3,524**	**7,179**	**10,703**	1,195	9,962	11,157
Return per ordinary share:							
Basic and diluted	2.2	**1.63p**	**3.32p**	**4.95p**	0.63p	5.20p	5.83p

All items in the above statement derive from continuing operations.

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

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

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS") 102. The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 and updated in January 2017 and February 2018 by the Association of Investment Companies ("AIC SORP").

Statement of Changes in Equity

For the year ended 30 September 2018

	Notes	Non-distributable reserves			Distributable Reserves		
		Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 October 2017		**20,904**	**–**	**38,412**	**125,783**	**1,590**	**186,689**
Profit after taxation		**–**	**–**	**8,793**	**(1,614)**	**3,524**	**10,703**
Share premium cancellation costs		**–**	**–**	**–**	**3**	**–**	**3**
Net proceeds of share issues, share buybacks & sale of shares from treasury		**2,375**	**20,080**	**–**	**(4,085)**	**–**	**18,370**
Dividends paid	2.4	**–**	**–**	**–**	**(14,844)**	**(1,531)**	**(16,375)**
At 30 September 2018		**23,279**	**20,080**	**47,205**	**105,243**	**3,583**	**199,390**

For the year ended 30 September 2017

	Notes	Non-distributable reserves			Distributable Reserves		
		Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 October 2016		16,196	81,466	24,357	18,394	495	140,908
Shares issues following the acquisition of Baronsmead VCT5 plc		4,708	38,245	–	–	–	42,953
Cancellation of share premium		–	(119,711)	–	119,711	–	–
Share premium cancellation costs		–	–	–	(29)	–	(29)
Profit/(loss) after taxation		–	–	14,055	(4,093)	1,195	11,157
Net cost of share buybacks		–	–	–	(2,313)	–	(2,313)
Dividends paid	2.4	–	–	–	(5,887)	(100)	(5,987)
At 30 September 2017		20,904	–	38,412	125,783	1,590	186,689

Balance Sheet

Company Number: 04115341

As at 30 September 2018

	Notes	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Fixed assets			
Investments	2.3	**199,392**	187,364
Current assets			
Debtors	2.7	**322**	260
Cash at bank		**1,096**	515
		1,418	775
Creditors (amounts falling due within one year)	2.8	**(1,420)**	(1,450)
Net current liabilities		**(2)**	(675)
Net assets		**199,390**	186,689
Capital and reserves			
Called-up share capital	3.1	**23,279**	20,904
Share premium	3.2	**20,080**	–
Capital reserve	3.2	**105,243**	125,783
Revaluation reserve	3.2	**47,205**	38,412
Revenue reserve	3.2	**3,583**	1,590
Equity shareholders' funds	2.1	**199,390**	186,689
NAV per share			
– Basic and diluted	2.1	**92.10p**	94.60p

The financial statements were approved by the board of Directors of Baronsmead Second Venture Trust plc on 22 November 2018 and were signed on its behalf by:

Anthony Townsend
Chairman

Statement of Cash Flows

For the year ended 30 September 2018

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Cash flows from operating activities		
Investment income received	**5,568**	3,068
Deposit interest received	**6**	7
Investment management fees paid	**(4,803)**	(4,249)
Other cash payments	**(669)**	(525)
Merger costs paid	**(61)**	(455)
Net cash inflow/(outflow) from operating activities	**41**	(2,154)
Cash flows from investing activities		
Purchases of investments	**(38,005)**	(43,015)
Disposals of investments	**36,578**	24,606
Net cash outflow from investing activities	**(1,427)**	(18,409)
Equity dividends paid	**(16,375)**	(5,987)
Net cash outflow before financing activities	**(17,761)**	(26,550)
Cash flows from financing activities		
Net proceeds/(costs) of share issues, share buybacks & sale of shares from treasury	**18,369**	(1,048)
Net (costs)/proceeds from merger	**(6)**	4,008
Share premium cancellation costs	**(21)**	(5)
Net cash inflow from financing activities	**18,342**	2,955
Increase/(decrease) in cash	**581**	(23,595)
Reconciliation of net cash flow to movement in net cash		
Increase/(decrease) in cash	**581**	(23,595)
Opening cash position	**515**	24,110
Closing cash at bank and on deposit	**1,096**	515
Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities		
Profit before taxation	**10,703**	11,157
Gains on investments	**(10,601)**	(13,238)
Decrease in debtors	**(62)**	(57)
Increase in creditors	**1**	169
Written off expenses from merger	**–**	(185)
Net cash inflow/(outflow) from operating activities	**41**	(2,154)

Notes to the Financial Statements

We have grouped notes into sections under three key categories:

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

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

1. Basis of Preparation

1.1 Basis of accounting

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

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

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

2. Investments, Performance and Shareholder Returns

2.1 NAV per share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30 September 2018 number	30 September 2017 number	**30 September 2018 pence**	30 September 2017 pence	**30 September 2018 £'000**	30 September 2017 £'000
Ordinary shares (basic)	**216,492,975**	197,344,707	**92.10**	94.60	**199,390**	186,689

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit after taxation	
	30 September 2018 number	30 September 2017 number	**30 September 2018 pence**	30 September 2017 pence	**30 September 2018 £'000**	30 September 2017 £'000
Revenue	**216,041,017**	191,452,309	**1.63**	0.63	**3,524**	1,195
Capital	**216,041,017**	191,452,309	**3.32**	5.20	**7,179**	9,962
Total			**4.95**	5.83	**10,703**	11,157

2. Investments, Performance and Shareholder Returns (continued)

2.3 Investments

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

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

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

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

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

Judgements

The key judgements in the fair valuation process are:

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

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

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unquoted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 3.3 on pages 58 and 59. The risk of an over or underestimation of fair values is greater when methodologies are applied using more subjective inputs.

Assumptions

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

i) Rebased Cost

ii) Earnings Multiple

iii) Offer Less 10%

2. Investments, Performance and Shareholder Returns (continued)

2.3 Investments (continued)

The Earnings Multiple approach involves more subjective inputs than the Rebased Cost and Offer approaches and therefore presents a greater risk of over or under estimation.

The key assumption for the Rebased Cost valuation method is that the prices used remain a reasonable proxy for fair value typically for a period of up to six months from the date of the relevant transaction. All recent investment prices are compared to movements in relevant benchmarks and the wider market over the period since the date of the relevant transaction.

The key assumptions for the Multiples approach are that the selection of comparable companies (chosen on the basis of their business characteristics and growth patterns) and using either historic or forecast revenues (as considered most appropriate) provide a reasonable basis for identifying relationships between enterprise value and growth to apply in the determination of fair value. Other assumptions include the appropriateness of the discount magnitude applied for reduced liquidity and qualitative factors.

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

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

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

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

2. Investments, Performance and Shareholder Returns (continued)

2.3 Investments (continued)

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Level 1		
Investments traded on AIM	**89,504**	86,120
Level 2		
Collective investment vehicles	**57,896**	38,490
Level 3		
Unquoted investments	**51,992**	61,163
Investments traded on AIM	**–**	1,591
	199,392	187,364

	Level 1	Level 2	Level 3		
	Traded on AIM £'000	Collective investment vehicles £'000	Traded on AIM £'000	Unquoted £'000	Total £'000
Opening book cost	67,670	28,325	3,429	49,528	148,952
Opening unrealised appreciation/(depreciation)	18,450	10,165	(1,838)	11,635	38,412
Opening valuation	86,120	38,490	1,591	61,163	187,364
Movements in the year:					
Transfer between levels	2,703	–	(3,429)	726	–
Purchases at cost	4,703	29,410	–	3,892	38,005
Sale - proceeds	(6,443)	(14,210)	–	(15,925)	(36,578)
- realised losses on sales	(135)	–	–	(3,123)	(3,258)
Unrealised gains realised during the year	1,251	–	–	3,815	5,066
Increase in unrealised appreciation	1,305	4,206	1,838	1,444	8,793
Closing valuation	**89,504**	**57,896**	**–**	**51,992**	**199,392**
Closing book cost	69,749	43,525	–	38,913	152,187
Closing unrealised appreciation	19,755	14,371	–	13,079	47,205
Closing valuation	**89,504**	**57,896**	**–**	**51,992**	**199,392**
Equity shares	89,504	–	–	22,509	112,013
Loan notes	–	–	–	29,483	29,483
Collective investment vehicles	–	57,896	–	–	57,896
Closing valuation	**89,504**	**57,896**	**–**	**51,992**	**199,392**

The gains and losses included in the above table have all been recognised in the Income Statement on page 44.

InterQuest Group plc has been changed to a level 3 investment due to it being delisted from AIM. TLA Worldwide plc has been changed to a level 1 investment due to a lift on the suspension of trading in place at 30 September 2017.

2. Investments, Performance and Shareholder Returns (continued)

2.4 Dividends

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

	Year ended 30 September 2018			Year ended 30 September 2017		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Amounts recognised as distributions to equity holders in the year:						
For the year ended 30 September 2018						
– Interim dividend of 3.0p per ordinary share paid on 21 September 2018	**326**	**6,191**	**6,517**	–	–	–
For the year ended 30 September 2017						
– Final dividend of 4.5p per ordinary share paid on 2 February 2018	**1,205**	**8,653**	**9,858**	–	–	–
– Interim dividend of 3.0p per ordinary share paid on 31 March 2018	–	–	–	100	5,887	5,987
	1,531	**14,844**	**16,375**	100	5,887	5,987

2.5 Income

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

Where the terms of unquoted loan notes only require interest or a redemption premium to be paid on redemption, the interest and the redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium should be recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. A redemption premium of £332,000 was received in the year ended 30 September 2018.

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

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

2. Investments, Performance and Shareholder Returns (continued)

2.5 Income (continued)

	Year ended 30 September 2018			Year ended 30 September 2017		
	Quoted securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments†						
Dividend income	1,250	–	1,250	1,479	–	1,479
Interest income	126	3,920	4,046	17	1,618	1,635
Redemption premium	–	332	332	–	–	–
	1,376	4,252	5,628	1,496	1,618	3,114
Other income‡						
Deposit interest			6			5
Total income			5,634			3,119

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

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

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

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

	Year ended 30 September 2018			Year ended 30 September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,221	3,662	4,883	1,092	3,276	4,368
Performance fee	–	–	–	–	–	–
	1,221	3,662	4,883	1,092	3,276	4,368

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

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

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (on a simple basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of the shareholders' funds at the end of the calculation period. No performance fee is payable for the year ended 30 September 2018 (2017: £nil).

Notes to the Financial Statements

2. Investments, Performance and Shareholder Returns (continued)

2.6 Investment management fee and other expenses (continued)

Other expenses

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Directors' fees	**118**	100
Secretarial and accounting fees paid to the Manager	**166**	162
Remuneration of the auditors and their associates:		
– audit	**34**	33
– other services supplied pursuant to legislation (interim review)	**5**	5
Merger costs	**6**	302
Other	**320**	230
	649	832

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

Charges for other services provided by the Auditors in the year ended 30 September 2018 were in relation to the interim review. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained. The Directors consider that the Auditors were best placed to provide such services.

2.7 Debtors

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Prepayments and accrued income	**322**	260
	322	260

2.8 Creditors (amounts falling due within one year)

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Management, secretarial and accounting fees due to the Manager	**1,296**	1,215
Merger costs	**–**	55
Share premium cancellation costs	**–**	24
Other creditors	**124**	156
	1,420	1,450

2. Investments, Performance and Shareholder Returns (continued)

2.9 Tax

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

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

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

	Year ended 30 September 2018			Year ended 30 September 2017		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	**3,764**	**6,939**	**10,703**	1,195	9,962	11,157
Corporation tax at 19.0 per cent (2017: 19.5 per cent)*	**715**	**1,319**	**2,034**	233	1,943	2,176
Effect of:						
Non-taxable gains	**–**	**(2,014)**	**(2,014)**	–	(2,581)	(2,581)
Non-taxable dividend income	**(238)**	**–**	**(238)**	(288)	–	(288)
Non-deductible expenses	**1**	**–**	**1**	59	–	59
Losses carried forward	**(238)**	**455**	**217**	(4)	638	634
Tax charge/(credit) for the year	**240**	**(240)**	**–**	–	–	–

* The corporation tax rate applied is based on the average tax rates for the financial year ended 30 September 2017. The actual rates were 20 per cent until 31 March 2017 and 19 per cent from 1 April 2017.

At 30 September 2018 the Company had surplus management expenses of £10,670,581 (2017: £9,609,937) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future year in excess of the deductible expenses of that future year and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Notes to the Financial Statements

3. Other Required Disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
209,037,921 ordinary shares of 10p each listed at 30 September 2017	20,904
23,753,268 ordinary shares of 10p each issued during the year	2,375
232,791,189 ordinary shares of 10p each listed at 30 September 2018	**23,279**
11,693,214 ordinary shares of 10p each held in treasury at 30 September 2017	(1,169)
5,005,000 ordinary shares of 10p each repurchased during the year and held in treasury	(501)
(400,000) ordinary shares of 10p each sold from treasury during the year	40
16,298,214 ordinary shares of 10p each held in treasury at 30 September 2018	**(1,630)**
216,492,975 ordinary shares of 10p each in circulation* at 30 September 2018	**21,649**

* Carrying one vote each.

The 23,753,268 ordinary shares were issued at an average price of 97.5p.

During the year the Company bought back into treasury 5,005,000 ordinary shares, representing 2.4 per cent of the ordinary shares in issue at the beginning of the financial year. During the year the Company also sold 400,000 shares from treasury.

Treasury shares

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

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

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

3. Other Required Disclosures (continued)

3.2 Reserves

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

	Distributable reserves			Non-distributable reserves		
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve* £'000	Total £'000
At 1 October 2017	125,783	1,590	127,373	–	38,412	38,412
Gross proceeds of share issue	–	–	–	20,775	–	20,775
Share premium cancellation costs	3	–	3	–	–	–
Purchase of shares for treasury	(4,410)	–	(4,410)	–	–	–
Sale of shares from treasury	347	–	347	–	–	–
Expenses of share issues and buybacks	(22)	–	(22)	(695)	–	(695)
Reallocation of prior year unrealised gains	5,066	–	5,066	–	(5,066)	(5,066)
Realised loss on disposal of investments#	(3,258)	–	(3,258)	–	–	–
Net increase in value of investments#	–	–	–	–	13,859	13,859
Management fee charged to capital#	(3,662)	–	(3,662)	–	–	–
Taxation relief from capital expenses#	240	–	240	–	–	–
Profit after taxation#	–	3,524	3,524	–	–	–
Dividends paid in the year	(14,844)	(1,531)	(16,375)	–	–	–
At 30 September 2018	**105,243**	**3,583**	**108,826**	**20,080**	**47,205**	**67,285**

* Changes in fair value of investments are dealt with in this reserve.
# The total of these items is £10,703,000, which agrees to the total profit for the year

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

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks

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

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

Market risk

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

Price Risk

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

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

Management performs continuing analysis on the fair value of investments and the Company's overall market positions are monitored by the board on a quarterly basis. Management are comfortable that a 5% movement in share price is a reasonable estimate of the upside and downside alternatives.

	As at 30 September 2018			As at 30 September 2017		
	% of total investment	**5% increase in share price effect on net assets and profit £'000**	**5% decrease in share price effect on net assets and profit £'000**	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000
AIM & CIV	**74**	**7,370**	**(7,370)**	67	6,310	(6,310)
Unquoted	**26**	**2,600**	**(2,600)**	33	3,058	(3,058)

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

Price Sensitivity

The fair valuation of unquoted investments in influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 2.3 on pages 49 and 50). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels or subjectivity in their inputs. The sensitivity analysis below applied a wider range of input variable sensitivity to the earnings multiple method due to the increased subjectivity involved in the use of this method compared to the rebased cost method. No variable sensitivity has been applied to the offer method as the input for this calculation was the agreed sale price of the investment.

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Valuation basis	Fair Value £'000	Sensitivity %	Impact £'000	Impact % of Net Assets
Rebased Cost	**6,865**	**+/–10**	**+/–687**	**+/–0.3**
Earnings Multiple	**41,119**	**+/–20**	**+/–8,224**	**+/–4.1**
Offer less 10%	**4,008**	**–**	**–**	**–**

Interest rate risk

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

	As at 30 September 2018			As at 30 September 2017		
	Total investment £'000	**Weighted average interest rate %**	**Weighted average time for which rate is fixed years**	Total investment £'000	Weighted average interest rate %	Weighted average time for which rate is fixed years
Fixed rate loan note securities	**29,483**	**9.32**	**2.11**	40,082	9.13	2.16
Floating rate sterling liquidity funds	**30,690**	**–**	**–**	15,490	–	–
Cash at bank and on deposit	**1,096**	**–**	**–**	515	–	–
	61,269			56,087		

Movements in interest rates would not significantly affect net assets attributable to the Company's Shareholders and total profits.

Credit risk

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

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

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Cash at bank and on deposit	**1,096**	515
Interest, dividends and other receivables	**322**	260
	1,418	775

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

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

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Credit risk (continued)

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

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

There were no significant concentrations of credit risk to counterparties at 30 September 2018 or 2017. No individual investment in a portfolio company exceeded 4.9 per cent of the net assets attributable to the Company's shareholders at 30 September 2018 (2017: 3.8 per cent).

Liquidity risk

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2018 these investments were valued at £31,786,000 (2017: £16,005,000).

3.4 Investments in Associates

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

Name	Location	Class of Shares held	% of Equity	Profit (£m)	Net Assets (£m)	Results for year ended
Happy Days Consultancy	UK	A Ordinary	31.46	(2.2)	(6.5)	31 December 2017
Armstrong Craven	UK	A, B & C Ordinary	24.02	0.0	0.2	31 December 2017

3. Other Required Disclosures (continued)

3.5 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Livingbridge, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors along with their shareholdings as disclosed in note 2.6. In addition, the Manager operates a VCT incentive scheme, detailed in the Management retention section of the Strategic Report on pages 19 and 20, whereby employees of the Manager are entitled to participate in all eligible unquoted investments alongside the Company.

During the year the Manager and an affiliate received £16,000 (2017: £48,000) advisory fees, £356,000 (2017: £448,000) directors' fees for services provided to companies in the investment portfolio and incurred £42,000 (2017: £14,000) abort fees with respect to investments attributable to BSVT.

A related party relationship exists between Baronsmead Second Venture Trust and Happy Days Consultancy, owing to the significant influence held over the operations of the company. During the year the company accrued for £547,000 from Happy Days Consultancy relating to interest due on loan balances. As at 30 September 2018, the loan balance stood at £6,214,000, including £2,085,000 of capitalised interest.

A related party relationship exists between Baronsmead Second Venture Trust and Armstrong Craven, owing to the significant influence held over the operations of the company. During the year the company received £24,000 and accrued for a further £217,000 from Armstrong Craven relating to interest due on loan balances. As at 30 September 2018, the loan balance stood at £1,956,000, including £327,000 of capitalised interest.

3.6 Segmental reporting

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

3.7 Post balance sheet events

Change in Manager

On 8 November 2018, Livingbridge announced the sale of its fund and investment management business, including its Baronsmead VCT business, to a subsidiary of Gresham House, a specialist alternative asset manager listed on the London Stock Exchange. The core management, investment and operational teams involved with the Company will all be transferred to Gresham House in connection with this transaction.

The Company has consented to the novation of the existing investment management and co-investment agreements to Gresham House, which is expected to become effective around 30 November 2018. No changes are being made to the terms of the investment management and co-investment agreements.

Realisation

Following the balance sheet date the Company realised its investment in Symphony Ventures returning proceeds totalling £4.3m and making a return of 2.4x cost.

Appendices

Investment policy

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

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

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

Investment securities

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

Liquidity

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

Investment style

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

Co-investment

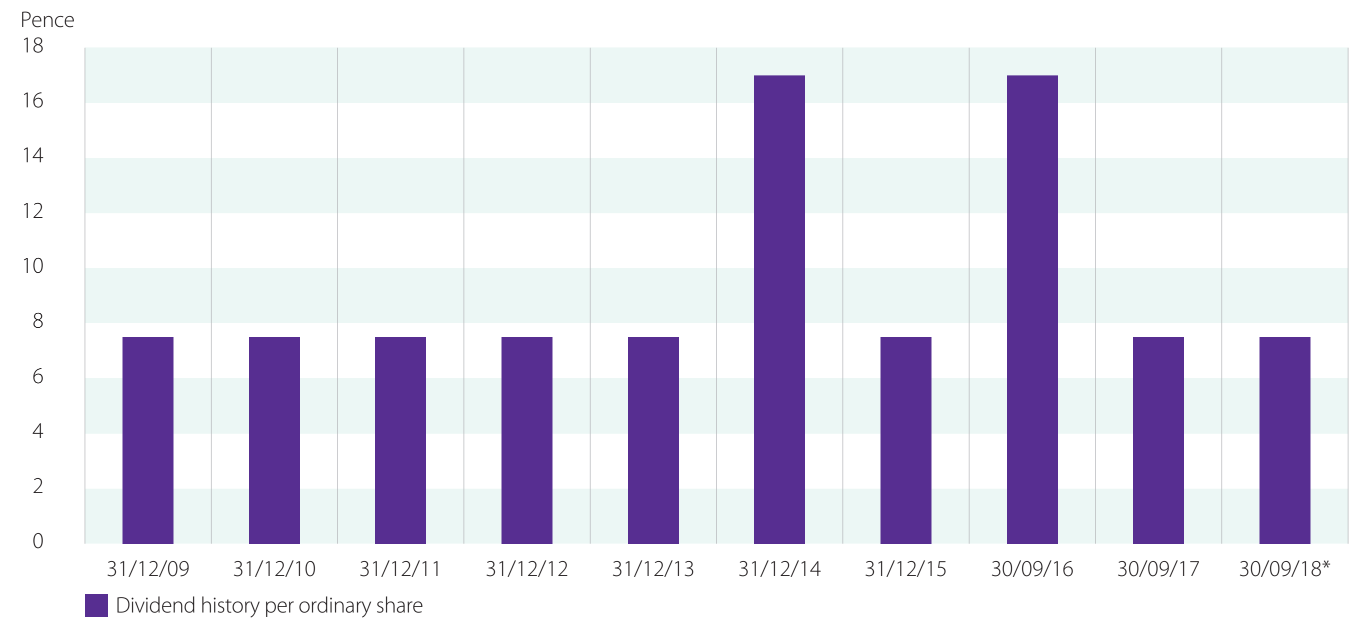
The Company typically invests alongside Baronsmead Venture Trust plc in companies sourced by Livingbridge.

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

Borrowing powers

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

Dividend History in the Last Ten Years



Source: Livingbridge VC LLP

* Includes proposed final dividend of 4.5p.

Dividends Paid Since Launch

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

* Includes proposed final dividend of 4.5p.

Appendices

Performance Record Since Launch

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

* Net asset value total return (gross dividends reinvested). Source: Livingbridge VC LLP.

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

Cash Returned to Shareholders

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid* (p)	Return on cash invested (%)
2001 (January)	100.0	20.0	80.0	134.8	154.8
2005 (March) – C share†	100.0	40.0	60.0	93.9	133.9
2010 (March)	103.1	30.9	72.2	86.5	113.9
2012 (December)	117.4	35.2	82.2	68.5	88.3
2014 (March)	112.4	33.7	78.7	48.5	73.1
2016 (February)	107.2	32.2	75.0	32.0	59.9
2017 (October)	97.5	29.2	68.2	12.0	42.3

The total return could be higher for those shareholders who were able to defer a capital gain on subscription and the net sum invested may be less.
† Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (0.85642528).

* Includes proposed final dividend of 4.5p.

Full Investment Portfolio

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2018 Valuation £'000**	30 September 2017 Valuation £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
Unquoted								
Happy Days Consultancy Ltd	Healthcare & Education	4,180	4,482	**6,214**	5,029	3.1	31.5	65.0
Carousel Logistics Ltd	Business Services	2,336	2,967	**5,929**	4,672	3.0	14.7	40.0
Create Health Ltd	Healthcare & Education	680	2,593	**5,722**	4,470	2.9	14.0	29.0
Pho Holdings Ltd	Consumer Markets	2,422	3,435	**5,052**	5,139	2.5	13.6	28.0
Armstrong Craven Ltd	Business Services	1,645	2,504	**4,079**	3,834	2.1	24.0	58.4
Symphony Ventures Ltd	TMT	1,924	1,924	**4,008**	1,924	2.0	4.8	10.0
Glide Ltd (formerly CableCom II Networking Holdings Ltd)	TMT	2,500	2,731	**3,750**	3,779	1.9	4.0	9.2
Ten10 Group Ltd	Business Services	2,331	2,626	**3,375**	2,850	1.7	11.4	30.6
Kirona Ltd	TMT	1,302	1,534	**3,147**	3,829	1.6	9.2	37.5
CMME Group Ltd (formerly Niche Finance Group Ltd)	Consumer Markets	2,335	2,402	**2,375**	2,703	1.2	7.6	35.2
CR7 Services Ltd	TMT	2,306	2,304	**2,306**	2,306	1.2	1.9	10.0
Custom Materials Ltd	Consumer Markets	997	997	**1,054**	275	0.5	7.3	13.4
Upper Street Events Ltd	Consumer Markets	2,330	2,635	**1,048**	1,572	0.5	19.6	70.1
SilkFred Ltd	Consumer Markets	825	825	**865**	550	0.4	2.9	5.3
SecureCloud+ Ltd	TMT	789	789	**789**	–	0.4	7.6	14.4
Pointr Ltd	TMT	526	526	**526**	–	0.3	2.8	5.4
Equipsme (Holdings) Ltd	Business Services	421	421	**421**	–	0.2	3.9	7.4
Your Welcome Ltd	TMT	368	368	**368**	–	0.2	4.2	8.0
Munnypot Ltd	TMT	273	273	**273**	–	0.1	1.5	2.7
Key Travel Ltd	Business Services	255	255	**263**	4,480	0.1	0.0	0.0
Labrador Ltd	TMT	263	263	**263**	–	0.1	3.2	6.1
IP Solutions Ltd	TMT	1,691	1,333	**165**	1,374	0.1	38.5	80.5
InterQuest Group plc	Business Services	620	726	**0**	304	0.0	2.2	4.3
Total unquoted		**33,319**	**38,913**	**51,992**		**26.1**		
AIM								
Ideagen plc	TMT	1,650	2,467	**9,747**	4,904	4.9	2.8	5.1
Netcall plc	TMT	2,616	5,983	**9,245**	7,100	4.6	10.4	17.3
Bioventix plc	Healthcare & Education	555	1,688	**6,621**	5,712	3.3	4.1	7.5
Inspired Energy plc	Business Services	861	2,682	**5,748**	5,337	2.9	4.6	7.6
Cerillion plc	TMT	2,200	2,432	**4,689**	3,416	2.3	9.8	17.8
Anpario plc	Healthcare & Education	662	2,239	**4,602**	3,835	2.3	4.1	6.0
Dods (Group) plc	TMT	3,268	4,253	**4,318**	5,551	2.2	12.0	20.0
IDOX plc	TMT	1,028	2,972	**3,915**	7,141	2.0	2.7	4.2
Plastics Capital plc	Business Services	2,539	2,673	**2,800**	3,004	1.4	6.5	10.6
Everyman Media Group plc	Consumer Markets	956	1,010	**2,583**	1,983	1.3	1.6	3.0
LoopUp Group plc	TMT	616	640	**2,402**	1,663	1.2	1.1	2.0
Driver Group plc	Business Services	1,529	1,747	**2,288**	1,701	1.1	5.4	9.5
Fulcrum Utility Services Ltd	Business Services	438	1,650	**2,230**	1,816	1.1	1.7	1.9
Sanderson Group plc	TMT	1,324	1,562	**2,115**	1,657	1.1	4.2	8.0
Wey Education plc	Healthcare & Education	523	516	**2,090**	2,836	1.0	11.4	20.8
Vianet Group plc	Business Services	2,092	1,724	**1,824**	1,774	0.9	5.9	9.5
CloudCall Group plc	TMT	1,557	1,427	**1,695**	2,046	0.9	7.3	13.3
CentralNic Group plc	TMT	1,122	1,354	**1,468**	1,871	0.7	1.7	3.1
Property Franchise Group plc	Consumer Markets	838	1,032	**1,174**	1,073	0.6	3.2	5.9
Eden Research plc	Business Services	1,100	1,105	**1,127**	1,181	0.6	5.2	9.4
Gama Aviation plc	Business Services	1,004	1,171	**1,104**	1,496	0.6	0.9	1.7
SysGroup plc	TMT	1,579	1,578	**1,089**	1,051	0.5	11.0	19.9
Beeks Financial Cloud Group plc	TMT	413	413	**1,040**	–	0.5	1.6	3.0

Full Investment Portfolio (continued)

Company	Sector	Original Book cost† £'000	Accounting Book cost† £'000	**30 September 2018 Valuation £'000**	30 September 2017 Valuation £'000	% of net assets	% of Equity held by Baronsmead Second Venture Trust plc	% of Equity held by all funds#
AIM (continued)								
Rosslyn Data Technologies plc	TMT	527	527	**995**	761	0.5	6.1	11.0
Castleton Technology plc	TMT	247	499	**943**	588	0.5	1.1	2.1
STM Group plc	Business Services	755	677	**938**	765	0.5	2.4	3.6
Access Intelligence plc	Business Services	633	633	**933**	–	0.5	3.5	6.3
Begbies Traynor Group plc	Business Services	545	513	**870**	792	0.4	1.1	2.1
Belvoir Lettings plc	Consumer Markets	919	826	**789**	812	0.4	2.2	3.9
IXICO plc	Healthcare & Education	825	825	**766**	–	0.4	6.3	11.5
Brady plc	TMT	653	702	**729**	751	0.4	1.3	2.0
Tasty plc	Consumer Markets	2,033	6,085	**701**	1,752	0.4	8.4	12.9
TLA Worldwide plc	Business Services	2,136	3,429	**637**	1,591	0.3	7.4	12.5
I-nexus Global plc	TMT	688	688	**618**	–	0.3	2.9	5.4
KRM22 plc	TMT	550	550	**594**	–	0.3	3.4	6.1
Scholium Group plc	Consumer Markets	1,100	682	**495**	495	0.2	8.1	14.7
Fusion Antibodies plc	Healthcare & Education	550	550	**456**	–	0.2	3.0	5.5
Science In Sport plc	Consumer Markets	352	330	**428**	405	0.2	0.9	1.6
Paragon Entertainment Ltd	Consumer Markets	1,045	642	**402**	715	0.2	11.9	19.1
Synectics plc	Business Services	481	373	**363**	473	0.2	1.0	2.1
Venn Life Sciences Holdings plc	Healthcare & Education	1,496	1,488	**342**	881	0.2	10.1	18.3
Collagen Solutions plc	Healthcare & Education	412	412	**305**	392	0.2	2.5	4.6
PCI-Pal plc	TMT	495	495	**275**	–	0.1	2.6	4.7
Gresham House plc	TMT	137	145	**229**	165	0.1	0.2	0.4
One Media iP Group plc	TMT	276	180	**163**	81	0.1	2.0	3.6
MXC Capital Ltd	Business Services	276	308	**143**	154	0.1	0.3	0.6
Zoo Digital Group plc	TMT	817	586	**127**	38	0.1	0.1	0.3
Totally plc	Healthcare & Education	86	197	**114**	233	0.1	0.8	1.5
Crawshaw Group plc	Consumer Markets	835	1,310	**96**	579	0.0	3.1	3.9
Mi-Pay Group plc	Business Services	800	474	**61**	83	0.0	1.4	2.8
Adept4 plc	TMT	535	359	**55**	155	0.0	1.4	2.6
APC Technology Group plc	Business Services	2,638	946	**23**	21	0.0	0.2	0.3
Total AIM		**53,312**	**69,749**	**89,504**		**44.9**		
Collective investment vehicles								
LF Livingbridge UK Micro Cap Fund		6,189	10,335	**24,229**	20,389	12.1		
BlackRock Sterling Liquidity Fund		15,345	15,345	**15,345**	7,745	7.7		
JPMorgan Sterling Liquidity Fund		15,345	15,345	**15,345**	7,745	7.7		
LF Livingbridge UK Multi Cap Income Fund		2,500	2,500	**2,977**	2,611	1.5		
Total collective investment vehicles		**39,379**	**43,525**	**57,896**		**29.0**		
Total investments		**126,010**	**152,187**	**199,392**		**100.0**		
Net current liabilities				**(2)**		**0.0**		
Net assets				**199,390**		**100.0**		

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

The accounting cost column ties into the investment note on page 51 of these accounts.

\# All funds managed by, Livingbridge VC LLP, Livingbridge EP LLP & Livingbridge Enterprise LLP.

Glossary

AIM	The Alternative Investment Market, a sub-market of the London Stock Exchange, designed to help smaller companies access capital from the public market.
Book Cost (Original)	Total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.
Book Cost (Accounting)	The original book cost of an asset, rebased to the value at which it was used in a subsequent transaction, such as a transfer between entities.
Collective Investment Vehicle	An entity which allows investors to pool their money, investing the pooled funds on their behalf.
Discount/Premium	If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the Company's discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation - a proxy for the cash flow generated by a business, most commonly used for businesses that do not (yet) generate operating or shareholder profits.
IFA	Independent Financial Advisors, professionals who offer independent advice to their clients and recommend suitable financial products.
Key Performance Indicators ("KPIs")	A measurable value that demonstrates how effectively the Company is achieving core business objectives.
Net Asset Value ("NAV")	The total value of all the Company's assets, at current market value, having deducted all liabilities at their carrying value.
Net Asset Value per share	Total Net Asset Value divided by the number of shares.
Net Asset Value total return	A measure showing how the Net Asset Value has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.
Return on Cash Invested to shareholders	The amount of cash returned to shareholders through income tax reclaimed, and cumulative dividends paid, expressed as a percentage of the initial investment.
Shares Held in Treasury	Shares in the Company repurchased by itself, reducing the number of freely traded shares.
SME	Small and medium-sized entities. These are independent companies which meet two of the three recognition criteria for small or medium companies according to EU Legislation.
TMT	Technology, Media and Telecommunications
Total Assets	All assets, both current and non-current. An asset is an economic resource owned by an entity that can lead to an increase in economic value.
VCT Value	The value of an investment when acquired, rebased if the holding is added to or any payment is made which causes in increase in its value.
70 per cent test	Ensuring that the Company meets the requirement to hold 70 per cent of its investments in qualifying holdings.

Shareholder Information and Contact Details

Warning to Shareholders

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

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

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

Shareholder Account Queries

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

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

You can contact Computershare with your queries in several ways:

Telephone:	0800 923 1534	• This is an automated self-service system • It is available 24 hours a day, 7 days a week • You should have your Shareholder Reference Number ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons • Press '0' if you wish to speak to someone • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line:	Investor Centre www.investorcentre.co.uk	• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online • You will need to register to use this service on the Investor Centre website • You should have your SRN to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email:	web.queries@computershare.co.uk	
Post:	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	

Share Price

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

Calendar

28 February 2019 Annual General Meeting

May 2019 Announcement and posting of Interim report for the six months to 31 March 2019

November 2019 Announcement of final results for year to 30 September 2019

Additional Information

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

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

Secondary Market in the Shares of Baronsmead Second Venture Trust plc

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

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

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

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

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

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

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

Corporate Information

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

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Livingbridge VC LLP

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

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