

# BARONSMEAD

Baronsmead VCT plc

## 2010

Half-yearly report  
for the six months ended  
31 March 2010



# Investment Objective

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

## Investment policy

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

## Dividend policy

The Board wishes to maintain a minimum dividend level of around 5.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Since launch the average annual tax free dividend paid to shareholders (including the declared interim dividend of 2.5p) has been 7.1p per ordinary share (equivalent to a pre-tax return of 10.5p per ordinary share for a higher rate taxpayer).

For shareholders who received up front tax reliefs of 20%, 30% or 40%, their returns will have been even higher.

## Secondary market in the shares of Baronsmead VCT

Shares can be bought and sold using a stockbroker, just like shares in any other listed company albeit market liquidity is limited. Qualifying purchasers (individuals over the age of 18 and UK resident for tax purposes) can receive VCT dividends (including capital distributions of realised gains on investments) that are not subject to income tax, and capital gains tax is not payable on disposal of the VCT shares.

There is no minimum time for which VCT shares bought in the secondary market need to be held, and they can be sold in the normal way. 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 Capital Gains Tax in respect of new shares acquired prior to 6 April 2004.

[www.baronsmeadvct.co.uk](http://www.baronsmeadvct.co.uk)

# Financial Headlines

## 2.5p

Interim dividend of 2.5p per share is payable on 7 June 2010 to shareholders on the register at 21 May 2010.

## +4.2%

NAV per share increased by 4.2 per cent over the six month period to 31 March 2010 from 70.04p to 72.97p before payment of the 2.5p interim dividend.

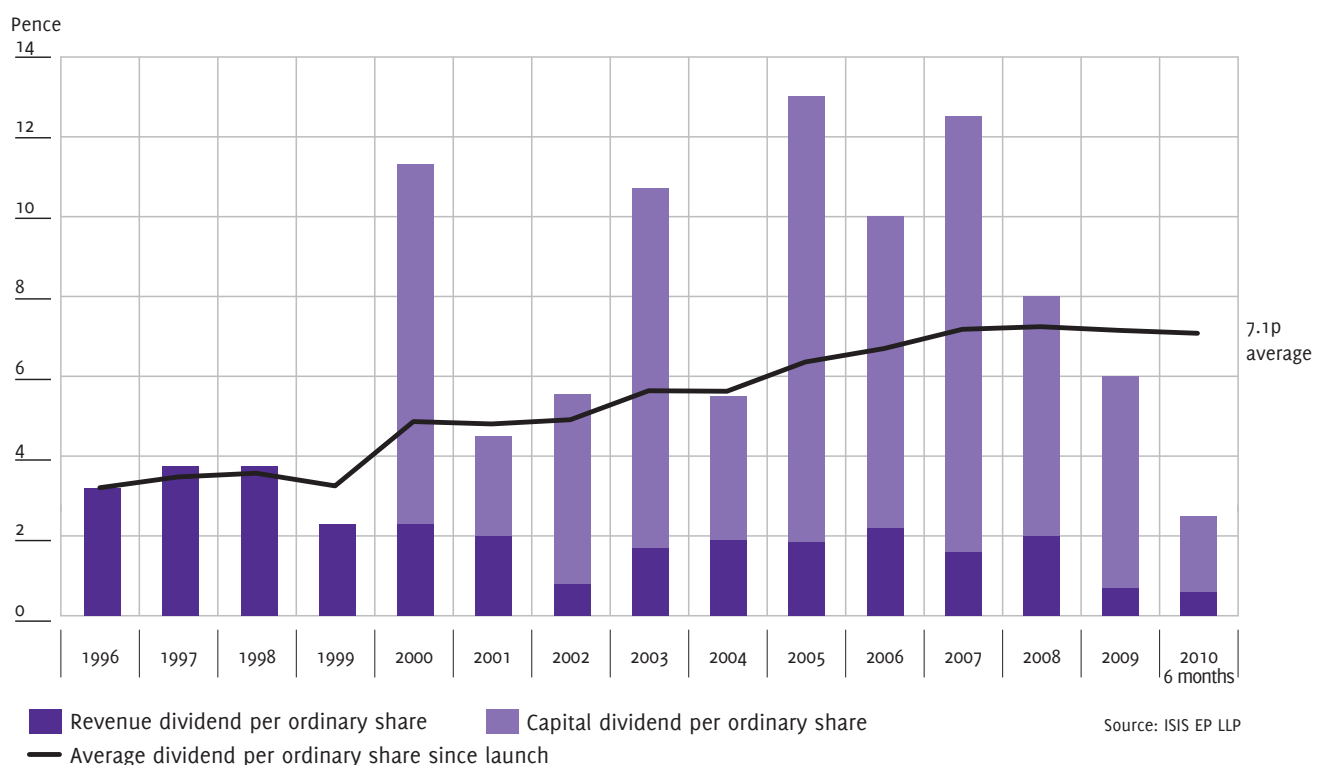
## 102.6p

Cumulative tax free dividends total 102.55p per share for founder shareholders since 1995, equivalent to an average annual tax free dividend of 7.1p equal to 10.5p for higher rate taxpayers.

## 210.2p

NAV total return to shareholders since inception for every 100p invested at launch is 210.2p, equivalent to an annualised total return of 5.3 per cent before the 20 per cent income tax relief (on subscription, at launch) and 6.6 per cent afterwards.

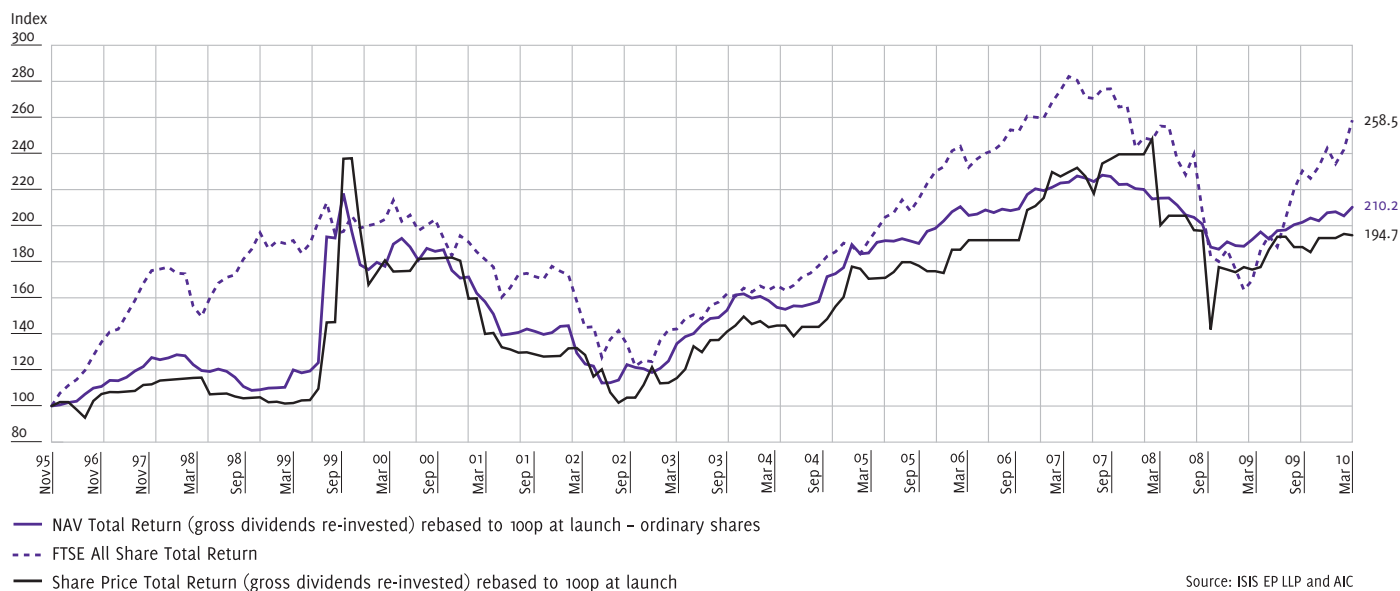
Dividend history since launch



# Summary Since Launch

## Baronsmead VCT plc

Net asset value, NAV total return and share price total return



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from launch, assuming that dividends paid were re-invested at NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

## Performance Summary to 31 March 2010

Total return*	6 month %	1 year %	3 years %	10 years %	Since launch %
Net Asset Value†	+4.1	+9.3	(5.0)	+6.9	+110.2
Share Price†	+3.5	+10.8	(15.3)	(5.1)	+94.7
FTSE All-Share	+12.2	+52.3	(0.7)	+29.7	+158.5

\* Source: ISIS EP LLP and AIC.

† These returns for BVCT ignore up front tax reliefs and the impact of receiving dividends tax free.

## 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	Subscription price p	Income tax reclaim p	Net cash invested p	Cumulative dividends paid* p	Net annual yield± %	Gross yield† %
1995 (Nov)	100.0	20.0	80.0	102.6	8.9	13.2
1997 (April)	104.0	20.8	83.2	97.7	9.0	13.4
2003 (April) – C share	100.0	20.0	80.0	60.4	10.8	16.0
2005 (March) – C share	100.0	40.0	60.0	31.1	10.2	15.1
2009 (April)	75.7	22.7	53.0	8.5	16.2	24.0

Note – 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

\* Includes proposed interim dividend of 2.5p to be paid 7 June 2010.

± Represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

† The gross equivalent yield had the dividends been subject to higher rate tax (32.5 per cent on dividend income at 31 March 2010). As from the tax year 2010/11 a new additional rate of tax on dividend income of 42.5% comes into force for those who earn more than £150,000. For those Shareholders who would otherwise pay this higher rate of tax on dividends, the future gross equivalent yield will be higher than the figures shown.

# Chairman's Statement

I am very pleased to present my first report since becoming Chairman at the 14<sup>th</sup> Annual General Meeting held in December 2009 on the retirement of Gill Nott. On behalf of the Board and shareholders, our grateful thanks go to Gill who was a founder director and Chairman for the ten years from 1999.

The 4 per cent growth in Net Asset Value per share continues the positive trend since the October 2008 low point and comes at a time when operating profits for many of our portfolio companies are increasing. The 2.5p interim dividend is more than covered by the profits from two excellent realisations from unquoted investments held for less than three years.

## Results

In the six months to 31 March 2010, the underlying Net Asset Value (NAV) per share increased by 4.2 per cent from 70.04p to 72.97p before payment (due on 7 June 2010) of a 2.5p per share interim dividend. This dividend arises largely from the capital profits realised from the sale of ScriptSwitch and Active Assistance. The increase in NAV per share is primarily due to the 9 per cent increase in the value of the unquoted portfolio. The FTSE All-Share Index increased 12.2 per cent over the same period.

At the period end, over 70 per cent of the ordinary capital raised (net of launch costs) prior to 30 September 2007 was invested in VCT qualifying investments and the five other VCT qualifying tests had also been met.

## Long term performance

The interim dividend will take the cumulative dividends paid (tax free for qualifying shareholders) for founder shareholders to 102.55p per share and represents a good level of income on their original £1 investment.

Since launch, there have been five prospectus fund raisings by Baronsmead VCT. All shareholders from these prior offers have to date achieved positive absolute total returns. The comparable returns for the FTSE All-Share Index over differing time periods are set out on page 2 of this interim report. In addition, comparable returns with other VCTs can be seen on the website of the Association of Investment Companies (AIC) who publish monthly data, [www.theaic.co.uk](http://www.theaic.co.uk).

Surprisingly, it has only been around ten years since the dotcom bubble. At that time Baronsmead VCT had investments in a number of companies that experienced a sharp increase in their share price and an equally sharp decrease when the bubble burst. This has had two longer term impacts for your Company. Firstly and most importantly, the successful flotation of one of these companies, SDL, enabled Baronsmead VCT to realise substantial profits enabling it to pay its first dividend from capital profits. Over the past ten years, the sale of shares in this company and other subsequent realisations has enabled Baronsmead VCT to pay capital dividends totalling 70p of the

87.05p dividends paid over that period. The second impact has been on the comparative ten year statistics which now have as their starting point, a peak in NAV formed by the high point in share prices at that time. As a result, the ten year NAV total return is showing an unusually low figure of 7 per cent, whereas only one year ago, on 31 March 2009, the comparable ten year return was 77 per cent.

The benefit of VCT tax reliefs on the dividends noted above is set out in the table on page 2 titled 'Cash returned to shareholders' in terms of annual net and gross yields, including the assumptions made in these computations. Over the long term, the benefit of the tax free dividends can be very significant: had this tax relief not been available, then an individual who had been a higher rate tax payer throughout the ten year period discussed above, would have needed to receive another 42p per share in dividends to have had the same after tax income from Baronsmead VCT. In addition, this tax relief will be of significantly increased value to those shareholders whose income exceeds £150,000 p.a., from the 2010/11 tax year as there is a new dividend tax rate of 42.5 per cent (up from 32.5 per cent).

## Portfolio review

Following the write off of three AIM investments and the sale of eight other investments, the total portfolio comprises 63 companies. 45 per cent of the portfolio by value was invested in unquoted companies, 19 per cent in AIM investees, 2 per cent in Wood Street Microcap Investment Fund and the balance of 34 per cent remained in cash or government securities.

The Manager had prepared for the downturn we have experienced by selecting investments that had less exposure to more cyclical industries and with distinctive growth strategies that are intended to be less reliant on general economic conditions. This has been borne out in relatively robust unquoted company valuations throughout the recessionary period and two recent profitable exits from them. The Manager is fully aware of the likelihood of public sector spending cuts and is managing this risk. Some of the portfolio companies do have exposure to the public sector; however, the portfolio as a whole is not overly exposed to discretionary public spending which may be cut suddenly.

# Chairman's Statement

## Unquoted portfolio

On average, the value of the current portfolio of unquoted investments is 27 per cent higher than original cost. Fourteen companies are valued at or higher than cost whilst four are valued below cost. These period end figures exclude two unquoted company realisations. The sale of ScriptSwitch in October 2009 for 3.7 times cost was covered in the last annual report.

Active Assistance was sold in March 2010 for 2.8 times cost, an excellent result over the two years since March 2008 when the investment was made. Based in Sevenoaks, the business provides a national live-in care service for adults and children with spinal cord injuries and neurological conditions. The sale involved a merger with another health care business, First Call Care Services Limited, to create a national provider of both live-in and live-out care to individuals with complex long term conditions.

Throughout the recent recession, the focus of each investee company has been to manage with relatively low levels of external debt. Of the 18 companies in the unquoted portfolio, two have been financially restructured through converting some of their shareholder loan notes into equity to strengthen their balance sheets. Both of these companies continue to trade profitably. Profits are growing in the majority of the remaining unquoted portfolio companies, which augurs well for the development of future shareholder value.

The Manager, ISIS, remains very actively involved in all of its private equity investments and this was again demonstrated by the presentation made by Colin MacAdam, Managing Director of Playforce, at the AGM in December. The company which 'makes playtime fun' by supplying educational play areas to UK education departments, complimented the role ISIS has played in its development since its investment in January 2008.

## AIM-traded portfolio

The share portfolio stayed relatively flat over the six months under review following the recovery in share prices over the previous six months to September 2009. Interest from trade buyers highlighted value in the portfolio and supported ratings resulting in two bids during the period. Strategic minority stakes were taken in Ffastfill and IDOX by third parties which also triggered share price gains.

Over the six month period, qualifying and non-qualifying investments totalled £620,000 and £614,000 respectively. Our holding in the Wood Street Microcap Investment Fund is now valued at £1.03m across 17 non-qualifying investments following a further £500,000 of investment.

## New investment

The market for investing in unquoted transactions is improving slowly as confidence in the achievability of business plans has returned. The first new unquoted investment for some time was completed just after the period end on 7 April 2010 in Surgi C, the UK's leading independent distributor of spinal implants. Based in Birmingham, the business has grown strongly as a result of an increasing product portfolio and the high levels of education and support offered to spinal surgeons.

The Manager has an active programme of directly approaching prospective investee companies in selected sectors and this is building a strong pipeline of entrepreneurs who would like to work with the Manager when the timing is right. This represents continued investment in future dealflow.

The volume of qualifying AIM opportunities has increased from the depressed levels of 2009. However, investment rates have so far remained relatively low as the Manager seeks to maintain a high quality threshold for new investments. With capital still scarce for smaller AIM companies and support from the recent recovery in equity markets, prospects for new AIM investment during the remainder of the year are improving. The stated intention is to take more influential stakes from the combined Baronsmead VCTs in a smaller number of AIM investments, where a likely exit strategy to a trade buyer can be envisaged.

## Investment and tax planning

In the 2008/09 tax year Baronsmead VCT and Baronsmead VCT 2 raised approximately £17.5 million in aggregate through a Joint Offer. Having raised these funds, Baronsmead VCT did not raise further new funds in the 2009/10 tax year although in the period between mid January to mid March 2010, Baronsmead VCT 3 and Baronsmead VCT 4 similarly raised £16 million in aggregate through a joint offer for subscription.

Whilst many shareholders in Baronsmead VCT supported the joint offer from Baronsmead VCT 3 and Baronsmead VCT 4, there were others that were unable to invest due to the fact that the joint offer became fully subscribed relatively early. Consequently, whilst no plans have yet been considered for fundraising in the 2010/11 tax year, the Board of Baronsmead VCT will inform shareholders of any plans to enable shareholders to invest in new shares in the Company as early as possible. Equally, should the Board decide that raising funds in the current tax year is not appropriate, we will inform shareholders of that decision too, to help personal investment and tax planning as much as possible.

# Chairman's Statement

During the six months to 31 March 2010, participants in the Dividend Reinvestment Plan collectively acquired 470,000 shares in December. In addition, approximately 172,000 existing shares were bought by other purchasers through the market in the Company's shares. As a result, only 250,000 shares were bought back by the Company during the six months to 31 March 2010 which is a relatively low amount, as this period covers the time when most shareholders consider their personal investment / tax position and may seek to sell shares prior to the end of the tax year.

## Company secretary

Following the split in 2005 from its former parent F&C Asset Management plc, ISIS EP LLP later assumed responsibility for the provision of Company Secretarial services. With effect from 1 March 2010 ISIS has engaged Capita Sinclair Henderson Limited ("CSH") to provide this service on its behalf, although ISIS continues to remain responsible and is the named Company Secretary. CSH has a long history of providing such services to investment companies both under the current owners Capita Group plc and previously as Sinclair Henderson Limited.

## Recent HM Revenue & Customs / HM Treasury announcements

The Manager, in conjunction with our trade association, the AIC and other VCT Managers, has worked hard over many years to inform HMRC and HM Treasury of the positive economic impact from unquoted private equity backed companies.

The resulting AIC report "Supporting enterprise and growth: the role of Venture Capital Trusts" published in March 2010 is based on evidence submitted by 15 VCT Managers and has helped the Government understand the economic return to the state, generated from the investment made in VCTs through providing tax relief. Most notably, it states "of the 303 investee companies who provided data, the net employment impact since VCT investment has been a 48 per cent increase in the total workforce to over 25,402 employees." The percentage increase in employment was slightly higher for the 24 companies from within the Baronsmead portfolios that were used in the survey.

Importantly the size restrictions applying to investee companies are going to be re-examined. A number of new rules introduced since 2006 mean that fewer companies are able to receive newly raised VCT funds. The Government was obliged to introduce these measures at the behest of the European authorities. However in the March 2010 Budget, HM Treasury announced its intention to seek evidence to support the case for revisiting these issues with the European Commission. Specifically, the Government is interested in examining whether there is a case for:

- increasing the employee limit to fewer than 100 or 250 full-time employees (from the current limit of 50);
- increasing the gross assets limit to £15 million before investment and £16 million after (from £7 million and £8 million respectively);
- increasing the annual investment limit to £5 million per target company (from £2 million);
- considering the effectiveness of 'gross assets' as a proxy for company size.

The announcement is very welcome and the AIC and VCT managers anticipate working closely with HM Treasury on these issues. However it is important to note that any changes to the VCT regime would need to be approved by the European Commission.

## Outlook

Equity markets appear to have stabilised even though considerable uncertainty remains with a significant overhang of government debt. Entrepreneurial companies such as those backed by the Baronsmead VCTs are seen by all political parties as an important way to create growth and jobs. We have the funds to invest in such situations. There is also a solid platform within our portfolio companies for further growth and so there are now more grounds for optimism than there were over the last couple of years.

**Peter Lawrence**

Chairman

12 May 2010

# Table of Investments and Realisations

## Investments in the six months to 31 March 2010

Number	Company	Location	Sector	Activity	Investment cost (£'000)
<b>Unquoted investments</b>					
<i>Follow on</i>					
1	Crew Clothing Company Ltd±	London	Consumer markets	Branded clothing retailer	51
Total Unquoted investments					51
<b>AIM-traded investments</b>					
<i>New investments</i>					
1	Green Compliance plc	Cirencester	Business Services	Small business compliance	250
2	Marwyn Value Investors plc	London	Financial Services	Investment fund	64
<i>Follow on</i>					
1	Adventis Group plc	London	IT & Media	Marketing services agency	81
2	Electric Word plc	London	IT & Media	Business to business publisher	41
3	Jelf Group plc	Bristol	Business Services	Financial solutions consultancy	210
4	Proactis Holdings plc	York	IT & Media	Procurement software	219
<i>Paper consideration</i>					
1	Chime Communications Group plc*	London	IT & Media	Marketing services agency	369
Total AIM-traded and listed investments					1,234
<b>Collective investment vehicle</b>					
<i>Follow on</i>					
1	Wood Street Microcap Investment Fund				500
Total Collective investment vehicle					500
Total investment in the period					1,785

± Loan stock received in consideration for accrued interest

\* Paper consideration from sale of Essentially Ltd

## Realisations in the six months to 31 March 2010

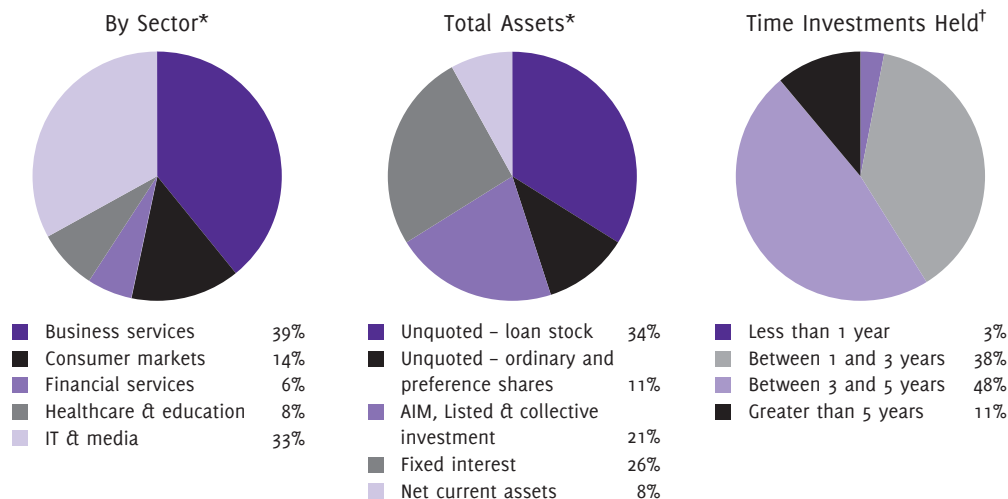
Number	Company		First investment date	Value at 30 September 2009 (£'000)	Proceeds (£'000)	Realised profit/(loss) this period (£'000)	Overall multiple return*
<b>AIM-traded realisations</b>							
1	Character Group plc	Market sale	Feb 08	86	132	46	0.9
2	Connaught plc	Market sale	Sep 09	535	572	37	1.1
3	Essentially Group Ltd	Trade sale	Jun 07	283	369	86	0.7
4	Ffastfill plc	Part sale	Jun 07	226	359	133	1.6
5	INVU plc	Market sale	May 07	4	1	(3)	-
6	Research Now plc	Market sale	Dec 07	306	376	70	1.4
7	Silverdell plc	Market sale	May 08	1	1	-	0.1
				<b>1,441</b>	<b>1,810</b>	<b>369</b>	
<b>Written off</b>							
1	MKM Group plc		May 04	5	-	(5)	-
2	Optimisa plc		Oct 07	-	-	-	-
3	Relax Group plc		Feb 08	70	-	(70)	-
				<b>75</b>	<b>-</b>	<b>(75)</b>	<b>-</b>
<b>Total AIM-traded realisations</b>				<b>1,516</b>	<b>1,810</b>	<b>294</b>	
<b>Unquoted realisations</b>							
1	Scriptswitch	Trade Sale	May 07	2,959	3,148	189	3.7
2	Active Assistance	Trade Sale	Mar 08	1,044	1,569	525	2.8
<b>Total Unquoted realisations</b>				<b>4,003</b>	<b>4,717</b>	<b>714</b>	
<b>Total realisations</b>				<b>5,519</b>	<b>6,527</b>	<b>1,008</b>	

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

Proceeds of £5,000 were also received in respect of an investment, Interactive Prospect Targeting plc, which had been written off in a prior period.

# Investment Portfolio

## Investment Classification at 31 March 2010



\* at 31 March 2010 valuation

† number of investments

Company	Nature of business	Book cost £'000	30 September 2009 valuation± £'000	31 March 2010 valuation £'000	% of Net assets	% of Equity held by Baronsmead VCT plc	% of Equity held by all funds*
<b>Unquoted</b>							
Reed & Mackay	Business Services	1,211	2,984	3,320	6.1	9.5	40.0
Nexus Vehicle Holdings Ltd	Business Services	1,868	2,528	2,677	4.9	12.6	57.4
Carnell Contractors	Business Services	1,499	2,468	1,987	3.7	8.3	37.5
CableCom Networking Holdings Ltd	IT & Media	1,381	1,846	1,858	3.4	10.6	48.0
Quantix Limited	IT & Media	1,194	1,801	1,823	3.4	11.4	48.0
Fisher Outdoor Leisure Holdings Ltd	Consumer Markets	1,423	1,433	1,777	3.3	10.5	44.0
CSC (World) Limited	IT & Media	1,606	1,250	1,666	3.1	8.8	40.0
Independent Living Services	Healthcare & Education	801	1,568	1,621	3.0	14.4	60.5
Kafevend Holdings Ltd	Consumer Markets	1,252	1,346	1,583	2.9	15.8	66.5
Crew Clothing Company Ltd	Consumer Markets	984	1,286	1,309	2.4	5.9	24.0
Playforce Holdings Limited	Business Services	1,033	1,096	1,113	2.1	9.7	44.0
MLS	IT & Media	781	1,130	1,098	2.0	5.3	22.5
Credit Solutions	Financial Services	903	986	987	1.8	7.5	35.0
Empire World Trade Limited	Business Services	1,297	765	699	1.3	†	†
TVC Group Limited	IT & Media	1,233	293	452	0.8	13.0	59.3
Occam DM Ltd	IT & Media	420	99	294	0.6	4.7	55.2
Kidsunlimited Group Ltd	Business Services	113	113	113	0.2	0.0	0.0
Xention Discovery	Healthcare & Education	315	63	63	0.1	1.2	5.6
<b>Total Unquoted</b>		<b>19,314</b>	<b>23,055</b>	<b>24,440</b>	<b>45.1</b>		
<b>AIM</b>							
Advanced Computer Software plc	IT & Media	525	1,158	1,204	2.2	0.9	4.5
Staffline Recruitment Group plc	Business Services	249	499	738	1.5	4.5	9.0
Brulines Holdings plc	Business Services	646	596	647	1.3	1.8	9.6
Green Compliance plc	Business Services	250	-	500	0.9	2.4	14.6
Jelf Group plc	Financial Services	692	333	444	0.8	1.5	6.9
WIN plc	IT & Media	381	304	443	0.8	4.1	19.0
Proactis Holdings plc	IT & Media	619	326	426	0.8	5.5	27.0
Begbies Traynor Group plc	Financial Services	202	547	385	0.7	0.6	2.5
Mount Engineering plc	Business Services	385	319	330	0.6	2.3	13.4
Ffastfill plc	IT & Media	251	475	325	0.6	0.9	6.5
Kiotech International plc	Healthcare & Education	275	342	298	0.5	2.2	15.8
InterQuest Group plc	Business Services	309	270	270	0.5	1.8	7.4
Electric Word plc	IT & Media	241	207	267	0.5	2.8	21.0
Adventis Group plc	IT & Media	309	160	241	0.4	2.7	20.8
EG Solutions plc	IT & Media	375	110	216	0.4	3.1	14.2
Driver Group plc	Business Services	438	372	216	0.4	2.3	10.4
Craneware plc	IT & Media	71	180	216	0.4	0.2	1.1
Praesepe plc	Consumer Markets	525	179	197	0.4	0.7	3.8
Vero Software plc	IT & Media	550	268	192	0.4	4.3	14.3
IS Pharma plc	Healthcare & Education	245	268	179	0.3	1.0	5.9
IDOX plc	IT & Media	118	145	171	0.3	0.4	9.6
Sanderson Group plc	IT & Media	339	88	169	0.3	1.6	6.9

\* The total investment valuation at 30 September 2009 per the table above does not agree to the audited accounts due to purchases and sales since that date.

\* All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT.

† Following a restructuring the effective ownership % is dependent on final exit proceeds.

# Investment Portfolio

Company	Nature of business	Book cost £'000	30 September 2009 valuation± £'000	31 March 2010 valuation £'000	% of Net assets	% of Equity held by Baronsmead VCT plc	% of Equity held by all funds*
<b>AIM (continued)</b>							
Autoclenz Holdings plc	Business Services	400	134	150	0.3	3.1	12.3
Plastics Capital plc	Business Services	472	151	132	0.2	1.8	10.0
Quadnetics Group plc	Business Services	222	132	130	0.2	0.5	2.1
Tasty plc	Consumer Markets	356	226	116	0.2	1.7	13.0
Cohort plc	Business Services	178	189	107	0.2	0.3	1.4
Prologic plc	IT & Media	272	116	91	0.2	3.6	15.0
Colliers CRE plc	Financial Services	470	157	90	0.2	0.3	0.8
Brainjuicer Group plc	IT & Media	50	65	69	0.1	0.4	1.8
Marwyn Value Investors plc	Financial Services	64	-	62	0.1	1.3	6.0
STM Group plc	Financial Services	140	72	56	0.1	0.5	3.8
Tangent Communications plc	Business Services	180	90	55	0.1	0.8	4.7
Clarity Commerce Solutions plc	IT & Media	50	50	50	0.1	0.3	6.4
Real Good Food Company (The) plc	Consumer Markets	500	25	41	0.1	0.6	2.3
RTC Group plc	Business Services	374	39	31	0.1	4.3	8.5
AorTech International plc	Healthcare & Education	224	22	17	0.0	0.3	0.6
Zoo Digital Group plc	IT & Media	350	10	11	0.0	0.2	1.0
Higham Systems Services Group plc	Business Services	306	8	11	0.0	0.7	1.0
Mission Marketing Group (The) plc	IT & Media	76	18	10	0.0	0.1	1.3
Payzone plc	Consumer Markets	68	1	0	0.0	0.0	0.1
<b>Total AIM</b>		<b>12,747</b>	<b>8,651</b>	<b>9,303</b>	<b>17.2</b>		
<b>Listed</b>							
Vectura Group plc	Healthcare & Education	386	680	374	0.7	0.2	1.3
Chime Communications plc	IT & Media	369	-	301	0.6	0.2	1.5
<b>Total Listed</b>		<b>755</b>	<b>680</b>	<b>675</b>	<b>1.3</b>		
<b>New York Stock Exchange</b>							
Inverness Medical Inc.	Healthcare & Education	180	212	225	0.4	0.0	0.1
<b>Total New York Stock Exchange</b>		<b>180</b>	<b>212</b>	<b>225</b>	<b>0.4</b>		
<b>PLUS</b>							
Chemistry Communications Group plc	Business Services	500	109	130	0.2	3.1	6.3
<b>Total PLUS</b>		<b>500</b>	<b>109</b>	<b>130</b>	<b>0.2</b>		
<b>Interest bearing securities</b>							
BlackRock Cash Market OEIC		6,300	5,900	6,300	11.7		
UK Treasury Bill 12/04/2010		4,998	-	4,998	9.2		
JP Morgan Cash Market OEIC		3,000	-	3,000	5.5		
<b>Total interest bearing securities</b>		<b>14,298</b>	<b>5,900</b>	<b>14,298</b>	<b>26.4</b>		
<b>Collective Investment Vehicles</b>							
Wood Street Microcap Investment Fund		1,025	525	1,034	1.9		
<b>Total Collective Investment Vehicles</b>		<b>1,025</b>	<b>525</b>	<b>1,034</b>	<b>1.9</b>		
<b>Total investments</b>		<b>48,819</b>		<b>50,105</b>	<b>92.5</b>		
<b>Net current assets less creditors due after 1 year</b>				<b>4,087</b>	<b>7.5</b>		
<b>Net assets</b>				<b>54,192</b>	<b>100.0</b>		

AIM, Listed and PLUS Portfolio Concentration Analysis at 31 March 2010			
Investment ranking by valuation	Book cost £'000	Valuation £'000	% of Quoted Portfolio
Top Ten	4,336	5,492	53.1
11-20	2,818	2,574	24.9
21-30	3,727	1,566	15.2
30+	3,301	701	6.8
<b>Total</b>	<b>14,182</b>	<b>10,333</b>	<b>100.0</b>

\* The total investment valuation at 30 September 2009 per the table above does not agree to the audited accounts due to purchases and sales since that date.

\* All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT.

# Independent Review Report to Baronsmead VCT plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

Simon Pashby  
for and on behalf of  
KPMG Audit Plc  
Chartered Accountants  
Edinburgh  
12 May 2010

## Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement 'Half-yearly financial reports' issued by the UK Accounting Standards Board;
- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 12 is a fair review of the information required by DTR 4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board,  
Peter Lawrence  
Chairman

12 May 2010

# Unaudited Income Statement

For the six months to 31 March 2010

	Six months to 31 March 2010			Six months to 31 March 2009			Year to 30 September 2009*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains/(losses) on investments	-	1,015	1,015	-	(2,082)	(2,082)	-	605	605
Realised gains/(losses) on investments	-	998	998	-	(291)	(291)	-	(217)	(217)
Income	858	-	858	632	-	632	1,166	-	1,166
Recoverable VAT	-	-	-	83	306	389	80	301	381
Investment management fee	(135)	(407)	(542)	(122)	(366)	(488)	(257)	(774)	(1,031)
Other expenses	(152)	-	(152)	(147)	-	(147)	(316)	-	(316)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>571</b>	<b>1,606</b>	<b>2,177</b>	<b>446</b>	<b>(2,433)</b>	<b>(1,987)</b>	<b>673</b>	<b>(85)</b>	<b>588</b>
Taxation on ordinary activities	(124)	107	(17)	(87)	17	(70)	(122)	123	1
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>447</b>	<b>1,713</b>	<b>2,160</b>	<b>359</b>	<b>(2,416)</b>	<b>(2,057)</b>	<b>551</b>	<b>38</b>	<b>589</b>
<b>Return per share:</b>									
Basic	0.60p	2.30p	2.90p	0.53p	(3.59p)	(3.06p)	0.74p	0.05p	0.79p

\* These figures are audited.

# Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 31 March 2010

	Six months to 31 March 2010 £'000	Six months to 31 March 2009 £'000	Year to 30 September 2009 £'000*
<b>Opening shareholders' funds</b>	<b>54,803</b>	<b>48,383</b>	<b>48,383</b>
Profit/(loss) for the period	2,160	(2,057)	589
Increase in share capital in issue	-	7,188	8,895
Expenses of share issue	-	(395)	(490)
Dividends paid	(2,608)	-	(1,863)
Purchase of shares for treasury	(163)	(712)	(711)
<b>Closing shareholders' funds</b>	<b>54,192</b>	<b>52,407</b>	<b>54,803</b>

\* These figures are audited.

## Notes

- The unaudited interim results which cover the six months to 31 March 2010 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 30 September 2009.
- Return per share is based on a weighted average of 74,482,365 ordinary shares in issue (30 September 2009 – 70,923,499, 31 March 2009 – 67,367,061 ordinary shares).
- Earnings for the first six months should not be taken as a guide to the results of the financial year to 30 September 2010.
- During the six months ended 31 March 2010 the Company purchased 250,000 ordinary shares to be held in Treasury at a cost of £163,000. At 31 March 2010 the Company holds 5,003,340 ordinary shares in Treasury. These shares may be re-issued below Net Asset Value as long as the discount at issue is narrower than the average discount at which the shares were bought back.  
Excluding treasury shares, there were 74,269,453 ordinary shares in issue at 31 March 2010 (30 September 2009 – 74,519,453 ordinary shares, 31 March 2009 – 72,292,072 ordinary shares).
- The first interim dividend of (2.5p per share, 0.6p revenue and 1.9p capital) will be paid on 7 June 2010 to shareholders on the register on 21 May 2010. The ex-dividend date is 19 May 2010.
- The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ended 30 September 2009 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 30 September 2009, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2009 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the Half-yearly Report have been mailed to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

# Unaudited Balance Sheet

For the six months to 31 March 2010

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 30 September 2009* £'000
<b>Fixed assets</b>			
Unquoted Investments	24,440	27,532	27,058
Traded on AIM	9,303	7,538	9,941
Traded on NYSE	225	-	212
Traded on PLUS	130	82	109
Listed on FTSE SmallCap	675	434	680
Collective investment vehicle	1,034	-	525
Interest bearing securities	14,298	12,170	14,443
	50,105	47,756	52,968
<b>Current assets</b>			
Debtors	184	3,725	546
Cash at bank and on deposit	4,251	1,762	1,812
	4,435	5,487	2,358
<b>Creditors (amounts falling due within one year)</b>	(348)	(836)	(523)
<b>Net current assets</b>	4,087	4,651	1,835
<b>Total assets less current liabilities</b>	54,192	52,407	54,803
<b>Net assets</b>	54,192	52,407	54,803
<b>Capital and reserves</b>			
Called-up share capital	7,927	7,705	7,927
Share premium account	21,467	20,075	21,467
Capital redemption reserve	13,328	13,329	13,328
Revaluation reserve	1,286	(2,111)	2,196
Capital reserve	9,525	12,870	9,525
Revenue reserve	659	539	360
<b>Equity shareholders' funds</b>	54,192	52,407	54,803

	As at 31 March 2010	As at 31 March 2009	As at 30 September 2009*
<b>Net asset value per share</b>	72.97p	72.49p	73.54p
Number of ordinary shares in issue	74,269,453	72,292,072	74,519,453
<b>Treasury net asset value per share</b>	72.42p	71.94p	73.00p
Number of ordinary shares in issue	74,269,453	72,292,072	74,519,453
Number of ordinary shares held in Treasury	5,003,340	4,753,340	4,753,340
Number of listed ordinary shares	79,272,793	77,045,412	79,272,793

\* These figures are audited.

# Unaudited Statement of Cash Flows

	Six months to 31 March 2010 £'000	Six months to 31 March 2009 £'000	Year to 30 September 2009 £'000*
Net inflow from operating activities	150	185	641
Taxation	-	-	(46)
Capital expenditure and financial investment	5,073	(5,800)	(8,398)
Equity Dividends paid	(2,608)	-	(1,863)
Net cash inflow/(outflow) before financing	2,615	(5,615)	(9,666)
Issue of shares less buybacks	(176)	3,269	7,370
Increase/(decrease) in cash	2,439	(2,346)	(2,296)
<b>Reconciliation of net cash outflow to movement in net cash</b>			
Increase/(decrease) in cash	2,439	(2,346)	(2,296)
Opening net cash	1,812	4,108	4,108
Net cash at end of period	4,251	1,762	1,812
<b>Reconciliation of operating profit/(loss) before taxation to net cash flow from operating activities</b>			
Profit/(loss) on ordinary activities before taxation	2,177	(1,987)	588
Unrealised losses/gains on investments	(1,015)	2,082	(605)
Realised gains on investments	(998)	291	217
Changes in working capital and other non-cash items	(14)	(201)	441
Net cash inflow from operating activities	150	185	641

\* These figures are audited.

## Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal risks, risk management and regulatory environment within the Business Review in the Company's Annual Report and Accounts for the year ended 30 September 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

ISIS EP LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2 per cent per annum of the net assets of the Company. This is described in more detail under the heading Management within the Report of the Directors in the Company's Annual Report and Accounts for the year ended 30 September 2009. During the period the Company has incurred management fees of £542,000 and secretarial fees of £46,000 payable to the Manager.

## Going Concern

After making enquires, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 31 March 2010 the company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £18,549,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants.

# Shareholder Information and Contact Details

## Enquiries

Shareholders should contact the following regarding queries:

Basic contact details, ie change of address, joining the DRIP queries re: share and tax certificates and bank mandate forms:  
Computershare (Company Registrar)

[www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)

Investors who hold ordinary shares in their own name can check their holdings on our Registrar's website [www-uk.computershare.com](http://www-uk.computershare.com). Please note that to access this facility investors will need to quote the reference number shown on their share certificate.

Alternatively, by registering for the Investors' Centre facility on Computershare's website, investors can view details of all their holdings for which Computershare is Registrar, as well as access additional facilities and documentation. Please see [www.investorcentre.co.uk](http://www.investorcentre.co.uk) for further information.

## Shareholder Helpline

**BARONSMEAD**

Tel: 0870 703 0137 (Calls charged at national rate).

The Shareholder Helpline is available on UK business days between Monday and Friday, 8.30 am to 5 pm. The helpline contains automated self-service functionality which is available 24 hours a day, 7 days a week. Using your Shareholder Reference Number which is available on your share certificate or dividend tax voucher, our self-service functionality will enable you achieve the following things:

### Automated Functions

- confirm the latest share price
- confirm your current share holding balance
- confirm payment history
- order a Change of Address, Dividend Bank Mandate or Stock Transfer Form

e-mail: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)



For information on asset allocations, dividend policies, investment process, DRIP mechanism, share price movements, the share price discount and selling shares:

ISIS EP LLP (the Investment Manager) at [www.isisep.com](http://www.isisep.com)

e-mail: [michael.probin@isisep.com](mailto:michael.probin@isisep.com); [margaret.barff@isisep.com](mailto:margaret.barff@isisep.com)

Tel: Michael Probin 020 7506 5796; Margaret Barff 020 7506 5630.



The Baronsmead website ([www.baronsmeadvcts.co.uk](http://www.baronsmeadvcts.co.uk)) links to helpful sites, contains details of the team and some case studies of investments.

## 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.

## Trading Shares

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 VCT plc are:

Matrix Corporate Capital LLP      020 3206 7000  
(the Company's Broker)

Singer Capital Markets              020 3205 7500

Winterflood                              020 3100 0251

## Financial Calendar

August 2010                              Quarterly fact sheet to 30 June 2010

November 2010                          Results for year to 30 September 2010 announced and annual report and accounts sent to shareholders

December 2010                          Fifteenth Annual General Meeting

# Corporate Information

## Directors

Peter Lawrence  
Andrew Crossley\*  
Godfrey Jillings†  
Valerie Marshall

## Secretary

ISIS EP LLP

## Registered Office

100 Wood Street  
London EC2V 7AN

## Investment Manager

ISIS EP LLP  
100 Wood Street  
London EC2V 7AN

## Investor Relations

Michael Probin  
020 7506 5796

## Registered Number

03035709

\*Chairman of the Audit Committee

†Senior Independent Director

## Registrars and Transfer Office

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Tel : 0870 703 0137

## Brokers

Matrix Corporate Capital LLP  
One Vine Street  
London W1J 0AM

## Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## Solicitors

Martineau  
No 1 Colmore Square  
Birmingham B4 6AA

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Website

[www.baronsmeadvct.co.uk](http://www.baronsmeadvct.co.uk)

## 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. ISIS EP LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead VCT plc is managed by ISIS EP LLP which is Authorised and regulated by the FSA. 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.