Baronsmead

Baronsmead Second Venture Trust plc

Annual Report and Audited Financial Statements for the year ended 30 September 2023

Company number 04115341

Since 1857
Gresham House
Specialist asset management

About Baronsmead Second Venture Trust plc

Our investment objective

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

Investment policy

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

Dividend policy

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

Key elements of the business model

Access to an attractive, diverse portfolio

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

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

The Manager's approach to investing

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

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

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

The Manager as an influential shareholder

The Manager is an engaged and supportive shareholder (on behalf of the Company) in both unquoted and significant quoted investments.

For unquoted investments, representatives of the Manager often join the investee board.

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

A more detailed explanation of how the business model is applied is provided in the Other Matters section of the Strategic Report on pages 32 to 36. The full investment policy can be found on page 99.

Contents

Example investments

airfinity

Airfinity (unquoted)

Airfinity tracks, predicts and simulates population level disease outcomes in real time to inform decisions that can increase the global life span.

INSPIRED PLC

Inspired (quoted)

Inspired is a leading technology-enabled provider of energy and sustainable solutions that allow UK and Irish businesses to transition to net-zero carbon and manage their response to climate change.

Connect Earth

Connect Earth (unquoted)

Connect Earth supports businesses in offering their customers transparent insight into the climate impact of their spending decisions.

TANDELTA

Tan Delta Systems (quoted)

Tan Delta Systems develops advanced real time oil analysis and analytic technologies and products that enable equipment operators to significantly reduce costs, improve efficiencies and reduce carbon foot-print.

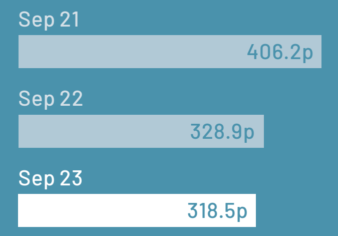
If you have sold or otherwise transferred all of your shares in Baronsmead Second Venture Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or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

01 Strategic report

Financial highlights

Net asset value total return[1] (as at 30 September 2023)

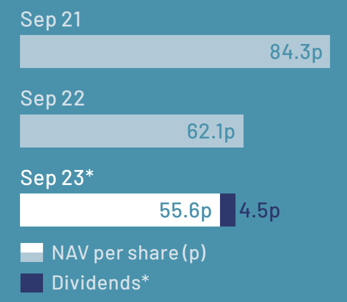
318.5p



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

Change in net asset value per share[1,2] (12 months to 30 September 2023)

-3.1%

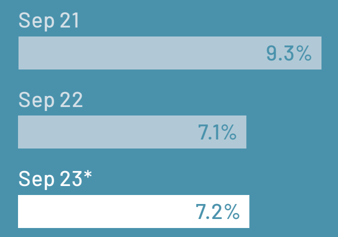


*includes proposed final dividend of 2.25p

NAV per share decreased 3.1 per cent to 60.1p, before the deduction of dividends, for the financial year ended 30 September 2023.

Annual tax free dividend yield[1] (12 months to 30 September 2023)

7.2%

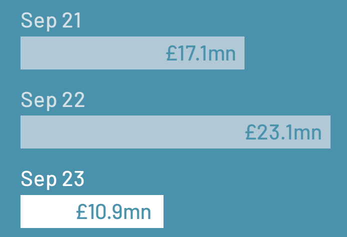


*includes proposed final dividend of 2.25p

Annual tax free dividend yield based on 4.5p dividends paid (including proposed final dividend of 2.25p) and opening NAV of 62.1p

New investments[3] (12 months to 30 September 2023)

£10.9mn



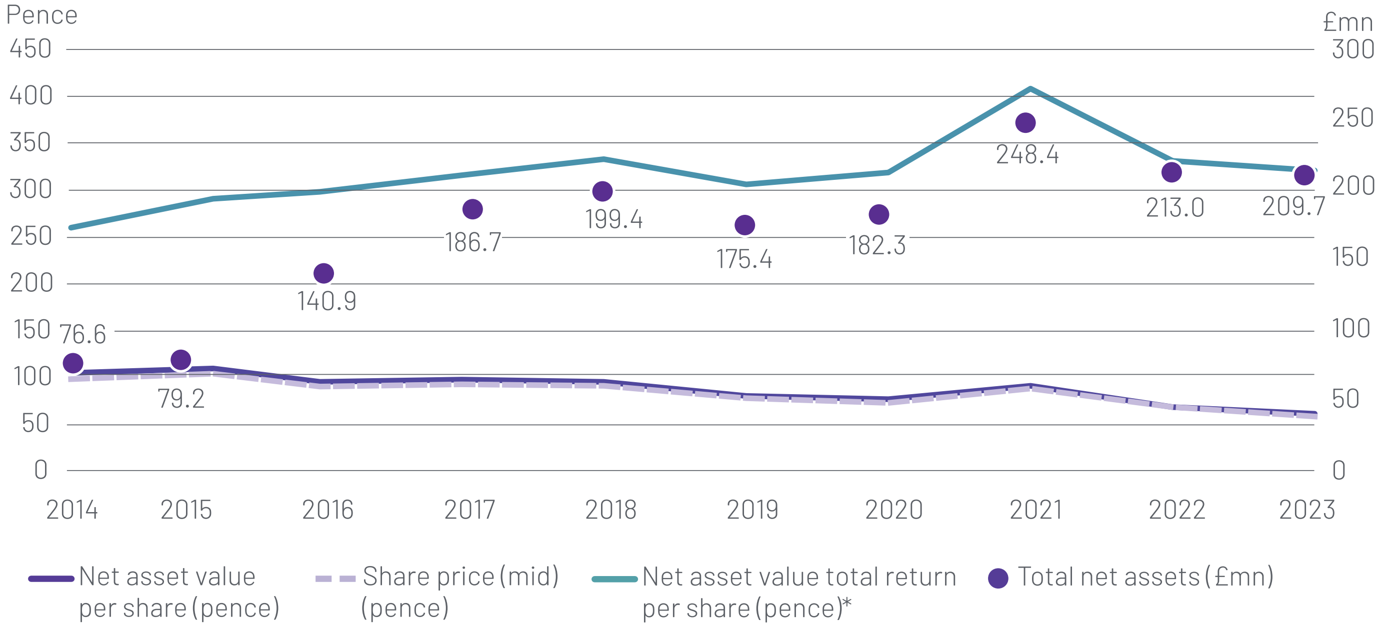
Unquoted: £7.5mn
Quoted: £3.4mn

Investments made into six new and eight follow-on opportunities during the year.

1. Alternative Performance Measures ("APM")/Key Performance Indicators ("KPIs") – please refer to glossary on page 107 for definitions.
2. Please refer to table on page 102 for breakdown of NAV per share movement.
3. Direct investments only – please refer to glossary on page 107 for definitions.

Performance summary

Ten year performance record

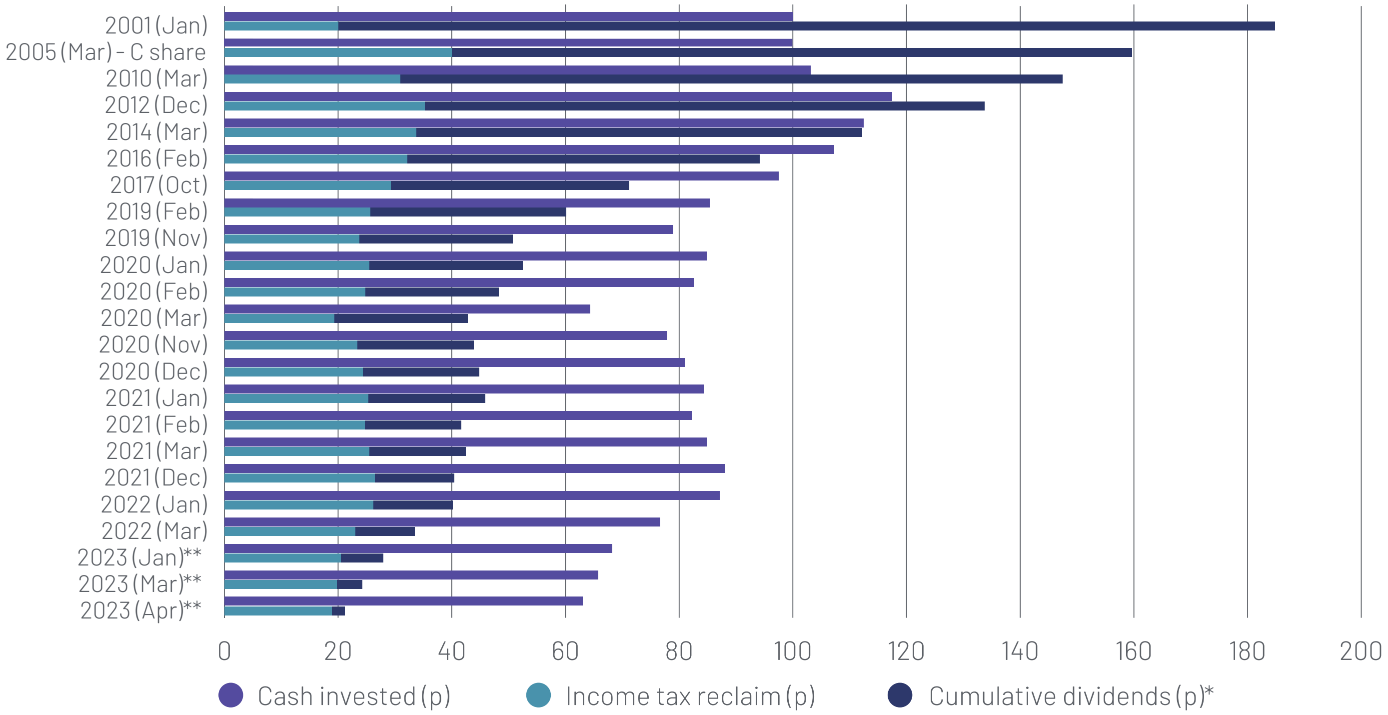


* Net asset value total return (gross dividends reinvested) rebased to 100p at launch.

Source: Gresham House Asset Management Ltd

Cash returned to shareholders by date of investment

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



* Includes proposed final dividend of 2.25p.

** Average effective share price. Shares were allotted pursuant to the 2023 Offer at individual prices for each investor in accordance with the allotment formula as set out in each Offer's Securities Note

Chair's statement

The economic environment over the past year has remained challenging. Consumer and business confidence continued to be affected by high inflation and rising interest rates during the year, weighing on the value of the Company's unquoted and AIM-traded investments. As a result, the Company's NAV per share decreased 2.0p per share (3.1 per cent) before dividend payments for the year ended 30 September 2023.

The Company aims to achieve long-term positive investment returns for its shareholders from a diverse portfolio of investments in UK growth companies. Despite the difficult conditions leading to a drop in the value of the portfolio over the period, the Board continues to believe that, in aggregate, the fundamentals of the large majority of portfolio companies remain robust. The Company continues to be in a position to support those investee companies where the Manager believes there is a strong prospect of providing good investment returns for shareholders over the medium to longer term.

Results

	Pence per ordinary share
NAV as at 1 October 2022 (after final dividend)	62.08
Valuation decrease (-3.1 per cent)	(1.95)
NAV as at 30 September 2023 before dividends	60.13
Less:	
Interim dividend paid on 8 September 2023	(2.25)
Proposed final dividend of 2.25p payable, after shareholder approval, on 8 March 2024	(2.25)
Illustrative NAV as at 30 September 2023 after proposed dividend	55.63

Sarah Fromson
Chair

Portfolio Review

At 30 September 2023, the Company's investment portfolio was valued at £129 million and comprised 82 direct investments, of which 37 are in unquoted companies and 45 are in quoted companies. The Company's investments in the WS Gresham House UK Micro Cap Fund ("Micro Cap"), WS Gresham House UK Multi Cap Income Fund ("Multi Cap Income") and WS Gresham House UK Smaller Companies Fund ("Small Cap") were valued at £63 million at 30 September. These investments provide investment exposure to an additional 76 AIM-traded and fully listed companies, spreading investment risk across a highly diversified portfolio of 158 companies.

The ongoing economic and political difficulties noted in my opening remarks resulted in the unquoted portfolio decreasing by 15 per cent in value during the year. Clearly, this is a disappointing result. However, the quoted portfolio proved to be resilient and, in the face of continued outflows of overall investor capital from the UK, increased by 3 per cent in value during the year. To put this in context, the FTSE AIM All Share Index decreased by 9.9 per cent over the same period, highlighting the challenges faced by most UK smaller companies.

Investments and Divestments

The Board is once again pleased to report that the Company continues to see attractive opportunities and make new investments. The Company invested a total of £10.9 million in 14 companies over the year. Further details of the new investments made are included in the Manager's review. As we have said to shareholders previously, the requirement to make investments in earlier stage companies may result in greater volatility of returns over time. However, the more mature, established portfolio of existing investments should assist in sustaining returns and dividends for shareholders, as the newer holdings develop and grow. The priority for portfolio companies is to operate in a difficult macroeconomic environment with proactivity and resilience. The Company has the resources to support new and existing portfolio companies and the Manager is focusing on the key challenges and opportunities of each holding.

There was one full realisation in the unquoted portfolio during the year, with proceeds of £0.8 million received from the realisation of Evotix, for a gross multiple of 0.7x cost. In addition to this, the Key Travel Loan Notes matured for £0.4 million and a gross money multiple of 3.2x cost, along with deferred earn-out consideration of £1.4 million from the sale of Pho for a gross money multiple of 3.1x cost. The Manager has also continued its approach of profitable partial realisations of Cerillion during the year, resulting in the receipt of proceeds of £0.7 million at an aggregate of 15.8x original invested cost in this listed company.

Dividends

The Board is pleased to declare a final dividend of 2.25p per share for the year to 30 September 2023, payable on 8 March 2024. This is in addition to the 2.25p interim dividend paid in September and means that the total dividends for the year are 4.5p. This is a 7.2 per cent yield based on the opening NAV of 62.1p and meets the target policy of 7 per cent of the NAV at the start of the year. Including the proposed final dividend of 2.25p per share, tax free dividends paid since launch in 2001 now total 164.8p per share, 86.5p of which has been paid over the past 10 years.

Fees

We are happy to announce that with effect from 1st October 2023, the fee payable to the Investment Manager has been amended so that the Investment Manager is entitled to receive an annual management fee of the aggregate of 2.5 per cent per annum of the net assets of BSVT up to and including £209,658,860 (being the total net assets of BSVT as at 30 September 2023) and 2.0 per cent. per annum of the amount by which the net assets of BSVT exceed £209,658,860, calculated and paid on a quarterly basis.

Unclaimed Dividends

The Company's Registrar was holding £0.8 million in unclaimed dividends as at 30 September 2023. Of this amount, £0.1 million was unclaimed for over 12 years. Any shareholders who have not been able to claim their dividends are requested to contact the Company's Registrar. Their contact details are shown on page 112.

Under the terms of the Company's Articles of Association, any dividends unclaimed for a period of 12 years after having become due for payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company. Additionally, under the terms of the Company's Articles of Association, I would like to remind shareholders that it is their responsibility to keep their address and, for those who receive their dividends by bank transfer, their bank account details up to date by informing the Company's Registrar of any changes.

Environmental, Social & Governance ("ESG") matters

Environmental, social and governance analysis is embedded into the Company's investment processes by the Manager in order to build and protect long-term value for investors. A framework based on ten key ESG themes in each portfolio is used to structure analysis, monitor and report on ESG risks and opportunities across their lifecycle. Further information in relation to the Manager's integration of ESG factors in the management of the Company's portfolio is set out on pages 24 to 31 of the Strategic Report.

Loss of tax reliefs Clause

When EU State Aid approval of the UK's VCT and EIS schemes was given in 2015, a "Sunset Clause" was introduced for the schemes whereby, in the absence of new or amended legislation, investors will no longer be able to claim upfront income tax relief on subscriptions for new VCT shares made after 5 April 2025.

In November 2023, the Chancellor announced in the Autumn Statement that legislation will be introduced in the Finance Act 2023 to move the effective date of the Sunset Clause to 6 April 2035.

Acquisition of the Investment Manager, Gresham House

Further to the announcement on 17 July 2023 of the acquisition of the Investment Manager by Searchlight Capital Partners L.P., the acquisition has now completed, and Gresham House plc delisted from the London Stock Exchange on 20 December 2023, to become a privately owned company.

The acquisition is expected to have minimal impact on the Company and business is continuing as usual.

For further information please visit the website link: https://greshamhouse.com/about/.

Consumer Duty

The Financial Conduct Authority's (FCA) new Consumer Duty regulation came into effect on 31 July 2023. The Consumer Duty, which sets higher and clearer standards of consumer protection across financial services and requires all firms to put their customers' needs first, is an advance on the previous concept of 'treating customers fairly'.

As previously notified, the Company is not regulated by the FCA and therefore it does not directly fall into the scope of Consumer Duty. However, Gresham House as the Investment Manager, and any IFAs or financial platforms used to distribute future fundraising offers, are subject to Consumer Duty.

The Board will ensure that the principles behind Consumer Duty are upheld and have worked closely with the Investment Manager on the information now available to assist consumers and their advisers to be able to discharge their obligations under Consumer Duty.

Fundraising

In September 2023, the Board announced its intention to raise new funds to increase the Company's resources available for new and follow on investments over the next two to three years. On 4 December 2023, the Company launched an offer for subscription to raise £15 million (before costs) with an additional £10 million over-allotment facility available if required. Investing throughout an economic cycle is a key part of the Company's investment strategy. The additional funds raised will be deployed in smaller UK companies, at what the Manager believes to be an advantageous time.

Annual General Meeting ("AGM")

I look forward to meeting as many shareholders as possible at the next AGM, to be held at 11.00 am on 5 March 2024. The Company intends to hold this AGM in person again, however, we will also live stream the event for any shareholders who do not wish, or are unable, to attend in person. Registration details for the live stream will be included in the Notice of AGM and on the Baronsmead Second Venture Trust website.

Outlook

The geopolitical and economic outlook is expected to remain challenging, with the impact of higher inflation and interest rates likely to continue to affect business and consumer confidence for some time.

We anticipate that these forces will drive periods of sentiment driven volatility in equity markets well into next year. While we view this outlook with suitable caution, we also expect heightened volatility to create attractive long-term investment opportunities and we remain vigilant for evidence of mispricing which can be used to the Company's advantage. We recognise, and are encouraged by, the additional investment and operational resources which Gresham House is deploying in the management of your Company and expect these efforts to provide attractive longer-term returns.

01 Strategic report - **Chair's statement**

Despite these economic headwinds, the portfolio remains highly diversified and the Board continues to believe it is a good time to be investing in earlier stage, innovative and high growth potential businesses. The Manager will be looking to take advantage of changes in consumer behaviour and the disruption of traditional supply chains being driven by technology. We remain confident that the Manager is suitably positioned to provide the necessary levels of support to the portfolio companies and remains focussed on retaining, recovering and helping to grow value in existing and future investee companies.

Sarah Fromson
Chair

21 December 2023

Manager's review

Clive Austin
Managing Director,
VCT Portfolio

Ken Wotton
Managing Director,
Public Equity

Tania Hayes
Chief Operating Officer,
Strategic Equity

Trevor Hope
Chief Investment Officer,
VCTs

Ed Wass
Director of VCT Portfolio

Tom Makey
Investment Director

Equity markets continued to experience high levels of volatility during the year brought about by geopolitical and macroeconomic uncertainty with downward pressure on growth company multiples. Against this backdrop, the portfolio, whilst well diversified, with exposure to 158 quoted and unquoted companies, has delivered a decrease in net asset value per share of 3.1 per cent over the year.

Portfolio review

Overview

The closing net assets of £210 million were invested as follows:

Asset class	NAV (£mn)	% of NAV*	Number of investees**	% return in the year***
Unquoted	49	23	37	(15)
AIM-traded companies	80	38	45	3
WS Gresham House UK Micro Cap Fund	25	12	45	5
WS Gresham House UK Multi Cap Income Fund	21	10	42	10
WS Gresham House UK Smaller Companies Fund	17	8	40	0
Liquid assets#	18	9	N/A	4
Totals	**210**	**100**	**209**	(3)

* By value as at 30 September 2023.
** Includes investee companies held in more than one fund. Total number of individual companies held is 158.
*** Return includes interest received on unquoted realisations during the year.
\# Represents cash, OEICs and net current assets. % return in the period relates only to the OEICs.

*The tables on **pages 15** and **16** show the breakdown of new investments and realisations over the course of the year and below is a commentary on some of the key highlights in both the unquoted and quoted portfolios.*

Investment activity – unquoted and quoted

The Company's investment strategy is primarily focused on companies operating in parts of the economy that we believe are benefiting from long-term structural growth trends and in sectors where we have deep expertise and networks.

During the year, £10.9 million was invested into 14 companies including six new additions to the portfolio and eight follow-on investments.

Five new unquoted investments totalling £3.3 million were completed during the year into Branchspace, Cognassist, Connect Earth, Dayrize B.V. and Mable Therapy.

Below are descriptions of the new investments made;

- **Branchspace** is a provider of software and consulting services to airlines/carriers to enhance their digital and ecommerce offerings.
- **Cognassist** is a provider of neurodiversity assessment and support software.
- **Connect Earth** is a provider of a proprietary environmental database that estimates carbon emissions.
- **Dayrize** is a provider of a rapid product-level sustainability impact assessment software tool for retailers and Consumer Packaged Goods companies.
- **Mable Therapy** is a digital platform offering mental health counselling and speech and language therapy to children.

One new AIM quoted investment of £1.0 million was made during the year:

- **Tan Delta Systems** is a manufacturer of oil condition analysis sensors that detect and measure wear and contamination in industrial applications.

The Company made additional investments totalling £6.6 million into eight existing portfolio companies, three quoted and five unquoted, across the year. This is consistent with the investment strategy of continuing to back the Company's high potential assets with further capital to support future growth. We anticipate the level of follow-on investment will continue to grow as the capital hungry earlier stage portfolio continues to mature.

Unquoted Portfolio

Performance

The unquoted portfolio decreased in value by 15 per cent during the year. The macroeconomic environment remained challenging for the Company's portfolio companies although some stability has been seen in market multiples in more recent months. UK businesses have seen both demand and operating margins come under pressure due to marked increases in inflation and interest rates. Such macroeconomic conditions have not been faced by management teams in a generation, however Gresham House's experienced non-executive directors and portfolio consultants continue to support the portfolio's companies during these turbulent times.

Orri and SecureCloud+ were the two investments that made the biggest positive contribution in the year. Orri, a provider of intensive out-patient care for adults with eating disorders, delivered year on year revenue growth, in excess of 20 per cent. The company opened a new site and drew down a further VCT loan in the period which is expected to support continuing growth in the coming year. SecureCloud+ is a specialist IT managed services company specifically serving the Ministry of Defence and related contractors. The company delivered both revenue and profit growth in the period, growing EBITDA, in particular by over 40 per cent. A focus on maintaining margins for new contract wins in a growing market helped SecureCloud+ deliver a very encouraging performance. It is now well set to continue on its positive trajectory. Overall performance was also positively impacted by the receipt of the maximum deferred consideration relating to the earnout arrangements on Pho, a divestment completed in a previous period. In line with our valuation policy, this was only recognised on receipt.

The largest detractors from performance were in the healthcare and B2C ecommerce sectors. Panthera Biopartners, an independent site management organisation which provides patient recruitment services to clinical research organisations, pharma and biotech companies, struggled to scale its operations and deliver a growing number of contracts as profitably as it had previously. This resulted in a significantly loss-making year and the requirement for further funding. Since then the company has started to deliver profitable revenue growth. Yappy is an e-commerce business that provides personalised products to companion pet owners. It struggled to acquire customers at a cost that would deliver sufficient lifetime value to support a profitable business once significant scale was achieved. As a result, the company has pivoted its strategy to exploit its proprietary personalisation software, but this new strategy remains in its early stages of development.

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

Divestments

There was one full realisation in the unquoted portfolio during the year with proceeds of £0.8 million received from the realisation of Evotix, for a gross money multiple of 0.7x cost. In addition to this, the Key Travel Loan Notes matured for £0.4 million taking the gross money multiple to 3.2x cost along with deferred earn-out consideration of £1.4 million from the sale of Pho for a gross money multiple of 3.1x cost.

Quoted Portfolio (AIM-traded investments)

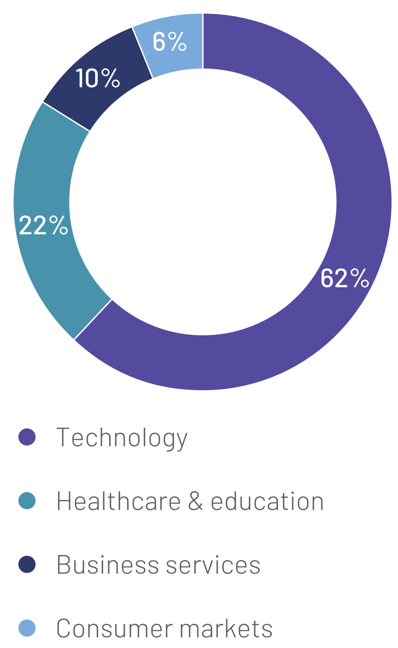
Performance

The quoted portfolio delivered positive absolute performance of 3 per cent during the year, despite the significant geopolitical and macroeconomic uncertainty in the markets. For reference the AIM market in the UK fell 10 per cent over the same period. Despite the adverse share price performances from many of the portfolio companies the majority of the AIM portfolio remains in good financial health and is exposed to structural growth areas providing some insulation from the deteriorating economic conditions.

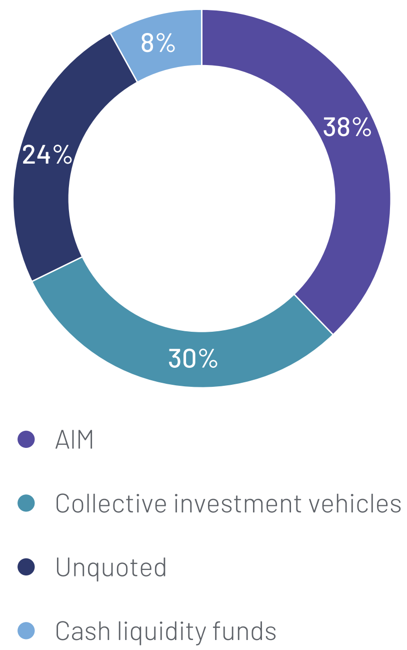
The best performing investments sit within the software sector with Cerillion, a provider of billing and charging software to the telecoms industry continuing to deliver strong revenue and profit growth with the release of their interim results indicating over 20 per cent organic growth with record margins and strong Free Cash Flow generation. In addition, Netcall, a provider of cloud contact centre and business process automation software, demonstrated ongoing strong trading driven by demand for cloud services and robust new customer acquisition.

Investment diversification at 30 September 2023 by value

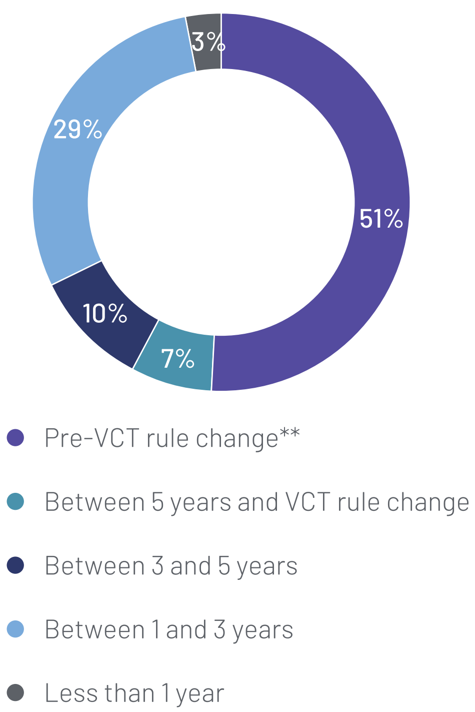
Sector*



Total assets



Length of time investments held*



*Direct investments only, not held by the Micro Cap, Multi Cap Income or Small Cap funds.

**Investments made prior to the VCT rule change that took effect from 18 November 2015.

The largest detractors from performance were both in the healthcare and education sector with Aptamer, a developer of a platform technology with applications in the therapeutic and diagnostic areas of healthcare, experiencing share price weakness after the release of a trading update indicating a significant downgrade to full year revenue expectations. The company consequently considered funding options and the CEO resigned. Anpario, an international manufacturer and distributor of natural animal feed additives for animal health, nutrition and biosecurity, also suffered share price weakness following a profit warning indicating a significant reduction in full year EBITDA due to raw material costs, Covid in China and delays in shipment.

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

Divestments

The opportunity to crystallise further gains was taken for Cerillion plc; over the course of the year proceeds of £0.7 million were realised at 15.8x cost.

Seven companies which were impacted by difficult trading conditions entered into administration during the year and have subsequently been moved to realised values. The impact on NAV per share for the year was -0.7 per cent in aggregate with the majority of the impact taken in prior years.

Collective Investment Vehicles

The Manager believes that the Company's investments in Micro Cap, Multi Cap Income and Small Cap are a core component of the Company's portfolio construction. These investments provide shareholders with additional diversification through exposure to an additional 76 underlying companies, as well as access to the potential returns available from a larger and more established group of companies that fall within the Manager's core area of expertise.

Over the year Micro Cap delivered a return of 5 per cent return, Multi Cap Income delivered a return of 10 per cent and the Small Cap fund delivered 0.4 per cent.

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

Liquid assets (cash and near cash)

The Company held cash and liquidity OEICs of approximately £18 million at the year-end. This asset class is conservatively managed to take minimal or no capital risk. The average 7 day yield on the liquidity OEICs was 5.17 per cent at the end of the year.

ESG Highlights

During the year we have conducted our second ESG survey of our unquoted portfolio companies, to identify how these companies think about ESG and which ESG data is already being reported and monitored. Further details on our ESG approach and policies can be found on page 28 in the strategic report.

Third party independent valuations

During the year, the Company engaged the services of Lincoln International and Kroll to conduct independent third party valuations as a means of managing the Board's risk in respect of a systematic error regarding the valuation of one or more of the material VCT portfolio assets. It was agreed that valuation responsibility is, and will remain, with the Investment Manager and that this does not constitute outsourcing of any part of the valuation. The Investment Manager uses these independent valuations in conjunction with their own valuations to provide independent assurance and risk mitigation to the Board and the Board continues to support this.

Levelling up

On 18 July 2023, the House of Commons Treasury Committee published its report (the "Report") on Venture Capital, which includes growth capital funding provided by Venture Capital Trusts, which was broadly positive. MPs recommended that venture capital firms and their investment companies should collect and publish their diversity statistics. The Report also considered the allocation of investment capital to the various regions of the UK.

The Company and the Investment Manager have long supported the creation of opportunities for everyone across the UK through its investment portfolio.

The investment due diligence process for any proposed new investment includes a consideration of the board structure and composition as part of the Manager's governance considerations within the ESG Decision Tool.

We have considered the findings of the Report and set out for the first time the relevant metrics pertaining to the Company's portfolio of unquoted investments as at 30 September 2023, Gresham House plc and the Gresham House Strategic Equity division, responsible for managing the public and private equity portfolios managed or advised by the Manager.

Chart 1 below shows that the portfolio companies were predominantly founded by males, or groups of male founders, with 14 per cent being founded by all females or groups of mixed male and female founders.

Chart 1 – Portfolio company founders

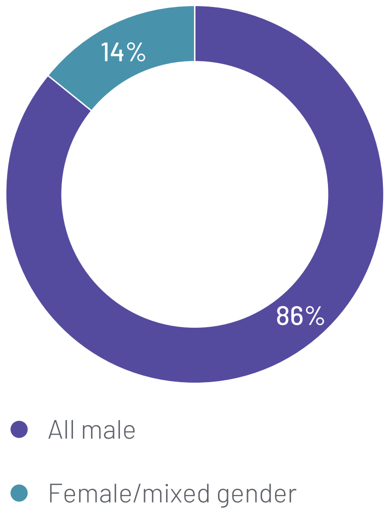


Chart 2 – Portfolio company board composition[1]

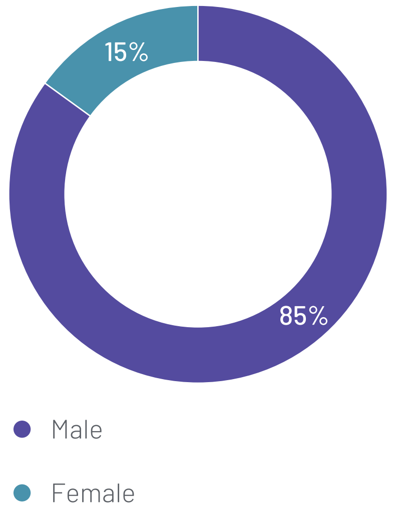


Chart 2 above shows that board composition within the portfolio was similarly predominantly male, with 15 per cent of board members being female, after excluding representatives of Gresham House.

Chart 3 – Allocation of capital by region[2]

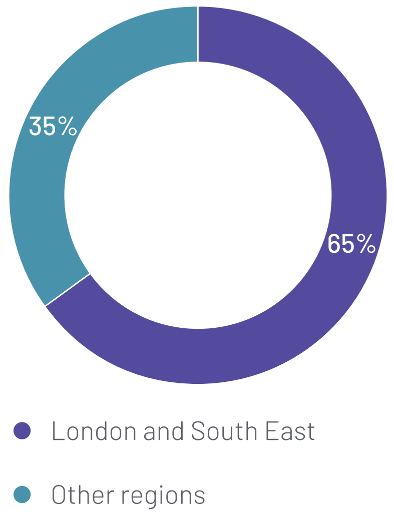


Chart 3 above shows the regions of the UK where the Company's capital has been invested, with the majority of capital being invested in London and/or the South East.

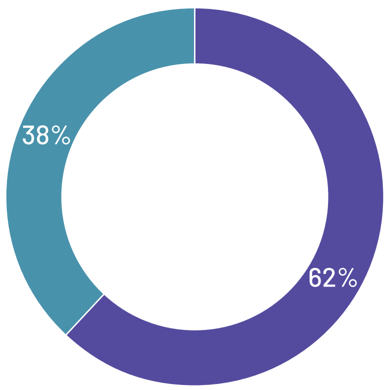
As of the end of 2023, the Company is in the process of signing up to the Investing in Women Code. This is a commitment to support the advancement of female entrepreneurship in the United Kingdom by improving female entrepreneurs' access to tools, resources and finance from the financial services sector.

1. Excluding Gresham House representatives.
2. Based on cost of investment.

In September 2023, the Manager hosted its first female-led event bringing together innovators, investors, and advisers to foster relationships and share learnings.

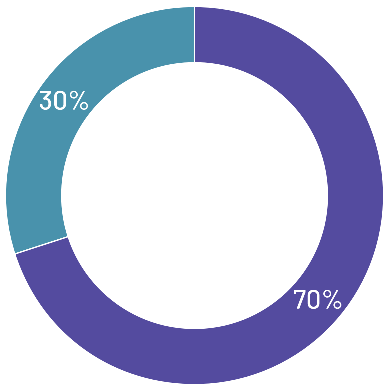
Chart 4 below shows the gender diversity within Gresham House as at 30 September 2023.

Chart 4 – Gresham House gender diversity[1]



- Male
- Female

Chart 5 – Gresham House strategic equity division gender diversity[2]



- Male
- Female

Chart 5 above shows the gender diversity within the Strategic Equity division of Gresham House, responsible for managing the Company's portfolio.

1. As at 30 September 2023.
2. As at 30 September 2023.

Gresham House released their Diversity, Equity & Inclusion ("DEI") strategy at the start of 2022 to help understand the changing landscape of DEI. Included within the strategy are initiatives to improve DEI such as carrying out unconscious bias training for all employees; evolving Human Resources systems to include DEI data which is now shared quarterly with our Group Management Committee and divisional heads and developing clear DEI guidelines for recruiters.

During the year Gresham House have promoted or actively attended a number of events targeted at women entrepreneurs and the senior women from across Gresham House have all attended a 12-week external Resilient Women's Leadership Programme to develop their capability to lead.

Gresham House is committed to improving the diversity of its investment teams, the management teams of the investee companies that they support and increasing the amount & number of investments across the UK.

Outlook

The UK economic outlook remains uncertain but the investment portfolio is well diversified and the opportunity to invest and support growth in entrepreneurial earlier-stage businesses remains strong. Our focus on investing in parts of the economy which are experiencing structural growth and in sectors where we have extensive talent networks and domain expertise. We have an experienced team working closely with the portfolio companies to help them navigate the challenges that lie ahead.

The exit environment is likely to remain subdued, resulting in longer average investment hold times, but also providing further portfolio re-investment opportunities. Previous evidence has shown that investing throughout the economic cycle has the potential to yield strong returns and we are seeing a number of opportunities, both new deals and further investment into the existing portfolio, which have the potential to drive shareholder value over the medium term.

Gresham House Asset Management Ltd
Investment Manager

21 December 2023

Investments in the year

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
New				
Cognassist UK Ltd	Newcastle upon Tyne	Healthcare & education	A platform for supporting those with learning needs	902
Dayrize B.V.	Amsterdam	Technology	A rapid product-level sustainability impact assessment software tool for retailers and Consumer Packaged Goods ("CPG") companies	756
Mable Therapy Ltd	Leeds	Healthcare & education	Digital health platform for speech therapy & counselling for children and young adults	619
Branchspace Ltd	London	Technology	Specialist digital retailing consultancy and software provider to the aviation and travel industry	609
Connect Earth Ltd	London	Business services	Helps businesses track their carbon emissions	451
Follow-on				
Patchworks Integration Ltd	London	Technology	A platform for connecting businesses' applications	2,080
TravelLocal Ltd	London	Consumer markets	Online travel agent specialising in tailor-made holidays	715
Airfinity Ltd	London	Healthcare & education	Provides real time life science intelligence as a subscription service	676
Panthera Biopartners Ltd	Lancashire	Healthcare & education	Recruitment services for clinical trials	480
Orri Ltd	London	Healthcare & education	Provider of intensive day care treatments for eating disorders	227
Total unquoted investments				**7,515**
AIM-traded investments				
New				
Tan Delta Systems plc	South Yorkshire	Business services	Supplier of real-time oil condition monitoring sensors	956
Follow-on				
Crossword Cybersecurity plc*	London	Technology	Commercialisation of university research-based cyber security software and consulting	1,040
Oberon Investments Group plc	London	Business services	Wealth advisory service for individuals and businesses	688
SEEEN plc	London	Technology	A video technology business	659
Total AIM-traded investments				**3,343**
Total investments in the year#				**10,858**

* Investment in to unquoted convertible loan note.
\# includes Unquoted and AIM investments only.

Realisations in the year

Company		First investment date	Original book cost# £'000	Proceeds‡ £'000	Overall multiple return
Unquoted realisations					
Evotix Ltd	Full trade sale	Jul 21	423	792	0.7*
Key Travel Ltd	Escrow loan note maturity	Jun 13	255	383	3.2**
Glisser Ltd	Written off	Nov 19	1,787	–	–
Rezatec Ltd	Written off	Jan 20	1,620	–	–
CMME Group Ltd	Written off	Apr 15	1,136	–	–
Vinoteca Ltd	Written off	Sep 19	1,054	–	–
Your Welcome Ltd	Written off	Aug 18	1,030	–	–
Total unquoted realisations			7,305	1,175	
AIM-traded and LSE listed realisations					
Cerillion plc	Market sale	Jul 15	42	661	15.8
MXC Capital Ltd	Tender offer	May 15	30	17	0.6
Hawkwing plc	Written off	Nov 11	2,136	–	–
InterQuest Group plc	Written off	Feb 07	620	–	–
Total AIM-traded and LSE listed realisations			2,828	678	
Total realisations in the year			10,133	1,853	

Earn out proceeds of £1.4mn were received during the year from Pho, which was realised in July 2021, making a total return of 3.1x cost.

\# Residual book cost at realisation date.

‡ Proceeds at time of realisation including interest.

* Original investment was £1.1 million and following a restructuring in July 2021, the residual book cost was £0.4 million.

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

Ten largest investments

The top ten investments by current value at 30 September 2023 illustrate the diversity of investee companies within the portfolio. For consistency across the top ten and based on guidance from the AIC, data extracted from the last set of published audited accounts is shown in the tables below. However, this may not always be representative of underlying financial performance for several reasons. Published accounts lodged at Companies House may be out of date and the Manager works from up-to-date management accounts and has access to draft but unpublished annual audited accounts prepared by the companies. In addition, pre-tax profit in statutory accounts is often not a representative indicator of underlying profitability as it can be impacted by, for example, deductions of non-cash items, such as amortisation, that relate to investment structures rather than operating performance.

1 Cerillion plc

London
Quoted
www.cerillion.com

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

All funds managed by Gresham House

First investment:	July 2015
Total original cost:	£2,664,000
Total equity held:	11.9%

Baronsmead Second Venture Trust only

Original cost:	£1,465,000
Valuation:	£25,247,000
Valuation basis:	Bid price
Income recognised in the year:	£192,000
% of equity held:	6.5%
Voting rights:	6.5%

Year ended 30 September

	2023 £ million	2022 £ million
Sales:	39.2	32.7
Pre-tax profits:	16.1	10.9
Net assets:	36.9	26.7
No. of employees:	324	295

Source: Cerillion plc, Annual Report and Financial Statements, 30 September 2023

2 Netcall plc

Bedfordshire
Quoted
www.netcall.com

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

All funds managed by Gresham House

First investment:	July 2010
Total original cost:	£4,354,000*
Total equity held:	25.1%

Baronsmead Second Venture Trust only

Original cost:	£2,616,000
Valuation:	£12,425,000
Valuation basis:	Bid price
Income recognised in the year:	£80,000
% of equity held:	9.2%
Voting rights:	9.2%

Year ended 30 June

	2023 £ million	2022 £ million
Sales:	36.0	30.5
Pre-tax profits:	4.0	2.3
Net assets:	35.4	27.4
No. of employees:	270	252

Source: Netcall plc, Annual Report and Accounts, 30 June 2023
*Includes Baronsmead VCTs only

3 IDOX plc

Surrey
Quoted
www.idoxgroup.com

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

All funds managed by Gresham House

First investment:	May 2002
Total original cost:	£1,642,000*
Total equity held:	4.7%

Baronsmead Second Venture Trust only

Original cost:	£1,028,000
Valuation:	£7,014,000
Valuation basis:	Last price
Income recognised in the year:	£55,000
% of equity held:	2.4%
Voting rights:	2.4%

Year ended 31 October

	2022 £ million	2021 £ million
Sales:	66.2	62.2
Pre-tax profits:	6.6	7.3
Net assets:	67.4	60.8
No. of employees:	578	567

Source: Idox plc, Annual Report & Accounts, 31 October 2022
*Includes Baronsmead VCTs only

4 Patchworks Integration Ltd

London
Unquoted
www.wearepatchworks.com

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

All funds managed by Gresham House

First investment:	July 2021
Total original cost:	£8,800,000
Total equity held:	23.8%

Baronsmead Second Venture Trust only

Original cost:	£4,576,000
Valuation:	£6,031,000
Valuation basis:	Earnings multiple
Income recognised in the year:	£164,000
% of equity held:	10.9%
Voting rights:	13.1%

Year ended 30 June

	2022 £ million	2021 £ million
Net assets:	2.7	0.1

A full set of accounts is not publicly available.
Source: Patchworks Integration Ltd, Unaudited Financial Statements, 30 June 2022

5 eConsult Health Ltd

London
Unquoted
www.econsult.net

eConsult provides a clinically led online consultation service to digitally triage patients, reducing the number of face-to-face consultations required. This builds on the structural imbalance of a growing and ageing population and an increasing scarcity in healthcare professionals. The Baronsmead VCTs investment of £7.5 million has enabled the business to develop its product offering for the secondary market, in addition to supporting sales and marketing activity.

All funds managed by Gresham House

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

Baronsmead Second Venture Trust only

Original cost:	£3,899,000
Valuation:	£5,325,000
Valuation basis:	Earnings multiple
Income recognised in the year:	£3,000
% of equity held:	5.2%
Voting rights:	5.2%

Year ended 31 March

	2023 £ million	2022 £ million
Sales:	7.3	7.3
Pre-tax profits:	(3.4)	(5.3)
Net assets:	3.0	5.9
No. of employees:	91	104

Source: eConsult Health Ltd, Annual Report and Financial Statements, 31 March 2023

6 Airfinity Ltd

London
Unquoted
www.airfinity.com

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

All funds managed by Gresham House

First investment:	July 2021
Total original cost:	£6,905,000
Total equity held:	20.1%

Baronsmead Second Venture Trust only

Original cost:	£3,587,000
Valuation:	£4,719,000
Valuation basis:	Earnings multiple
Income recognised in the year:	£35,000
% of equity held:	9.3%
Voting rights:	9.3%

Year ended 31 December

	2022 £ million	2021 £ million
Sales:	5.4	2.4
Pre-tax profits:	(3.5)	(1.9)
Net assets:	2.6	3.2
No. of employees	83	57

Source: Airfinity Ltd, Annual Report and Financial Statements, 31 December 2022

7 Bioventix plc

Surrey
Quoted
www.bioventix.com

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

All funds managed by Gresham House

First investment:	June 2013
Total original cost:	£562,000*
Total equity held:	9.6%

Baronsmead Second Venture Trust only

Original cost:	£309,000
Valuation:	£4,476,000
Valuation basis:	Bid price
Income recognised in the year:	£191,000
% of equity held:	2.3%
Voting rights:	2.3%

Year ended 30 June

	2023 £ million	2022 £ million
Sales:	12.8	11.7
Pre-tax profits:	10.1	9.3
Net assets:	12.1	11.8
No. of employees:	16	16

Source: Bioventix plc, Annual Report and Financial Statements, 30 June 2023
*Includes Baronsmead VCTs only

8 Popsa Holdings Ltd

Surrey
Unquoted
www.popsa.com

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

All funds managed by Gresham House

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

Baronsmead Second Venture Trust only

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

Year ended 31 December

	2022 £ million	2021 £ million
Sales:	26.7	25.3
Pre-tax profits:	(2.1)	(3.7)
Net assets:	11.3	12.0
No. of employees:	58	50

Source: Popsa Holdings Ltd, Group Strategic Report, Report of the Directors and Consolidated Financial Statements, 31 December 2022

9 Clarilis Ltd

Warwickshire
Unquoted
www.clarilis.com

Clarilis is a legal document automation software and services provider, enabling both legal firms and in-house legal teams to automate legal contract production. The Baronsmead VCTs invested £3.5m for 16.7 per cent of the equity in July 2020. This has enabled the business to scale, as well as optimise their pricing structure.

All funds managed by Gresham House

First investment:	July 2020
Total original cost:	£3,500,000
Total equity held:	16.7%

Baronsmead Second Venture Trust only

Original cost:	£1,819,000
Valuation:	£2,723,000
Valuation basis:	Earnings multiple
Income recognised in the year:	£nil
% of equity held:	7.6%
Voting rights:	6.6%

Year ended 31 December

	2022 £ million	2021 £ million
Net assets:	1.7	3.4
No. of employees:	57	55

A full set of accounts is not publicly available.

Source: Clarilis Ltd, Unaudited Financial Statements, 31 December 2022

10 Scurri Web Services Ltd

Ireland
Unquoted
www.scurri.com

Scurri is a UK and Ireland multi-carrier management SaaS platform based in Ireland which connects online retailers with a wide range of delivery partners, enabling them to route parcels to the most effective carrier based on a range of criteria. The Baronsmead VCTs investment will enable Scurri to focus on building scale in the UK & Ireland, primarily across mid-sized customers and investing in product development to offer complementary services.

All funds managed by Gresham House

First investment:	June 2021
Total original cost:	£4,326,000
Total equity held:	14.7%

Baronsmead Second Venture Trust only

Original cost:	£2,293,000
Valuation:	£2,719,000
Valuation basis:	Earnings multiple
Income recognised in the year:	£nil
% of equity held:	6.9%
Voting rights:	9.2%

Year ended 31 December

	2022 € million	2021 € million
Net assets:	5.4	6.3
No. of employees:	41	34

A full set of accounts is not publicly available.

Source: Scurri Web Services Limited, Abridged Annual Report and Financial Statements, 31 December 2022

Principal risks and uncertainties

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

The Company is facing the key emerging risks of climate change and ESG, given the regulatory, operational and potentially reputational implications if not appropriately addressed. In order to address these emerging risks, when looking to make a new investment, the Manager uses an ESG Decision Tool to identifyany material ESG risks that need to be managed and mitigated. For further detail, see pages 24 to 31.

Principal risk	Context	Specific risks we face	Possible impact	Mitigation
Loss of approval as a Venture Capital Trust	The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns.	Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.	The loss of VCT status would result in shareholders who have not held their shares for the designated holding period having to repay the income tax relief they had already obtained and future dividends and gains would be subject to income tax and capital gains tax.	The Board maintains a safety margin on all VCT tests to ensure that breaches are unlikely to be caused by unforeseen events or shocks. The Investment Manager monitors all of the VCT tests on an ongoing basis and the Board reviews the status of these tests on a quarterly basis. Specialist advisors review the tests on a bi-annual basis and report to the Audit & Risk Committee on their findings.
Legislative	VCTs were established in 1995 to encourage private individuals to invest in early stage companies that are considered to be risky and therefore have limited funding options. In return the state provides these investors with tax reliefs which fall under the definition of state aid.	A change in government policy regarding the funding of small companies or changes made to VCT regulations to comply with EU State Aid rules could result in a cessation of the tax reliefs for VCT investors or changes to the reliefs that would make them less attractive to investors.	The Company might not be able to maintain its asset base leading to its gradual decline and potentially an inability to maintain either its buy back or dividend policies.	The Board and the Investment Manager engage on a regular basis with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue. In addition, the Board and the Investment Manager have considered the options available to the Company in the event of the loss of tax reliefs to ensure that it can continue to provide a strong investment proposition for its shareholders despite the loss of tax reliefs.
Investment performance	The Company invests in small, mainly UK based companies, both unquoted and quoted. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals and hence tend to be riskier than larger businesses.	Investment in poor quality companies with the resultant risk of a high level of failure in the portfolio.	Reduction in both the capital value of investors' shareholdings and in the level of income distributed.	The Company has a diverse portfolio where the cost of any one investment is typically less than 5 per cent of NAV thereby limiting the impact of any one failed investment. The Investment Management team has a strong and consistent track record over a long period. The Investment Manager undertakes extensive due diligence procedures on every new investment and reviews the portfolio composition maintaining a wide spread of holdings in terms of financing stage and industry sector.
Economic, political and other external factors	Whilst the Company invests in predominantly UK businesses, the UK economy relies heavily on Europe as one of its largest trading partners. This, together with the increase in globalisation, means that economic unrest and shocks in other jurisdictions, as well as in the UK, can impact on UK companies, particularly smaller ones that are more vulnerable to changes in trading conditions.	Events such as fiscal policy changes, aftermath of Brexit, economic recession, movement in interest or currency rates, civil unrest, war or political uncertainty or pandemics can adversely affect the trading environment for underlying investments and impact on their results and valuations.	Reduction in the value of the Company's assets with a corresponding impact on its share price may result in the loss of investors through buy backs and may limit its ability to pay dividends.	The Company invests in a diversified portfolio of companies across a number of industry sectors, which provides protection against shocks as the impact on individual sectors can vary depending upon the circumstances. In addition, the Manager uses a limited amount of bank gearing in its investments which enables its investments to continue trading through difficult economic conditions. The Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility. The Board reviews the make up and progress of the portfolio each quarter to ensure that it remains appropriately diversified and funded.
Regulatory & Compliance	The Company is authorised as a self managed Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD") and is also subject to the Prospectus and Transparency Directives. It is required to comply with the Companies Act 2006 and the UKLA Listing Rules.	Failure of the Company to comply with any of its regulatory or legal obligations could result in the suspension of its listing by the UKLA and/or financial penalties and sanction by the regulator or a qualified audit report.	The Company's performance could be impacted severely by financial penalties and a loss of reputation resulting in the alienation of shareholders, a significant demand to buy back shares and an inability to attract future investment. The suspension of its shares would result in the loss of its VCT taxation status and most likely the ultimate liquidation of the Company.	The Board and the Investment Manager employ the services of leading regulatory lawyers, sponsors, auditors and other advisers to ensure the Company complies with all of its regulatory obligations. The Board has strong systems in place to ensure that the Company complies with all of its regulatory responsibilities. The Investment Manager has a strong compliance culture and employs dedicated compliance specialists within its team who support the Board in ensuring that the Company is compliant.
Operational	The Company relies on a number of third parties, in particular the Investment Manager, to provide it with the necessary services such as registrar, sponsor, custodian, receiving agent, lawyers and tax advisers.	The risk of failure of the systems and controls of any of the Company's advisers including a cyber attack leading to an inability to service shareholder needs adequately, to provide accurate reporting and accounting and to ensure adherence to all VCT legislation rules.	Errors in shareholders' records or shareholdings, incorrect marketing literature, non compliance with listing rules, loss of assets, breach of legal duties and inability to provide accurate reporting and accounting all leading to reputational risk and the potential for litigation. A cyber attack or data breach could lead to loss of sensitive shareholder data resulting in a breach and liability under GDPR.	The Board has appointed an Audit & Risk Committee who review the internal control ("ISAE3402") and/or internal audit reports from all significant third party service providers, including the Investment Manager, on a bi-annual basis to ensure that they have strong systems and controls in place including Business Continuity Plans and matters relating to cyber security. The Board regularly reviews the performance of its service providers to ensure that they continue to have the necessary expertise and resources to provide a high class service and always where there has been any changes in key personnel or ownership. The operational requirements of the Company, including from its service providers, have been subject to rigorous testing (including remote working and virtual meetings) as to their application since the COVID-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust.

The financial risks faced by the Company are covered within the Notes to the Financial Statements on pages 81 to 97.

Sustainable investment

The Company is required, under the Companies Act 2006, to provide details of environmental (including the impact of the Company's business on the environment), employee, human rights, social and community issues; including information about any policies it has in relation to these matters and the effectiveness of these policies. Since the Company does not have any employees and it has no direct impact on the community or the environment due to its status as a VCT, the Company does not maintain specific policies in relation to these matters.

However, the Board is conscious of the potential impact of its investments on the environment as well as its social and corporate governance responsibilities. The Board and the Manager believe that sustainable investment involves the integration of ESG factors within the investment process and that these factors should be considered alongside financial and strategic issues. The Company therefore complies with current reporting and other ESG standards for investment companies, through its monitoring of the ESG impact of its investee companies. The Company will continue to evolve its processes and reporting as ESG requirements change. More broadly, the Company complies with the AIC Code of Corporate Governance.

The FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures ("TCFD"), which commenced on 1 January 2021 do not currently apply to the Company but are kept under review, the Board being mindful of any recommended changes. The Board is aware of the FCA's new Sustainability Disclosure Requirements ("SDR") and investment labels (together the "rules") to be phased-in across the next 3 years. As the Company is classified as a Collective Investment Undertaking, the scope of the rules capture such UK- domiciled unauthorised funds, however given that the shares in the Company (the "product") do not have a sustainable investment objective, the rules only apply on a very limited basis (through the Manager) in relation to the Company.

We note that the Company is not an ESG-badged fund but your Board is firmly committed to the importance of ESG considerations within the investment process and supports the Manager's emphasis on these issues.

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

The Manager is committed to sustainable investment as an integral part of its business strategy. During 2023, the Manager has taken further steps in advancing its approach to sustainability to ensure environmental, social and governance ("ESG") factors and stewardship responsibilities are built into asset management across all funds and strategies, including venture capital trusts.

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

The Manager incorporates ESG considerations throughout the investment lifecycle including the valuation process and this is communicated with the Board on a quarterly basis.

The Manager believes in playing an industry leadership role in supporting and promoting sustainable investment. It is a signatory to the UN-supported Principles of Responsible Investment and was awarded four or five stars, out of a maximum of five stars, for all modules submitted in its PRI Report 2021. It is also a signatory of the UK Stewardship Code; in August 2023, it was announced that Gresham House had met the expected standard of reporting for 2022 and will remain a signatory to the Code.

Sustainability governance structure

To ensure high-quality governance of its sustainability strategy, the Manager has developed a network of sustainability-related committees which oversee its work.

Gresham House Sustainability Governance Structure

Board

Oversees our business strategy and management, including sustainability matters.

Group Management Committee

The delivery of the business strategy has been delegated to the Group Management Committee who regularly review performance against our strategic targets, including our approach and implementation of sustainable investment practices.

Conflicts Committee

Consider conflicts arising in relation to investment activities for clients and the exercise of voting rights.

Risk Committee

ESG risks are included in our risk register and divisions are required to report on ESG-related risks to this Committee each quarter.

Sustainability Executive Committee (Sustainability ExCo)

Drives sustainability-related deliverables to ensure the business, its staff and the investments made demonstrate best practice and leadership. Also owns delivery and oversight of the Corporate Sustainability Strategy.

Sustainability Committee

Oversees and reviews the Corporate Sustainability Strategy, including sustainable investment.

Remuneration Committee

Oversees our business strategy and management, including sustainability matters.

Audit Committee

Responsible for identification and monitoring of business risks, including ESG and climate change.

Embedding ESG analysis

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

The ten themes are the basis of the ESG Decision Tool which supports the investment team in implementing the commitments made in the sustainable investment policies. The ESG Decision Tool is completed as part of the due diligence process prior to investment for all VCT investments.

The Tool will not tell the Manager whether to invest or not, instead it aims to provide a rational and replicable assessment of key ESG risks which should be considered prior to investment, and to help rank the significance of each risk. It is up to the Manager to decide whether it is sufficiently comfortable with these risks to proceed with an investment.

Sustainable Investment Framework

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

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

ESG in the investment process

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

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

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

01 Initial appraisal

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

02 Due diligence

The ESG Decision Tool and, where possible, meetings with management are used to assess material ESG risks that need to be mitigated and ESG opportunities that could drive value. Specialised consultants may be used to provide additional information.

03 Investment appraisal

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

04 Holding period

A 100-day post-investment plan will be developed to address shorter term risks uncovered in our due diligence stage. The Manager then uses its position as a board member and active investor to influence management to proactively address longer term risks and opportunities.

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

Case Study: investment into climate impact data business Connect Earth

In March 2023 Gresham House Ventures invested into climate impact data business Connect Earth.

Connect Earth is an Application Programming Interface-first environmental data company that works with banks and fintech firms to offer their customers transparent insights into the climate impact of their spending and investment decisions.

The business has grown quickly since its launch and, through its easy-to-integrate Application Programming Interface, has estimated carbon emissions for more than 500 million financial transactions since the beginning of 2022.

The investment team completed the ESG Decision Tool during the due diligence phase and worked closely with Gresham House's dedicated Sustainable Investment team throughout the investment process to understand the demand drivers of the product. This included incumbent and upcoming sustainability-related regulation requiring greater levels of consumer-facing climate disclosures.

As part of the investment, Gresham House Ventures has brought Stewart Holness onto Connect Earth's Board. Holness is an experienced Chair with more than 25 years of experience scaling technology businesses as a founder, CEO, non-executive director and Chairperson.

Sustainable investment highlights

Informing engagement objectives using our Private Equity ESG survey

In November 2022, the Manager undertook its second annual ESG survey to understand how its VCT unquoted investments respond to relevant ESG risks and opportunities and how these are considered as part of their operations.

The survey asked unquoted investee businesses a range of questions based on the ESG_VC framework across a range of material environmental, social and governance factors. It asked them to indicate the relevance of those material ESG factors to their business, as well as their ability to influence those factors.

The Manager surveys its investee businesses for the following reasons:

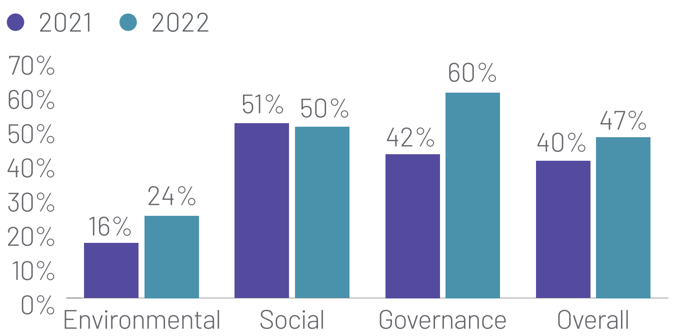
- It helps to identify an understanding of how portfolio companies think about ESG, and which ESG data is already being reported on and monitored. It provides a simple way for the Manager to communicate with companies as to how they compare against their peer group.
- Repeating the survey annually allows companies to demonstrate progression against material ESG issues and forms the basis of meaningful ESG engagements between Gresham House Ventures and its unquoted portfolio companies.
- The survey demonstrates the Manager's commitment to being responsible active owners and to use that position of ownership to influence the behaviour of investee companies for the better.

Highlights from the survey include:

- The overall ESG score for the unquoted portfolio increased from 40 per cent in 2021 to 47 per cent in 2022. The biggest increase was in Governance, which increased by 18 percentage points.
- Please note that a company's score does not pass judgment on the response; rather it is an indication of the proportion of suggested initiatives/policies that the business has adopted or is intending to adopt over the next 12 months.
- An engagement process was developed off the back of the survey based on the policies or processes that companies intended to implement over the 12-month period following the survey. These engagements have been tracked centrally and investment directors have included them as a regular agenda item as part of the quarterly board meeting process.

The ESG survey was run again in November 2023 with the results expected in January 2024 in order to understand how portfolio companies have further integrated ESG and sustainability-related matters into their business operations.

ESG Survey: 2021 vs. 2022



ESG Webinar Series

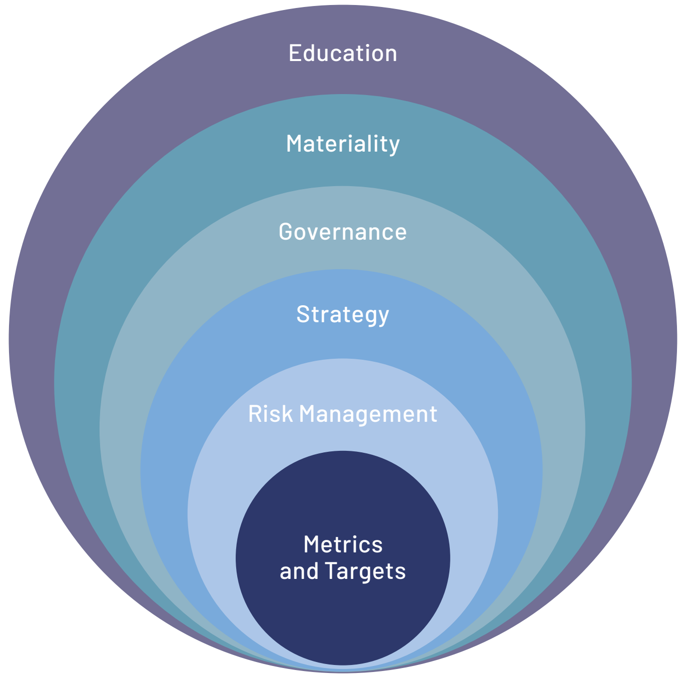
In 2022 the Manager continued its series of educational webinars for the Chairs, CEOs and executives of unquoted and quoted investee businesses to enhance their knowledge of material ESG issues.

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

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

The Manager has held four of these webinars and will continue to hold these on a quarterly basis going forwards. For a link to the webinars, please see: ESG webinar series – Gresham House Ventures.

Outline of Webinar series



Climate-related Financial Disclosures

In 2022 the Manager continued to measure its financed emissions, i.e., the greenhouse gas emissions associated with its investments. This exercise included a calculation by an external carbon consultant of the carbon emissions associated with the Company's investment portfolio which sit under the Company's Scope 3 emissions. These are detailed. All carbon emissions calculated are based on the Company's proportional share of investment in investee companies, as per PCAF guidance[1].

Greenhouse gas emissions associated with the Company's holdings are measured in carbon dioxide equivalent (CO_2e). Emissions are broken down into three categories by the Greenhouse Gas Protocol:

- Scope 1 emissions are the direct emissions associated with a company's activities. This includes fuel combustion on site such as gas boilers and air-conditioning leaks.
- Scope 2 emissions are the indirect emissions that result from electricity purchased and used by a company. Emissions are created during the production of the energy and eventually used by the Company.
- Scope 3 emissions are indirect emissions associated with its upstream and downstream value chain.

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

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

2022 Portfolio-level Data[1]	BSVT (2022)	BSVT (2021)	FTSE All Share (Aug 2023)[5]	S&P Europe Small Cap (Sep 2023)[6]
Scope 1+2 tCO_2e	2,145	6,269	–	–
Scope 3 tCO_2e	4,035	3,364	–	–
Weighted average carbon intensity (tCO_2e/£m revenue)[2]	45.5	95.2	115	206
Carbon Emissions per £m Invested (tCO_2e/£m invested)[3]	16.4	38.3	130	209
PCAF Score (Scope 1+2)[4]	3.7	3.7	–	–

1. All data calculated based on holdings as of 31.12.22.

2. WACI – The Company's exposure to carbon-intensive companies, expressed as weighted-average exposure to investee companies' scope 1+2 tCO_2e/£m revenue.

3. Carbon Emissions per £m Invested- Total Scope 1+2 carbon emissions for the Company normalised by the market value of the portfolio, expressed in tCO_2e/£m invested.

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

5. Source: FTSE, M&G, Border to Coast

6. Source: S&P

In 2022, total emissions (scope 1, 2 and 3) fell by 36 per cent versus 2021. Total scope 1 and 2 emissions for the Baronsmead portfolio fell by 66 per cent, driven in part by the sale of our stake in Carousel Logistics in January 2022 (2021: 6,353 tCO_2e). Scope 3 emissions increased by 20 per cent; the biggest contributors to the scope 3 emissions figure were Anpario and Netcall which accounted for 21 per cent of Baronsmead's scope 3 emissions. Given the relatively concentrated nature of the portfolio, volatility in carbon emissions figures is expected.

The Management Team will monitor carbon emissions associated with its investments over time and may use this data to drive ESG-focused engagement activities. Currently, the Company has no requirements or targets relating to carbon emissions of its portfolio or investee companies. However, Gresham House has a GH25 strategic objective to make a commitment to achieving net zero emissions in its operations and its investments and intends to provide an update on this in due course. More information on Gresham House's approach to climate-related risks and opportunities can be found in its Taskforce on Climate-Related Financial Disclosures (TCFD) Report here.

Stewardship Responsibilities

As an active investor, the Manager acts as a long-term steward of the assets in which it invests. Active ownership responsibilities include engagement and voting, which are used to protect and create value. The Manager will almost always take a board seat or become a board observer for its unquoted investments, which ensures sufficiently frequent levels of communication with the management team.

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

Engagement

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

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

Defining engagement objectives

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

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

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

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

Voting

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

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

For the twelve months to 30 September 2023, the Manager had the opportunity to vote on 1,537 issues. Of these, the Manager voted for 96.0 per cent of resolutions, against on 2.5 per cent, and abstained on 1.5 per cent. Of the 39 votes against, the majority were because the resolutions conflicted with the Manager's house policy, notably to vote against political donations.

Voting decisions

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

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

Proxy voting providers

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

Voting against management

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

Other matters

Applying the business model

This section of the Strategic Report sets out the practical steps that the Board has taken in order to apply the business model, achieve the investment objective and adhere to the investment policy. The investment policy, which is set out in full on page 99, is designed to ensure that the Company continues to qualify, and is approved, as a VCT by HM Revenue and Customs.

Investing in the right companies

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

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

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

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

The Manager's Review on pages 9 to 14 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 the value of its investments calculated in accordance with Section 278 of the Income Tax Act 2007 (as amended) ("VCT Value"). The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

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

VCT status

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

The principal tests are summarised overleaf. Throughout the year ended 30 September 2023 and at the date of this report, the Company continued to meet these tests.

VCT status tests

1. To ensure that the VCT's income in the period has been derived wholly or mainly (70 per cent plus) from shares or securities;
2. To ensure that the VCT has not retained more than 15 per cent of its income from shares and securities;
3. To ensure that the VCT has not made a prohibited payment to shareholders derived from an issue of shares since 6 April 2014;
4. To ensure that at least 80 per cent by value of the VCT's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the VCT;
5. To ensure that at least 70 per cent by value of the VCT's qualifying holdings has been represented throughout the period by holdings of eligible shares;
6. To ensure that no investment in any company has represented more than 15 per cent by value of the VCT's investments at the time of investment;
7. To ensure that the VCT's ordinary capital has throughout the period been listed on a regulated European market;
8. To ensure that the VCT has not made an investment in a company which causes it to receive more than the permitted investment from State Aid sources;
9. To ensure that since 17 November 2015, the VCT has not made an investment in a company which exceeds the maximum permitted age requirement;
10. To ensure that since 17 November 2015, funds invested by the VCT in another company have not been used to make a prohibited acquisition; and
11. To ensure that since 6 April 2016, the VCT has not made a prohibited non-qualifying investment.

Appointment of the Manager

The Board expects the Manager to deliver a performance which meets the objective of achieving positive long-term investment returns, including tax free dividends. A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chair's Statement on pages 5 to 8. The Board assesses the performance of the Manager in meeting the Company's objective against the KPIs highlighted on page 3 of the report.

Continuing appointment of the Manager

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

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

The management agreement

Under the management agreement, up to 30 September 2023, the Manager received a fee of 2.5 per cent per annum of the net assets of the Company. From 1 October 2023, the Manager will receive a fee of 2.5 per cent per annum of the net assets of the Company up to and including £209,658,860 (being the total net assets as at 30 September 2023) and 2.0 per cent per annum of the amount by which the net assets exceed £209,658,860. 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 2023 was 2.6 per cent.

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

Performance fees

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

Nil performance fee is payable for the year to 30 September 2023 (2022: £nil).

Management retention

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

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

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

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

Since the formation of the scheme in 2004, 104 executives have invested a total of £1.1 million in 90 companies. At 30 September 2023, 51 of these investments have been realised generating proceeds of £402 million for the Baronsmead VCTs and £22 million for the VCT incentive scheme. For Baronsmead Second Venture Trust, the average money multiple on these 51 realisations was 1.8x times cost. Had the VCT incentive shares been held instead by the Baronsmead VCTs, the extra return to shareholders would have been the equivalent of 3.2p a share over 19 years (based on the current number of shares in issue). The Board considers this cost to retain quality people to be in the best interests of shareholders.

Advisory and Directors' fees

During the year, Gresham House Asset Management Limited received £191,000 (2022: £295,000) advisory fees, £412,000 (2022: £528,000) directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £4,000 (2022: £7,000) with respect to investments attributable to the Company.

Alternative Investment Fund Managers Directive ("AIFMD")

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

Viability statement

In accordance with principle 21 of the Association of Investment Companies Code of Corporate Governance ("AIC Code"), the Directors have assessed the prospects of the Company over the three-year period to 30 September 2026.

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

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

- The nature of the Company's portfolio
- The Company's investment strategy
- The potential impact of the principal risks and uncertainties
- Share buy-backs
- The liquidity of the Company's portfolio
- Market falls and gains
- Maintaining VCT approval status

The Board has carried out a robust assessment of the above factors, as they have the potential to threaten the Company's business model, future performance, solvency, or liquidity. This review has considered the principal risks as outlined on pages 22 and 23.

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

The Company's portfolio currently includes a large position in cash or liquid money market funds. Over the last five years, cash and liquid money market funds have averaged c.17 per cent of the NAV and comprised 9 per cent of the 30 September 2023 NAV. Cash balances can fluctuate over time due to changes in market conditions, but positive cash levels are expected to be maintained over the period. The Company has no debt, and it is expected that the Company will remain ungeared for the foreseeable future.

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

Based on the Company's processes for monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model, asset allocation and the portfolio risk profile, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2026.

Returns to investors

Dividend policy

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

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

Shareholder choice

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

- Fund raising | From time to time, the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for costs. The Company launched a new offer for subscription in December 2023.
- Dividend Reinvestment Plan | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 3,143,000 shares were bought in this way during the year to 30 September 2023.
- 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 2,088,000 shares were bought by investors in the Company's existing shares in the year to 30 September 2023.

Directors' duties

Overview

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

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

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

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

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

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

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

Decision making

The importance of stakeholder considerations, in the context of decision making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Further information on the role of the Board in safeguarding stakeholder interests and monitoring ongoing investment activity can be found on pages 38 to 41.

Stakeholder engagement

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

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

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

Stakeholder Group	Importance	Board Engagement
Shareholders	Continued shareholder support is critical to the sustainability of the Company and delivery of the long-term strategy of the business.	The Board is committed to maintaining open channels of communication with shareholders and during the year has developed various meaningful ways of engaging with shareholders to understand their views. These include: ▪ **Annual General Meeting ("AGM")** – The Company welcomes and encourages attendance and participation from shareholders at the AGM and values any feedback and questions it may receive. Shareholders were invited to raise questions in advance of, during and after the 2023 AGM and the Company was delighted to answer those questions received. The Chair presented on the Company's outlook for 2023 and a joint investment management presentation to shareholders of the Company and Baronsmead Venture Trust plc was held on the same day. The Company's forthcoming AGM will take place on 5 March 2024. The Company intends to hold this AGM in person, with shareholders who are unable to attend in person given the option to watch the AGM live. It must be noted that those who participate virtually will not be able to vote during the course of the AGM and are asked to submit their votes by proxy in advance of the AGM. Further information regarding the 2024 AGM can be found in the Chair's Statement on pages 5 to 8 and within the Notice of AGM which is being sent to shareholders separately from this Annual Report. ▪ **Publications** – The Company's Annual and Half-Yearly Reports are made available on the Company's website (www.baronsmeadvcts.co.uk) and sent to shareholders. These publications provide shareholders with information regarding the Company's business model, strategy and investment portfolio and provide a clear understanding of the Company's financial position. This is supplemented by the monthly publication of the NAV on the Company's website and quarterly factsheets. Feedback and questions received by the Company from shareholders enables the Company to improve its reporting, which in turn helps to deliver transparent and understandable updates. ▪ **Shareholder communication and shareholder concerns** – The Manager communicates with shareholders periodically and shareholders are welcome to raise any comments, issues or concerns with the Board at any time. Shareholders are invited to do so by writing to the Chair at the registered office. Malcolm Groat, as Senior Independent Director, is also available to shareholders if they have concerns that contact through the normal channel of the Chair has failed to resolve or for which such contact is inappropriate.
The Manager	The Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to achieve long-term investment returns for private investors.	The Board invites the Manager to attend Valuation Forums, Board meetings and Committee meetings to update Directors on the performance of the portfolio and execution of the investment strategy. The Board holds detailed discussions with the Manager on all key strategic and operational topics on an ongoing basis. In addition, the Chair regularly meets with the Manager to ensure a close dialogue is maintained. In line with the Company's culture, the Board recognises the importance of working together with the Manager in such a way that: ▪ encourages open, honest, and collaborative discussions at all levels, allowing time and space for original and innovative thinking; ▪ draws on Board members' individual experience and knowledge to support and challenge the Manager in its monitoring of and engagement with portfolio investee companies; ▪ ensures that the impact on the Manager is fully considered and understood before any business decision is made; and ▪ ensures that any potential conflicts of interest are avoided or managed effectively.
The portfolio of investee companies	The Company invests in growth businesses, whether unquoted or traded on AIM, which are primarily based in the UK. Investments are made selectively across a range of sectors to meet the Company's investment objectives and in accordance with VCT legislation.	Day-to-day engagement with the portfolio of investee companies is undertaken by the Manager, so a transparent and objective relationship between the Board and the Manager is vital. For unquoted and larger AIM holdings the Manager is an influential and engaged shareholder (on behalf of the Company) and Manager representatives often join the boards of these companies. At each scheduled Valuation Forum, the Board receives detailed updates from the Manager covering the portfolio construction and performance, progress and trading within the underlying portfolio companies and valuation recommendations. The Board is also provided with investment pipeline reports, covering both new deals and potential follow-on investments at Board meetings.
External service providers	To function as a VCT with a premium listing on the London Stock Exchange, the Company relies on a diverse range of highly regarded advisers for support in meeting all relevant obligations.	The Board maintains regular contact with its external providers and receives reports from them at Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely considered. During the period, the Management Engagement and Remuneration Committee formally assessed the external service providers' performance, fees and continuing appointment to ensure that they continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit & Risk Committee reviews and evaluates the control environments in place at each service provider as appropriate.

01 Strategic report - **Directors' duties**

Stakeholder Group	Importance	Board Engagement
HMRC and governing bodies	The Company must comply with HMRC VCT rules and must comply or explain its adherence to the AIC Code. HMRC and the AIC have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Board regularly considers how it meets regulatory and statutory obligations and follows voluntary and best-practice guidance, including how any governance decisions it makes impacts the Company's stakeholders, both in the shorter and in the longer-term. In particular, the Audit & Risk Committee receives confirmation from its VCT Status Adviser regarding compliance with HMRC's VCT rules and at every Board meeting the Board is presented with a Company Secretarial Report outlining the latest governance updates to keep the Board abreast of any relevant regulatory changes. The Company Secretary reviews the Company's ongoing compliance with the AIC Code, on at least an annual basis, which informs the Company's corporate governance disclosures in the Annual Report. In addition, the Board receives reports from the Manager and Auditor on their respective regulatory compliance and any inspections or reviews that are commissioned by regulatory bodies. The Company ensures it meets all required HMRC obligations and payments promptly and as they fall due.

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

Principal Decision	Long-Term Impact	Stakeholders and Engagement
Consideration of the Company's culture, purpose and values	Establishing and maintaining a healthy corporate culture within the Company will aid delivery of its long-term strategy	During the reporting period, the Board considered the Company's culture, purpose and values. The Company seeks to invest in innovative, high growth quoted and unquoted companies, providing capital and expertise at a critical stage of their development. The Company believes that the successful development of these companies will be crucial to the advancement of the UK economy. The Manager has an extensive entrepreneurial network and specialist skills which are utilised both to source new investment opportunities as well as to support the portfolio company management teams to deliver their growth plans. The investment strategy is based on backing the highest potential companies operating in sectors and markets which are benefiting from long-term structural growth trends, whilst recognising the risk management benefits of diversification in portfolio construction. The Company has several policies in place to maintain a culture of good governance including those relating to Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board during the annual Board evaluation process which is undertaken by each Director. This is a formal internal process coordinated by the Chair, given the small size of the Board.

Principal Decision	Long-Term Impact	Stakeholders and Engagement
Continued focus on the Manager's ESG impact	The Board recognises that sound ESG policies, when embedded with appropriate governance and responsible business practices, help generate long-term financial performance and contribute to the wider community.	The Board has continued its focus on responsible business practices and the impact of ESG matters. The Board notes that the Manager has added to resources in this area and has significantly developed its ESG policy, its ESG investment tool and processes. The Board has received a detailed presentation from the Manager's sustainable investment director on its responsible business practices and the methods used to evaluate ESG risks as part of its investment processes. The Board acknowledges and supports the increased focus by the Manager on ensuring new and existing investee companies are adopting sound ESG policies and will continue to monitor the Manager's progress.
Board succession planning	Effective succession planning, leading to the refreshment of the Board and its diversity is necessary for the long-term success of the Company.	The Board has approved and adopted a Tenure and Reappointment Policy (the "Policy"). In accordance with the Policy, the Board will seek to recruit a Director approximately every four years, with no Director expected to serve on the Board for longer than nine years. The Board considers that Directors possess the skills, experience and knowledge essential for the Board and its Committees to effectively exercise their duties and responsibilities. Details of the composition of the Board can be found in the corporate governance statement on pages 48 to 54.
Approval of fundraising	Providing shareholders and potential new investors the opportunity to subscribe for shares in BSVT, which in turn provides opportunities for Company growth and increased investor engagement.	In deciding to launch a fundraising during the reporting period, the Board considered: ▪ the ability to adhere to the Company's dividend policy; ▪ the effect on the NAV and the ability of the Company to be able to meet HMRC's VCT investment rules and timelines; ▪ the new investment pipeline; ▪ the costs involved in issuing a prospectus and of fundraising; and ▪ the advantages and disadvantages of a joint prospectus across the two Baronsmead VCTs which Gresham House manages.

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

On behalf of the Board

Sarah Fromson
Chair

21 December 2023

02 Directors' report

The Corporate Governance statement on pages 48 to 54 forms part of the Directors' report.

Board of Directors

Sarah Fromson

Chair and Nomination Committee Chair

Appointed: 1 October 2019

Sarah is an experienced, independent non-executive who has served on a variety of boards and committees, after a varied career in the asset and wealth management industry. She is a non-executive board member of Boston-based Arrowstreet Capital Partners and is also a Pension Trustee Director of Genome Research Pensions Trustee Limited and Wellcome Trust Pensions Trustee Limited. She chairs the Cambridge University Endowment Fund Investment Advisory Board and also serves on the board of Quilter Investors Ltd, a subsidiary of Quilter plc. In March 2023 Sarah became an Advisory Member of the Investment Committee to Calouste Gulbenkian Foundation, a Lisbon-based entity.

Sarah retired from her executive role as Head of Risk at Wellcome Trust in 2019 and as Chair of JP Morgan Global Emerging Markets Income Trust plc in 2022. Sarah was previously Chief Investment Risk Officer at RBS Asset Management (formerly Coutts).

Shareholding: 77,988 ordinary shares

Graham McDonald

Non-Executive Director

Appointed: 16 February 2021

Graham has spent almost 40 years in banking and private equity. His previous executive role was Global Head of Private Equity and Venture Capital at Aberdeen Standard Investments. Prior to that he was responsible for the global private equity and venture capital businesses in Aberdeen Asset Management, SWIP, Lloyds Bank and HBoS.

Graham stepped down from his position as Chair of Continulus Limited in August 2023 and as advisor to Arcano Capital Partners and Vedra Partners in December 2022 and April 2023, respectively. He is Strategic Advisor a to Par Equity LLP.

Shareholding: 51,105 ordinary shares

Malcolm Groat

Senior Independent Director and Audit & Risk Committee Chair

Appointed: 11 March 2016

Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales, and the Royal Society for the Encouragement of Arts, Manufactures and Commerce. During his executive career, Malcolm held C-suite positions with global businesses in engineering, construction and financial services. Since 2004, whilst co-founding a series of ventures that attracted growth capital from the private equity sector, he has also served as Chairman or Non Executive Director in more mature companies, often listed in London.

He is currently Chairman of two AIM companies, Harland & Wolff Group Holdings and Tomco Energy.

Shareholding: 306,772 ordinary shares*

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

Tim Farazmand

Non-Executive Director and Management Engagement & Remuneration Committee Chair

Appointed: 1 May 2020

Tim has spent 30 years in private equity. His last full-time role was as a Managing Director at LDC, the private equity arm of Lloyds Bank. He previously worked for 3i Group plc and Royal Bank of Scotland Private Equity.

He was Chairman of the British Private Equity & Venture Capital Association (BVCA) for the 2014-2015 term. He currently chairs the Palatine Impact Fund, sits on the Advisory Board of Beechbrook Capital and the Chairs The Lakes Distillery. Tim stepped down from his position as Director of Vinoteca prior to the Company entering into voluntary liquidation. Tim also joined as an Advisory Board member to the AIM company Onward Opportunities in May 2023.

Shareholding: 180,383 ordinary shares

Directors' report

The Directors of Baronsmead Second Venture Trust plc (Reg: 04115341) present their twenty-third Annual Report and Audited Financial Statements of the Company for the year to 30 September 2023.

Shares and shareholders

Share capital

Pursuant to the prospectus published by the Company on 16 December 2022 in conjunction with Baronsmead Venture Trust plc in relation to an offer for subscription to each raise up to £20 million (before costs) with an over-allotment facility to each raise up to a further £5 million, the Company issued a total of 38,390,060 ordinary shares in the year ended 30 September 2023 by way of three allotments, raising approximately £25 million (before costs). Details of these allotments are as set out below:

- On 30 January 2023, the Company issued 11,978,695 ordinary shares under the first allotment at an average price of 68.19 pence per share. The shares were admitted to trading on 3 February 2023.
- On 13 March 2023, the Company issued 7,356,544 ordinary shares under the second allotment at an average price of 65.72 pence per share. The shares were admitted to trading on 17 March 2023.
- On 3 April 2023, the Company issued under the third allotment 19,054,821 ordinary shares at an average price of 62.96 pence and were admitted to trading on 5 April 2023.

At the AGM held on 1 February 2023, the Company was granted authority to purchase up to 14.99 per cent of the Company's ordinary share capital in issue at that date on which the Notice of AGM was published, amounting to 48,855,312 ordinary shares.

During the year, the Company bought back a total of 5,247,081 ordinary shares to be held in Treasury, representing 1 per cent of the issued share capital as at 30 September 2023, with an aggregate nominal value of £524,708. The total amount paid for these shares was £3,141,574. Since 30 September 2023, 1,673,403 shares have been bought back by the Company. The Company has remaining authority to buy back 43,583,671 shares under the resolution approved at the AGM in 2023.

During the year, the Company sold 1,821,803 ordinary shares from Treasury. The total amount received by the Company for these shares was £1,063,023. Shares will not be sold out of Treasury at a discount wider than the discount at which the shares were initially bought back by the Company.

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

Shares	Total	% of Shares in issue	Nominal Value
In issue	396,279,533	100.00	£39,627,953.30
Held in Treasury	34,026,367	8.59	£3,402,636.70
In circulation	362,253,166	91.41	£36,225,316.60

The total voting rights as at 30 September 2023 were 362,253,166. Since then, the Company has bought back 1,673,403 shares, resulting in the total voting rights being 360,579,763 as at the date of this report.

Shareholders

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

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

In addition to the powers provided to the Directors under UK company law and the Company's Articles of Association, at each AGM the shareholders are asked to authorise certain powers in relation to the issuing and purchasing of the Company's own shares. Details of the powers granted at the AGM held in 2023, all of which remain valid, can be found in the previous Notice of AGM.

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

Tax free dividends

The Company has paid or declared the following dividends for the year paid or proposed to 30 September 2023:

Dividends	£'000
Interim dividend of 2.25p per ordinary share paid on 8 September 2023	8,148
Final dividend of 2.25p per ordinary share to be paid on 8 March 2024*	8,151
Total dividends paid for the year	16,299

* Calculated on shares in circulation as at 30 September 2023.

Subject to shareholder approval at the AGM on 5 March 2024, a final dividend of 2.25p per share will be paid on 8 March 2024 to shareholders on the register at 9 February 2024. The ex-dividend date will be 8 February 2024.

Annual General Meeting

The AGM will be held on 5 March 2024. A separate notice convening the AGM will be posted to shareholders. The Notice will include an explanation of the items to be considered at the AGM and will be uploaded to the Company's website in due course.

Directors

Appointments

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006. Further details in relation to the appointed Directors and the governance arrangements of the Board can be found on page 43 and in the Corporate Governance Statement.

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

Directors' indemnity

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

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

Conflicts of interest

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

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

Financial instruments

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

Responsibility for accounts

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

Going concern

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

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

The Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements are approved. As at 30 September 2023, the Company held cash balances and investments in readily realisable securities with a value of £18 million, representing 9 per cent of the Company's NAV.

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

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

Future developments

The outlook for the Company is set out in the Chair's Statement on pages 7 to 8.

Listing rule disclosure

The Company confirms that there are no items which require disclosure under the listing rule 9.8.4R in respect of the year ended 30 September 2023.

Streamlined energy and carbon reporting

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

Further information in relation to the Investment Manager's integration of ESG factors in management of the Company's portfolio is set out on pages 24 to 31 of the Strategic Report.

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

Post balance sheet events

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

By Order of the Board

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

21 December 2023

Corporate governance

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

Background

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

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

Compliance

The Board attaches great importance to the AIC Code and strives to observe its principles. Throughout the year ended 30 September 2023, the Company complied with most of the principles and provisions of the AIC Code and the table on the following pages reports on the Company's AIC Code compliance, providing explanation where the Company has not complied.

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

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

The principles of the AIC code

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

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

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

AIC Code	Principle	Compliance Statement
BOARD LEADERSHIP AND PURPOSE		
A.	**A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.**	Directors are fully engaged and committed to using their collective, extensive experience to foster healthy debate and drive business strategy for the long-term, sustainable success of the Company. The Company's investment objective is to achieve long-term investment returns for private investors within a tax efficient structure and the Board ensures that all decisions are made responsibly. The Board and the Manager are committed to managing the business and its investment strategy in a sustainable manner and the Board emphasises the importance of ESG in its investment decisions and risk management. At each Board meeting, time is committed to assessing and monitoring the ESG impact of new investee companies through the Manager's 'ESG Decision Tool'.
B.	**The board should establish the company's purpose, values, and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture.**	The purpose of the Company is also its investment objective which is to achieve long-term investment returns for private investors within a tax efficient structure. It does this by investing primarily in a diverse portfolio of UK growth businesses whether unquoted or traded on AIM. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. The Directors agree that establishing and maintaining an open and inclusive culture among the Board, and in its interaction with the Manager, shareholders, and other stakeholders, will support the delivery of its purpose, values and strategy. During the Board's annual evaluation process, it was apparent that all Directors seek to promote a culture of openness, integrity and debate through ongoing engagement and dialogue with the Manager, the Company's stakeholders and the Company's service providers.
C.	**The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.**	The Board and Audit & Risk Committee regularly review the performance of the Company and the performance and resources of the Manager and service providers to ensure the Company can meet its objectives. At each quarterly meeting, the Board receives a report on Company performance, the performance of its investments and the VCT sector (including its competitors) and any industry issues. The report outlines the Company's adherence to VCT compliance tests and includes forecasts for future periods, highlighting investment opportunities, operational matters and regulatory developments. Additionally, at each quarterly Board meeting, the Board is presented with a report from Kaso Legg Communications highlighting the media coverage received by the Company and the Manager to enhance the profile of the Company and, in turn, attracting new shareholders. The Board has agreed specific KPIs with the Manager that enable both parties to monitor compliance with the agreed investment policy and risk management framework. Directors regularly seek additional information from the Manager, where appropriate, to supplement these reports and formally review the performance measures and KPIs. The Manager also keeps the Board informed on all investor relations matters and peer group information as appropriate. Additionally, the Board has established a framework for monitoring and evaluating the performance of its third-party services providers and, on the Company's behalf, the Manager monitors the performance and systems and controls employed by them.

AIC Code	Principle	Compliance Statement
D.	**In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.**	The Board understands its responsibility to shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than its shareholders, its stakeholders are the Manager, the portfolio of investee companies, HMRC and the Company's governing bodies, the AIC and its range of reputable advisors and service providers. The Board is also committed to monitoring its impact on the environment and wider community and is prioritising focus on ESG across the investment process. The Board always considers the impact that any decision will have on any relevant stakeholder. The Directors place considerable importance on shareholder engagement and on communications with them and all other stakeholders. Shareholders who wish to contact the Board may do so by writing to the Chair at the Company's Registered Office. All Directors make themselves available to meet shareholders at the Company's AGM. The Directors' Statement on meeting their responsibilities under Section 172 of the Companies Act 2006 can be found on pages 37 to 41.
DIVISION OF RESPONSIBILITIES		
F.	**The Chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.**	There is a clear division of responsibility between the Chair, the Directors, the Manager, and the Company's other third-party service providers. Additionally, the Board approved a policy setting out the responsibilities of the Chair and Senior Independent Director which is available on the Company's website. The Chair is responsible for leading the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Chair ensures that all Directors receive accurate, timely and clear information and helps promote a culture of openness and debate in Board meetings by encouraging and facilitating the effective contribution of other Directors towards a consensus view. The Chair also takes a leading role in ensuring effective communications with shareholders and other stakeholders. Further details on the Company's engagement with shareholders and other stakeholders can be found in the Section 172 Statement on pages 37 to 41. The Board meets regularly throughout the year and representatives of the Manager are in attendance, when appropriate, at Board and/or Committee meetings. Prior to each Board and Committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position and all Directors have timely access to all relevant management, financial and regulatory information.

AIC Code	Principle	Compliance Statement
G.	**The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.**	The Board comprises four independent Non-Executive Directors. Mr Groat is the Senior Independent Director and serves as an intermediary for the other Non-Executive Directors and the Company's shareholders. As at the date of this report, the Board comprises one female and three male Non-Executive Directors. Having considered the performance and independence of each Director, the Board has determined that each Director is independent in character and judgement and that there are no other relationships or circumstances which are likely to affect their judgement nor impair their independence. Therefore, the Board remains independent of the Manager. The Chair, Sarah Fromson, was deemed to be independent at the time of her appointment and remains so. The Board is aware that Tim Farazmand acted as a consultant to the Manager until October 2019. Having considered the role that Mr Farazmand undertook and the period of time that has elapsed since he acted in this role for the Manager, the Board has resolved that Mr Farazmand is independent of the Manager for the purposes of the AIC Code. As a result of the Board evaluation process, the Board determined that each Director provided expert and valued contributions to Board deliberations and no one individual, or small group of individuals dominated Board decision making.
H.	**Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.**	As part of the Board evaluation process, the contributions of each Director, and the time commitment made by each Director, are considered. Directors' other commitments are regularly reviewed, and any new appointments are considered by the other Directors to ensure there is no conflict of interest. As a result of the Board evaluation, it was concluded that each Director provided appropriate levels of commitment and challenge to the Board and provided the Company and service providers with guidance and advice when required.
I.	**The board, supported by the company secretary, should ensure that it has the policies, processes, information, time, and resources it needs in order to function effectively and efficiently.**	The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are in place and followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties. The Directors also have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities properly.

AIC Code	Principle	Compliance Statement
COMPOSITION, SUCCESSION AND EVALUATION		
J.	**Appointments to the board should be subject to a formal, rigorous, and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.**	The Board has established a Nomination Committee, which leads the appointment process of new Directors as and when vacancies arise and as part of the Directors' ongoing succession planning. The Board believes that diversity of experience and approach, including gender diversity, social and ethnic backgrounds, cognitive and personal strengths, amongst Board members is of great importance and the Nomination Committee and Board consider issues of Board balance and diversity when making new appointments. As a result of the Board evaluation held during the year, Directors acknowledge the need to have a continued focus on diversity when considering future appointments to the Board. The Board ensures that all appointments are made on merit and the Board is committed to ensuring that any Board vacancies are filled by the most qualified candidates and therefore no formal diversity policy is in place.
K.	**The board and its committees should have a combination of skills, experience, and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.**	The Directors' biographical details are set out on page 43. These demonstrate the wide range of skills and experience that each Director brings to the Board. The Board has approved a tenure policy, which encompasses the whole Board and Chair, to ensure that the Board continues to have the right balance of skills and experience. The Board recognises the value of regular refreshment of its composition and remains committed to ensuring that Directors have the right mix of skills and experience that are aligned with the strategic plans of the Company. The Board recognises the importance of Directors maintaining independence of character and judgement. However, the Directors believe that the value brought through continuity and experience of Directors with longer periods of service can be desirable in an investment company. Both the Nomination Committee and the Board regularly consider the composition of the Board and the succession plans for each Director. This has ensured that the Board's membership has included longer-serving directors with a balance of knowledge and experience. With an objective to deliver long-term and consistent returns to shareholders, it is important that the Board can maintain its long-term perspective, supported by a long corporate memory, but with the regular challenge provided by fresh thinking. The composition, skills and effectiveness of the Board are reviewed at least annually to ensure that the Board has the skills and experience necessary for the management of the Company, having regard to anticipated challenges and opportunities.

AIC Code	Principle	Compliance Statement
L.	**Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.**	The Board evaluates its own performance and that of its Committees and the Chair on an annual basis. For the period under review, this was carried out by way of a questionnaire and individual meetings. The Chair led the evaluation, which covered the functioning of the Board as a whole, composition and diversity of the Board, the effectiveness of the Board Committees and the independence and contribution made by each Director. Each Director also completed a self-evaluation questionnaire reflecting on their personal contribution and commitment as a Director during the period and discussed any key individual areas of focus with the Chair. The Nomination Committee receives relevant points from the performance evaluation process and considers the information when making a recommendation to the Board regarding the election and re-election of Directors. More information regarding the proposed re-election of each Director can be found in the Notice of AGM. The results of the annual Board Evaluation process conducted during the period can be found on page 58.
AUDIT, RISK AND INTERNAL CONTROL		
M.	**The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.**	The Audit & Risk Committee has put in place a non-audit services policy which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit & Risk Committee or the Board. This enables the Audit & Risk Committee to ensure that the external auditor remains fully independent. The Committee agrees that the implementation of this policy has ensured that division is maintained going forward. No non-audit services have been provided by the Company's external auditor, BDO, therefore the Committee continues to believe that the external auditor remains independent. Further information regarding the work of the Audit & Risk Committee can be found on pages 55 to 57.
N.	**The board should present a fair, balanced, and understandable assessment of the company's position and prospects.**	The Audit & Risk Committee has considered the Annual Report and Audited Financial Statements as a whole and agreed that it presents a fair, balanced, and understandable assessment of the Company's position and prospects.
O.	**The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.**	Risks faced by the business are considered, monitored and assessed on a regular basis. Details regarding the Company's principal risks and uncertainties can be found on pages 22 and 23. The Audit & Risk Committee receives service provider internal control reports which are collated by the Manager. The performance of all third party service providers are reviewed at least annually by the Management Engagement and Remuneration Committee. Further details can be found on page 61.

AIC Code	Principle	Compliance Statement
REMUNERATION		
P.	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	The Company follows the recommendation of the AIC Code that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of the role. As stated in the Remuneration Report on page 62 the Company's policy is that remuneration of Non-Executive Directors should reflect the experience of the Board as a whole, the responsibilities and time commitments each Director would have to devote to the Company's affairs and be in line with that of other relevant venture capital trusts.
Q.	A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Board's Management Engagement and Remuneration Committee 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 2023. Further details on the Directors' remuneration is contained in the Directors' Remuneration Report on pages 61 to 65.
R.	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	All Directors of the Company are independent Non-Executive Directors, and all Directors are members of the Management Engagement and Remuneration Committee ("MERC"). Any decision about remuneration is taken after considering the performance of the Company and the current market conditions. In accordance with the AIC Code Principle 9, the Chair, Sarah Fromson who was independent on appointment (and remains so) is a member of the MERC. Mr Farazmand is the Chair of the MERC.

The Board's Committees

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

Audit & Risk Committee report

Chair: Malcolm Groat

I am pleased to present the Audit & Risk Committee report for the year ended 30 September 2023.

Membership

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

Key responsibilities of the Audit & Risk Committee:

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

Matters considered during the year

During the period, the Audit & Risk Committee has:

- Reviewed the Company's financial statements for the half year and year end and made recommendations to the Board;
- Reviewed the Company's going concern and viability statements;
- Reviewed the Company's Risk Register reflecting the current and emerging risks faced by the Company;
- Reviewed the internal controls and cyber security of the Company and its third-party service providers with particular emphasis on the ESG risks and mitigation of the associated risks;
- Agreed the audit plan for the year ended 30 September 2023 and audit fees with BDO; and
- Reviewed its own performance as a Committee and its Terms of Reference.

The significant issues considered by the Committee during the year ended 30 September 2023 were:

Valuation of investments

Discussions have been held with the Manager about the Company's valuation process, its ownership of assets and the systems in place at Gresham House to ensure the accuracy of the valuation of the Company's portfolio. The Manager also uses independent valuations in conjunction with their own to provide third-party assurance and risk mitigation to the Committee. The Audit & Risk Committee received assurances from the Manager around the robust valuation processes in place, monitoring all potential ESG risks that could impact the Company.

Compliance with VCT tests

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

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

Going concern and long-term viability

The Committee considered the Company's long-term financial requirements and viability for the forthcoming year and the longer period of three years, particularly in light of the ongoing effects of rising inflation. This assessment included the review of possible declines in investment valuations and the impact of rising inflation on financial statements disclosures including those relating to principal risks. As a result of this assessment, the Committee concluded that the Company had adequate resources to continue in operation and meet its liabilities as they fall due both for the forthcoming year and until 2025. Related going concern and long-term viability statements are included on pages 46 and 35 respectively.

Cyber security

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

Internal controls and risk management systems

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit & Risk Committee, has undertaken a robust assessment and review of the principal risks facing the Company, together with a review of any emerging risks that may have arisen during the year to 30 September 2023, including those that would threaten its business model, future performance, solvency or liquidity. A statement of the principal risks and uncertainties faced by the Company can be found on pages 22 and 23.

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

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

Internal audit function

The Company does not have an internal audit function.

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

External auditor

In early 2021, the Company completed an audit tender process. Three firms were invited and the Board appointed BDO as external auditor to the Company with effect from 28 May 2021. As part of the audit strategy presentation, BDO provided a clear description of the work to be undertaken for the audit process for the year ended 30 September 2023. The Company anticipates repeating an audit tender in 2028 in respect of the year ended 30 September 2029. This is in line with latest Corporate Governance provisions.

In accordance with professional guidelines, the senior audit partner is rotated after five years (at most). The current senior audit partner started working with the Company in 2021 and will therefore change in 2026. A resolution to re-appoint BDO as the Company's auditors will be proposed at the 2024 AGM.

An audit fee of £51,000 (exclusive of VAT) has been agreed in respect of the year ended 30 September 2023.

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

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

Non-audit services

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

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

Malcolm Groat
Audit & Risk Committee Chair

21 December 2023

Nomination Committee report

Chair: Sarah Fromson

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

Key responsibilities:

1 Lead the process for the appointments of additional Directors to the Board as and when appropriate;

2 Consider the resolutions relating to the election and re-election of Directors; and

3 Consider the orderly succession planning of the Board and the need to have a balance of skills, experience, knowledge, and diversity amongst Directors.

Board Composition

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

Board evaluation

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

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

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

Succession planning and diversity

The Nomination Committee reviews the size and structure of the Board annually and succession planning remains a key area of focus for the Board for the year ending 30 September 2024. The Nomination Committee is also responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to undertake them.

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

The Board notes the FCA rules on diversity and inclusion on company boards, namely, that from accounting periods starting on or after 1 April 2022:

a) At least 40 per cent of individuals on the Board to be women;

b) At least one senior Board position to be held by a woman (such as Chair, /SID, Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO"); and

c) At least one individual on the Board to be from a minority ethnic background.

In line with Listing Rule 9 Annex 2.1, the below tables in the prescribed format, show the gender and ethnic background of the Directors at the date of this Report.

Gender identity or sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)*
Men	3	75%	1
Women	1	25%	1
Not specified/ prefer not to say	–	–	

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO. SID and Chair) *
White British or other White (including minority White groups)	3	75%	2
Mixed/Multiple Ethnic Groups	1	25%	
Asian/Asian British	–	–	
Black/African/Caribbean/Black British	–	–	
Other ethnic group, including Arab	–	–	
Not specified/prefer not to say	–	–	

* The company is externally managed and does not have executive management functions, specifically it does not have a CEO or CFO.

The information presented in these tables was collected on a self-reporting basis.

As at 30 September 2023, the Board comprised of four members. The gender breakdown is as follows: 1 (25 per cent female); 3 (75 per cent male). Three Board members identify as White British or other White (including minority White groups) and one as mixed/multiple ethnic groups.

The Board is pleased to have met recommendation b) At least one senior Board position to be held by a woman, with the position of Chair being held by a female. Whilst the Board ensures that all appointments are made on merit and that any Board vacancies are filled by the most qualified candidates, the Board supports the recommendations for senior positions to be held by female directors and for ethnic representation on the Board, both matters will be considered when assessing the Board's succession plan.

As the Company is an externally managed investment Company, it has no executive staff and therefore does not have a CEO or a CFO, both roles are deemed as senior board positions by the FCA. The Chair and Senior Independent Director are also considered senior Board positions by the FCA, one of which is held by a female (Chair) and the other position (SID) held by a male.

Further explanation of the Board's succession planning and approach to diversity can be found on page 58.

Tenure policy

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

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

Directors' meeting attendance

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

	Board of Directors		Audit Committee		Management Engagement and Remuneration Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Sarah Fromson	4	4	3	3	2	2	1	1
Malcolm Groat	4	4	3	3	2	2	1	1
Tim Farazmand	4	4	3	3	2	2	1	1
Graham McDonald	4	4	3	3	2	2	1	1

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

Sarah Fromson
Nomination Committee Chair

21 December 2023

Directors' remuneration report

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

The law requires the Company's auditor, BDO, to audit The law requires the Company's auditor, BDO, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 67 to 74.

An ordinary resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming AGM on 5 March 2024.

Annual statement from the Chair of the Management Engagement and Remuneration Committee

The Management Engagement and Remuneration Committee is chaired by Mr Farazmand and comprises all the Directors of the Company, whose names are set out on page 43 of the Directors' Report.

As explained in the Corporate Governance Statement on pages 48 and 54, given the size and nature of the company, it is felt appropriate that all Directors are members of the Management Engagement & Remuneration Committee. The Company has no executive directors and the Non-Executive Directors are considered independent.

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

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

Manager duties

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

Relationship with the Manager

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

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

Remuneration

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

In recent years, the Board has seen a significant increase in regulation in the industry which has in turn resulted in an increase in the workload of the Directors. In addition, the Directors spend a considerable amount of time monitoring the 80 per cent test, the other continuing VCT tests, the co-investment scheme and the fundraise. 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 48 to 54, all of which the Board believes should be considered when determining the remuneration of the Directors.

Directors' fees

All Directors act in a non-executive capacity and the fees for their services are approved by the Committee. The fees for the Directors are determined within the limits set out in the Company's Articles of Association. In November 2022, the Management Engagement and Remuneration Committee met to consider the level of Directors' fees for the year ending 30 September 2023 and concluded that it was appropriate to increase the Directors' fees by 5 per cent to reflect inflationary pressures, the last fee revision having occurred in November 2018. Accordingly, the Directors' fees were increased from £28,000 to £29,400, the Senior Independent Director fee from £30,000 to £31,500, the Audit and Risk Committee Chair (if separate to the Senior Independent Director) from £30,000 to £31,500, and the Chair's fee was increased from £36,000 to £37,800.

In August 2023, the Management Engagement and Remuneration Committee met to review the level of Directors' fees for the year ending 30 September 2024 and concluded that the fees remained appropriate and would not be increased for the year ending 30 September 2024.

In determining the remuneration of the Directors, the Company has regard inter alia, to the time spent by the Directors on matters concerning the Company, the comparative fees paid to Directors of other VCTs relative to the NAV of the VCT, the prevailing rate of Consumer Price Index ("CPI") at the time, any feedback Shareholder views on remuneration received from shareholders and the performance of the Company's portfolio.

Directors' remuneration policy

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

The remuneration policy, as set out above, was approved by the members at the AGM held on 1 February 2023. There are no proposed changes to the policy and therefore it is intended that this policy will continue for the year ending 30 September 2024 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.

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

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

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

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

Shareholder views on remuneration

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

The votes cast at the last AGM were as follows:

Remuneration report (2023 AGM Results)

	Number of votes	Percentage of votes cast
For	12,063,433	89.78%
Against	1,373,455	10.22%
Votes withheld	252,084	

Remuneration policy (2023 AGM Results)

	Number of votes	Percentage of votes cast
For	12,104,133	90.38%
Against	1,287,708	9.62%
Votes withheld	297,131	

Annual remuneration report

Scheme interests awarded during the financial year

The Company does not operate a share incentive plan. The Directors do not receive any remuneration or any part of their fee in the form of shares in the Company, options to subscribe for shares, warrants or any other equity-based scheme.

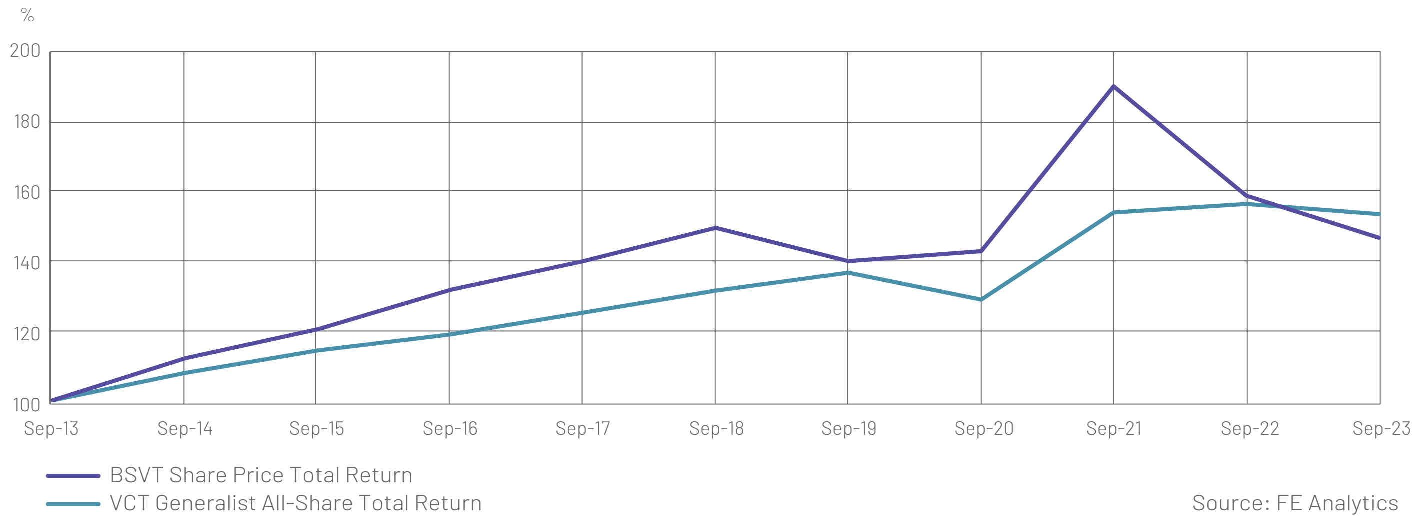
Company performance

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

The graph below compares, for the ten periods, the percentage change over each period in the share price total return (assuming all dividends are reinvested) to shareholders compared to the share price total return of approximately 40 generalist VCTs (source: FE Analytics), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chair's Statement and Manager's Review on pages 5 to 14.

At least annually, the Management Engagement and Remuneration Committee formally reviews the performance of the Manager and the appropriateness of its continuing appointment. At this meeting, the Committee reviews the performance of the fund and all aspects of the service provided by the Manager. It also reviews 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) and annual percentage change

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

	Year to 30 September				Percentage change from		
	2023 £	2022 £	2021 £	2020 £	2022 to 2023* %	2021 to 2022* %	2020 to 2021* %
Sarah Fromson (Chair)	37,800	36,000	36,000	32,733	5.0	–	10.0
Tim Farazmand	29,400	28,000	28,000	11,666	5.0	–	140.0
Malcolm Groat	31,500	30,000	30,000	30,000	5.0	–	–
Graham McDonald	29,400	28,000	15,050	N/A	5.0	86.0	N/A
Total	128,100	122,000	109,050	74,399			

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

Relative importance of spend on Directors' fees

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

- the payment of the final dividend for the prior year within the current financial year; and
- the fundraising which was conducted between January and April 2023.

	Year to 30 September 2023 £	Year to 30 September 2022 £	Percentage change
Total Directors' fees	128,100	122,000	5.0
Shares repurchased	3,141,000	2,775,000	13.2
Dividends	18,276,000	20,580,000	(11.2)
NAV	209,659,000	212,986,000	(1.6)

The Directors' fees as a percentage of NAV for the year to 30 September 2023 were 0.061 per cent and for the year to 30 September 2022 were 0.057 per cent.

Directors' interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company. The interests of the Directors in the shares of the Company (including their connected persons) as at 30 September 2023 were as follows:

	30 September 2023 Ordinary 10p shares	30 September 2022 Ordinary 10p shares
Sarah Fromson (Chair)	77,988	55,926
Tim Farazmand	180,383	128,403
Malcolm Groat*	306,772	306,772
Graham McDonald	51,105	32,012
Total	616,248	523,113

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

There have been no changes to these holdings between 30 September 2023 and the date of this report.

Approved by the Board of Directors and signed by

Tim Farazmand
Chair of the Management Engagement and Remuneration Committee

21 December 2023

Statement of Directors' responsibilities

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

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

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

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

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

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

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

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

We confirm that to the best of our knowledge:

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

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

On behalf of the Board

Sarah Fromson
Chair

21 December 2023

Independent auditor's report

to the members of Baronsmead Second Venture Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Baronsmead Second Venture Trust Plc (the 'Company') for the year ended 30 September 2023 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 May 2021 to audit the financial statements for the year ending 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 30 September 2021 to 30 September 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- Obtaining the VCT compliance reports prepared by management expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status.
- Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness; and
- Evaluating the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by rising inflation.

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

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

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

Overview

		2023	2022
Key audit matters	Valuation of unquoted investments	✔	✔
Materiality	*Company financial statements as a whole* £3.69m (2022: £2.66m) based on 2% (2022: 1.5% of gross investments) of net assets adjusted for significant fundraising in the year		

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (Notes 2.3, 3.3 of the financial statements)	We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the value of the net assets of the VCT, as shown in note 2.6. For these reasons we treated the valuation of unquoted investments as a key audit matter.	Our unquoted equity investments valuation testing was risk based according to our preliminary analytical procedures, having regard to the subjectivity of the inputs to the valuations, the value of individual investments, the nature of the investment and the extent of the fair value movement. For the unquoted portfolio we: ▪ Considered whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. Where there was a change in valuation methodology from prior year, we assessed whether the change was appropriate; ▪ Considered the change in market multiples and discount applied from prior year and if they were supported by the performance of the underlying investment; ▪ Checked that the valuation was based on recent financial information and reviewed the arithmetic accuracy of the valuation.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (continued) (Notes 2.3, 3.3 of the financial statements)	Further, for the unquoted investments samples selected for detailed testing we: ▪ Re-performed the calculation of the investment valuation; ▪ Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; ▪ Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; ▪ Considered the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and ▪ Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. **Key observations** Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

02 Directors' report - **Independent auditor's report**

Our application of materiality

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

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

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

	Company financial statements	
	2023 £	2022 £
Materiality	£3,690,000	£2,660,000
Basis for determining materiality	2% of net assets adjusted for significant fundraising in the year.	1.5% of gross investments
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is highly weighted in listed equities and also comprising unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of net assets adjusted for significant fundraising in the year. The basis for setting materiality has been changed as net assets is considered to be the key area of focus for the users of the financial statements, given the nature of the entity.	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.5% of gross investments.
Performance materiality	£2,760,000	£1,990,000
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined a lower testing threshold for those items impacting revenue return of £280,000 (2022: £300,000) based on 5% of gross expenditure (2022: 5% gross expenditure).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £180,000 (2022: £133,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

Going concern and longer-term viability	▪ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46; and ▪ The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 35.
Other Code provisions	▪ Directors' statement on fair, balanced and understandable set out on page 66; ▪ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 22 and 23; ▪ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 56; and ▪ The section describing the work of the audit committee set out on pages 55 to 57.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ▪ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▪ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ▪ 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

02 Directors' report - **Independent auditor's report**

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit Committee; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and updated in 2022 with consequential amendments and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the VCT policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Considering performance incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of unquoted investments, management override of controls and misappropriation & completeness of cash.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above;
- Obtaining independent evidence to support the ownership of investments;
- Recalculating investment management fees in total;
- Obtaining third party confirmations of all bank balances and review other matters on confirmation letters such as security held, derivative financial instruments and facilities renewal and consider implications on audit approach;
- To check for the completeness and misappropriation of cash during the year we have reviewed bank statements for one month before and after year end and identified transactions greater than 20% of performance materiality and obtain an understanding of the business rationale for the transactions. Agree transactions to supporting documentation to confirm as bona fide business transactions; and
- Reviewing the General Ledger and Journals listing for period end financial reporting journals based on our risk assessment criteria and performing testing over a sample of expense journals throughout the year to incorporate unpredictability into our journal testing agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

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

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

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

Use of our report

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

Vanessa Bradley
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
21 December 2023

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

Income statement

For the year ended 30 September 2023

		Year ended 30 September 2023			Year ended 30 September 2022		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Losses on investments	2.3	–	(4,284)	(4,284)	–	(48,771)	(48,771)
Income	2.5	3,082	–	3,082	4,951	–	4,951
Investment management fee	2.6	(1,252)	(3,758)	(5,010)	(1,367)	(4,101)	(5,468)
Other expenses	2.6	(700)	–	(700)	(669)	–	(669)
Profit/(loss) before taxation		1,130	(8,042)	(6,912)	2,915	(52,872)	(49,957)
Taxation	2.9	–	–	–	(263)	263	–
Profit/(loss) for the year, being total comprehensive income for the year		1,130	(8,042)	(6,912)	2,652	(52,609)	(49,957)
Return per ordinary share:							
Basic and diluted	2.2	0.33p	(2.32p)	(1.99p)	0.85p	(16.85p)	(16.00p)

All items in the above statement derive from continuing operations.

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

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

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

The notes on **pages 81** to **97** form part of these financial statements.

Statement of changes in equity

For the year ended 30 September 2023

	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 2022		35,789	106,099	18,834	49,142	3,122	212,986
(Loss)/profit after taxation		–	–	4,228	(12,270)	1,130	(6,912)
Net proceeds of share issues, share buybacks & sale of shares from treasury		3,839	20,452	–	(2,413)	–	21,878
Dividends paid	2.4	–	–	–	(16,901)	(1,375)	(18,276)
Cancellation of share premium		–	(126,551)	–	126,551	–	–
Share premium cancellation costs		–	–	–	(17)	–	(17)
At 30 September 2023		39,628	–	23,062	144,092	2,877	209,659

For the year ended 30 September 2022

	Notes	Non-distributable reserves			Distributable reserves		
		Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 October 2021		31,206	74,231	77,481	63,698	1,758	248,374
(Loss)/profit after taxation		–	–	(58,647)	6,038	2,652	(49,957)
Net proceeds of share issues, share buybacks & sale of shares from treasury		4,583	31,868	–	(1,302)	–	35,149
Dividends paid	2.4	–	–	–	(19,292)	(1,288)	(20,580)
At 30 September 2022		35,789	106,099	18,834	49,142	3,122	212,986

The notes on pages 81 to 97 form part of these financial statements.

Balance sheet

As at 30 September 2023

Company Number: 04115341

	Notes	As at 30 September 2023 £'000	As at 30 September 2022 £'000
Fixed assets			
Investments	2.3	210,243	177,705
Current assets			
Debtors	2.7	235	152
Cash at bank and on deposit		670	36,622
		905	36,774
Creditors (amounts falling due within one year)	2.8	(1,489)	(1,493)
Net current (liabilities)/assets		(584)	35,281
Net assets		209,659	212,986
Capital and reserves			
Called-up share capital	3.1	39,628	35,789
Share premium	3.2	–	106,099
Capital reserve	3.2	144,092	49,142
Revaluation reserve	3.2	23,062	18,834
Revenue reserve	3.2	2,877	3,122
Equity shareholders' funds	2.1	209,659	212,986
Net asset value per share			
– Basic and diluted	2.1	57.88p	65.08p

The notes on pages 81 to 97 form part of these financial statements.

The financial statements were approved, and authorised for issue, by the board of Directors of Baronsmead Second Venture Trust plc on 21 December 2023 and were signed on its behalf by:

Sarah Fromson
Chair

Statement of cash flows

For the year ended 30 September 2023

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Cash flows from operating activities		
Investment income received	2,060	4,458
Deposit interest received	83	18
Investment management fees paid	(5,031)	(5,691)
Other cash payments	(700)	(657)
Net cash outflow from operating activities	(3,588)	(1,872)
Cash flows from investing activities		
Purchases of investments	(92,959)	(31,600)
Disposals of investments	56,993	43,658
Net cash (outflow)/inflow from investing activities	(35,966)	12,058
Cash flows from investing activities		
Gross proceeds of share issues	25,000	38,140
Gross proceeds from sale of shares from treasury	1,063	1,487
Gross costs of share buybacks	(3,141)	(3,219)
Cost of Share issues	(1,028)	(1,689)
Costs of share buybacks	(16)	(15)
Equity dividends paid	(18,276)	(20,580)
Net cash inflow before financing activities	3,602	14,124
(Decrease)/Increase in cash	(35,952)	24,310
Reconciliation of new cash flow to movement in net cash		
(Decrease)/increase in cash	(35,952)	24,310
Opening cash at bank and on deposit	36,622	12,312
Closing cash at bank and on deposit	670	36,622
Reconciliation of loss before taxation to net cash outflow from operating activities		
Loss before taxation	(6,912)	(49,957)
Losses on investments	4,284	48,771
Income reinvested	(856)	(434)
Increase in debtors	(83)	(43)
Decrease in creditors	(21)	(209)
Net cash outflow from operating activities	(3,588)	(1,872)

The notes on pages 81 to 97 form part of these financial statements.

Notes to the financial statements

For the year ended 30 September 2023

We have grouped notes into sections under three key categories:

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

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

1 Basis of preparation

1.1 Basis of accounting

These Financial Statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in January 2017, February 2018, October 2019, April 2021 and July 2022 and on the assumption that the Company maintains VCT status with HMRC.

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

After making the necessary enquiries, including those made during the preparation of the viability statement in the Strategic Report, the Directors believe that the Company will continue to be able to meet its liabilities as and when they fall due for a period of at least 12 months, therefore it is appropriate to apply the going concern basis in preparing the financial statements.

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

2 Investments, performance and shareholder returns

2.1 Net asset value per share

	Number of ordinary shares		Net asset value per share attributable		Net asset value attributable	
	30 September 2023 number	30 September 2022 number	30 September 2023 pence	30 September 2022 pence	30 September 2023 £'000	30 September 2022 £'000
Ordinary shares (basic)	362,253,166	327,288,384	57.88	65.08	209,659	212,986

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit after taxation	
	30 September 2023 number	30 September 2022 number	30 September 2023 pence	30 September 2022 pence	30 September 2023 £'000	30 September 2022 £'000
Revenue	346,626,977	312,132,990	0.33	0.85	1,130	2,652
Capital	346,626,977	312,132,990	(2.32)	(16.85)	(8,042)	(52,609)
Total			(1.99)	(16.00)	(6,912)	(49,957)

2.3 Investments

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

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

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

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

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

Judgements

The key judgements in the fair valuation process are:

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

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

Estimates

The key estimate in the financial statements is the determination of the fair value of the unquoted investments. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 3.3 on pages 93 to 95. The risk of an over or underestimation of fair values is greater when methodologies are applied using more subjective inputs.

Assumptions

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

i) Cost of recent investment

ii) Earnings multiple

iii) Offer less 10 per cent, where applicable

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

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

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

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

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

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

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

	As at 30 September 2023 £'000	As at 30 September 2022 £'000
Level 1		
Investments traded on AIM	78,973	75,051
Level 2		
Collective investment vehicles	80,764	49,502
Investments listed on LSE	–	34
Level 3		
Unquoted investments	50,506	53,118
	210,243	177,705

For the year ended 30 September 2023

	Level 1	Level 2		Level 3	
	Traded on AIM £'000	Listed on LSE £'000	Collective investment vehicles £'000	Unquoted £'000	Total £'000
Opening book cost	63,764	3,429	36,557	55,121	158,871
Opening unrealised appreciation/(depreciation)	11,287	(3,395)	12,945	(2,003)	18,834
Opening fair value	**75,051**	**34**	**49,502**	**53,118**	**177,705**
Movements in the year:					
Transfer between levels	(1,590)	–	–	1,590	–
Purchases at cost	2,303	–	82,878	8,634	93,815
Sale – proceeds	(661)	–	(53,898)	(2,434)	(56,993)
Sales – realised gains/(losses) on sales	149	(34)	–	203	318
Unrealised gains/(losses) realised during the year	466	(3,395)	–	(5,901)	(8,830)
Increase/(decrease) in unrealised appreciation	3,255	3,395	2,282	(4,704)	4,228
Closing fair value	**78,973**	**–**	**80,764**	**50,506**	**210,243**
Closing book cost	64,431	–	65,537	57,213	187,181
Closing unrealised appreciation/(depreciation)	14,542	–	15,227	(6,707)	23,062
Closing fair value	**78,973**	**–**	**80,764**	**50,506**	**210,243**
Equity shares	78,973	–	–	26,629	105,602
Preference shares	–	–	–	20,063	20,063
Loan notes	–	–	–	3,814	3,814
Collective investment vehicles	–	–	80,764	–	80,764
Closing fair value	**78,973**	**–**	**80,764**	**50,506**	**210,243**

For the year ended 30 September 2022

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

The gains and losses included in the above table have all been recognised in the Income Statement on page 77.

In the year ending 30 September 2023, an investment held, Deepverge plc previously Level 1 was transferred to Level 3 following its delisting from AIM.

The Company received £3.1 million (2022: £22.9 million) from investments sold in the year, excluding liquidity funds redeemed of £53.9 million (2022: £20.8 million). The book cost of these investments when they were purchased was £11.6 million (2022: £13.0 million). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

2.4 Dividends

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Amounts recognised in the year:						
For the year ended 30 September 2023						
Interim dividend of 2.25p per ordinary share paid on 8 September 2023	362	7,785	8,147	–	–	–
For the year ended 30 September 2022						
Final dividend of 3.0p per ordinary share paid on 3 March 2023	1,013	9,116	10,129	–	–	–
Interim dividend of 3.0p per ordinary share paid on 9 September 2022	–	–	–	980	8,826	9,806
For the year ended 30 September 2021						
Final dividend of 3.5p per ordinary share paid on 4 March 2022	–	–	–	308	10,466	10,774
	1,375	16,901	18,276	1,288	19,292	20,580

2.5 Income

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

Where the terms of unquoted loan notes only require interest or a redemption premium to be paid on redemption, the interest and the redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium should be recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. A redemption premium of £nil (2022: £nil) was received in the year ended 30 September 2023.

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

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	Quoted Securities £'000	Unquoted securities £'000	Total £'000	Quoted securities £'000	Unquoted securities £'000	Total £'000
Income from investments						
Dividend income	1,822	–	1,822	1,318	211	1,529
Interest income	747	431	1,178	61	3,333	3,394
	2,569	431	3,000	1,379	3,544	4,923
Other income						
Deposit interest			82			28
Total income			3,082			4,951

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

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,252	3,758	5,010	1,367	4,101	5,468
Performance fee	–	–	–	–	–	–
	1,252	3,758	5,010	1,367	4,101	5,468

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

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

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary shares exceeds 8 per cent per annum (on a simple basis). The Manager is entitled to 10 per cent of the excess. The amount of any performance fee which is paid in respect of a calculation period shall be capped at 5 per cent of the shareholders' funds at the end of the calculation period. £nil performance fee is payable for the year ended 30 September 2023 (2022: £nil).

Other expenses

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Directors' fees	128	122
Secretarial and accounting fees paid to the Manager	167	149
Remuneration of the auditors and their associates	61	53
Other	344	345
	700	669

Information on Directors' remuneration is given in the Directors' emoluments table on page 64. During the year there was no remuneration due to the auditors for non-audit services (2022: £nil).

2.7 Debtors

	As at 30 September 2023 £'000	As at 30 September 2022 £'000
Prepayments and accrued income	235	152
	235	152

2.8 Creditors (amounts falling due within one year)

	As at 30 September 2023 £'000	As at 30 September 2022 £'000
Management, secretarial and accounting fees due	1,361	1,377
Share premium cancellation costs	17	–
Other creditors	111	116
	1,489	1,493

2.9 Tax

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

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

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

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

	Year ended 30 September 2023			Year ended 30 September 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	1,130	(8,042)	(6,912)	2,915	(52,872)	(49,957)
Corporation tax at 22.0 per cent (2022: 19.0 per cent)	248	(1,769)	(1,521)	554	(10,046)	(9,492)
Effect of:						
Non-taxable losses	–	942	942	–	9,266	9,266
Non-taxable dividend income	(401)	–	(401)	(208)	–	(208)
Losses carried forward	153	827	980	(83)	517	434
Tax charge/(credit) for the year	–	–	–	263	(263)	–

At 30 September 2023 the Company had unrealised losses of £26,129,035 (2022: £21,679,476). A deferred tax asset of £6,532,259 (2022: £5,419,869) has not been recognised because the Company is not expected to generate taxable income in a future year in excess of the deductible expenses of that future year. Accordingly the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3 Other required disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

For the year ended 30 September 2023	£'000
357,889,473 ordinary shares of 10p each listed at 30 September 2022	35,789
38,390,060 ordinary shares of 10p each issued during the year	3,839
396,279,533 ordinary shares of 10p each listed at 30 September 2023	**39,628**
30,601,089 ordinary shares of 10p each held in treasury at 30 September 2022	(3,060)
5,247,081 ordinary shares of 10p each repurchased during the year and held in treasury	(525)
1,821,803 ordinary shares of 10p each sold from treasury during the year	182
34,026,367 ordinary shares of 10p each held in treasury at 30 September 2023	**(3,403)**
362,253,166 ordinary shares of 10p each in circulation* at 30 September 2023	**36,225**

For the year ended 30 September 2022	£'000
312,059,812 ordinary shares of 10p each listed at 30 September 2021	31,206
45,829,661 ordinary shares of 10p each issued during the year	4,583
357,889,473 ordinary shares of 10p each listed at 30 September 2022	**35,789**
29,085,727 ordinary shares of 10p each held in treasury at 30 September 2021	(2,909)
3,699,362 ordinary shares of 10p each repurchased during the year and held in treasury	(369)
2,184,000 ordinary shares of 10p each sold from treasury during the year	218
30,601,089 ordinary shares of 10p each held in treasury at 30 September 2022	**(3,060)**
327,288,384 ordinary shares of 10p each in circulation* at 30 September 2022	**32,729**

* Carrying one vote each.

The 38,390,060 (2022: 45,829,661) ordinary shares were issued at an average price of 65.12p (2022: 83.22p).

During the year the Company bought back into treasury 5,247,081 (2022: 3,699,362) ordinary shares, representing 1.61 (2022: 1.31) per cent of the ordinary shares in circulation at the beginning of the financial year. During the year the Company also sold 1,821,803 (2022: 2,184,000) 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.

3.2 Reserves

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

For the year ended 30 September 2023

	Distributable reserves			Non-distributable reserves		
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve £'000	Total £'000
At 1 October 2022	49,142	3,122	52,264	106,099	18,834	124,933
Gross proceeds of share issues	–	–	–	21,161	–	21,161
Cancellation of share premium	126,551	–	126,551	(126,551)	–	(126,551)
Share premium cancellation costs	(17)	–	(17)	–	–	–
Purchase of shares for treasury	(3,141)	–	(3,141)	–	–	–
Sale of shares from treasury	1,063	–	1,063	–	–	–
Expenses of share issues and buybacks	(335)	–	(335)	(709)	–	(709)
Reallocation of prior year unrealised losses/gains	(8,830)	–	(8,830)	–	8,830	8,830
Realised gain on disposal of investments#	318	–	318	–	–	–
Net decrease in value of investments#	–	–	–	–	(4,602)	(4,602)
Management fee charged to capital#	(3,758)	–	(3,758)	–	–	–
Profit after taxation#	–	1,130	1,130	–	–	–
Dividends paid in the year	(16,901)	(1,375)	(18,276)	–	–	–
At 30 September 2023	144,092	2,877	146,969	–	23,062	23,062

For the year ended 30 September 2022

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

* Changes in fair value of investments are dealt with in this reserve.
# The total of these items is £6,912,000 (2022: £49,957,000) which agrees to the total loss for the year.

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

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

3.3 Financial instruments risks

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

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

Market risk

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

Price risk

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

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

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

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

Price risk sensitivity

The fair valuation of unquoted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 2.3 on pages 82 and 83). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs. The sensitivity analysis below applied a wider range of input variable sensitivity to the earnings multiple method due to the increased subjectivity involved in the use of this method compared to the rebased cost method, which refers to the price of a recent investment.

As at 30 September 2023

Security	Valuation basis	Key variable inputs	Fair Value £'000s	Sensitivity %	Impact £'000s	Impact % of net assets
Unquoted	Rebased cost	Latest funding round price	3,342	+/-10%	334	+/-0.2
	Earnings multiple	Estimated sustainable earnings Selection of comparable companies Application of illiquidity discount Probability estimation of Liquidation event*	46,112	+/-20%	9,222	+/-4.4
	Offer less 10%	Current offer price received for sale Discount applied to offer	–	+/-10%	–	–

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

A sensitivity has been performed for quoted AIM investments, which are valued at the latest share price set by the market. A sensitivity of +/- 20 per cent has been applied to the fair value of £79.0 million (2022: £75.1 million), reflecting the level of volatility in financial markets in 2023 and 2022. A movement of +/- 20 per cent would cause an increase or decrease of £15.8 million to the fair value of the quoted AIM portfolio (2022: £15.0 million).

A sensitivity has also been performed for the Company's investments into the Micro Cap, Multi Cap Income and Small Cap funds, which are valued at the latest share price set by the market. A sensitivity of +/- 20 per cent has been applied to the fair value of £63.0 million (2022: £43.9 million), reflecting the level of volatility in financial markets in 2023 and 2022. A movement of +/- 20 per cent would cause an increase or decrease of £12.6 million to the fair value of these investments (2022: £8.8 million).

As at 30 September 2022

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

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

Key variable inputs/valuation bases

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

Latest funding round price

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

Estimated sustainable earnings

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

Selection of comparable companies

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

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

Application of illiquidity discount

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

Probability estimation of liquidation event

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

Interest rate risk

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

	As at 30 September 2023			As at 30 September 2022		
	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	3,814	10.80	4.56	9,700	8.76	4.10
Floating rate sterling liquidity funds	17,810	–	–	5,608	–	–
Cash at bank and on deposit	670	–	–	36,622	–	–
	22,294			51,930		

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

Credit risk

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

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

	As at 30 September 2023 £'000	As at 30 September 2022 £'000
Cash at bank and on deposit	670	36,622
Interest, dividends and other receivables	235	152
	905	36,774

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

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

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

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

There were no significant concentrations of credit risk to counterparties at 30 September 2023 or 2022. No individual investment in a portfolio company exceeded 12.0 per cent of the net assets attributable to the Company's shareholders at 30 September 2023 (2022: 8.7 per cent).

Liquidity risk

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

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

At the year end the Company had financial liabilities of £1,489,000 (2022: £1,493,000). All financial liabilities were due within three months and were undiscounted (2022: same).

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 September 2023, these investments were valued at £18,481,000 (2022: £42,230,000).

3.4 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, Gresham House Asset Management Ltd, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors along with their shareholdings as disclosed in the Directors' Remuneration Report. In addition, the Manager operates a VCT Incentive Scheme, detailed in the Management retention section of the Strategic Report on page 34, whereby members and staff of the Manager are entitled to participate in all eligible unquoted investments alongside the Company.

During the year, Gresham House Asset Management Ltd received £191,000 (2022: £295,000) of advisory fees, £412,000 (2022: £528,000) of directors' fees for services provided to companies in the investment portfolio and incurred abort costs of £4,000 (2022: £7,000) with respect to investments attributable to Baronsmead Second Venture Trust plc.

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

3.5 Segmental reporting

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

3.6 Post balance sheet events

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

- The 31 October 2023 NAV of 55.5p was announced on 6 November 2023 and the 30 November 2023 NAV of 57.3p was announced on 6 December 2023. At the date of publishing this report, the Board is unaware of any matter that will have caused the NAV per share to have changed significantly since the latest NAV.
- On 4 December 2023, the Company launched an Offer for Subscription to raise up to £15 million with the discretion to utilise over-allotment facilities to raise up to a further £10 million.
- Purchased 1.7 million Ordinary Shares of 10.0p on 12 December 2023 at a price of 54.4p per share to be held in Treasury.
- Four follow-on investments, into Eden Research, Metrion Bioscience, Focal Point Positioning and Patchworks Integration, completed between October to December 2023, totalling £2.6 million.
- One new investment, into Ozone API, completed in December 2023, totalling £1.8 million.
- Realised Gresham House plc shares in December 2023, receiving proceeds of £0.5 million and making a return of 3.9x cost.

Investment policy

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

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

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

Investment securities

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

Liquidity

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

Investment style

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

Co-investment

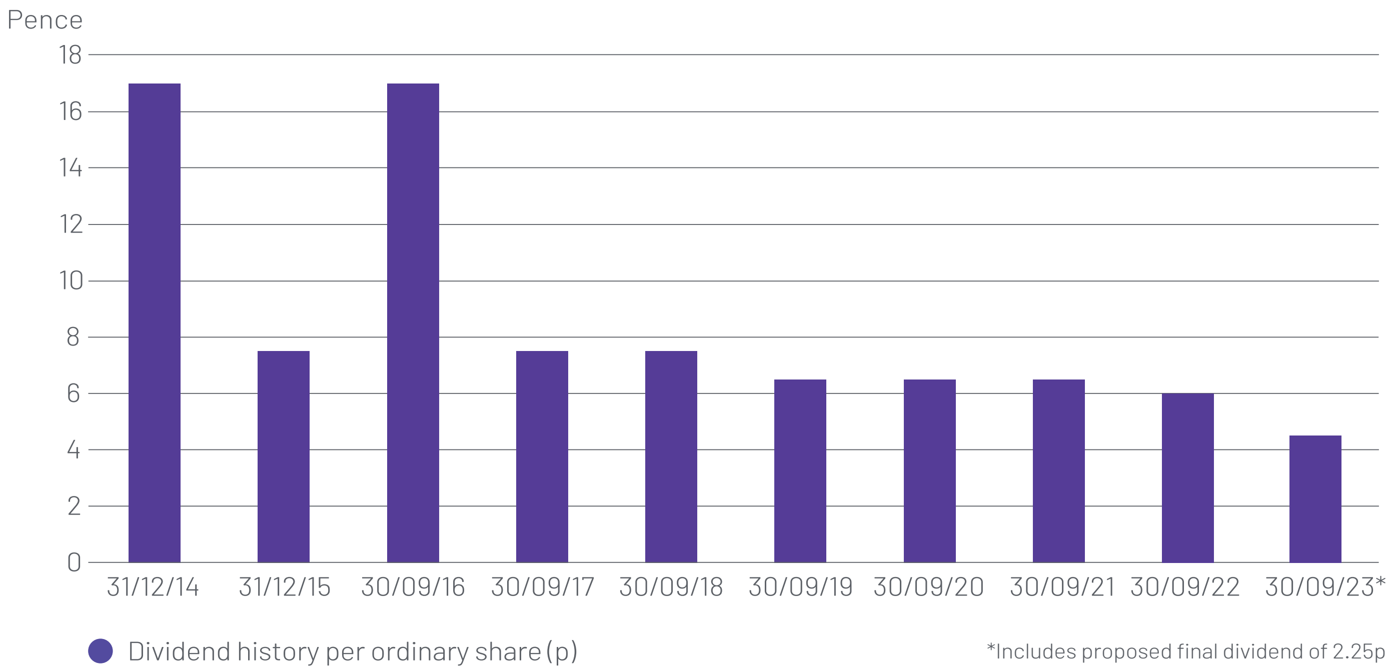
The Company typically invests alongside Baronsmead Venture Trust plc in unquoted and quoted companies sourced by the Manager. Following the Manager's acquisition of the Mobeus VCTs in September 2022, the Company now also co-invests alongside the Mobeus VCTs in new unquoted VCT qualifying investments.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

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

Borrowing powers

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

Dividend history in last ten years



Source: Gresham House Asset Management Ltd

04 Appendices

Dividends paid since launch

	Ordinary share				
Year ended	Revenue (p)	Capital (p)	Dividend history per ordinary share (p)	Cumulative dividends (p)	Average total dividend per ordinary share (p)
31/12/01	2.30	0.00	2.30	2.30	2.30
31/12/02	2.80	0.00	2.80	5.10	2.55
31/12/03	2.20	2.00	4.20	9.30	3.10
31/12/04	1.20	3.30	4.50	13.80	3.45
31/12/05	2.00	3.50	5.50	19.30	3.86
31/12/06	1.75	4.75	6.50	25.80	4.30
31/12/07	2.30	5.20	7.50	33.30	4.76
31/12/08	2.40	5.10	7.50	40.80	5.10
31/12/09	1.20	6.30	7.50	48.30	5.37
31/12/10	2.00	5.50	7.50	55.80	5.58
31/12/11	1.65	5.85	7.50	63.30	5.75
31/12/12	0.50	7.00	7.50	70.80	5.90
31/12/13	3.00	4.50	7.50	78.30	6.02
31/12/14	1.95	15.05	17.00	95.30	6.81
31/12/15	0.90	6.60	7.50	102.80	6.85
30/09/16	0.00	17.00	17.00	119.80	7.61
30/09/17	0.60	6.90	7.50	127.30	7.60
30/09/18	0.15	7.35	7.50	134.80	7.59
30/09/19	0.65	5.85	6.50	141.30	7.54
30/09/20	0.60	5.90	6.50	147.80	7.48
30/09/21	0.40	6.10	6.50	154.30	7.44
30/09/22	0.60	5.40	6.00	160.30	7.37
30/09/23*	0.20	4.30	4.50	164.80	7.24

* Includes proposed final dividend of 2.25p. Estimated revenue and capital split based on number of shares at 30 September 2023.

Performance record since launch

Year end	Total net assets (£mn)	Ordinary share: NAV per share (p)	Ordinary share: Mid share price (p)	Ordinary share: NAV TR* per share (p)	Ongoing charges (%)†
31/12/2001	31.1	93.85	88.00	101.21	2.9
31/12/2002	32.1	94.85	85.50	105.35	3.3
31/12/2003	33.0	97.15	90.00	112.65	3.1
31/12/2004	35.1	106.38	92.50	125.64	3.5
31/12/2005	56.2	117.31	100.50	144.77	3.5
31/12/2006	66.5	130.77	116.50	169.27	3.4
31/12/2007	65.2	120.44	111.50	170.56	3.4
31/12/2008	55.1	102.72	90.50	149.56	3.0
31/12/2009	52.9	97.50	86.25	159.89	3.1
31/12/2010	64.6	106.60	94.25	180.19	3.0
31/12/2011	60.1	100.16	91.25	189.74	3.0
31/12/2012	74.6	111.62	105.38	217.38	3.0
31/12/2013	74.9	113.40	106.25	245.38	3.0
31/12/2014	76.6	101.72	95.00	257.18	2.9
31/12/2015	79.2	106.46	101.00	288.38	3.0
30/09/2016	140.9	92.17	87.13	295.75	2.9
30/09/2017	186.7	94.61	89.50	313.53	2.7
30/09/2018	199.4	92.10	87.75	330.59	2.7
30/09/2019	175.4	77.05	74.50	303.80	2.7
30/09/2020	182.3	73.74	69.50	316.44	2.7
30/09/2021	248.4	87.77	85.00	406.18	2.7
30/09/2022	213.0	65.08	65.00	328.93	2.6
30/09/2023	**209.7**	**57.88**	**55.00**	**318.51**	**2.6**

* Net asset value total return (gross dividends reinvested). Source: Gresham House Asset Management Ltd.
† Figures from 31 December 2012 onwards are based on the new AIC guidelines for the calculation of ongoing charges.

Cash returned to shareholders

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

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid# (p)	Return on cash invested (%)
2001 (January)	100.00	20.00	80.00	164.80	184.8
2005 (March) – C share*	100.00	40.00	60.00	119.62	159.6
2010 (March)	103.09	30.93	72.16	116.50	143.0
2012 (December)	117.40	35.22	82.18	98.50	113.9
2014 (March)	112.40	33.72	78.68	78.50	99.8
2016 (February)	107.20	32.16	75.04	62.00	87.8
2017 (October)	97.48	29.24	68.24	42.00	73.1
2019 (February)	85.30	25.59	59.71	34.50	70.4
2019 (November)	78.90	23.67	55.23	27.00	64.2
2020 (January)	84.80	25.44	59.36	27.00	61.8
2020 (February)	82.50	24.75	57.75	23.50	58.5
2020 (March)	64.30	19.29	45.01	23.50	66.5
2020 (November)	77.90	23.37	54.53	20.50	56.3
2020 (December)	80.90	24.27	56.63	20.50	55.3
2021 (January)	84.40	25.32	59.08	20.50	54.3
2021 (February)	82.20	24.66	57.54	17.00	50.7
2021 (March)	84.90	25.47	59.43	17.00	50.0
2021 (December)	88.10	26.43	61.67	14.00	45.9
2022 (January)	87.10	26.13	60.97	14.00	46.1
2022 (March)	76.60	22.98	53.62	10.50	43.7
2023 (January)†	68.19[1]	20.46	47.73	7.50	41.0
2023 (March)†	65.72[2]	19.72	46.00	4.50	36.9
2023 (April)†	62.96[3]	18.89	44.07	2.25	33.6

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 2.25p per share.

† Shares were allotted pursuant to the 2023 Offer at individual prices for each investor in accordance with the allotment formula as set out in each Offer's Securities Note.

1. Average effective offer price based on allotment prices between 67.6p and 71.5p.
2. Average effective offer price based on allotment prices between 64.8p and 67.9p.
3. Average effective offer price based on allotment prices between 61.8p and 65.2p.

Full investment portfolio

Company	Sector	Original book cost† £'000	Accounting book cost† £'000	30 September 2023 fair value £'000	30 September 2022 fair value £'000	% of net assets	% of equity held by Baronsmead Second Venture Trust plc	% of equity held by all funds#
Unquoted								
Patchworks Integration Ltd	Technology	4,576	4,576	6,031	3,729	2.9	10.9	23.8
eConsult Health Ltd	Healthcare & education	3,899	3,899	5,325	5,195	2.5	5.2	11.4
Airfinity Ltd	Healthcare & education	3,587	3,587	4,719	4,006	2.3	9.3	20.1
Popsa Holdings Ltd	Technology	3,379	3,379	3,379	3,379	1.6	3.7	8.1
Clarilis Ltd	Technology	1,819	1,819	2,723	2,723	1.3	7.6	16.7
Scurri Web Services Ltd	Technology	2,293	2,293	2,719	2,565	1.3	6.9	14.7
TravelLocal Ltd	Consumer markets	2,119	2,119	2,117	1,037	1.0	5.3	10.9
RevLifter Ltd	Technology	1,559	1,559	2,058	1,869	1.0	6.2	13.5
Fu3e Ltd	Technology	1,819	1,819	2,001	1,856	1.0	13.6	29.7
SecureCloud+ Ltd	Technology	789	789	1,904	1,482	0.9	8.8	16.6
Panthera Biopartners Ltd	Healthcare & education	3,338	3,338	1,781	2,974	0.8	12.2	26.7
IWP Holdings Ltd	Business services	1,587	1,587	1,510	3,072	0.7	4.0	8.5
Metrion Bioscience Ltd	Healthcare & education	1,192	1,192	1,447	2,355	0.7	12.8	27.4
Orri Ltd	Healthcare & education	1,021	1,021	1,413	794	0.7	5.7	28.4
Proximity Insight Holdings Ltd	Technology	1,152	1,152	1,152	1,152	0.5	4.1	20.4
Pointr Ltd	Technology	526	526	1,129	1,189	0.5	2.7	5.1
Counting Ltd	Business services	1,059	1,059	1,055	1,055	0.5	2.4	5.3
Cognassist UK Ltd	Healthcare & education	902	902	940	–	0.4	4.4	22.2
Bidnamic	Technology	921	921	916	916	0.4	1.8	9.1
Focal Point Positioning Ltd	Technology	908	908	908	908	0.4	1.0	4.9
Dayrize B.V.	Technology	756	756	756	–	0.4	5.9	31.3
Mable Therapy Ltd	Healthcare & education	619	619	619	–	0.3	6.1	34.3
Branchspace Ltd	Technology	609	609	609	–	0.3	4.6	25.5
Tribe Digital Holdings Ltd	Technology	1,351	1,351	559	722	0.3	6.0	11.5
Cisiv Ltd	Technology	789	789	536	992	0.3	8.1	15.3
Connect Earth Ltd	Business services	451	451	451	–	0.2	2.9	14.6
SilkFred Ltd	Consumer markets	966	966	396	943	0.2	2.8	5.1
RockFish Group Ltd	Consumer markets	789	789	187	371	0.1	6.6	12.5
Yappy Ltd	Consumer markets	2,013	2,013	115	2,602	0.1	14.9	31.9
Armstrong Craven Ltd	Business services	664	1,335	–	1,815	0.0	10.3	18.7
Custom Materials Ltd	Technology	3,092	3,092	–	648	0.0	15.2	27.6
Equipsme (Holdings) Ltd	Business services	949	949	–	–	0.0	6.4	12.1
Funding Xchange Ltd	Business services	795	795	–	–	0.0	2.1	4.4
Munnypot Ltd	Technology	562	562	–	562	0.0	1.5	2.7
Samuel Knight International Ltd	Business services	795	795	–	–	0.0	11.1	23.8
		53,645	54,316	49,455		23.6		

Company	Sector	Original book cost† £'000	Accounting book cost† £'000	30 September 2023 fair value £'000	30 September 2022 fair value £'000	% of net assets	% of equity held by Baronsmead Second Venture Trust plc	% of equity held by all funds#
Delisted (previously AIM)								
Deepverge plc	Healthcare & education	1,590	1,590	–	424	0.0	0.7	1.3
MXC Capital Ltd	Business services	240	267	–	–	0.0	0.3	0.6
		1,830	1,857	–		0.0		
Total unquoted		55,475	56,173	49,455		23.6		
AIM								
Cerillion plc	Technology	1,465	1,620	25,247	18,435	12.0	6.5	11.9
Netcall plc	Technology	2,616	5,983	12,425	10,650	5.9	9.2	25.1
IDOX plc	Technology	1,028	2,972	7,014	7,125	3.4	2.4	4.7
Bioventix plc	Healthcare & education	309	940	4,476	3,887	2.1	2.3	9.6
Anpario plc	Healthcare & education	662	2,239	2,493	3,931	1.2	4.8	7.0
Property Franchise Group plc	Consumer markets	838	1,032	2,264	2,306	1.1	2.6	14.5
PCI-PAL plc	Technology	1,345	1,345	2,203	1,809	1.1	6.0	10.9
Diaceutics plc	Healthcare & education	1,590	1,590	2,155	1,674	1.0	2.5	12.8
Inspired plc	Business services	861	2,682	1,943	3,011	0.9	2.7	29.8
Crossword Cybersecurity plc†	Technology	3,362	3,362	1,867	1,813	0.9	9.7	18.6
Belvoir Group plc	Consumer markets	919	826	1,632	1,594	0.8	2.0	13.6
hVIVO plc	Healthcare & education	1,445	1,437	1,425	719	0.7	1.1	1.9
Begbies Traynor Group plc	Business services	545	513	1,326	1,656	0.6	0.8	3.9
Vianet Group plc	Business services	2,092	1,724	1,244	846	0.6	5.6	17.2
Access Intelligence plc	Business services	716	716	1,019	1,687	0.5	1.4	7.3
Oberon Investments Group plc	Business services	1,430	1,430	957	458	0.5	5.2	9.9
Tan Delta Systems plc	Business services	956	956	883	–	0.4	5.0	9.8
SEEEN plc	Technology	2,250	2,250	799	247	0.4	15.6	29.8
SysGroup plc	Technology	1,579	1,578	760	481	0.4	5.2	26.6
Merit Group plc	Technology	3,267	4,253	734	485	0.4	6.1	10.2
Driver Group plc	Business services	1,529	1,747	733	880	0.4	5.6	20.2
Beeks Financial Cloud Group plc	Technology	413	413	726	1,130	0.3	1.3	2.3
One Media iP Group plc	Technology	1,008	912	724	922	0.3	5.9	10.8
Eden Research plc	Business services	1,375	1,380	689	720	0.3	3.8	6.9
Everyman Media Group plc	Consumer markets	956	1,010	576	1,095	0.3	1.3	9.6
IXICO plc	Healthcare & education	825	825	530	972	0.3	6.1	11.1
Gresham House plc*	Business services	137	145	513	340	0.2	0.1	0.2
Skillcast Group plc	Healthcare & education	817	817	419	441	0.2	2.5	4.7
Crimson Tide plc	Technology	668	668	401	401	0.2	3.4	6.4
Scholium Group plc	Consumer markets	1,100	682	352	440	0.2	8.1	14.7
TPXimpact Holdings plc	Technology	660	660	348	312	0.2	1.0	1.8
Gama Aviation plc	Business services	1,004	1,171	302	326	0.1	0.9	1.7
KRM22 plc	Technology	550	550	192	292	0.1	1.5	2.8
Poolbeg Pharma plc	Healthcare & education	51	51	169	104	0.1	0.5	0.9

Company	Sector	Original book cost† £'000	Accounting book cost† £'000	30 September 2023 fair value £'000	30 September 2022 fair value £'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	Technology	1,407	1,407	**117**	498	0.1	3.3	10.7
Science In Sport plc	Consumer markets	352	330	**71**	95	0.0	0.3	0.6
Tasty plc	Consumer markets	2,033	6,085	**65**	175	0.0	3.4	13.7
Fusion Antibodies plc	Healthcare & education	660	660	**44**	381	0.0	1.3	2.4
Zoo Digital Group plc	Technology	817	586	**41**	135	0.0	0.1	0.2
I-nexus Global plc	Technology	688	688	**35**	29	0.0	2.9	5.4
Totally plc	Healthcare & education	86	197	**35**	151	0.0	0.3	0.5
CloudCoco Group plc	Technology	535	359	**31**	29	0.0	0.5	0.8
Aptamer Group plc	Healthcare & education	2,390	2,390	**28**	1,675	0.0	0.4	0.8
LoopUp Group plc	Technology	616	640	**13**	29	0.0	0.3	0.6
Fulcrum Utility Services Ltd	Business services	342	1,650	**4**	241	0.0	0.9	1.0
Total AIM		**50,294**	**65,471**	**80,024**		**38.2**		
Collective investment vehicles								
WS Gresham House UK Micro Cap Fund		6,189	10,335	**24,617**	23,474	11.8		
WS Gresham House UK Multi Cap Income Fund		20,641	20,641	**21,322**	13,966	10.2		
WS Gresham House UK Smaller Companies Fund		16,750	16,750	**17,014**	6,454	8.1		
BlackRock Sterling Liquidity Fund		5,937	5,937	**5,937**	2,804	2.8		
Goldman Sachs Sterling Liquidity Fund		5,937	5,937	**5,937**	–	2.8		
JPMorgan Sterling Liquidity Fund		5,937	5,937	**5,937**	2,804	2.8		
Total collective investment vehicles		**61,391**	**65,537**	**80,764**		**38.5**		
Total investments		**167,160**	**187,181**	**210,243**		**100.3**		
Net current assets				**(584)**		**(0.3)**		
Net assets				**209,659**	**248,372**	**100.00**		

† The original cost column provides the combined cost of investments made by BVCT3, BVCT4 and BVCT5 prior to the merger of the three VCT's to become BSVT. This is included for information purposes for shareholders reviewing the portfolio.
The accounting cost column ties into the investment note on page 84 of these accounts. For Investments owned before the assets of BVCT 4 and BVCT 5 were acquired by BVCT 3 the accounting book cost is a sum of the original cost of the investments held in BVCT 3 and the market value of the investment in BVCT 4 and BVCT 5 at the date of each of the mergers.

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

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

‡ Includes unquoted convertible loan note; Cost £1,040,000, Fair Value £1,051,000.

Glossary

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

NAV total return reconciliation	Q1	Q2	Q3	Q4
Opening NAV total return (p)	328.9	334.2	323.2	326.4
NAV movement (p)	1.6	(7.8)	1.0	(6.1)
Dividend (p)	0.0	4.5	0.0	3.7
Total return (p)	1.6	(3.3)	1.0	(2.4)
Change in NAV total return (p)	5.3	(10.9)	3.2	(7.9)
Closing NAV total return (p)	334.2	323.2	326.4	318.5

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

Annual dividend yield reconciliation	2023	2022	2021
Interim dividend	2.25p	3.0p	3.0p
Recommended final dividend	2.25p	3.0p	3.5p
Total dividend	4.5p	6.0p	6.5p
Opening NAV (after final dividend)	62.1p	84.3p	70.2p
Dividend yield	7.2%	7.1%	9.3%

04 Appendices

Shareholder information and contact details

Warning to Shareholders

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

Please note that it is very unlikely that either the Company or the Company's Registrar, The City Partnership (UK) Ltd , would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

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

Protect Yourself

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

1 Get the name of the person and organisation contacting you.

2 Check the FCA Register at www.fca.org.uk/register to ensure they are authorised (or www.fca.org.uk/publication/systems- information/aifmd-small-register.pdf).

3 Use the details on the FCA Register to contact the firm.

4 Call the FCA Consumer Helpline on 0800 111 6768 (freephone) from 8.00am to 6.00pm, Monday to Friday (except public holidays) and 9.00am to 1.00pm, Saturday (from abroad call +44 20 7066 1000) if there are no contact details on the Register or you are told they are out of date.

5 Search the FCA's list of unauthorised firms and individuals to avoid doing business with.

6 REMEMBER: if it sounds too good to be true, it probably is!

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

Report a Scam

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

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

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

Shareholder account queries

The Registrar for **Baronsmead Second Venture Trust plc** is The City Partnership (UK) Limited ("City").

The Registrar will deal with all of your queries with regard to your shareholder account, such as:

- Change of address
- Latest net asset value
- Your current shareholding balance
- Your payment history, including any outstanding payments and reissue requests
- Your payment options (cheque, direct payment to your bank/building society account, reinvestment)
- Paper or electronic communications
- Request replacement share certificates (for which there may be additional administrative and other charges) You can contact City with your queries in several ways:

Telephone:	01484 240 910	▪ Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. ▪ Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate
On-line:	Investor Hub https://gresham-house-vcts.cityhub.uk.com/	▪ City's secure website, Investor Hub, allows you to manage your own shareholding online. ▪ You will need to register to use this service on the Investor Hub. ▪ You should have your Access Token to hand, which is available on the Change in Registrar letter, any recently issued share certificates and dividend tax voucher and which you should always keep confidential for security reasons.
Email:	registrars@city.uk.com	
Post:	The City Partnership (UK) Limited Mending Rooms, Park Valley Mills, Meltham Road,Huddersfield HD4 7BH.	

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

5 March 2024	Annual General Meeting.
May/June 2024	Announcement and posting of Interim report for the six months to 31 March 2024.
December 2024	Announcement of final results for year to 30 September 2024.

05 Information - **Shareholder information and contact details**

Additional information

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

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

Secondary market in the shares of Baronsmead Second Venture Trust plc

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

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

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

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

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

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

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

Corporate information

Directors

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

Secretary

Gresham House Asset Management Ltd

Registered Office

5 New Street Square
London EC4A 3TW

Investment Manager

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

Registered Number

04115341

Registrars and Transfer Office

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

(From 9 October 2023)
The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield HD4 7BH
Tel: 01484 240 910

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

Brokers

Panmure Gordon & Co
40 Gracechurch Street
London EC3V 0BT
Tel: 020 7886 2500

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

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

(From 26 September 2023)
Howard Kennedy LLP
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London SE1 9BG

VCT Status Adviser

PricewaterhouseCoopers LLP
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London WC2N 6RH

Website

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Since 1857
Gresham House
Specialist asset management