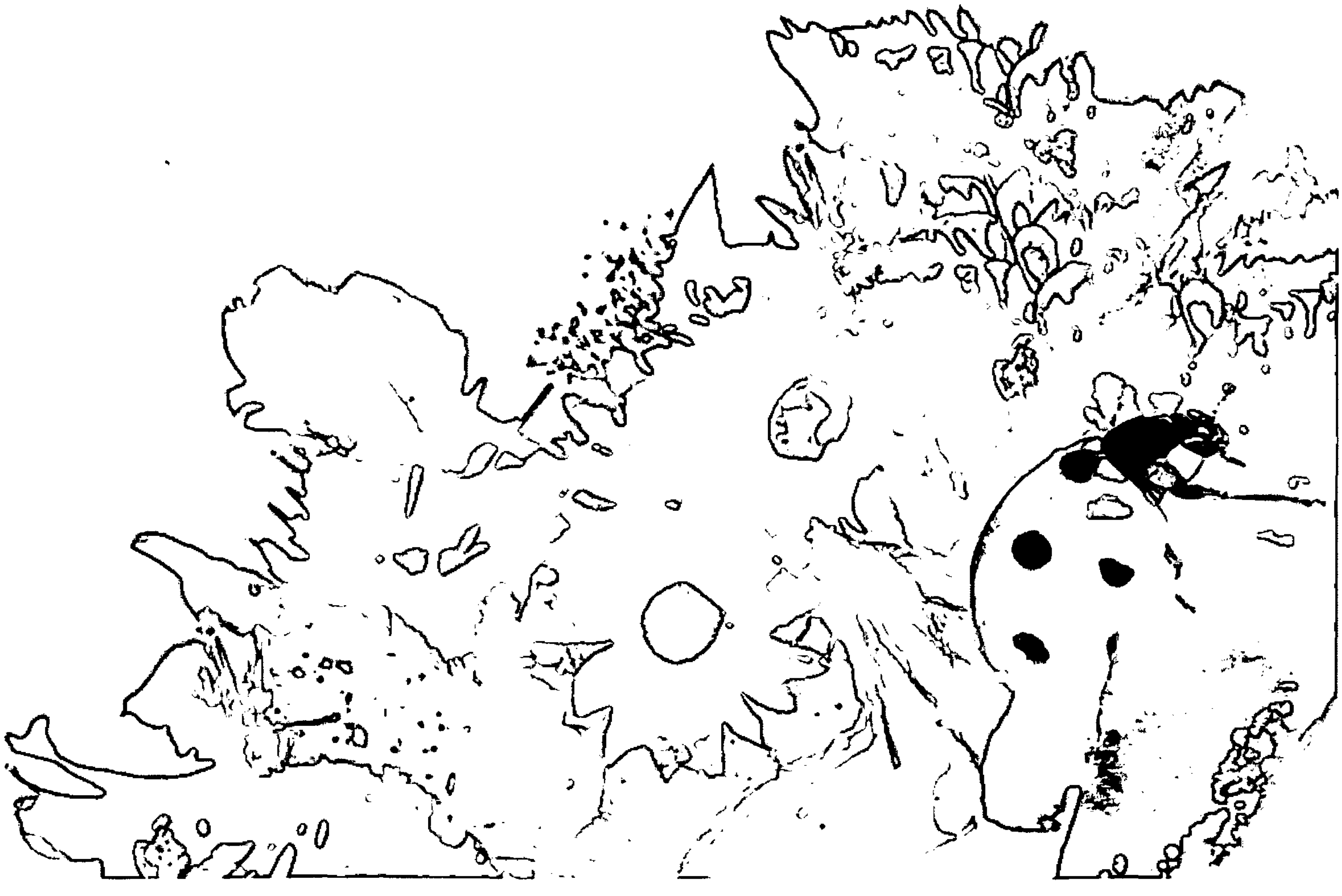
BARONSMEAD

Baronsmead VCT 4 plc

2013

Report & Accounts for
the year ended
31 December 2013



Contents

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" 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.

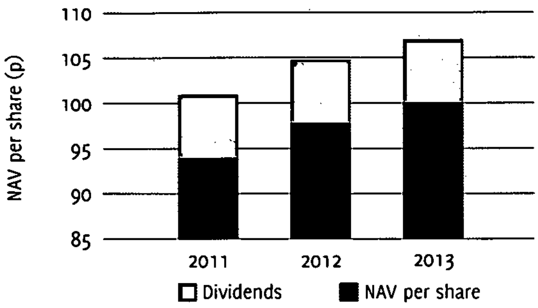
Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

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

www.baronsmeadvct4.co.uk

If you have sold or otherwise transferred all of your shares in Baronsmead VCT 4 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.

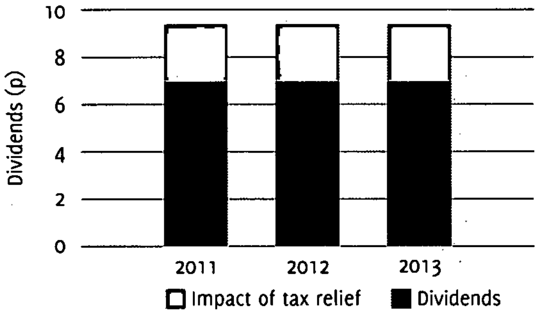
Financial Highlights



Net asset value per share

Net asset value ("NAV") per share increased 9.3 per cent to 107.06p in the year ended 31 December 2013, before deduction of dividends.

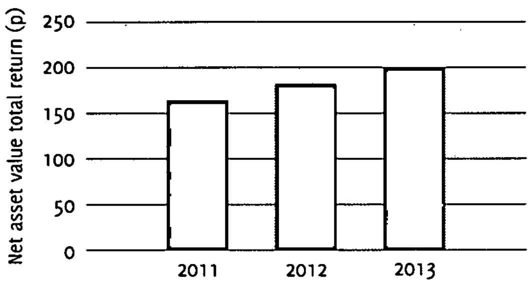
+9.3%



Dividends in the year

Dividends totalled 7.0p for the year to 31 December 2013, including the second interim dividend of 4.0p paid 20 December 2013.

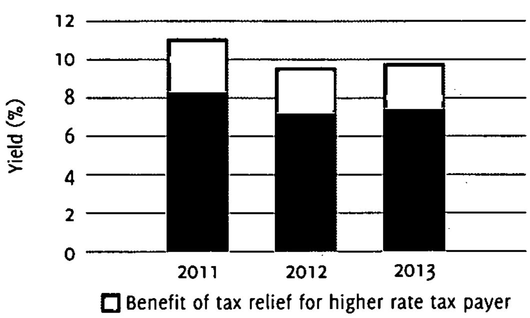
7.0p



Net asset value total return

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

200.5p



Annual dividend yield

Net dividend yield was 7.4 per cent and gross annual yield was 9.8 per cent.

7.4%

Strategic Report

The Strategic Report, on pages 2 to 14, has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the company, in accordance with Section 172 of the Companies Act 2006.

The Company is registered in England as a Public Limited Company (Registration number 04313537). The Directors have managed, and intend to continue to manage, the Company's affairs in such a manner as to comply with Section 274 of the Income Tax Act 2007 which grants approval as a VCT.

Investment Objective

Baronsmead VCT 4 is a tax efficient listed company which aims to achieve long-term investment returns for private investors.

Investment policy

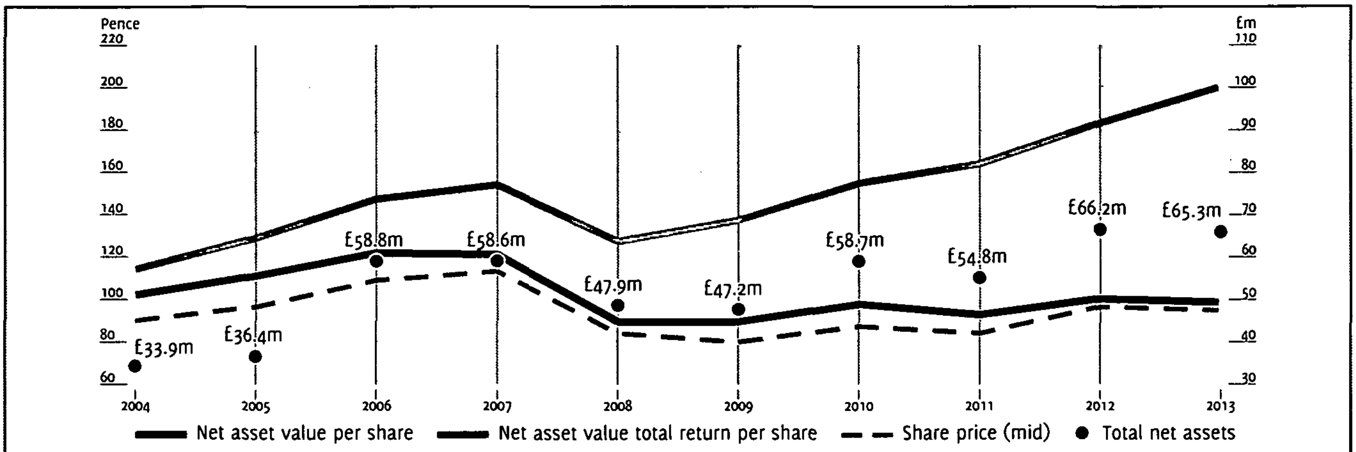
- To invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM.
- Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

Full details on the Company's published investment policy and risk management are contained in the "Other Matters" section of the Strategic Report on pages 11 and 12.

Strategic Report

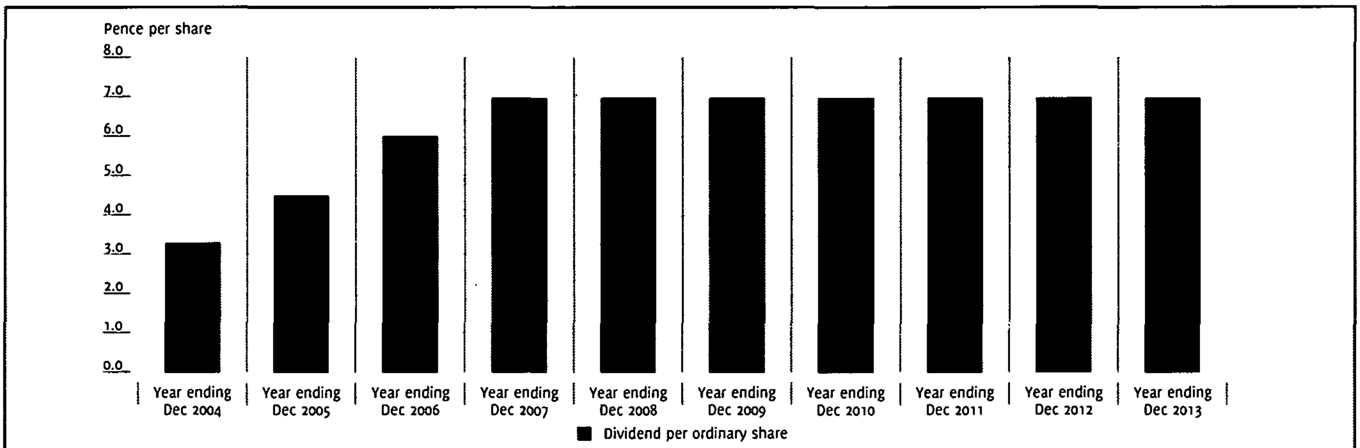
Performance Summary

Performance Record in the last ten years



Source: ISIS EP LLP

Dividend History in the last ten years



Source: ISIS EP LLP

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† %
2002	100.0	20.0	80.0	66.0	6.9%	9.1%
2006 (C shares)	100.0	40.0	60.0	44.8	9.6%	12.8%
2010 (March)	95.9	28.8	67.1	28.0	10.9%	14.5%
2012 (December)	107.5	32.3	75.2	11.0	14.3%	19.1%
2013 (March)	102.7	30.8	71.9	7.0	12.0%	16.1%

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.

‡ Net annual yield represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

† The gross equivalent yield if the dividends had been subject to the higher rate of tax on dividends (currently 32.5 per cent). The gross equivalent yield based on additional rate of tax on dividends (37.5 per cent from the 2013/14 tax year), has not been included. For those shareholders who earn over £150,000 per tax year and who would otherwise pay this additional rate of tax on dividends, the gross equivalent yield will be higher than the figures stated above.

**Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (1.0372828).

Strategic Report

Chairman's Statement

This Chairman's Statement forms part of the Strategic Report and the Report of the Directors.

Robert Owen
Chairman

I am pleased to report that the Company had a good year and the Net Asset Value ("NAV") before payment of dividends increased by 9.14p a share (9.3 per cent).

The total dividend for the financial year to 31 December 2013 was 7.0p, paid in the form of two interim dividends paid in September and December 2013. On 12 February 2014, the Company declared an interim dividend of 6.0p per share payable on 7 March 2014 to shareholders on the register as of 21 February 2014.

RESULTS

Analysis of change in NAV over the year

	Pence per share
NAV as at 1 January 2013	
(after deducting the final dividend of 4.0p for the year to 31 December 2012)	97.92
Valuation uplift (9.3 per cent)	9.14
NAV as at 31 December 2013 before dividends	107.06
Less:	
Interim dividend paid on 20 September 2013	(3.00)
Second interim dividend paid on 20 December 2013	(4.00)
NAV as at 31 December 2013 after paying dividends	100.06

The investment portfolio is diverse, which has helped to smooth investor returns, from year to year. The unquoted portfolio has delivered several years of strong growth, however the 2013 returns were more modest following the large divestment programme. The portfolio is now significantly younger and the more recent investments will take some time to deliver value growth. The focus remains on unquoted investments, which, historically and with the support of the Manager have produced high returns.

This year the AIM portfolio has delivered an increase in value of 34.8% in an improving market from a welcome return of investor appetite for smaller quoted companies. The portfolio has also benefitted from the distinctive approach to quoted investment strategy the Manager had developed over the past five years. Since 2008 it has taken larger stakes in selected AIM companies in order to become a more influential partner. This has enabled it to introduce private equity experience and disciplines to these investments whilst continuing to invest in companies with strong fundamentals during the downturn in the markets following the financial crisis.

As a result of an active year of new investments, the portfolio of companies has increased to 69 net of significant divestments. New and follow-on investments totalled £8.9 million across ten unquoted, one ISDX and fifteen AIM companies. Company sales realised £15.9 million capital proceeds and delivered net gains of £7.8 million. There was a net divestment of investments in the AIM portfolio (£2.9m of sales against £2.5m of investment) but the high growth in quoted values mean that the proportion of quoted investment in the portfolio increased. The portfolio as a whole, remains in good health with 83 per cent of investees reporting steady or improving performance against their business plans.

Strategic Report

Chairman's Statement

LONG TERM PERFORMANCE

The Company's investment objective remains focussed on companies with strong growth potential to produce consistently high returns for shareholders over the long-term.

This year's strong performance has increased the NAV total return for each 100p invested in Baronsmead VCT 4 to 190.4p over ten years (200.5p since launch in 2001). Cumulative tax free dividends during that period have amounted to 62.8p per share (66.0p per share for founder shareholders at launch).

SHAREHOLDER MATTERS

Dividends

The Company paid dividends totalling 7.0p per share for the financial year to 31 December 2013. Following several profitable realisations, in February 2014, the Directors declared an interim dividend 6.0p per share payable on 7 March 2014. It is the Board's current expectation that this interim dividend will be in lieu of the dividend that would normally be declared following the half-yearly results for the six months to 30 June 2014. This pays the dividend to the Company's existing shareholders who benefit from the returns realised in 2013 prior to new shares being allotted with respect to subscriptions to the Company's fundraising.

Fundraising

An offer for subscription to raise gross proceeds of up to £10 million was launched on 22 January 2014. Based on subscriptions to date, it is expected that the Company's offer will be fully subscribed shortly.

Share Price Discount Policy

In November 2012 the Company announced that it would seek to narrow the mid share price discount to NAV from 10 per cent to 5 per cent. I am pleased to report that during the twelve months to 31 December 2013 the targeted reduction has been largely achieved with the mid share price discount to NAV averaging 4.5 per cent for the year.

It is the Board's intention to try to maintain this discount to NAV however this policy will be kept under continuous review and may be subject to revision if necessary. Shares will be bought back depending on market conditions at the time and only where the Directors believe such a transaction to be in the best interests of all shareholders.

VCT Legislation

In its Autumn Statement issued on 5 December 2013, HM Treasury ("HMT") announced its intention to introduce legislation with effect from 6 April 2014 to prevent the use of "Enhanced Share Buy Backs" by VCTs. Since the Board has never used these arrangements this legislation will have no impact on the Company, which preferred to create an orderly market for all shareholders through maintaining a narrow share price discount, HMT also indicated in the Autumn Statement that it wished to consult further on potential changes to VCT rules to address the perceived misuse of reserves created from converted share premium accounts. They are concerned that in some circumstances this reserve is being used to return capital to shareholders prior to any profits being generated from investments. The Manager has participated in this consultation alongside other VCT Managers and the AIC with the aim of ensuring that any draft legislation resulting from the consultation would not result in any unintended adverse consequences for the industry.

Strategic Report

Chairman's Statement

The European Commission is currently undertaking a review of the state aid regulations including the risk capital guidelines under which VCTs are approved at the European level. The aim of the review is to set out a clear framework to allow member states to grant aid without the need for the European Commission to be involved. Our trade association, the Association of Investment Companies ("AIC") is engaged in the discussion and the Manager has provided data and case studies to assist the construction of a suitable response.

Management Arrangements

The Board has considered the impact on your Company of the Alternative Investment Fund Managers Directive (AIFMD), an EU Directive that came into force in July 2013 to regulate the Managers of Alternative Investment Funds. The legislation provides for Investment Trusts and VCTs to opt to become self managed for the purposes of the Directive, which would result in the Company becoming the Alternative Investment Fund Manager (AIFM). The legislation also provides that AIFMs that manage assets under €500m can take advantage of a light touch regime and register as Small Registered Managers which only imposes some minimal additional reporting on the AIFM. To minimise the cost of compliance with this Directive the Board has decided that the Company will register as the AIFM. This development will not impact on the day to day investment activities. The Investment Management Agreement would need to be renewed to a sister partnership of ISIS EP LLP, controlled and managed by the same individuals.

Annual General Meeting

I look forward to meeting as many shareholders as possible at our twelfth Annual General Meeting to be held on Tuesday, 15 April 2014 at the Plaisterers' Hall, One London Wall, London, EC2Y 5JU at 11.00 a.m. This will be followed by presentations from the Manager, a light lunch and a shareholder workshop.

OUTLOOK

There is growing evidence that the long awaited recovery of the UK economy is now underway and there is a greater degree of optimism than there has been for many years. The investment environment has been challenging over the past five years but the Investment Manager has built a strong capability in its chosen sectors and a market leading origination team and this enabled it to continue to find good investments during the downturn. The addition of six new unquoted companies during 2013 promises a sustainable increase in the number of good investment opportunities and we believe that the Manager is well placed to take advantage of this.

The successful realisation of many unquoted companies has generated excellent returns but the remaining portfolio is now relatively immature. It remains widely diversified, well resourced and adequately funded and the Investment Manager has the skill and experience to support and help its investments in their development. We believe that the Company is well placed to take advantage of the recovery as it gathers momentum. We will continue to focus on delivering a consistent yield for shareholders while protecting the asset base.

Robert Owen
Chairman
17 February 2014

Strategic Report

Manager's Review

Andrew Garside
Head of Unquoted Investments

Ken Wotton
Head of Quoted Investments

Sheenagh Egan
Chief Operating Officer

Michael Probin
Investor Relations

The year has seen very different performance contributions from the quoted and unquoted portfolios. Firstly strong upward performance has been delivered by the quoted portfolio which is a welcome reward for patience through an uncertain market over recent years. This has also enabled a level of net divestment from the quoted portfolio as profits have been crystallised into cash, although the significant value growth has still resulted in an increase in the quoted NAV during the period.

The unquoted portfolio has seen a significant refreshment in assets. There was a high level of new unquoted investment with six new unquoted investee companies added to the portfolio and a further one added since the end of the financial year. This is the busiest period of investing for some years. In addition, there has been a high rate of divestment from the unquoted portfolio with some long held investments being realised. The unquoted portfolio has therefore not contributed much to NAV growth this period as a higher proportion of the portfolio is relatively new.

PORTFOLIO REVIEW

Overview

The net assets of £65.3 million were invested as follows:

Asset class	NAV £m	% of NAV	Number of investees	Annual return %
Unquoted	28.3	43	25	0.3
Quoted	25.0	38	44	34.8
Cash and near cash	12.0	19	-	-

During the year there were;

- New investments of £7.4 million in 13 new companies and £1.5 million in 13 follow ons;
- Divestments of £19.2 million from 8 full exits and 3 partial realisations.

Each quarter the direction of general trading and profitability of all investee companies is recorded so that the Board can monitor the overall health and trajectory of the portfolio. At 31 December 2013, 83 per cent of the 69 companies in the portfolio were progressing steadily or better.

The level of quoted assets in the NAV is at a higher proportion than seen in recent periods. This is due to the combination of high growth in quoted values together with the high rate of unquoted divestments. The Manager continues to invest significantly more during each year in unquoted investments over new quoted investments.

Strategic Report

Manager's Review

Unquoted Private Equity Portfolio

After a strong year of growth last year of 8 per cent, the unquoted portfolio has stayed flat. The unquoted portion of the portfolio is valued using a consistent process every three months which the Board oversees and approves. Almost all of the value creation in unquoted investments comes from operational improvements (revenue and margin growth), rather than financial leverage. The reason the unquoted portfolio is flat this year is that a higher proportion of investments are relatively young and have not yet started contributing to value growth.

The year delivered a series of strong realisations, including the pleasing contribution of three of these being longstanding holdings made in 2005 and 2006.

- Independent Living Services Ltd, the care business based in Scotland, has been in the portfolio since 2005 and was sold to Mears Group plc generating a profit multiple of 2.5x cost.
- MLS Ltd, the school library software business, was an investment from 2006 that realised 2.8x cost on its sale to Capita plc.
- Kafevend is a leading UK vending provider added to the portfolio in 2005 that has been sold to trade buyer Eden Springs UK Ltd realising 2.5x cost.
- CSC (World) Ltd providing software for structural engineers was sold to US trade buyer Trimble Navigation Inc. generating 2.4x cost.
- CableCom Networking Holdings Ltd has been in the portfolio since 2007 and manages internet services to high density accommodation such as student accommodation. The business has been sold via a secondary management buy-out and the realisation has delivered 4.8 times cost which is an excellent result. A £5 million investment (£1.25 million for Baronsmead VCT 4) has been negotiated in the new transaction on the same terms as the lead private equity buyer as ISIS believes there is an opportunity for further growth.

Overall this represents a strong and consistent realisation performance. The level of realisations represents a much higher proportion of the unquoted portfolio than would be seen in an average year. The level of realisations in the short term will be lower and the unquoted element of NAV should therefore grow in the next few years.

Quoted Portfolio (AIM traded and other listed investments)

There has been a significant uplift in the quoted portfolio of 35 per cent reflecting a positive re-rating of the small cap sector in the year. This recovery has been welcome following recent years of headwinds from a challenging AIM market environment and weak share prices.

The performance of the quoted portfolio also reflects the changes introduced by the ISIS Quoted Investment team since 2009. The Quoted team is now more likely to build progressive stakes. An investment in a new smaller company might start at an initial low level. As the team becomes more comfortable with performance and where it is possible within the constraints of VCT qualifying investing, the holding will be increased. Several more significant holdings of over 20 per cent have now been built where the team has a closer, more influential relationship and can utilise some of the good practice from Private Equity experience. In addition, during the weaker AIM market, the team endeavoured to focus on the fundamentals of the investees and demonstrated patient support when market sentiment depressed share prices of sound companies. The ISIS team believes the benefits of this work are now contributing to improved Quoted performance in addition to the recovery of the unquoted markets.

Realisations during the year from the quoted portfolio totalled £2.9 million at an average multiple of 1.8x cost. Notably within this is the full realisation due to a takeover of FFastFill plc (2.8x cost) and the partial sale in the market of IDOX plc (at 6.1x cost). A notable disappointment in the quoted portfolio was the failure of Zattikka plc resulting in the full loss of the £315k investment made in April 2012.

Whilst it is expected that work in the Quoted arena will deliver future positive returns, the high annual growth achieved in this period should be considered as exceptional.

Strategic Report

Manager's Review

Liquid assets (cash and near cash)

Baronsmead VCT 4 had cash and near cash resources of approximately £12 million at the year-end. This asset class is conservatively managed to take minimal or no capital risk, a strategy outlined in prospectuses that have been issued in the past.

Unquoted Investments

During the year, £7.3 million was invested in 11 unquoted companies including 7 new additions to the unquoted portfolio, one of which utilised an existing acquisition vehicle. The new unquoted investments were;

- Create Health is an internationally renowned fertility clinic which is the UK's leading specialist in natural and mild IVF techniques. Natural and mild IVF uses lower levels of drugs and is viewed as more ethical and healthier – it is used widely in advanced overseas fertility markets and is growing in popularity in the UK. The investment will fund the opening of a new flagship site in London.
- Eque2 is a software business that was previously owned by Sage plc and known as Sage Construction. It provides enterprise wide software systems that cater for firms of all sizes in the construction industry, helping them to control and manage all types of construction projects.
- Armstrong Craven is an HR consultancy and provider of specialist executive search services to many large global and national clients. It has offices in Manchester and London. The ISIS support helped the original founder and management team acquire the business from its parent plc in a Management Buy Out.
- Luxury for Less is a fast growing online bathroom products retailer which operates the transactional website www.bathempire.com. ISIS will help the business expand its range and help fund new facilities to support growth. The investment was made by using an already established acquisition vehicle and therefore is not listed as a new investment in the following tables.
- Key Travel is a leading travel management company dedicated to serving the travel requirements of the not-for-profit, academic and faith sectors from its bases in the UK, Europe and the US. Major clients include Oxfam, Save the Children and Cambridge University. Travel arranged for clients will break through the £100m mark this year. The investment will help support the continued growth of the business.
- Carousel Logistics Limited based in Kent, designs and manages bespoke supply chain management solutions for clients with time critical, challenging or high touch customer care needs. Carousel has a range of international clients for whom it delivers a complete integrated service including e-fulfilment, procurement, warehousing, distribution, reverse logistics and international in-night services. ISIS will support Carousel's continued business expansion within the UK and continental Europe.

Top Ten Investments

The average investment value of the top ten companies held by Baronsmead VCT 4 is £2.1 million per company. Because these investments are normally held by the other Baronsmead VCTs, the total managed by ISIS in each investee is significantly larger than this, which enables ISIS to dedicate significant resource to manage each investment and their progress. The top ten investees employ some 2,600 people, which is an increase of 22 per cent over the last year. Their turnover has also grown by some 24 per cent. Each of the top ten companies is described in more detail on pages 18 to 22 of the Annual Report and Accounts.

Strategic Report

Manager's Review

Investment Management

ISIS continues to invest in its skills and capacity with over 35 of its total team of 60 devoted to investment management activities across all its investing activities. The Manager seeks to implement a strategy that has been agreed and reviewed annually with the Board. Its focus is on generating strong investment returns from its portfolio through a mixture of intelligent investment selection and hands on portfolio management. Its ability to select good investments owes much to its sector research and to its strong origination team that help the team to generate proprietary deal flow.

Its investments are supported from the outset by an experienced internal value enhancement team together with a panel of proven Operating Partners who work exclusively with ISIS to assist management teams to deliver both strategic development and operational efficiencies. Both have enabled ISIS to build a strong track record of producing consistent returns from its unquoted investments.

ISIS has pursued a strategy of sector specialisation over many years and in that time its executives have developed in-depth knowledge of these sectors and valuable networks of contacts which have enabled it to capitalise on opportunities that have presented themselves in an ever changing environment. Its key sectors are:

- Business services
- Financial services
- Consumer markets
- Healthcare & Education
- Technology, Media and Telecommunications

OUTLOOK

Our portfolio companies and their management teams are now more experienced at handling economic uncertainties, including managing their growth and operations in a tougher environment than in previous decades. Low bank borrowings within the portfolio give them robust financial structures.

ISIS is an active investment manager which partners with our investees to help them to grow revenue and earnings and build resilient, well invested businesses, able to maintain standards, whilst growing. Our intention is to seek out the best opportunities where growth is driven by innovation and gaining market share through differentiation rather than relying on favourable economic growth.

ISIS EP LLP
Investment Manager
17 February 2014

Strategic Report

Other Matters

Dividend policy

The Board of Baronsmead VCT 4 has the objective to sustain a progressive dividend policy for shareholders but this depends primarily on the level of profitable realisations and it cannot be guaranteed. There may be variations in the amount of dividends paid year on year.

Share price discount policy

The Company buys back its shares if, in the opinion of the Board, a repurchase would be in the best interests of the Company's shareholders as a whole. Shares are bought back through the market rather than directly from shareholders. This minimises the number of shares bought back by the Company while maximising the opportunity for investors to invest in the Company's existing shares.

The Board's current policy is to seek to maintain a mid share price discount of approximately 5 per cent to net asset value, depending on market conditions at the time.

Strategy for achieving objectives

Baronsmead VCT 4 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.

Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities and fixed-interest securities, as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stock, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM traded securities, cash is held in interest bearing accounts UK gilts or governmental securities and may be invested in interest bearing money market open ended investment companies.

UK companies

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may trade overseas.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs. Amongst other conditions, the Company may not invest more than 15 per cent by value of its investments calculated in accordance with section 278 of ITA 2007 (as amended) (VCT Value) in a single company or group of companies and must have at least 70 per cent of its investments by VCT Value throughout the period in shares and securities comprised in qualifying holdings. At least 70 per cent by VCT Value of qualifying holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends. For funds raised before 6 April 2011, at least 30 per cent by VCT Value of qualifying holdings must be in "eligible shares" which are ordinary shares which do not carry any rights to be redeemed or preferential rights to dividends or to assets on a winding up. At least 10 per cent of each qualifying investment must be in "eligible shares".

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be at least 90 per cent invested in growth businesses, subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash and interest bearing securities. It is intended that at least 75 per cent of funds raised by the Company will be invested in VCT qualifying investments.

Strategic Report

Other Matters

Risk diversification and maximum exposures

Risk is spread by investing in a number of businesses within different qualifying industry sectors using a mixture of securities. Generally, no more than £2.5 million, at cost, is invested in the same company. 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.

Investment style

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.

Co-investment with other Baronsmead VCTs

The Company aims to invest in larger, more mature unquoted and AIM companies and to achieve this the Company invests alongside the other Baronsmead VCTs.

Management retention

Certain members and employees of the Manager invest in unquoted investments alongside the Company on terms which align the interests of shareholders and the Manager.

Borrowing powers

The Company's Articles permit borrowing to give a degree of investment flexibility. The Company's policy is to use borrowing for short-term liquidity purposes only. The Company's borrowings are restricted to 25 per cent of the value of the gross assets of the Company. The Company currently has no borrowings.

Management

The Board has delegated the management of the investment portfolio to the Manager. Under the strategy agreed between them, the Manager also provides or procures the provision of company secretarial, accounting, administrative and custodian services to the Company.

In seeking to meet the agreed strategic objectives, the Manager has adopted a 'top-down, sector-driven' approach to identifying and evaluating potential investment opportunities, by assessing a forward view of firstly the business environment, then the sector and finally the specific potential investment opportunity.

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

The Manager's Review on pages 7 to 10 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.

Principal Risks, Risk Management and Regulatory Environment

The Board believes that the principal risks faced by the Company are:

- Economic risk – events such as an economic recession and movement in interest rates could affect smaller companies' valuations.
- Loss of approval as a Venture Capital Trust – the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from corporation tax on capital gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

Strategic Report

Other Matters

- Investment and strategic – an inappropriate strategy, poor asset allocation or consistent weak stock selection might lead to under performance and poor returns to shareholders. Therefore the Company's investment strategy is periodically reviewed by the Board which considers at each meeting the performance of the investment portfolio.
- Regulatory – the Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. General changes in legislation, regulations or government policy could significantly influence the decisions of investors or impact upon the markets in which the Company invests.
- Reputational – inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.
- Operational – failure of the Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- Financial – the Board has identified the Company's principal financial risks which are set out in the Notes to the Accounts on pages 51 to 53. Inadequate controls might lead to misappropriation of assets or fraud. Inappropriate accounting policies might lead to misreporting or breaches of regulations.
- Market risk – investment in AIM-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.
- Liquidity risk – the Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.
- Competitive risk – retention of key personnel of the Manager is vital to the success of the Company. Appropriate incentives are in place to ensure retention of such personnel.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the Financial Reporting Council's ("FRC") "Internal Controls: Guidance to Directors".

Details of the Company's internal controls are contained in the Corporate Governance section on page 32.

Performance and Key Performance Indicators ("KPIs")

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

The Board assesses the performance of the Manager in meeting the Company's objective against the primary KPIs highlighted on page 3.

Strategic Report

Other Matters

Performance Incentive

A performance fee will not be payable to the Manager until the total return on net proceeds of the ordinary share offers exceeds 8 per cent per annum (simple) on net funds raised.

To the extent that the Total Return exceeds this threshold, a performance fee (plus VAT) will be paid to the Manager of 10 per cent of the excess. The performance fee payable in any one year will be capped at 5 per cent of the shareholders' funds at the end of the calculation period.

No performance fee is payable for the year to 31 December 2013 (2012: £nil).

Environmental, Human Rights, Employee, Social and Community Issues

The Board recognises the requirement under Section 414 of the Act to detail information about environmental matters (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 effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

The Board of Directors of the Company comprises four male Directors. The Manager has an equal opportunity policy and currently employs 35 men and 25 women.

Shareholder Choice

The Board wishes to provide shareholders with a number of choices that enable them to utilise their investment in Baronsmead VCT 4 in ways that best suit their personal investment and tax planning and in a way that treats all shareholders equally.

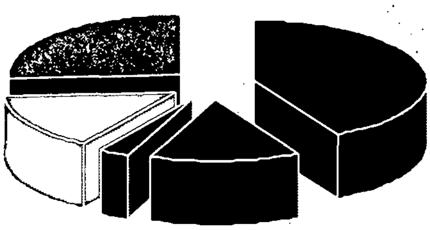
- **Fund raising** | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for issue costs.
- **Dividend Reinvestment Plan** | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 746,000 shares were bought in this way during the year to 31 December 2013.
- **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.
- **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 267,000 shares were bought by investors in the Company's existing shares in the year to 31 December 2013.

On behalf of the Board
Robert Owen
Chairman
17 February 2014

Summary Investment Portfolio

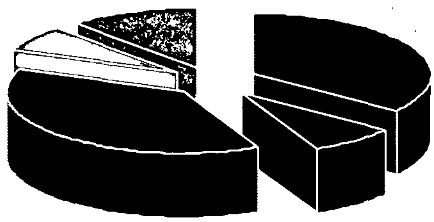
Investment Classification at 31 December 2013

Sector by value



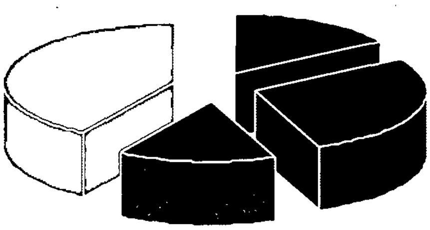
Business Services	42%
Consumer Markets	14%
Financial Services	3%
Healthcare & Education	15%
Technology, Media & Telecommunications ("TMT")	26%

Total Assets by value



Unquoted – loan stock	35%
Unquoted – ordinary & preference shares	8%
AIM, listed & ISDX	38%
Listed interest bearing securities	7%
Net current assets	12%

Time Investments Held by value



Less than 1 year	16%
Between 1 and 3 years	28%
Between 3 and 5 years	15%
Greater than 5 years	41%

Table of Investments and Realisations

Investments in the year to 31 December 2013

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
New				
CableCom II Networking Holdings Limited	Somerset	TMT*	Provider of network solutions	1,250
Create Health Limited	London	Healthcare & Education	Provider of fertility services	1,065
Carousel Logistics Limited	Kent	Business Services	Provider of bespoke logistics and supply chain solutions	955
Key Travel Limited	London	Business Services	Travel management company, focused on the non-profit sector	954
Eque2 Limited	Manchester	TMT*	Enterprise resource planning (ERP) solutions provider to the construction industry	877
Armstrong Craven Limited	Manchester	Business Services	HR consultancy offering provision of executive search and business intelligence services	673
Follow on				
Impetus Holdings Limited	London	Business Services	Automotive consultancy and outsourced service provider	247
Playforce Holdings Limited	Melksham	Business Services	UK playground design, distribution & installation	163
Crew Clothing Holdings Limited	London	Consumer Markets	Branded clothing retailer	110
Valldata Group Limited	Melksham	Business Services	Payment processing to charity sector	54
Total unquoted investments				**6,348†**
AIM-traded, listed & ISDX investments				
New				
Everyman Media Group plc	London	Consumer Markets	Boutique independent cinema chain	392
MartinCo plc	Bournemouth	Consumer Markets	UK letting agency franchise network	343
Bioventix plc	Farnham, Surrey	Healthcare & Education	Develops sheep monoclonal antibodies	227
Daily Internet plc	Stockport	TMT*	SME Domain registration & hosting	225
Ideagen plc	Matlock	TMT*	Compliance software solutions	225
Pinnacle Technology Group plc	Stirlingshire	TMT*	B2B telecoms and IT reseller	168
One Media iP Group plc	Buckinghamshire	TMT*	Content acquisition and distribution	56
Follow on				
Sanderson Group plc	Coventry	TMT*	Retail and manufacturing IT	225
Plastics Capital plc	London	Business Services	Specialist plastic products	189
Tasty plc	London	Consumer Markets	Restaurant chain	125
TLA Worldwide plc	London	Business Services	Baseball sports management and marketing	113
EG Solutions plc	Staffordshire	TMT*	Back office optimisation software	78
Green Compliance plc	Worcester	Business Services	Small business compliance	50
Paragon Entertainment Limited	London	Consumer Markets	Visitor attractions	45
Accumuli plc	Salford	TMT*	Managed IT security	40
Tangent Communications plc	London	Business Services	Digital marketing and online print services	40
Total AIM-traded, listed & ISDX Investments				**2,541**
Total investments in the year				**8,889**

* Technology, Media and Telecommunications ("TMT").

† In addition, Consumer Investment Partners, an existing portfolio company established in 2012 to seek investments in the Consumer Markets sector, invested £0.96 million in Luxury For Less, an online bathroom products retailing business.

Table of Investments and Realisations

Realisations in the year to 31 December 2013

Company		First investment date	31 December 2012 valuation £'000	Proceeds‡ £'000	Overall multiple return
Unquoted realisations					
CableCom Networking Holdings Limited	Full trade sale	May 07	4,328	5,748	4.8*
Consumer Investment Partners Limited	Loan repayment	Apr 12	45	45	1.0
CSC (World) Limited	Full trade sale	Jan 08	2,410	3,115	2.4*
Independent Living Services Limited	Full trade sale	Sep 05	3,322	3,426	2.5*
Kafevend Holdings Limited	Full trade sale	Oct 05	2,956	2,430	2.5*
MLS Limited	Full trade sale	Jul 06	956	984	2.8*
Valldata Group Limited	Loan repayment	Jan 11	450	540	1.2*
Total unquoted realisations			**14,467**	**16,288**	
AIM-traded & listed realisations					
IDOX plc	Market sale	May 02	1,247	1,266	6.1
FFastFill plc	Full trade sale	Jun 07	612	874	2.8
PROACTIS Holdings plc	Full market sale	May 06	426	620	1.1*
Active Risk Group plc	Full trade sale	May 10	54	126	0.8
Zattikka plc	Write off	Apr 12	136	-	0.0
Total AIM-traded & listed realisations			**2,475**	**2,886**	
Total realisations in the year			**16,942**	**19,174**	

‡ Proceeds at time of realisation including redemption premium and interest.

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

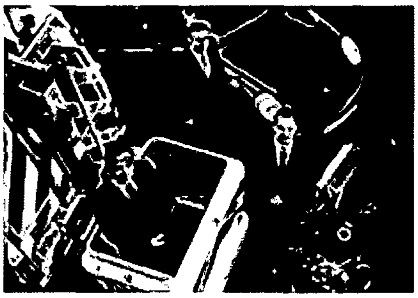
Ten Largest Investments

The top ten investments by current value at 31 December 2013 illustrate the diversity and size of investee companies within the portfolio. This financial information is taken from publicly available information, which has been audited by the auditors of the investee companies.

1

NEXUS VEHICLE HOLDINGS LIMITED

Leeds



All ISIS EP LLP managed funds	
First investment:	February 2008
Total cost:	£9,500,000
Total equity held:	56.00%
Baronsmead VCT 4 only	
Cost:	£2,367,000
Valuation:	£4,621,000
Valuation basis:	Earnings Multiple
% of equity held:	12.32%

Year ended 30 September	2012 £million	2011 £million
Revenue:	36.5	38.3
EBITA:	3.3	4.3
Net Assets:	1.8	1.7
No. of employees:	113	90

www.nexusrental.co.uk

(Source: Nexus Vehicle Holdings Limited, Report & Financial Statements 30 September 2012)

Nexus enables corporate users to source all their vehicle rental needs from one source – a highly efficient and cost effective online based process. The service is provided using its proprietary system, IRIS, an advanced web based IT tool that is highly regarded in the industry. It offers fast access to a large range of rental fleets and enables customers to benefit from the buying scale of Nexus.

2

NETCALL PLC

Hertfordshire

All ISIS EP LLP managed funds	
First investment:	July 2010
Total cost:	£4,354,000
Total equity held:	20.00%
Baronsmead VCT 4 only	
Cost:	£868,000
Valuation:	£2,847,000
Valuation basis:	Bid Price
% of equity held:	4.01%

Year ended 30 June	2013 £ million	2012 £ million
Sales:	16.1	14.6
EBITA:	3.4	3.1
Net Assets:	16.9	15.5
No. of employees:	141	123

www.netcall.com

(Source: Netcall Plc Annual Report and Accounts 30 June 2013)

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

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

EBITA: Earnings before interest, tax and amortisation

Ten Largest Investments

3

CREW CLOTHING HOLDINGS LIMITED

London

All ISIS EP LLP managed funds	
First investment:	November 2006
Total cost:	£5,833,000
Total equity held:	25.51%
Baronsmead VCT 4 only	
Cost:	£1,454,000
Valuation:	£2,336,000
Valuation basis:	Earnings Multiple
% of equity held:	6.08%

Year ended 28 October	2012 £million	2011 £million
Revenue:	48.5	40.7
EBITA:	3.5	3.3
Net Assets:	6.0	5.7
No. of employees:	363	311

www.crewclothing.co.uk

(Source: Crew Clothing Holdings Limited, Report and Financial Statements 28 October 2012)

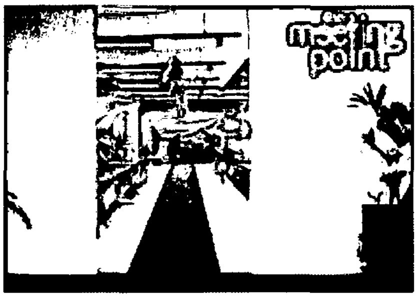
Crew Clothing Co. is an English clothing brand with a wide range of active, outdoor and casual wear for men and women. Since it was founded in 1993, the brand has since evolved into the fast growing premium active and casual wear sectors, but retained its unique heritage and positioning. Today it is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

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

4

INSPIRED THINKING GROUP LIMITED

Birmingham



All ISIS EP LLP managed funds	
First investment:	May 2010
Total cost:	£3,200,000
Total equity held:	22.50%
Baronsmead VCT 4 only	
Cost:	£796,000
Valuation:	£2,056,000
Valuation basis:	Earnings Multiple
% of equity held:	4.95%

Year ended 31 August	2013 £ million	2011 £ million
Revenue:	43.3	32.7
EBITA:	1.6	1.6
Net Assets:	0.8	0.8
No. of employees:	218	158

www.inspiredthinkinggroup.com

(Source: Inspired Thinking Group Holdings Limited, Report and Financial Statements 31 August 2013)

ITG provides services that help marketing departments to operate more efficiently. This includes outsourced print management services to major retailers and consumer facing businesses. ITG also owns and provides a workflow and content system called MediaCentre that enables their clients to gain tighter control over their marketing operations. The combined services are already saving some major retailers considerable sums within their marketing departments, enabling them to make fixed budgets more effective.

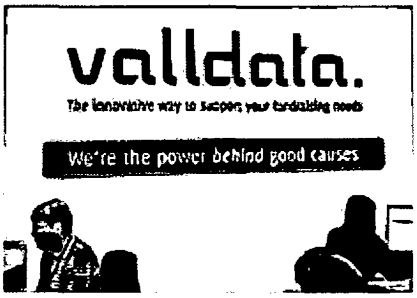
The ITG management team are known as experienced and innovative in this field and have been successful in winning large new accounts over time from blue chip clients.

EBITA: Earnings before interest, tax and amortisation

Ten Largest Investments

5

VALLDATA GROUP LIMITED
Melksham



www.valldata.co.uk

All ISIS EP LLP managed funds	
First investment:	January 2011
Total cost:	£4,921,000
Total equity held:	58.90%
Baronsmead VCT 4 only	
Cost:	£1,220,000
Valuation:	£1,701,000
Valuation basis:	Earnings Multiple
% of equity held:	13.88%

Year ended 31 March	2013 £million	2012* £million
Revenue:	7.5	8.8
EBITA:	1.6	1.2
Net Assets:	9.7	9.5
No. of employees:	232	272

(Source: Valldata Group Limited, Directors Report & Financial Statements 31 March 2013)

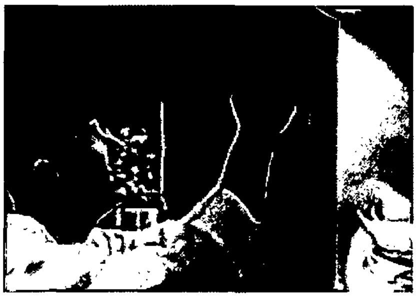
Valldata is the UK's leading provider of outsourced donation processing and fulfilment services for the UK not-for-profit sector. Using its advanced technology and IT systems it manages over 8 million interactions with donors every year covering paper-based donation, donations via telephone and online services, and also manages the database updates for its customers. Investment in technology and infrastructure means it can typically process payments faster and at lower cost than a client could do in-house.

Many functions of this nature are undertaken in house by large charities and Valldata is growing as some of this work is outsourced.

*15 month period ended 31 March 2012

6

TASTY PLC
London



www.dimt.co.uk

All ISIS EP LLP managed funds	
First investment:	September 2006
Total cost:	£3,223,000
Total equity held:	14.52%
Baronsmead VCT 4 only	
Cost:	£595,000
Valuation:	£1,634,000
Valuation basis:	Bid Price
% of equity held:	2.53%

Year ended 31 December	2012 £million	2011 £million
Revenue:	19.3	14.6
EBITA:	1.6	1.1
Net Assets:	12.3	11.0
No. of employees:	453	325

(Source: Tasty Plc, Report and Financial Statements 31 December 2012)

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

EBITA: Earnings before interest, tax and amortisation

Ten Largest Investments

7

INDEPENDENT COMMUNITY CARE MANAGEMENT LIMITED
Kettering

All ISIS EP LLP managed funds	
First investment:	October 2011
Total cost:	£6,010,000
Total equity held:	55.00%
Baronsmead VCT 4 only	
Cost:	£1,346,000
Valuation:	£1,583,000
Valuation basis:	Earnings Multiple
% of equity held:	10.89%

Year ended 31 March	2013 £million	2012 £million
Revenue:	8.4	7.5
EBITA:	0.2	0.4
Net Assets:	0.5	0.4
No. of employees:	390	348

www.iccmcares.co.uk

(Source: ICCM Ltd, Directors' Report and Financial Statements)

Based in Kettering, ICCM supports adults and children with a range of conditions, including spinal chord injuries, acquired brain injuries and other degenerative disabilities such as multiple sclerosis, motor neurone disease and cerebral palsy.

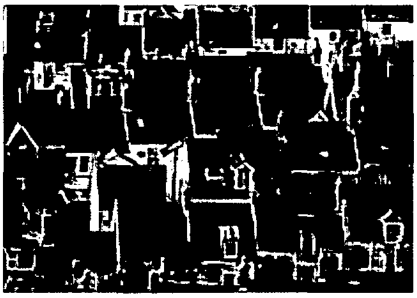
By building a nurse-led package to suit individual needs, ICCM gives clients freedom to live independent lives in the community.

The investment will ensure that ICCM can continue its excellent reputation in the East Midlands, whilst also building on existing relationships in other geographies. As part of the transaction, ICCM also acquired Excel at Care to ensure that industry leading training continues to be delivered to carers.

8

IDOX PLC
London

idox
One company Infinite possibilities



All ISIS EP LLP managed funds	
First investment:	May 2002
Total cost:	£1,641,000
Total equity held:	4.98%
Baronsmead VCT 4 only	
Cost:	£413,000
Valuation:	£1,503,000
Valuation basis:	Last Traded Price
% of equity held:	1.32%

Year ended 31 October	2012 £million	2011 £million
Revenue:	57.9	38.6
EBITA:	12.8	9.5
Net Assets:	38.9	34.4
No. of employees:	467	363

www.investors.idoxgroup.com

(Source: IDOX Plc, Annual Report and Accounts 31 October 2012)

IDOX group is a leading software and information management solutions provider, providing local authorities with software and managed services. These deliver seamless integration and automation from consumer websites through to document storage. In the private sector, its engineering information management software combines McLaren and CTSpace, who are leaders in their markets.

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

EBITA: Earnings before interest, tax and amortisation

Ten Largest Investments

9

CREATE HEALTH
London

www.createhealth.org

All ISIS EP LLP managed funds	
First investment:	March 2013
Total cost:	£4,750,000
Total equity held:	29.00%
Baronsmead VCT 4 only	
Cost:	£1,065,000
Valuation:	£1,384,000
Valuation basis:	Earnings Multiple
% of equity held:	5.74%

Year ended 31 March	2013 £million	2012 £million
Revenue:	4.2	3.5
EBITA:	1.3	1.2
Net Assets:	2.3	1.7
No. of employees:	#	#

(Source: Create Health Ltd Director's Report and Financial Statement 31 March 2013)

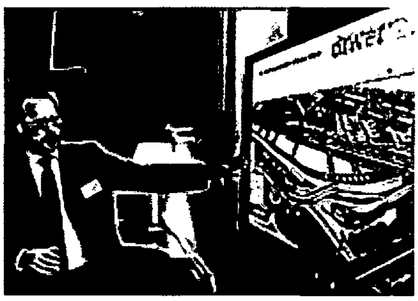
Create Health is a renowned fertility clinic specialising in Natural and Mild In Vitro Fertilisation (IVF) and In Vitro Maturation (IVM). Natural and Mild IVF uses lower levels of drugs making it cheaper, safer and healthier for the mother and baby.

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

Not disclosed in financial statements

10

DRIVER GROUP
London



www.driver-group.com

All ISIS EP LLP managed funds	
First investment:	October 2005
Total cost:	£2,656,000
Total equity held:	18.90%
Baronsmead VCT 4 only	
Cost:	£563,000
Valuation:	£1,332,000
Valuation basis:	Bid Price
% of equity held:	4.02%

Year ended 31 December	2012 £million	2011 £million
Revenue:	26.3	17.4
EBITA:	1.2	0.4
Net Assets:	7.5	6.7
No. of employees:	271	175

(Source: Driver Group Plc, Annual Report & Accounts 2012)

Driver is a niche consultancy focused on commercial and dispute resolution services for the construction industry. The group operates in the UK, Middle East and Africa and provides project management, QS and expert witness services typically for infrastructure projects and large scale commercial construction projects.

The Company has clients worldwide that are drawn from global and regional contractors, corporate, government and not-for-profit bodies, insurance, finance and legal entities, developers and consortiums.

EBITA: Earnings before interest, tax and amortisation

Board of Directors

as at 31 December 2013

Robert Owen (Chairman)

(Date of Appointment 5 November 2001)
is a business consultant to developing businesses and formerly a director of Baronsmead VCT 3 plc and several unquoted companies. Previously he was a senior manager at Coutts and Co, responsible for the overall running of the venture capital investment portfolio. He was involved with tax efficient and private equity investment for many years as an adviser and commentator.

Malcolm Groat

(Date of Appointment 16 April 2013)
was appointed to the Board of Baronsmead VCT 4 in April 2013 and is the chairman of the Audit Committee. Malcolm is a non-executive director of London Mining plc and has served for several years as the chairman of its audit committee. He is also a director of a consulting firm providing support to young companies in mining, specialist metals processing and other ventures. He is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Royal Society for the encouragement of Arts, manufactures and Commerce. During his career, Malcolm has worked as finance director for large global businesses in engineering, construction and financial services.

Alan Pedder CBE

(Date of Appointment 5 November 2001)
was appointed to the board of Baronsmead VCT 4 plc at its inception in November 2001 and is the Company's Senior Independent Director. He is currently chairman of the Pedder Property Companies and of Elysian Finance and is also a consultant to several companies serving the Superyacht industry in Spain. Previously he was the non-executive chairman of both the South African chemical group AECI Ltd and Remploy Ltd.

Alan formerly worked for ICI plc and was the CEO of a number of its international businesses before becoming Technology Director for the ICI Group. He was awarded the CBE for services to disabled people in 2004.

Robin Williams

(Date of Appointment 1 June 2010)
has extensive experience of both public and private companies, first as a co-founder and chief executive officer of Britton Group plc and then as an executive director of Hepworth plc. He subsequently has served as chairman or non-executive director of a number of public, private and PE backed companies and is currently chairman of NHS Professionals Ltd as well as non-executive director of Xaar plc and AH Worth Group Ltd.

As a fully listed Company, Baronsmead VCT 4 is required to comply with the Financial Reporting Council's UK Corporate Governance Code. This Code requires the Company to be headed by an effective Board of Directors who lead and control the Company's affairs.

The Directors of a VCT and investment managers are required under the listing rules and through continuing obligations of the UK Listing Authority to have sufficient and satisfactory experience in the management of a portfolio of unquoted investments of the size and type in which the VCT proposes to invest.

Report of the Directors

Results and Dividends

The Directors present the Twelfth Report and audited financial statements of the Company for the year ended 31 December 2013.

Ordinary Shares	£'000
Profit on ordinary activities after taxation	5,952
Final dividend of 4.0p per ordinary share paid on 19 April 2013	(2,600)
First interim dividend of 3.0p per ordinary share paid on 20 September 2013	(1,959)
Second interim dividend of 4.0p per ordinary share paid on 20 December 2013	(2,612)
Total dividends in the year	(7,171)

Issue and Buy-Back of Shares

As a result of a top-up offer on 11 March 2013, the Company allotted 1,026,543 new ordinary shares at a price of 102.70p per share, representing 1.4 per cent of the issued share capital following allotment with an aggregate nominal value of £102,654.30, raising a further £1,054,300 of new funds (before expenses). This allotment was in addition to the allotment made on 24 December 2012. The terms of issue were set out in the Offer document dated 20 November 2012 and the offer price was set on 11 March 2013.

During the year the Company bought back 730,000 ordinary shares of 10p each to be held in Treasury, representing an aggregate cost of £698,400. Shares held in Treasury will not be sold at a discount wider than the discount prevailing at the time the shares were initially bought back by the Company.

As at 17 February 2014, the Company held 7,920,130 ordinary shares in Treasury, representing 10.82 per cent of the Company's issued ordinary share capital.

Directors

Biographies of the Directors are shown on page 23.

In accordance with the independence provisions of the Listing Rules (LR), and in particular 15.2.12A, the Company should have a majority of the Board who are not also Directors of another company managed by the Manager. All Directors are independent of the Manager and therefore the Board fully complies with this obligation.

Mr Malcolm Groat was appointed as a Director during the year and is therefore obliged to seek election at the forthcoming AGM.

Mr Ian Kirkpatrick resigned from the Board on 16 April 2013.

As explained in more detail under the Corporate Governance Review on page 29 and in accordance with the provisions of the AIC Code of Corporate Governance, the Board has agreed that Directors who have held office for more than nine years will retire annually. Accordingly, Mr Robert Owen and Mr Alan Pedder will retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

In addition to those directors who have held office for more than nine years, and in accordance with the Company's Articles of Association, one third of the Directors who are subject to retirement by rotation, shall retire from office at the Annual General Meeting. As a result, Mr Robin Williams will retire at the forthcoming AGM and, being eligible, offers himself for re-election.

All the Directors are members of the Audit, Nomination and Management Engagement and Remuneration Committees.

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 auditors are 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 auditors are aware of that information.

Companies Act 2006 Disclosures

In accordance with Schedule 7 of the Large and Medium Size Companies and Groups (Accounts and Reports) Regulations 2008 the Directors disclose the following information:

- the Company's capital structure and voting rights are summarised in note 3.1, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;

Report of the Directors

- the rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Directors Professional Development

When a new director is appointed he or she is offered an induction programme that is arranged by the Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in industry seminars.

Directors' Indemnity

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

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

Conflicts of Interest

The Directors have declared any conflicts or potential conflict 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 and when changes are notified. Any new conflicts are notified promptly to the Board and Company Secretary. Directors who have conflicts of interest will not take part in any discussions which relate to any of their conflicts.

Whistleblowing

The Board has considered the UK Corporate Governance Code's recommendations in respect of arrangements by which staff of the Manager or the Secretary of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken.

Management

ISIS EP LLP manages the investments for the Company. The liquid assets within the portfolio (being cash, interest bearing securities, gilts and other assets, which are not categorised as venture capital investments for the purpose of the FCA's rules) have been managed by FPPE LLP. This is incorporated within the management agreement and no additional fees are paid by the Company. FPPE LLP is a limited liability partnership, which is authorised and regulated by the FCA and which has the same controlling members as the Manager. The Manager has continued to act as the Manager of the Company and as the Investment Manager of the Company's illiquid assets (being all AIM-traded and other venture capital investments). The personnel involved in providing management and investment management services to the Company have not changed as a result of the implementation of these arrangements.

The Manager also provides or procures the provision of accounting, company secretarial, administrative and custodian services to the Company. The management agreement may be terminated at any date by either party giving twelve months' notice of termination. Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets of the Company. In addition, the Manager receives an annual accounting and secretarial fee that was initially fixed at £44,724 in 2006 and is revised annually to reflect the movement in RPI plus a variable fee of 0.125 per cent of the net assets of the Company which exceed £5 million.

This fee was initially capped at £100,000 per annum (and revised annually to reflect the movement in RPI).

Report of the Directors

Annual running costs are capped at 3.5 per cent of the average net assets of the Company during the period (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.

If the management agreement is terminated, the Manager is only entitled to the management fees due to it and any interest on unpaid fees.

The Management Engagement and Remuneration Committee has reviewed the appointment of the Manager and it is the Board's opinion that the continuing appointment of ISIS EP LLP on the terms agreed is in the best interests of shareholders as a whole.

The Board believes that the knowledge and experience accumulated by the Manager in the period since the launch of the first Baronsmead VCT in 1995 is reflected in processes which are designed to find, manage and realise good quality growth businesses.

Co-investment Scheme

The co-investment scheme was introduced in November 2004. Members of the Manager's investment team invest their own capital into a proportion of the ordinary shares of each and every unquoted investment made by the Baronsmead VCTs. The shares held by the members of the Co-investment Scheme in any portfolio company can only be sold at the same time as the investment held by the Baronsmead VCTs is sold. In addition, 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 co-investment scheme.

The Board is keen to ensure that the Manager continues to have one of the best investment teams in the VCT and private equity market place and 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 since executives have to invest their own capital in every unquoted transaction and cannot decide selectively in which investments to participate. In addition the co-investment only delivers a return after each VCT has realised a priority return built into the structure.

The executives participating in the co-investment scheme subscribe jointly for a proportion (currently 12 per cent) of the ordinary shares available to the Baronsmead VCTs in each 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.

Since the formation of the scheme in 2004, 52 executives have invested a total of £1.2m in 39 companies. At 31 December 2013 14 of these investments have been realised generating proceeds of £148m for the Baronsmead VCTs and £8m for the co-investment scheme. For Baronsmead VCT 4 the average money multiple on these nine realisations was 2.6 times cost. Had the co-investment shares been held instead by the Baronsmead VCTs that money multiple would have been 2.7 times cost. Over the period of nine years (based upon the current number of shares in issue) this equates to approximately 3.12p a share.

ISIS Equity Partners – Advisory Fees

During the year to 31 December 2013, ISIS EP LLP received net income of £174,000 (2012: £96,550) in connection with advisory fees and incurred abort fees of £nil. (2012: £59,382) with respect to investments attributable to Baronsmead VCT 4 plc.

Directors' fees of £211,000 were received in relation to companies in the investment portfolio during the year.

VCT Status Adviser

The Company has retained PricewaterhouseCoopers LLP ('PwC') as their VCT Tax Status Advisers to advise it on compliance with VCT requirements. PwC review new investment opportunities, as appropriate, and review regularly the investment portfolio of the Company. PwC work closely with the Manager but report directly to the Board.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions.

Global Greenhouse Gas Emissions

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

Report of the Directors

Substantial Interests in share capital

As at 31 December 2013 and since 31 December to the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the voting rights.

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. 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 December 2013 the Company held cash balances and investments in Interest Bearing Securities with a combined value of £12,385,000. 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 buy back program and dividend policy. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

Annual General Meeting

A notice for the Annual General Meeting of the Company to be held at 11.00 am on Tuesday, 15 April 2014 at the Plaisterers' Hall, One London Wall, London EC2Y 5JU is set out on pages 54 to 57. The following notes provide an explanation of Resolutions 9 to 13, which together with the other ordinary business, will be proposed at the meeting. Resolutions 1 to 9 will be proposed as ordinary resolutions requiring the approval of more than 50 per cent of the votes cast at the meeting and Resolutions 10 to 13 will be proposed as special resolutions requiring the approval of 75 per cent of the votes cast at the meeting. The Board considers that the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Directors will be voting their own beneficial holdings of Ordinary Shares in favour of the resolutions and unanimously recommend that you do so as well.

Auditor

Our auditor, KPMG Audit Plc, has instigated an orderly wind down of its business. The Board has decided to recommend the approval of the successor firm, KPMG LLP, to be appointed as auditor. Resolution 8 will be put to Shareholders at the forthcoming AGM to appoint KPMG LLP and to authorise the Directors to determine their remuneration.

Authority to Allot Shares and Disapplication of Pre-Emption Rights

The authority proposed under Resolution 9 will authorise the Directors, until the fifth anniversary of the passing of the resolution, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £3,264,853 (excluding shares held in Treasury), representing 50 per cent of the issued share capital of the Company as at the date of this document. Any consequent increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used to purchase ordinary shares of the Company.

The Directors intend to use this authority for the purposes described below.

Resolution 10 renews and extends, subject to the passing of Resolution 9, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue ordinary shares for cash without pre-emption rights applying of (i) up to an aggregate nominal amount representing 30 per cent of the Company's issued share capital (excluding shares held in Treasury) as at the date of the passing of the resolution pursuant to one or more offers for subscription, (ii) up to an aggregate nominal amount representing 10 per cent of the issued share capital (excluding shares held in Treasury) from time to time pursuant to a dividend reinvestment scheme (which may be at a discount to NAV) and (iii) up to an aggregate nominal amount representing 10 per cent of the issued share capital (excluding shares held in Treasury) from time to time (which may be at a discount to NAV) for allotments from time to time. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole.

Treasury Shares

The Company currently holds 7,920,130 ordinary shares in Treasury representing approximately 10.82 per cent of the Company's issued share capital. If Resolution 10 is passed the Board will be authorised to re-issue ordinary shares out of Treasury at a discount to the prevailing NAV per ordinary share if the Board considers it in the best interests of the Company to do so. However, ordinary shares will never be re-issued

Report of the Directors

out of Treasury at a discount wider than the discount prevailing at the time the shares were initially bought back by the Company. Resolution 10 will also allow the Company to re-issue shares out of Treasury without pre-emption rights applying.

Currently there is a two way secondary market in the Company's shares. It is the Board's intention only to use the mechanism of re-issuing Treasury shares when demand for the Company's shares is greater than the supply available in the market place. Although shares re-issued from Treasury will not attract the 30 per cent initial income tax relief, under existing taxation legislation all further dividends will be tax-free and if these shares are subsequently sold no capital gains tax will be payable by qualifying shareholders.

For more information please see note 3.1 to the Financial Statements on pages 49 and 50.

Directors' Authority to Purchase Shares

The current authority of the Company to make purchases of up to approximately 14.99 per cent of its issued share capital expires at the end of the Annual General Meeting and resolution 11 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months after the passing of the resolution, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-issue in appropriate market conditions.

Notice of General Meetings

The Board believes that it is in the best interests of shareholders of the Company to have the ability to call meetings on 14 days' clear notice should a matter require urgency. The Board is therefore proposing Resolution 12 to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use less than 21 clear days' notice unless prompt action is required.

Cancellation of Share Premium Account

One of the main principles of company law is that the capital of a company should be maintained and, therefore, a company with share capital must obtain proper consideration for the shares that it issues and must not return funds which have been subscribed for shares except in certain prescribed ways. The principle of maintenance of capital underlies various provisions of the Companies Act 2006. For example, a company may only make distributions to its members out of distributable profits and a company may only buy back its own shares in limited circumstances.

A company can, however, reduce its share capital in circumstances where creditors will not be adversely affected, provided that the company complies with certain procedural requirements. A company may reduce its capital by special resolution and subject to confirmation by the court. A special reserve will then be created from the sums set free from such a cancellation which can be regarded as a distributable reserve.

The Company has completed previous cancellations of its share premium account and the special reserve created by such cancellation has assisted the Company in buying back shares, writing off losses and enhancing the ability to make distributions.

Buy-backs can result in the creation of capital redemption reserves and the issue of new shares will create further share premium. The Board, therefore, considers it appropriate to obtain the approval of shareholders at the Annual General Meeting to cancel further share premium (subject to court sanction) to create further distributable reserves to fund buy-backs and distributions, to set off or write off losses and for other corporate purposes of the Company.

Resolution 13 to be proposed at the Annual General Meeting will authorise the cancellation of the amount standing to the credit of the share premium account of the Company at the date an order confirming such cancellation is made.

By Order of the Board,
ISIS EP LLP,
Secretary
100 Wood Street
London EC2V 7AN

17 February 2014

Corporate Governance

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

Corporate Governance Codes

Arrangements in respect of corporate governance, appropriate to a venture capital trust, have been made by the Board. The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in February 2013 ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). A copy of the AIC Code can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 ('UK Code'), as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company. A copy of the UK Code can be found at www.frc.org.uk.

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

Except as disclosed below, the Company complied throughout the year with the recommendations of the 2010 and 2013 AIC Codes and the relevant provisions of the UK Code. Since all the Directors are non-executive the provisions of the UK Code in respect of the role of the chief executive are not relevant to the Company and, likewise, the provisions of the UK Code relating to Directors' remuneration are not relevant except in so far as they relate specifically to non-executive Directors. For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers that these provisions are not relevant to the Company, being an externally managed venture capital trust. The Company has therefore not reported further in respect of these provisions.

Directors

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

The Board consists solely of non-executive Directors of which Robert Owen is Chairman and Alan Pedder is the Senior Independent Director. New Directors receive induction on joining the Board and all Directors regularly update and refresh their skills and knowledge. The Board does not consider that a Director's tenure reduces their ability to act independently. The Board believes that, as a whole, it comprises an appropriate and diverse balance of skills, experience, independence and knowledge of the business. The Board also believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

The Company has no executive Directors or employees.

Division of Responsibilities

A management agreement between the Company and its Manager, ISIS EP LLP, sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board. The Board meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Committees

Throughout the year a number of committees have been in operation. The committees are the Audit Committee, the Management Engagement and Remuneration Committee and the Nomination Committee. The Directors also meet quarterly to consider in detail the valuations of the unquoted investments in the Company's portfolio.

Corporate Governance

Audit Committee

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

The Audit Committee is responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect to the audit of the financial statements for the year ended 31 December 2013.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and the financial statements of the company are as follows:

- Valuation and existence of unquoted investments;
- Compliance with HM Revenue & Customs conditions for maintenance of approved venture capital trust status; and
- Carrying value of quoted investments.

These issues were discussed with the Manager and the auditor at the conclusion of the audit of the financial statements.

Valuation of unquoted investments: the Manager and the auditor confirmed to the Audit Committee that the investment valuations had been performed consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. The Directors have met quarterly to assess the estimates and judgements made by the Investment Manager in the investment valuations for their appropriateness. These were then further reviewed by the Audit Committee.

Venture capital trust status: the Manager confirmed to the Audit Committee that the conditions for maintaining the company's status as an approved venture capital trust had been met throughout the year. The position was also reviewed by PricewaterhouseCoopers LLP in its capacity as adviser to the Company on taxation matters.

Carrying value of quoted investments: as part of the annual audit, the Auditor has agreed the valuation of all of the listed investments in the portfolio to independent pricing providers. The Auditor also validated the existence of all the securities held by the Company to the records of the Custodian.

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The committee considers that KPMG Audit Plc has carried out its duties as auditor in a diligent and professional manner.

During the year, the Audit Committee assessed the effectiveness of the current external audit process. In accordance with guidance issued by the Auditing Practices Board the audit partner is rotated every five years to ensure objectivity and independence is not impaired. The current audit partner has been in place for two year-ends. KPMG Audit Plc was appointed auditor to the company in 2003. No tender for the audit of the Company has been undertaken since this date. As part of its review of the continuing appointment of the auditors, the Audit Committee regularly considers the need to put the audit out to tender, its fees and independence from the Investment Manager along with any matters raised during each audit.

The Audit Committee considered the performance of the auditor during the year and agreed that KPMG continued to provide a high level of service and maintained a good knowledge of the venture capital trust market, ensuring audit quality continued to be maintained.

The Audit Committee advised the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable in accordance with the UK Corporate Governance Code (September 2012).

Corporate Governance

Management Engagement and Remuneration Committee

The Management Engagement and Remuneration Committee operates within clearly defined terms of reference and comprises the full Board, chaired by Mr Pedder. This Committee reviews the appropriateness of the Manager's appointment(including key executives thereof) together with the terms and conditions thereof on a regular basis. It is the Board's opinion that the continuing appointment of ISIS EP LLP on the terms agreed is in the best interest of shareholders as a whole.

The Management Engagement and Remuneration Committee also determines and agrees with the Board the framework of broad policy for the remuneration of the Company's Chairman and non-executive Directors. In determining such policy, the Committee takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Corporate Governance Code and associated guidance. Further information regarding the work carried out during the year can be found in the Directors' Remuneration Report.

Nomination Committee

The Nomination Committee operates within clearly defined terms of reference and comprises the full Board, chaired by Mr Pedder. The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In order to fulfil their role, the Board needs wide ranging skills and experience and has a recruitment and succession plan in place to sustain its needs. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board. The Board believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and it is the Company's policy to give careful consideration to issues of board balance and diversity when making new appointments. The Board also carries out succession planning to ensure a high level of experience is maintained in the ever changing regulatory environment in which it operates.

The Nomination Committee also considers the resolutions of the annual re-election of Directors. Copies of the terms of reference of the Committees are available upon request from the Company Secretary.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Board Evaluation

Principle 7 of the AIC Code and Principle B.6 of the UK Code recommends that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

This year the Board conducted a self-performance evaluation by way of a questionnaire specifically designed to assess the strength of the Board and Committees and identify areas for further development. This process was led by the Senior Independent Director, Mr Pedder. Feedback was discussed openly at the Nomination Committee meeting where it was agreed that the Board members remained independent and that the current composition of the Board worked well with the right balance of skills and experience.

The following table sets out the number of Board and Committee meetings held during the year to 31 December 2013 and the number of meetings attended by each Director. There were a number of additional ad hoc committee meetings during the year, however these are not reflected in the table below.

	Board of Directors		Audit & Risk Committee		Management Engagement and Remuneration Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Robert Owen	4	4	2	2	1	1	1	1
Alan Pedder	4	4	2	2	1	1	1	1
Ian Kirkpatrick*	1	0	1	0	1	0	1	0
Robin Williams	4	4	2	2	1	1	1	1
Malcolm Groat#	3	2	1	1	0	0	0	0

* Resigned 16 April 2013
# Appointed 16 April 2013

Corporate Governance

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company.

Details of the resolutions to be proposed at the Annual General Meeting on 15 April 2014 can be found in the Notice of Meeting on pages 54 to 57. Shareholders seeking to communicate with the Board can do so by contacting the Investor Relations Manager in the first instance (see page 62 for contact details).

Internal Controls

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. The process adopted is one whereby the Board identifies all of the risks to which the Company is exposed including among others market risk, investment risk, operational and regulatory risks which are recorded on a risk register. The controls employed to mitigate these risks are identified and the residual risks are rated taking into account the impact of the mitigating factors.

This register is updated at least twice a year and reports produced to the board highlighting any material changes in the nature of each risk and where necessary corrective action has been taken. A formal annual review of the risks and related controls is carried out by the Audit Committee.

These procedures are designed to manage, rather than eliminate, risk and by their nature can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to a benchmark index and to comparable venture capital trusts at each Board meeting. The Board also reviews the Company's activities since the previous Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approve changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function and has concluded that the systems and procedures employed by the Manager, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

By Order of the Board,
ISIS EP LLP,
Secretary
100 Wood Street
London EC2V 7AN

17 February 2014

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013 and the Directors' remuneration policy. Ordinary resolutions for the approval of this report and the directors' remuneration policy will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors, KPMG Audit Plc, 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'.

Annual Statement From the Chairman of the Remuneration Committee

The Board which is profiled on pages 23 consists solely of non-executive Directors and is considered to be entirely independent. The Board considers annually the level of the Board's fees, in accordance with the AIC Code of Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review.

In 2011 the Remuneration Committee carried out a thorough assessment of the Directors' current fees compared with those paid by other similar venture capital trusts. As a result, the Management Engagement and Remuneration Committee proposed that the Directors' fees be increased in a number of small steps between 2011 and 2013. The Board continues to firmly believe that this increase is in line with the Company's policy on director's remuneration and is reflective of the additional time commitment made by the Directors as the invested funds have grown along with the demands for regulatory compliance.

Accordingly, the Director's fees will be increased from £20,000 to £22,000 p.a. for each Director and from £27,000 to £29,500 p.a. for the Chairman for the year ended 31 December 2014.

The fees for the non-executive Directors are determined within the limits set out in the Company Articles of Association. The present annual cap on the aggregate fees is £100,000 and the proposed fees are within this limit.

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 properly oversee 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.

Assuming this policy is approved by the members at the forthcoming AGM, it is intended that this policy will continue for the year ending 31 December 2014 and subsequent years. In accordance with the regulations, an ordinary resolution to approve the directors' remuneration policy will be put to Shareholders at least once every three years.

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

As the Directors do not have service contracts, the Company does not have a policy on termination payments. There is no notice period and no payments for loss of office were made during the period.

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy. At the last AGM, over 92 per cent of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder support.

Directors' Remuneration Report

Annual Remuneration Report

The Management Engagement and Remuneration Committee comprises all the Directors of the Company. The Chairman of the Committee is Mr Pedder. As the Company has no executive Directors, the Management Engagement and Remuneration Committee meets, at least annually, to review the remuneration and terms of appointment of the Investment Manager, and the level of the Board's fees, in accordance with the AIC Code of Corporate Governance.

The Committee has agreed that, going forward, an annual benchmarking exercise will be carried out and the Directors' fees will be compared with those of their peer group and amended accordingly.

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

	31 December 2013	31 December 2012
	Ordinary 10p shares	Ordinary 10p shares
Robert Owen	**115,703**	115,703
Malcolm Groat#	**-**	n/a
Alan Pedder CBE	**110,271**	110,271
Robin Williams	**9,627**	9,627
Ian Kirkpatrick*	**n/a**	11,699
Total shares held	**235,601**	247,300

* Resigned on 16 April 2013
# Appointed on 16 April 2013

There have been no changes in the holdings of the Directors between 31 December 2013 and 17 February 2014.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. In accordance with the AIC Code of Corporate Governance, Directors who have served on the Board for more than nine years must offer themselves for re-election on an annual basis. There is no notice period and no provision for compensation upon early termination of appointment.

Below is a table which sets out each Directors date of appointment and due date for re-election.

Director	Date of original appointment	Next date for re-election
Robert Owen	5/11/2001	AGM 2014
Malcolm Groat	16/04/2013	AGM 2014
Alan Pedder CBE	5/11/2001	AGM 2014
Robin Williams	1/06/2010	AGM 2014

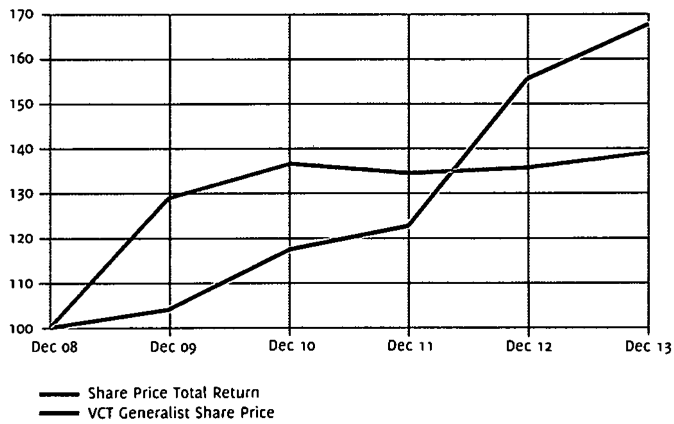
Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement, as referred to in the 'Report of the Directors'. The graph below compares, for the five years ended 31 December 2013, 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 70 generalist VCTs (source AIC), which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Relative Importance of Spend on Pay

	2013 £	2012 £	Percentage increase %
Dividend	4,571,000	4,456,000	2.58
Total directors fees	87,077	78,500	10.93

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



Directors' Remuneration Report

Directors' emoluments for the year (audited)

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

	Fees 2013 £	Fees 2012 £
Robert Owen	27,000	24,500
Malcolm Groat#	14,180	N/A
Ian Kirkpatrick*	5,897	18,000
Alan Pedder CBE	20,000	18,000
Robin Williams	20,000	18,000
Total	87,077	78,500

Appointed on 16 April 2013
* Resigned on 16 April 2013

Approved by the Board of Directors and signed by:
Alan Pedder
Chairman of the Management Engagement and Remuneration Committee

17 February 2014

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 and applicable law (UK Generally Accepted Accounting Practice).

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that they face; and
- the report and accounts, taken as a whole, are fair, balanced, and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board,
Robert Owen
Chairman

17 February 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARONSMEAD VCT 4 PLC ONLY

Opinions and conclusions arising from our audit

1 *Our opinion on the financial statements is unmodified*

We have audited the financial statements of Baronsmead VCT 4 plc for the year ended 31 December 2013 set out on pages 40 to 53. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 *Our assessment of risks of material misstatement*

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows:

Valuation of Unquoted Investments (£28,299,000)
Refer to page 30 (Audit Committee section of the Corporate Governance report), page 43 (basis of accounting) and pages 51 to 53 (financial disclosures).

- *The risk* – 43.0% of the Company's total assets (by value) is held in investments where no quoted market price is available. As detailed in the summary of accounting policies in Note 2.3 and the Audit Committee Report on page 30 unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets. There is a significant risk over the valuation of these investments and this is one of the key judgemental areas that our audit focused on.
- *Our response* - Our procedures included, among others:
  - enquiry of the investment manager to document and assess the design and implementation of the investment valuation processes and controls in place;
  - attendance at quarterly valuation meetings with the Board and Investment Manager to assess their discussion and review of the investment valuations;
  - assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and consideration of whether they are indicative of bias or error in the company's approach to valuations;
  - challenging the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we focused on the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources and investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or refinancing may be required. Where a recent transaction is used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether they were considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;

Independent Auditor's Report

- attending the year-end audit committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Carrying amount of Quoted Investments (£29,197,000)
Refer to page 30 (Audit Committee section of the Corporate Governance report), page 43 (basis of accounting) and pages 51 to 53 (financial disclosures).

- *The risk* - The Company's portfolio of listed investments makes up 44.3% of the total assets of the company and is considered to be a key driver of operations and performance results. We do not consider there is a high risk of significant misstatement or a requirement for a significant level of judgement regarding listed investments as they are comprised of liquid, quoted instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- *Our response* - Our procedures over the existence, completeness and valuation of the Company's investment portfolio included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the portfolio;
  - agreeing the valuation of 100 per cent of portfolio investments to externally quoted prices; and
  - agreeing 100 per cent of portfolio investment holdings to independently received third party confirmations.

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

The materiality for the financial statements as a whole was set at £1,317,000. This has been determined with reference to a benchmark of Total Assets (of which it represents 2%). Total Assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we believe that it is one of the principal considerations for members of the Company in assessing its financial performance.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £66,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Investment Manager, ISIS Equity Partners, head office in London and at the Administrator, Capita Asset Services, in Exeter.

4 *Our opinion on other matters prescribed by the Companies Act 2006 is unmodified*

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

Independent Auditor's Report

5 *We have nothing to report in respect of matters on which we are required to report by exception*

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Audit and Risk Committee section of the Corporate Governance report does not appropriately address matters communicated by us to the audit committee.

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

- adequate accounting records have not been kept by the Company, 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 27, in relation to going concern; and
- the part of the Corporate Governance Statement on page 29 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

17 February 2014

Income Statement

For the year ended 31 December 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Unrealised gains on investments	2.3	-	5,489	5,489	-	7,150	7,150
Realised (losses)/gains on investments	2.3	-	(1,053)	(1,053)	-	254	254
Income	2.5	3,627	-	3,627	1,132	-	1,132
Investment management fee	2.6	(414)	(1,241)	(1,655)	(385)	(1,155)	(1,540)
Other expenses	2.6	(456)	-	(456)	(390)	-	(390)
Profit on ordinary activities before taxation		2,757	3,195	5,952	357	6,249	6,606
Taxation on ordinary activities	2.9	(543)	543	-	(30)	30	-
Profit on ordinary activities after taxation		2,214	3,738	5,952	327	6,279	6,606
Return per ordinary share:							
Basic	2.2	3.39p	5.72p	9.11p	0.53p	10.22p	10.75p

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.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Opening shareholders' funds		66,246	54,786
Profit on ordinary activities after taxation		5,952	6,606
Net proceeds of share issues & buybacks		320	6,710
Other costs charged to capital	3.2	(10)	-
Dividends paid	2.4	(7,171)	(1,856)
Closing shareholders' funds		65,337	66,246

Balance Sheet

As at 31 December 2013

Company number: 04313537

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	2.3	57,496	58,763
Current assets			
Debtors	2.7	178	4,236
Cash at bank		5,437	1,344
Cash on deposit		2,750	2,500
		8,365	8,080
Creditors (amounts falling due within one year)	2.8	(524)	(597)
Net current assets		7,841	7,483
Net assets		65,337	66,246
Capital and reserves			
Called-up share capital	3.1	7,322	7,219
Share premium account	3.2	-	28,078
Capital redemption reserve	3.2	-	8,622
Other reserve	3.2	37,610	-
Revaluation reserve	3.2	8,247	11,660
Capital reserve	3.2	11,787	10,324
Revenue reserve	3.2	371	343
Equity shareholders' funds		65,337	66,246
Net asset value per share			
– Basic	2.1	100.06p	101.92p
– Treasury	2.1	99.51p	101.41p

The financial statements were approved by the Board of Directors on 17 February 2014 and were signed on its behalf by:

ROBERT OWEN (Chairman)

Cash Flow Statement

For the year ended 31 December 2013

	2013 £'000	2012 £'000
Operating activities		
Investment income received	3,793	1,276
Deposit interest received	20	12
Investment management fees paid	(1,639)	(1,490)
Other cash payments	(429)	(382)
Net cash inflow/(outflow) from operating activities	1,745	(584)
Financial investment		
Purchases of investments	(39,579)	(70,018)
Disposals of investments	45,282	70,813
Net cash inflow from financial investment	5,703	795
Equity dividends paid	(7,171)	(1,856)
Net cash inflow/(outflow) before financing	277	(1,645)
Financing		
Net proceeds of share issues & buybacks	4,069	2,961
Other costs charged to capital	(3)	-
Net cash inflow from financing	4,066	2,961
Increase in cash	4,343	1,316
Reconciliation of net cash flow to movement in net cash		
Increase in cash	4,343	1,316
Opening cash position	3,844	2,528
Closing cash at bank and on deposit	8,187	3,844
Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities		
Profit on ordinary activities before taxation	5,952	6,606
Gains on investments	(4,436)	(7,404)
Decrease in debtors	196	188
Increase in creditors	33	56
Income reinvested	-	(30)
Net cash inflow/(outflow) from operating activities	1,745	(584)

Notes to the Accounts

In preparing the 2013 financial statements, Baronsmead VCT 4 has made a number of changes in structure, layout and wording in order to make the financial statements less complex and more relevant for shareholders and other users.

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 UK Generally Accepted Accounting Practice ("UK GAAP") 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 January 2009 and on the assumption that the Company maintains VCT status.

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	
	2013 number	2012 number	2013 pence	2012 pence	2013 £'000	2012 £'000
Ordinary shares (basic)	65,297,059	65,000,516	100.06	101.92p	65,337	66,246
Ordinary shares (including Treasury)	73,217,189	72,190,646	99.51	101.41p	72,861	73,212

The Treasury net asset value per share as at 31 December 2013 included ordinary shares held in Treasury valued at the mid share price of 95.00p at 31 December 2013 (2012: 96.88p).

2.2 Return per share

	Weighted average number of ordinary shares		Return per ordinary share		Net profit on ordinary activities after taxation	
	2013 number	2012 number	2013 pence	2012 pence	2013 £'000	2012 £'000
Revenue	65,339,630	61,474,340	3.39	0.53	2,214	327
Capital	65,339,630	61,474,340	5.72	10.22	3,738	6,279
Total			9.11	10.75	5,952	6,606

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.3 Investments

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

Investments are measured at fair value. For AIM-traded and listed 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 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"). This means investments are valued using an earnings multiple, which has a discount or premium applied which adjusts for points of difference to appropriate stock market or comparable transaction multiples. Alternative methods of valuation will include application of an arm's length third party valuation, a provision on cost or a net asset value basis.

Gains and losses arising from changes in the fair value of the investments are included in the Income Statement for the period 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 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.

	2013 £'000	2012 £'000
Level 1		
Listed interest bearing securities	4,198	2,899
Investments traded on AIM	23,331	18,001
Investments listed on LSE	1,322	892
Investments traded on ISDX	346	-
	29,197	21,792
Level 2	-	-
Level 3		
Unquoted investments	28,299	36,971
	57,496	58,763

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.3 Investments (continued)

	Level 1				Level 3	
	Listed Interest bearing securities £'000	Traded on AIM £'000	Listed on LSE £'000	Traded on ISDX £'000	Unquoted £'000	Total £'000
Opening book cost	2,899	15,526	1,203	-	27,475	47,103
Opening unrealised appreciation/(depreciation)	-	2,475	(311)	-	9,496	11,660
Opening valuation	2,899	18,001	892	-	36,971	58,763
Movements in the year:						
Purchases at cost	30,690	2,314	-	227	6,348	39,579
Sales - proceeds	(29,391)	(2,886)	-	-	(13,005)	(45,282)
- realised gains/(losses) on sales	-	411	-	-	(1,464)	(1,053)
Unrealised gains realised during the year	-	861	-	-	8,041	8,902
Increase/(decrease) in unrealised appreciation	-	4,630	430	119	(8,592)	(3,413)
Closing valuation	**4,198**	**23,331**	**1,322**	**346**	**28,299**	**57,496**
Closing book cost	4,198	16,226	1,203	227	27,395	49,249
Closing unrealised appreciation	-	7,105	119	119	904	8,247
Closing valuation	**4,198**	**23,331**	**1,322**	**346**	**28,299**	**57,496**
Equity shares	-	23,331	1,322	346	5,383	30,382
Loan notes	-	-	-	-	22,916	22,916
Fixed income securities	4,198	-	-	-	-	4,198
Closing valuation	**4,198**	**23,331**	**1,322**	**346**	**28,299**	**57,496**

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

For Level 3 unquoted investments, the effect on fair value of changing one or more assumptions to reasonably possible alternatives has been considered. The portfolio has been reviewed and both downside and upside reasonable possible alternatives have been identified and applied to the valuation of each of the investments. The inputs flexed in determining the reasonably possible alternative assumptions include the earnings stream and marketability discount.

Applying the downside alternatives the value of the unquoted investments would be £2.8 million or 10.1 per cent lower. Using the upside alternatives the value would be increased by £2.6 million or 9.3 per cent.

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.4 Dividends

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Amounts recognised as distributions to equity holders in the year:						
For the year ended 31 December 2013						
- First interim dividend of 3p per ordinary share paid on 20 September 2013	882	1,077	1,959	-	-	-
- Second interim dividend of 4p per ordinary share paid on 20 December 2013	1,012	1,600	2,612	-	-	-
For the year ended 31 December 2012						
- Interim dividend of 3p per ordinary share paid on 21 September 2012	-	-	-	-	1,856	1,856
- Final dividend of 4p per ordinary share paid on 19 April 2013	292	2,308	2,600	-	-	-
	2,186	4,985	7,171	-	1,856	1,856

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 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.

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.

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.5 Income (continued)

	2013 Quoted securities £'000	2013 Unquoted securities £'000	2013 Total £'000	2012 Quoted securities £'000	2012 Unquoted securities £'000	2012 Total £'000
Income from investments†						
UK franked	321	101	422	232	-	232
UK unfranked	8	2,292	2,300	16	796	812
UK unfranked - reinvested	-	-	-	-	30	30
Redemption premium	-	885	885	-	45	45
	329	3,278	3,607	248	871	1,119
Other income‡						
Deposit interest			20			13
Total income			3,627			1,132
Total income comprises:						
Dividends			422			232
Interest			3,205			900
			3,627			1,132

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

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

2.6 Investment management fee and other expenses

All expenses are recorded on an accruals basis.

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fee	414	1,241	1,655	385	1,155	1,540
Performance fee	-	-	-	-	-	-
	414	1,241	1,655	385	1,155	1,540

Management fees are allocated 25 per cent income: 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 capital.

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

The Manager, ISIS EP LLP, receives a fee of 2.5 per cent per annum of the net assets of the Company, calculated and payable on a quarterly basis.

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.6 Investment management fee and other expenses (continued)

The Manager is entitled to a performance fee when the total return on net proceeds of the ordinary share offers exceeds 8 per cent per annum (simple) on net funds raised. To the extent that the Total Return exceeds this threshold, a performance fee (plus VAT) will be paid to the Manager of 10 per cent of the excess. The performance fee payable in any one year will be capped at 5 per cent of the Shareholders' funds at the end of the calculation period. No performance fee is payable for the year ended 31 December 2013.

Other expenses

	2013 £'000	2012 £'000
Directors' fees	87	79
Secretarial and accounting fees paid to the Manager	127	122
Remuneration of the auditor and its associates:		
- audit	22	21
- other services supplied pursuant to legislation (interim review)	5	5
- other services supplied relating to taxation	6	7
- other services supplied relating to financial statements' reorganisation	5	-
Other	204	156
	456	390

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

Charges for other services provided by the auditors in the year ended 31 December 2013 were in relation to the interim reviews, financial statement reorganisation and tax compliance work (including iXBRL). The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained. The Directors consider that the auditors were best placed to provide such services.

2.7 Debtors

	2013 £'000	2012 £'000
Prepayments and accrued income	178	374
Amounts due from fundraising	-	3,862
	178	4,236

2.8 Creditors (amounts falling due within one year)

	2013 £'000	2012 £'000
Management, secretarial & accounting fees due to the Manager	438	423
Fundraising costs	7	113
Other creditors	79	61
	524	597

Notes to the Accounts

2. Investments, performance and shareholder returns (continued)

2.9 Tax

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

Provision is made for deferred taxation on all timing differences calculated at the current rate of tax relevant to the benefit or liability.

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

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Profit on ordinary activities before taxation	2,757	3,195	5,952	357	6,249	6,606
Corporation tax at 23.25% (2012: 24.5%)	641	743	1,384	87	1,531	1,618
Effect of:						
Non-taxable dividend income	(98)	-	(98)	(57)	-	(57)
Non-taxable gains	-	(1,031)	(1,031)	-	(1,814)	(1,814)
Losses (utilised)/carried forward	-	(255)	(255)	-	253	253
Tax charge/(credit) for the year	543	(543)	-	30	(30)	-

At 31 December 2013 the Company had surplus management expenses of £922,000 (2012: £2,016,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

3. Other Required Disclosures

3.1 Called-up share capital

Allotted, called-up and fully paid:

Ordinary shares	£'000
72,190,646 ordinary shares of 10p each listed at 31 December 2012	7,219
1,026,543 ordinary shares of 10p each issued during the year	103
73,217,189 ordinary shares of 10p each listed at 31 December 2013	7,322
7,190,130 ordinary shares of 10p each held in treasury at 31 December 2012	(719)
730,000 ordinary shares of 10p each repurchased during the year and held in treasury	(73)
7,920,130 ordinary shares of 10p each held in treasury at 31 December 2013	(792)
65,297,059 ordinary shares of 10p each in circulation* at 31 December 2013	6,530

* Carrying one vote each.

Notes to the Accounts

3. Other Required Disclosures (continued)

3.1 Called-up share capital (continued)

During the year the Company bought into Treasury 730,000 ordinary shares representing 1.01 per cent of the ordinary shares in issue at the beginning of the financial year.

There were no changes in share capital between the year end and when the financial statements were approved.

Treasury shares

When the Company reacquires its own shares, they are 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 funds raised are greater than €5m; and
- HMRC will not consider these 'new shares' for the purposes of the purchasers' entitlement to initial income tax relief.

3.2 Reserves

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

	Distributable reserves			*Non-distributable reserves*				
	Capital reserve £'000	Revenue reserve £'000	Total £'000	Share premium £'000	Revaluation reserve* £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
As at 1 January 2013	10,324	343	10,667	28,078	11,660	8,622	-	48,360
Gross proceeds of share issues	-	-	-	952	-	-	-	952
Purchase of shares for Treasury	(699)	-	(699)	-	-	-	-	-
Expenses of share issues & buybacks	(4)	-	(4)	(32)	-	-	-	(32)
Other costs charged to capital	-	-	-	(10)	-	-	-	(10)
Reallocation of prior year unrealised gains	8,902	-	8,902	-	(8,902)	-	-	(8,902)
Realised loss on disposals of investments#	(1,053)	-	(1,053)	-	-	-	-	-
Net increase in value of investments#	-	-	-	-	5,489	-	-	5,489
Management fee capitalised#	(1,241)	-	(1,241)	-	-	-	-	-
Taxation relief from capital expenses#	543	-	543	-	-	-	-	-
Revenue return on ordinary activities after taxation#	-	2,214	2,214	-	-	-	-	-
Dividends paid in the year	(4,985)	(2,186)	(7,171)	-	-	-	-	-
Cancellation of share premium and capital redemption reserve	-	-	-	(28,988)	-	(8,622)	37,610	-
As at 31 December 2013	11,787	371	12,158	-	8,247	-	37,610	45,857

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

The total of these items is £5,952,000 which agrees to the total profit on ordinary activities.

Notes to the Accounts

3. Other Required Disclosures (continued)

3.2 Reserves (continued)

Share premium is recognised net of issue costs.

The Company does not have any externally imposed capital requirements.

On 18 December 2013 the court granted orders allowing the Company to cancel its share premium account and capital redemption reserve. The amounts of £28,998,000 (share premium) and £8,622,000 (capital redemption reserve) will become distributable during 2014 once all creditors at the date of cancellation have been discharged.

3.3 Financial instruments risks

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

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

Market risk

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

Price Risk

The investment portfolio is managed in accordance with the policies and procedures described on pages 11 and 12 of the Strategic Report.

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

Management performs continuing analysis on the fair value of investments and the Company's overall market positions are monitored by the Board on a quarterly basis.

	2013			2012		
	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000	% of total investment	5% increase in share price effect on net assets and profit £'000	5% decrease in share price effect on net assets and profit £'000
LSE, AIM & ISDX	43	1,250	(1,250)	32	945	(945)
Unquoted	49	1,415	(1,415)	63	1,849	(1,849)

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

Notes to the Accounts

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Interest rate risk

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

	2013 Total investment £'000	2013 Weighted average interest rate %	2013 Weighted average time for which rate is fixed days	2012 Total investment £'000	2012 Weighted average interest rate %	2012 Weighted average time for which rate is fixed days
Fixed rate loan note securities	22,916	7.89	#	25,113	9.38	#
Fixed interest instruments	4,198	0.26	48	2,899	0.12	21
Cash at bank & on deposit	8,187	-	-	3,844	-	-
	35,301			31,856		

Due to the complexity of the instruments and uncertainty surrounding timing of realisation the weighted average time for which the rate is fixed has not been calculated.

Credit Risk

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

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

	2013 £'000	2012 £'000
Investments in fixed rate instruments	4,198	2,899
Cash at bank & on deposit	8,187	3,844
Interest, dividends and other receivables	178	4,236
	12,563	10,979

Credit risk arising on fixed interest instruments is mitigated by investing in UK Government Stock.

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.

Notes to the Accounts

3. Other Required Disclosures (continued)

3.3 Financial instruments risks (continued)

Credit Risk (continued)

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

The cash held by the Company is held by JPM and Lloyds. The Board monitors the Company's risk by reviewing regularly the internal control reports of these banks. Should the credit quality or the financial position of either 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 31 December 2013 or 31 December 2012. No individual investment exceeded 7.1 per cent of the net assets attributable to the Company's shareholders at 31 December 2013 (2012: 7.2 per cent).

Liquidity risk

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

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Extract from the Report of the Directors above. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 December 2013 these investments were valued at £12,385,000 (2012: £6,743,000).

3.4 Related parties

Related party transactions include Management, Secretarial, Accounting and Performance fees payable to the Manager, ISIS EP LLP, as disclosed in notes 2.6 and 2.8, and fees paid to the Directors as disclosed in note 2.6. In addition, the Manager operates a Co-investment Scheme, detailed in the Extract from the Report of the Directors, whereby employees of the Manager are entitled to participate in all unquoted investments alongside the Company.

An offer for subscription to raise gross proceeds of up to £10 million was launched on 22 January 2014. The fundraising offer costs are capped at 3 per cent of the gross proceeds of the offer and the Manager agreed to underwrite any costs and expenses in excess of this amount. If there are surplus funds, the Manager expects most or all of the money received in respect of the underwriting of the costs of the Offer to be fully utilised in the payment of future trail commission for which it is responsible.

3.5 Post balance sheet events

A new investment of £952,000 was made in Kingsbridge Risk Solutions Ltd on 10 January 2014.

An offer for subscription to raise gross proceeds of up to £10 million was launched on 22 January 2014. Based on subscriptions to date, it is expected that the Company's offer will be fully subscribed during February 2014.

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of Baronsmead VCT 4 plc ("the Company") will be held at Plaisterers' Hall, One London Wall, London, EC2Y 5JU, on Tuesday, 15 April 2014 at 11:00 am for the purposes of considering and, if thought fit, passing the following resolutions, resolutions 1 to 9 being proposed as ordinary resolutions and resolutions 10 to 13 being proposed as special resolutions.

1. To receive the Report of the Directors and Auditors and the Financial Statements for the year ended 31 December 2013.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2013.
3. To approve the Directors' Remuneration policy.
4. To elect Malcolm Groat as a director of the Company.
5. To re-elect Robert Owen as a director of the Company.
6. To re-elect Alan Pedder as a director of the Company.
7. To re-elect Robin Williams as a director of the Company.
8. To appoint KPMG LLP as the Independent Auditors and to authorise the Directors to determine their remuneration.
9. THAT, in substitution for all existing authorities to the extent unused, the directors of the Company be and are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,264,853 during the period commencing on the passing of this resolution and expiring on the fifth anniversary of the date of the passing of this resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be authorised to allot shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.
10. THAT, subject to the passing of resolution 9 set out in the notice of this meeting and in substitution for all existing authorities to the extent unused, the directors of the Company be and are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) including the grant of rights to subscribe for or convert any security into shares of the Company, for cash pursuant to the authority given pursuant to resolution 9 set out in the notice of this meeting, or by way of a sale of Treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment and sales of equity securities, provided that this power shall be limited to:
    (a) the allotment of equity securities up to an aggregate nominal amount representing 30 per cent of the issued share capital (excluding Treasury shares) as at the date of the passing of this resolution pursuant to one or more offers for subscription;
    (b) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent of the Company's issued share capital (excluding Treasury shares) from time to time which may be issued at a discount to NAV pursuant to any dividend reinvestment scheme operated by the Company; and
    (c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount representing 10 per cent of the issued share capital (excluding Treasury shares) from time to time which may be at a discount to NAV; and

    in each case where such proceeds of issue may be used to purchase shares in the Company and the power conferred by this resolution shall expire on the date falling 15 months after the date of the passing of this resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting) or, if earlier, at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred by this resolution had not expired.

Notice of Annual General Meeting

11. THAT, in substitution for the Company's existing authority to make market purchases, the Company be and hereby is empowered to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the "Act") of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company shall from time to time determine, provided that:
    (a) the aggregate number of Ordinary Shares which may be purchased shall not exceed 14.99 per cent of the Company's Ordinary Shares in issue at the date of the Annual General Meeting, excluding any Ordinary Shares held in Treasury (equivalent to 9,788,028 Ordinary Shares at 17 February 2014, the date of this Notice of Annual General Meeting);
    (b) the minimum price which may be paid for an Ordinary Share is the nominal value thereof of 10 pence;
    (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the higher of (i) an amount equal to 105 per cent of the average of the middle market quotation for an Ordinary Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share is to be purchased; and (ii) the amount stipulated by Article 5(1) of the Buyback and Stabilisation Regulation 2003;
    (d) the authority conferred by this resolution shall expire on the date falling 15 months after the date of the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting, unless such authority is renewed prior to such time; and
    (e) the Company may make a contract to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of such Ordinary Shares pursuant to such contract as if the authority conferred by this resolution had not expired.
12. THAT a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company.

Special Business

13. THAT the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the court, be cancelled.

By Order of the Board

ISIS EP LLP
Secretary

Registered Office
100 Wood Street
London EC2V 7AN

17 February 2014

Notice of Annual General Meeting

1. None of the Directors has a contract of service with the Company. A copy of the generic terms and conditions of appointment that have been adopted by the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of meeting for a period of fifteen minutes prior to and during the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be registered in the Register of Members of the Company at 6:00 pm on 13 April 2014 (or in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Company's registrars', Computershare Investor Services PLC, helpline on 0870 889 3249 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. A reply paid form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received not later than 48 hours before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received by no later than 24 hours before the time appointed for taking the poll.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
7. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The termination of the authority of a person to act as a proxy must be notified to the Company in writing. Amended instructions must be received by Computershare Investor Services PLC by no later than the deadline for receipt of proxies.

   Should you wish to appoint a proxy electronically, such proxy appointment must be registered electronically at www.eproxyappointment.com, so as to be received not later than 48 hours before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or the adjourned meeting, so as to be received not later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy form enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically.
8. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
9. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
10. As at 17 February 2014 the Company's issued share capital consists of 73,217,189 Ordinary Shares, carrying one vote each. Excluding those Ordinary Shares held in Treasury (7,920,130 Ordinary Shares), the total number of voting rights in the Company as at 17 February 2014 is 65,297,059 Ordinary Shares.

Notice of Annual General Meeting

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear UK & Ireland Limited's website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3 RA50) by the latest time for receipt of proxy appointments specified in note 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
12. A copy of this Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.baronsmeadvct4.co.uk.
13. Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the Annual General Meeting which, relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors by no later than the time it makes the statement available on its website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website. By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.
14. Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
    - (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    - (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

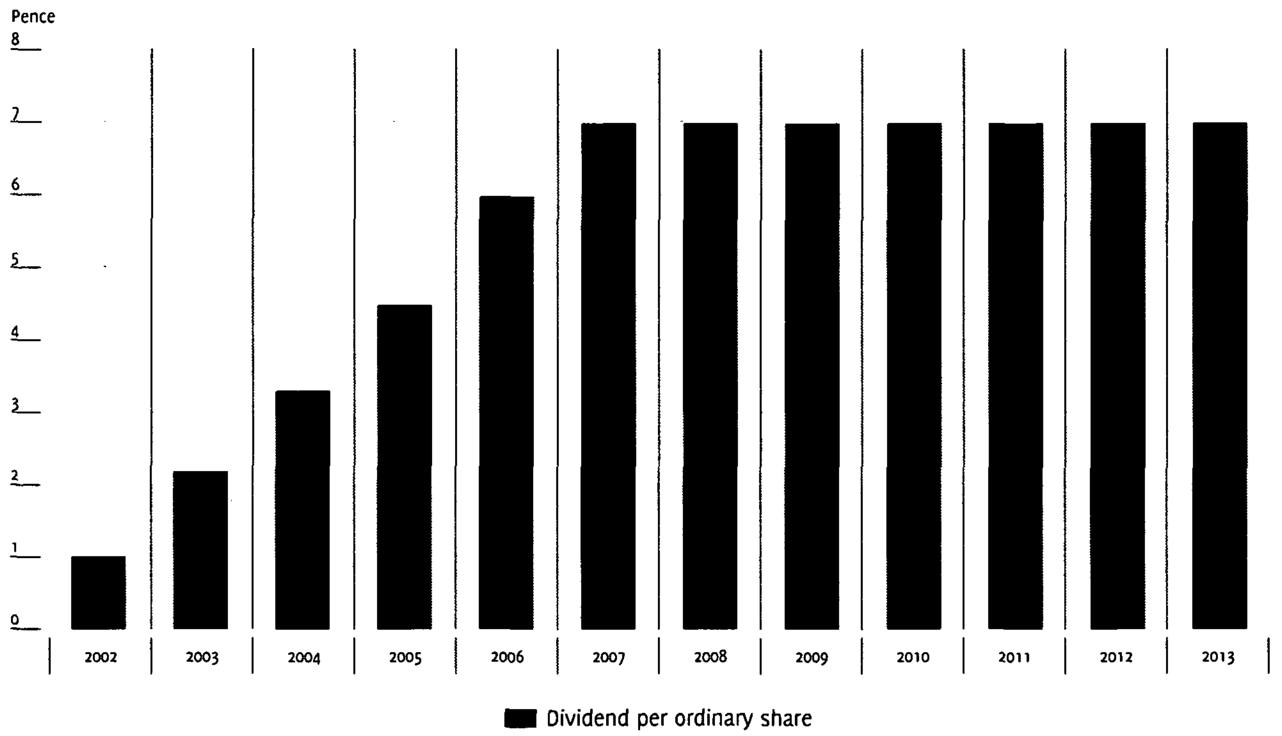
    A resolution may properly be moved or a matter may properly be included in the business unless:

    - (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
    - (b) it is defamatory of any person; or
    - (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 3 March 2014, being the date six clear weeks before the meeting.
15. Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

Appendix

Dividend History Since Launch



Source: ISIS EP LLP

Performance Record Since Launch

Year ended	Total net assets £m	Ordinary Share Net asset value p	Ordinary Share Share price (mid) p	Ordinary Share Net asset value total return* p	Total expense ratio %
30/11/2002	18.4	94.12	88.00	100.13	2.84
30/11/2003	20.6	96.71	87.50	105.27	3.61
31/12/2004	33.9	103.54	89.50	114.00	3.59
31/12/2005	36.4	112.41	96.50	129.03	3.78
31/12/2006	58.8	123.21	109.50	147.45	3.32
31/12/2007	58.6	122.06	113.50	153.86	3.06
31/12/2008	47.9	90.68	84.00	127.19	3.01
31/12/2009	47.2	90.63	80.25	137.09	3.29
31/12/2010	58.7	99.09	87.50	154.77	3.09
31/12/2011	54.8	94.01	84.25	164.23	3.13
31/12/2012	66.2	101.92	96.88	183.47	3.19†
31/12/2013	**65.3**	**100.06**	**95.00**	**200.47**	**3.17†**

* Source: ISIS EP LLP.

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

Appendix

Dividends Paid Since Launch

	Ordinary Share			
Year ended	Revenue dividend p	Capital dividend p	Total annual dividend p	Cumulative dividends p
30/11/2002	1.0	–	1.0	1.0
30/11/2003	2.2	–	2.2	3.2
31/12/2004	2.3	1.0	3.3	6.5
31/12/2005	1.9	2.6	4.5	11.0
31/12/2006	1.9	4.1	6.0	17.0
31/12/2007	2.4	4.6	7.0	24.0
31/12/2008	1.5	5.5	7.0	31.0
31/12/2009	0.9	6.1	7.0	38.0
31/12/2010	1.6	5.4	7.0	45.0
31/12/2011	1.6	5.4	7.0	52.0
31/12/2012	**0.5**	**6.5**	**7.0**	**59.0**
31/12/2013	**2.9**	**4.1**	**7.0**	**66.0**

Breakdown of Shareholdings

The shareholdings as at 31 December 2013 are analysed as follows:

	Ordinary Share			
Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of shares	Percentage of shares
1 - 2000	246	7.24	314,830	0.48
2001 - 5000	716	21.08	2,495,935	3.82
5001 - 10000	858	25.26	6,042,868	9.25
10001 - 25000	899	26.46	13,960,288	21.38
25001 - 50000	393	11.57	13,691,102	20.97
50001 - 100000	196	5.77	13,245,401	20.28
100001 - 9999999999	89	2.62	15,546,635	23.82
Total	**3,397**	**100.00**	**65,297,059**	**100.00**

Appendix

Full Investment Portfolio

Company	Sector	Book cost £'000	31 December 2013 Valuation £'000	31 December 2012 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 4 plc	% of Equity held by all funds#
Unquoted							
Nexus Vehicle Holdings Limited	Business Services	2,367	4,621	4,768	7.1	12.3	56.0
Crew Clothing Holdings Limited	Consumer Markets	1,454	2,336	3,020	3.6	6.1	25.5
Inspired Thinking Group Limited	Business Services	796	2,056	1,571	3.2	5.0	22.5
Valldata Group Limited	Business Services	1,220	1,701	1,754	2.6	13.9	58.9
Independent Community Care Management Limited	Healthcare & Education	1,346	1,583	1,491	2.4	10.9	55.0
Create Health Limited	Healthcare & Education	1,065	1,384	-	2.1	5.7	29.0
CableCom II Networking Holdings Limited	TMT*	1,250	1,250	-	1.9	2.4	11.2
Impetus Holdings Limited	Business Services	1,304	1,174	1,057	1.8	8.8	45.6
Eque2 Limited	TMT*	877	1,131	-	1.7	7.6	38.5
Pho Holdings Limited	Consumer Markets	987	1,090	987	1.7	5.5	28.0
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.5	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
Riccal Investments Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	961	1,656	1.5	10.5	44.0
Carousel Logistics Limited	Business Services	955	955	-	1.5	6.02	40.0
Key Travel Limited	Business Services	954	954	-	1.5	4.02	40.0
Happy Days Consultancy Limited	Healthcare & Education	833	833	833	1.3	8.4	42.6
CableCom Networking Holdings Limited	TMT*	-	740	4,328	1.1	N/A	N/A
Armstrong Craven Limited	Business Services	673	673	-	1.0	7.7	46.0
Luxury For Less Limited	Consumer Markets	955	430	1,000	0.7	4.0	46.0
Playforce Holdings Limited	Business Services	1,196	402	512	0.6	16.5	75.0
Empire World Trade Limited	Business Services	1,297	25	-	0.0	‡	‡
Carnell Contractors Limited	Business Services	941	-	-	0.0	##	##
Music Festivals plc Loan note	Consumer Markets	400	-	-	0.0	N/A	N/A
Surgi C Limited	Healthcare & Education	1,102	-	350	0.0	13.3	57.5
Total unquoted		**27,395**	**28,299**		**43.3**		
AIM							
Netcall plc	TMT*	868	2,847	1,337	4.4	4.0	20.0
Tasty plc	Consumer Markets	595	1,634	595	2.5	2.5	14.5
IDOX plc	TMT*	413	1,503	3,744	2.3	1.3	5.0
Driver Group plc	Business Services	563	1,332	786	2.0	4.0	18.9
Anpario plc	Healthcare & Education	275	1,315	506	2.0	2.0	14.7
Accumuli plc	TMT*	505	1,309	636	2.0	4.3	23.4
TLA Worldwide plc	Business Services	733	1,091	589	1.7	4.1	20.4
Jelf Group plc	Financial Services	727	1,002	990	1.5	1.4	5.6
Escher Group Holdings plc	TMT*	614	867	885	1.3	1.9	9.7
Plastics Capital plc	Business Services	662	820	317	1.3	2.2	11.7
Inspired Energy plc	Business Services	300	810	405	1.2	2.3	11.6
Sanderson Group plc	TMT*	612	793	379	1.2	2.3	9.3
Electric Word plc	TMT*	713	583	371	0.9	5.2	27.7
Tangent Communications plc	Business Services	523	580	495	0.9	2.2	11.2
GB Group plc	TMT*	150	544	341	0.8	0.3	1.7
Hangar8 plc	Business Services	387	533	456	0.8	2.5	11.3
Sinclair IS Pharma plc	Healthcare & Education	524	510	490	0.8	0.4	2.2
InterQuest Group plc	Business Services	310	506	265	0.8	1.7	6.6
Dods (Group) plc	TMT*	991	440	610	0.7	4.0	20.1
MartinCo plc	Consumer Markets	343	436	-	0.7	1.6	6.9
Everyman Media Group plc	Consumer Markets	392	392	-	0.6	1.3	5.8
Synectics plc	Business Services	185	391	220	0.6	0.4	2.1
Vianet Group plc	Business Services	646	388	508	0.6	1.9	9.7

All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT 4 plc.

Following a restructuring and partial redemption the funds no longer hold equity in Carnell Contractors Limited.

‡ Following a restructuring, the effective ownership percentage is dependent on final exit proceeds.

* Technology, Media & Telecommunications ("TMT").

Appendix

Full Investment Portfolio (continued)

Company	Sector	Book cost £'000	31 December 2013 Valuation £'000	31 December 2012 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 4 plc	% of Equity held by all funds#
AIM (continued)							
EG Solutions plc	TMT*	453	378	379	0.6	3.4	15.5
Ideagen plc	TMT*	225	329	-	0.5	1.0	4.3
Paragon Entertainment Limited	Consumer Markets	245	293	300	0.4	3.5	18.5
Cohort plc	Business Services	179	248	144	0.4	0.3	1.4
Daily Internet plc	TMT*	225	225	-	0.3	4.1	18.0
Begbies Traynor Group plc	Financial Services	217	224	191	0.3	0.6	2.5
Brady plc	TMT*	175	214	292	0.3	0.4	2.1
Ubisense Group plc	TMT*	130	175	165	0.3	0.3	1.6
Tristel plc	Healthcare & Education	217	171	114	0.3	1.0	5.4
Aimshell Acquisitions plc	Business Services	400	102	96	0.2	3.1	12.3
Pinnacle Technology Group plc	TMT*	168	96	-	0.1	1.7	7.6
One Media iP Group plc	TMT*	56	93	-	0.1	1.1	4.8
STM Group plc	Financial Services	162	77	84	0.1	0.6	4.0
Green Compliance plc	Business Services	932	42	29	0.1	0.8	4.1
Bglobal plc	Business Services	176	35	50	0.1	0.4	2.5
Zoo Digital Group plc	TMT*	235	3	4	0.0	0.1	0.6
Total AIM		**16,226**	**23,331**		**35.7**		
Listed							
Vectura Group plc	Healthcare & Education	245	711	427	1.1	0.1	1.3
Chime Communications plc	TMT*	369	578	396	0.9	0.2	0.7
Marwyn Management Partners plc	Financial Services	525	15	36	0.0	0.3	1.6
Marwyn Value Investors plc	Financial Services	64	18	33	0.0	1.3	6.0
Total listed		**1,203**	**1,322**		**2.0**		
ISDX							
Bioventix plc	Healthcare & Education	227	346	-	0.5	1.7	7.7
Total ISDX		**227**	**346**		**0.5**		
Listed *interest bearing securities*							
UK T-Bill 17/02/14		4,198	4,198	-	6.5		
Total listed interest bearing securities		**4,198**	**4,198**		**6.5**		
Total investments		**49,249**	**57,496**		**88.0**		
Net current assets			**7,841**		**12.0**		
Net assets			**65,337**		**100.0**		

All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT 4 plc.

* *Technology, Media & Telecommunications ("TMT").*

AIM, Listed & ISDX Portfolio Concentration Analysis at 31 December 2013			
Investment ranking by valuation	Book cost £'000	Valuation £'000	% of quoted portfolio
Top Ten	5,955	13,720	54.9
11-20	4,133	6,148	24.6
21-30	3,886	3,641	14.5
30+	3,682	1,490	6.0
Total	**17,656**	**24,999**	**100.0**

Shareholder Information and Contact Details

Shareholder Account Queries

Computershare

The Registrar for **Baronsmead VCT 4 plc** is Computershare Investor Services PLC ("Computershare").
The Registrar will deal with all of your queries with regard to your shareholder account, such as:

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

You can contact Computershare with your queries in several ways:

Telephone:	0870 889 3249 *(calls charged at geographical and national rates)*	• This is an automated self-service system • It is available 24 hours a day, 7 days a week • You should have your Shareholder Reference Number ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons • Press '0' if you wish to speak to someone • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line:	Investor Centre www.investorcentre.co.uk	• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online • You will need to register to use this service on the Investor Centre web site • You should have your ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email:	web.queries@computershare.co.uk	
Post:	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	

ISIS EQUITY PARTNERS / BARONSMEAD

The **Baronsmead VCT 4 plc** website is **www.baronsmeadvct4.co.uk**

The Investment Manager for **Baronsmead VCT 4 plc** is **ISIS EP LLP** who can be contacted as follows:

Email: baronsmeadvcts@isisep.com
Telephone: 020 7506 5717
Facsimile: 020 7506 5718

Shareholder Information and Contact Details

Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the *Financial Times* in the Investment Companies section of the London Share Service. Share price information can also be obtained from 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 marketmakers in the shares of Baronsmead VCT 4 plc are:

Panmure Gordon	020 7886 2500
Singer Capital Markets Limited	020 3205 7500
Winterflood Securities Limited	020 3400 0251

Financial Calendar

February 2014	Announcement of final results for year to 31 December 2013
15 April 2014	Annual General Meeting
August 2014	Announcement of interim results and posting of report

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

Secondary market in the shares of Baronsmead VCT 4 plc

The existing shares of the Company are listed on the London Stock Exchange and can be bought and sold using a stockbroker in the same way as shares of any other listed company.

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
Robert Owen (Chairman)
Malcolm Groat*
Alan Pedder CBE‡
Robin Williams

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

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