Venture Capital Trust Research Report

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Foreword by Will Fraser-Allen, Chair of the Venture Capital Trust Association (VCTA)

I am delighted to welcome you to GBI Magazine's comprehensive and informative *Venture Capital Trust* Report.

The UK is a great place to start and grow a business, and the important contribution to this of tax-advantaged investment through Venture Capital Trusts (VCT), the Seed Enterprise Investment Scheme (SEIS), and the Enterprise Investment Scheme (EIS) is indisputable.

Venture Capital Trusts play a vital role in the UK funding ecosystem, supporting businesses across the country move from early stage towards full commercialisation. The VCT scheme is working exceptionally well, with over 1,000 of the most ambitious companies in the UK currently benefitting from funding. These firms span sectors as diverse as digital technology, medicine development, specialist manufacturing and online retailing.

VCTs provide evergreen patient capital, which allows individual investors to realise their investment without the need for fund managers to sell the underlying assets, enabling the funds to remain invested in companies over the long-term.

Equity capital has been crucial in enabling fledgling businesses to scale up and create high-value jobs. The role of VCTs, alongside EIS and SEIS, will become even more important as economic conditions become more challenging.

The Venture Capital Trust Association (VCTA) represents twelve of the largest venture capital trust managers in the UK, which comprise more than 90% of the £6.6 billion VCT industry. It is also dedicated to championing early-stage businesses across the UK. During this current period of economic uncertainty, it is critical that the regulatory landscape continues to protect the funding ecosystem to unlock sufficient growth capital to accelerate the UK's recovery and future growth.

The demand for equity finance among early-stage businesses was recently highlighted by a study conducted by the VCTA among senior decision-makers at early-stage firms. It found that 92% are likely to raise equity finance over the next two years through a VCT scheme. The most popular reasons for doing so all point to value creation: investing in Research & Development (48%), new technology (45%), and equipment and machinery (42%).

The Government's support of these schemes, demonstrated by the commitment to extend the sunset clause in the Autumn Statement last year, is hugely welcome news for the industry and entrepreneurs who rely on equity capital to fuel the growth of their early-stage businesses as well as the end investors whose capital is used to such great effect.

Introduction

This report has been commissioned by IFA/GBI/DFM Wealth Magazines to outline Venture Capital Trust investments as an educational piece to give advisers sufficient information to enable them to be confident to speak about them with their clients.

This is the third report in the Tax Efficient Investments series. It follows on from SEIS and EIS reports and will be followed by a study of Inheritance Tax Solutions including Business Relief. These reports will be put together to complete the Tax Efficient Investments report.

As ever, a big thank you to all the people that have helped put this report together and the firms that have been able to contribute to the information. I hope that this report will generate business for those firms.

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Venture Capital Trust Association

Introduction

The extensive benefits of Venture Capital Trusts (VCTs) to the UK economy have been much discussed and detailed over the past few years.

In 2021, VCTs invested £538.5 million in new and follow-on investments in small, private businesses. Throughout the recent pandemic, £1.1 billion was invested; over 1,100 companies across the UK currently benefit from VCT funding.

VCTs have helped develop and support a thriving start-up and entrepreneurship community in the UK, an ecosystem recognised around the world. These high growth businesses play a crucial role in stimulating our economy, punching above their weight in terms of innovation, productivity and job creation.

As part of the VCTA's ongoing campaign to understand the needs of SMEs, we commissioned independent research among senior decisionmakers at 240 VCT-qualifying businesses1 across the country. The research focused on the challenges they face, barriers to growth and funding needs.

The study found that while the vast majority of SMEs need and value equity finance, the top barriers to accessing external finance from SMEs are:

- Lack of information on available sources of finance
- Company valuations
- Insufficient track record
- A clear business model

VCTs are well positioned to address these barriers. As a vehicle for driving start-up and entrepreneurship, VCTs invest into young businesses that lack a track record or clear business model, reasons that would impact their ability to obtain funding elsewhere. VCTs also have a proven history of agreeing on valuations. The lack of information on sources of finance suggests that
an ongoing education exercise is required across the industry and, for VCTs specifically, the work of the VCTA is to precisely bridge that knowledge gap.

The findings reinforce the pivotal role that VCT funding plays in providing equity finance and strategic counsel to nurture early stage, high-growth companies which, due to their high-risk profile, struggle to obtain financial support from other sources such as banks.

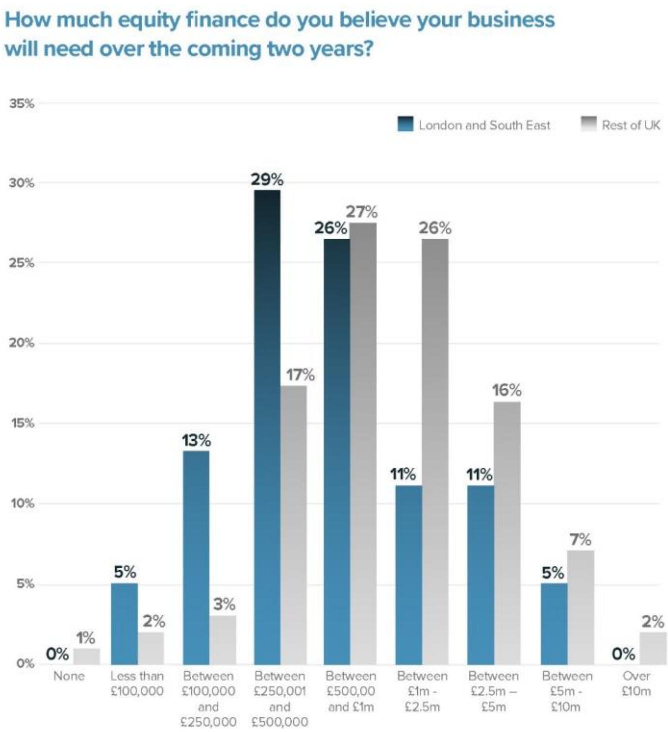
Successful UK firms need suitable finance

The vast majority of firms we surveyed want to raise finance. They need the support that VCTs offer. Our study found that 96% have sought to raise finance over the past two years, with less than two thirds being successful.

Significantly, all of them say they will need equity finance over the coming two years, with an average amount of £1.88 million being required.

According to the study, businesses outside London and the South East require a slightly higher amount of equity finance, with the average standing at £2.04 million. This compares to £1.3 million in London and the Southeast.

These sorts of sums – between £500,000 and up to around £2 million – are the historic sweet spot for VCT funding.



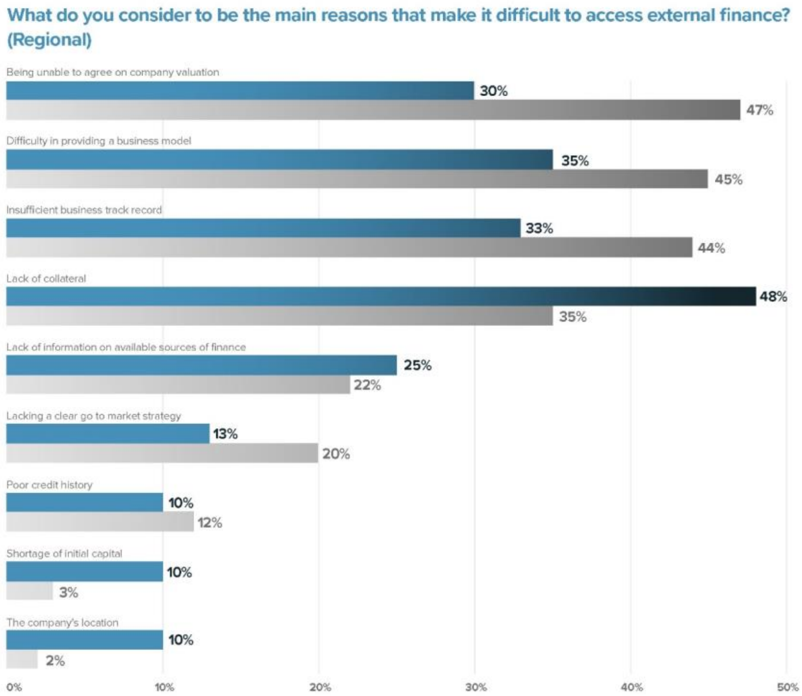
VCTs have consistently found strong demand among entrepreneurs, many of which have gone on to rapidly scale their businesses. With the UK government's drive for growth, these young, dynamic firms occupy a significant market niche that will continue to require hands-on support. VCTs typically provide larger equity investments than the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS).

Traditional barriers to finance

Despite this market need, it is clear that challenges remain for many firms that know they need finance and support but don't have the knowledge, track record, network or confidence to capitalise on their ambitions.

The greatest barrier to accessing external finance is a lack of information on the available sources – cited by 44% of respondents. This is roughly on a par with being unable to agree on company valuation (43%) and an insufficient business track record (42%).

A lack of information about suitable sources of finance is a challenge that must be addressed as a priority by the wider financial services and investment community – including VCT providers themselves.



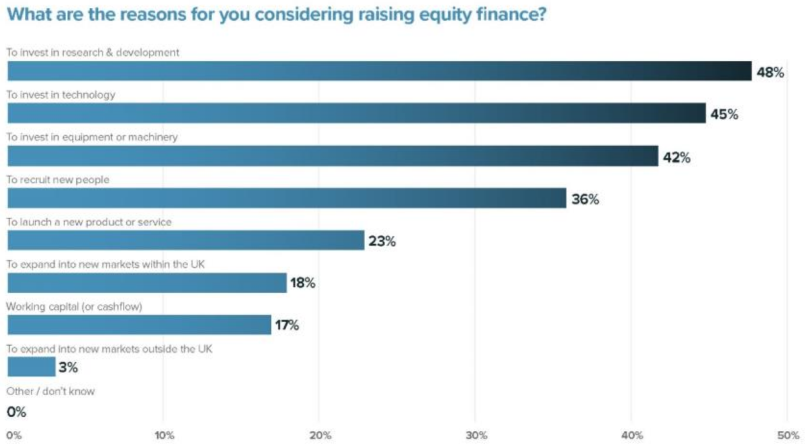
Nevertheless, VCTs are ideally qualified to help business owners overcome their perceived barriers to finance.

VCTs focus less on criteria such as long-term track records and company valuations and more on factors such as product innovation, market disruption potential, ambition and growth potential. VCT managers take a far more holistic approach and specialise in identifying businesses with growth potential, while recognising that considerable hands-on support and guidance is required for them to navigate the journey successfully.

Research & Development, technology and jobs

How the UK's fast-growth, capital-hungry businesses use finance illustrates just how necessary providing the right support is: the biggest reasons for looking to raise equity finance is to invest in Research & Development (48%), technology (45%), and equipment and machinery (42%).

VCTs have an excellent track record of stimulating well-paid jobs in innovative, fast-growing industries across the UK, delivering on the government's intention to level up regional economies outside of London and the South-East. For example, the average salary for an employee at an unquoted, VCT-backed company in the North-West of England is approximately £40,000. This is nearly £10,000 higher than the whole-region average wage. Amongst quoted VCT-backed companies in the North-West, the average salary rises to £50,000.



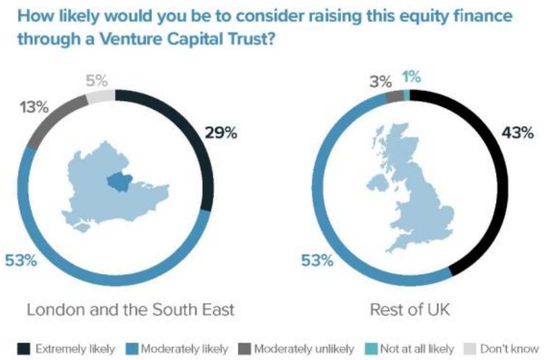
The companies currently supported by VCTA members employ 72,404 people, predominantly across the UK. The average salary of unquoted VCTA companies was £49,255 in 2021 – significantly higher that the UK average salary of £38,131 for full-time employees.

R&D, in particular, is a critical element of the future competitiveness of the UK and our collective economic strength. That it is top of mind for entrepreneurs is a testament to their ambition to break the mould and is also a huge opportunity for investors.

Recruitment was selected by over a third of respondents (36%), ahead of launching a new product (23%) or expanding into a new market within the UK (18%). All these reasons demonstrate a pro-growth mindset rather than that of 'keeping the lights on' through funding existing operations which is critically important when deciding which companies to back.

The role of VCTs in meeting the market need

We used this study as a reason to explain to the businesses that took part how venture capital funding works and the benefits it can offer qualifying businesses.



Once they'd been told about it in more detail, more than nine in 10 firms said they would consider raising equity finance through a VCT over the coming two years, with 40% viewing this scenario as "extremely likely".

Businesses outside of London and the South-East are more likely to consider raising equity finance than those in and around the capital, with more than two fifths stating that they are "extremely likely" to do so – compared to under a third of those based in London and the South-East.

Conclusion

Not all VCT investments succeed in delivering returns to investors. They are not without risk, which is why the government provides tax advantaged money to encourage and leverage capital from private investors. However, the majority of investments have a successful impact on the firms they invest In – benefitting not just the firms and their owners but employees, investors and the UK economy.

Over the past three years, unquoted, VCTA companies have increased sales by 62.5%. Exits from successful VCTA backed businesses have valued those businesses at £7.6 billion in 2021.

As our study has found, VCTs fulfil a market need for dedicated funding to help early-stage firms grow, innovate and succeed. They represent vital support for vital firms.

We strongly believe that VCTs should continue to be backed by the UK government and we are delighted that it has been confirmed that they will be extended beyond 2025 (the so-called 'sunset clause' built into the 2015 Finance (No.2) Act).

About the Venture Capital Trust Association

The Venture Capital Trust Association (VCTA) is the industry body representing twelve of the largest venture capital trust managers in the UK. Its members make up more than 90% of the VCT industry, with £6.1bn funds under management invested through an extensive regional network of local offices across the UK.

It is an industry body actively campaigning to support early-stage businesses during a period of significant economic disruption and create the regulatory landscape to unlock sufficient growth capital to accelerate the UK's recovery.

AIC - What are venture capital trusts?

Venture capital trusts (VCTs) invest in small companies with high potential for growth that need some financial support.

VCTs attract special tax benefits because they support the UK economy.

- **VCTs invest in small UK companies which are not usually quoted on the stock market.**
- **VCTs are higher risk than most other investment companies** because of the companies they invest in.
- **VCTs should be viewed as long-term investments.** New VCT shares bought directly from the manager are only eligible for the full set of tax reliefs if they are held for five years.
- **VCTs offer generous tax benefits** – but you shouldn't invest in a VCT simply for the tax benefits.
- **The value of the underlying investments of a VCT can be uncertain,** as they are often unquoted investments that do not have a readily available market price.
- **It can be difficult to sell VCT shares** to other investors on the stock market as you would with other shares, although some VCTs offer a 'buy-back' facility.
- **VCTs are generally more suitable for experienced investors,** as they can be higher risk than other investment companies.
- **Returns are not guaranteed** and you may get back less than you invest or even nothing at all.
- **You should take professional advice** if you're not sure whether VCTs are right for you.

VCTs invest in small companies

VCTs typically invest in **shares of small UK companies** including:

- new shares of privately owned companies.
- new shares of companies that are traded on the Alternative Investment Market (AIM).

VCTs invest in businesses that:

- promote innovation and industrial change.
- are not generating enough cash flow to get loans or other traditional sources of finance.
- need a lot of capital (usually between £100,000 and £2 million), more than most single investors could afford.

VCTs are high risk

VCTs employ a professional fund manager to make the day-to-day investment decisions. All VCTs aim to buy into companies that have the potential for good growth, but you should remember that they buy shares in small, often privately owned and young companies which may or may not succeed. This can be a **much riskier investment** than investing in larger, more established companies.

Types of VCT

VCTs fall into three broad sectors:

- **generalist** – by far the VCT biggest sector, home to VCTs that invest in all kinds of small, unquoted UK companies.
- **AIM** – for VCTs that invest in AIM-quoted companies.
- **specialist sectors**, for example technology or healthcare.

However, the investment strategies employed by VCT managers differ from one VCT to another.

VCTs and tax

VCTs offer investors certain income and capital gains tax reliefs. These include:

- Tax-free dividends from your VCT shares.
- No capital gains tax on the growth of your shares.
- Income tax relief on the initial investment when you buy new VCT share issues (providing you hold the shares for a certain length of time).
- If the VCT itself doesn't comply with a range of conditions, both the VCT and the investors lose all the tax benefits.

The tax relief you get from a VCT can be valuable, but **you should never invest in a VCT just for the tax benefits**. You should make sure the investment itself suits your needs, risk tolerance and goals.

Tax benefits when you buy new VCT shares from the manager

If you subscribe for **new VCT shares** – shares bought when the VCT launches or raises new money – you can get income tax relief. In theory, this tax relief can reduce your income tax bill to zero but there are limits on how much you can invest in VCTs each year.

If you buy shares on the secondary market (i.e. someone else owned them before you) you can't get tax relief on your initial investment, but you can still get tax-free income and capital gains.

VCT tax benefits

The table below shows the current tax benefits available on VCT shares:

Tax free capital gains	Yes
Rate of income tax relief new VCT shares	30%
Maximum investment eligible for income tax relief	£200,000
Minimum time investor must hold VCT to qualify for income tax relief	5 years
Tax free dividends	Yes

Tax reliefs only apply to people aged 18 years or over who are UK income tax payers. The relief you get depends on your individual circumstances.

These tax rules may change in the future. Investors who are unsure about their tax status should get independent advice from a professional adviser such as a solicitor, accountant or independent financial adviser.

How VCTs differ from other investment companies

Like all investment companies, VCTs will have an investment policy, agreed between the management group and the board of directors. But they also have to comply with HMRC rules in order for investors to receive tax relief.

The main rules are:

- **At least 80% of their investments must be in qualifying investments** – small companies (maximum £15 million) that are unquoted or traded on AIM.
- **They must invest in these companies within three years of raising new money.** Keep in mind that until VCTs have fully invested the money they raise, the risks can be different.

Non-qualifying investments

The remainder of a VCT's money (up to 20%) is usually kept in cash but can be invested in other investments. Some VCTs use higher risk options, which increase the overall risk of your investment. You should be able to read about the strategy in the VCT's prospectus and other literature. Make sure you know the facts so you can compare different VCTs.

Charges

Managing a VCT takes a lot of work and expert knowledge, so they generally have higher running costs than other investment companies. Most VCTs charge performance fees as well, which are paid if their performance exceeds an agreed hurdle or benchmark.

Valuing the underlying portfolio

It's hard to know exactly what a VCT's portfolio is worth. Because the shares of unquoted companies aren't traded on a stock exchange, there's no exact market value.

A VCT's board of directors uses valuation methods based on established principles (for example, the British Private Equity and Venture Capital Association's Valuation Guidelines or the International Private Equity & Venture Capital Valuation Guidelines) to estimate the value of each private company shareholding. They can only be estimates. Sales depend on a willing buyer and the price they are prepared to pay at that time.

The extra work involved in performing these valuations means that VCTs will often only value their portfolio every three or six months. It also means that figures you see published may have been calculated weeks, or even months, earlier. This may be very different to the current share price. It's much easier to value the holdings of AIM VCTs because AIM companies have a quoted market price.

Background rules for Venture Capital Trusts

The Venture Capital Trust (VCT) scheme, introduced in 1995, is one of three tax-based Venture Capital Schemes (VCS), the others being the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS).

The scheme is designed to encourage individuals to invest indirectly in a range of unquoted smaller, higher risk trading companies, by investing through VCTs.

VCTs are similar to investment trusts and are managed by fund managers who are usually members of larger investment groups. Investors subscribe for shares in a VCT, which then onward invests in qualifying trading companies, providing them with funds to help them develop and grow.

Main features of the VCT scheme

- VCTs must be listed on a UK recognised Stock Exchange.
- VCTs are exempt from Corporation Tax on any Capital Gains arising on disposal of their investments.
- Companies which qualify for VCT investment are limited to companies carrying on a qualifying trade with fewer than 250 full time equivalent employees or 500 if the company is Knowledge Intensive (KI) at the time shares are issued, and gross assets of no more than £15 million before investment and £16 million immediately after investment.
- Companies must also receive their first risk finance investment within 7 years of their first commercial sale or 10 years where KI. A "risk finance" investment includes any VCT investment, investment via the EIS or SEIS, as well as any other investment the company has received via any measure covered by the European Commission's Guidelines on State aid to promote Risk Capital Investment in Small and Medium-sized Enterprises.
- Qualifying companies can raise up to £5 million in any 12-month period from VCT investment, or £10 million where the company is KI, and are limited to an overall limit of £12 million or £20 million if KI. These amounts must take account of all risk finance investments received.

Reliefs to shareholders

The tax reliefs available to investors are:

- Income Tax Relief – individual shareholders aged 18 or over can claim Income Tax relief at the rate of 30% of up to £200,000 annual investment, provided their shares are held for at least five years.
- Dividends - no Income Tax is payable on dividends from ordinary shares in VCTs.
- Capital Gains Tax - no Capital Gains Tax is payable on disposals by individuals of ordinary shares in VCTs.

The reliefs are available to individuals and not to trustees, companies or others who invest in VCTs.

The exemption from Income Tax on dividends, and the exemption from Capital Gains Tax on disposal are available to those who acquire the shares second-hand (for instance, on the stock market or by inheritance) whilst the front-end Income Tax relief is available only to those who subscribe for new shares.

Key policy changes

There have been some policy changes to the scheme since its inception that could be reflected in the statistics.

2004 to 2005

From 6 April 2004, the maximum investment qualifying for Income Tax relief increased from £100,000 to £200,000. Capital Gains deferral relief is not available.

2006 to 2007

From 6 April 2006, the maximum gross assets of qualifying holdings decreased from £15 million to £7 million before investment and from £16 million to £8 million immediately after investment.

The rate of Income Tax relief reduced to 30% from 40%. The 40% rate had been introduced for a two-year period starting on 6 April 2004; prior to that Income Tax relief was given at 20%. The holding period for shares held by VCTs increased from three to five years.

2007 to 2008

From 6 April 2007, VCT qualifying holdings are limited to companies with fewer than 50 full time equivalent employees at the time shares are issued. This restriction also applies to companies seeking funding through the Enterprise Investment Scheme.

From 19 July 2007, companies must have raised no more than £2 million in any 12-month period under any or all of the tax-based venture capital schemes (VCT, EIS).

2009 to 2010

Money raised should be wholly employed within two years of the issue of the relevant holding or, if the issue takes place before commencement of the intended trade, within two years of commencement.

2011 to 2012

The requirement that the trade be carried on wholly or mainly in the UK was removed and replaced with a requirement that the issuing company have a permanent establishment in the UK. Restriction that prevented a VCT investing more than £1 million per annum in any single company was removed (unless the company is a member of a partnership or joint venture that carries on the qualifying trade).

2012 to 2013

From 6 April 2012, VCT qualifying holdings are extended to companies with fewer than 250 full time equivalent employees and gross assets of no more than £15 million before investment and £16 million after investment. The increased thresholds apply also to companies seeking funding through EIS.

The annual investment limit for companies is increased to £5 million, and that sum must take account of EIS and SEIS investment and any other investment received via any measure covered by the European Commission's Guidelines on State aid to promote Risk Capital Investment in Small and Medium-sized Enterprises.

For investments made by the VCT out of funds raised by it on or after 6 April 2012, an investee company using the funds to acquire shares in another company will not be regarded as using them for a qualifying purpose.

2014 to 2015

From April 2014, VCTs can no longer return share capital to investors within three years of the end of the accounting period in which the VCT issued the shares.

At Budget 2014, the government announced that companies benefiting from Renewables Obligation Certificates (ROCs) and/or the Renewable Heat Incentive (RHI) scheme will be excluded from the SEIS, EIS and VCT schemes.

2014 to 2015

From April 2014, a measure was introduced to prevent investors refreshing Income Tax relief on investments into VCTs by disposing of VCT shares and reinvesting the proceeds in new shares. The legislation allowed new investment into VCTs to still be eligible for Income Tax relief.

However, investments that will not qualify for Income Tax relief are:

- conditional on a share-buy buy-back, or where a share buy-back is conditional upon the investment; or
- made within a six-month period of a sale of shares in the same VCT

The measure does not affect subscriptions for shares where the monies being subscribed represent dividends which the investor has elected to reinvest. The legislation was also changed to allow individuals to subscribe for shares in a VCT via a nominee.

2015 to 2016

Companies (excluding community organisations) undertaking the subsidised generation of electricity involving Contracts for Difference or involving renewable sources (anaerobic digestion or hydroelectric power) were excluded from investments made on or after 6 April 2015.

Investments made on or after 18 November 2015

Additional rules were introduced to the EIS and VCT scheme for shares issued and investments made on or after 18 November 2015:

- Companies are subject to a lifetime limit on investments received under the VCS (EIS, SEIS, VCT and also Social Investment Tax Relief (SITR)) and from State aid under the Risk Finance Guidelines of £12 million or £20 million for companies that are 'knowledge intensive' (KICs).
- Any VCS investment must be made in a company within seven years of the first commercial sale (10 years for knowledge intensive companies) OR following on an investment received for the same activity received within the above time limit OR for entering a 'new product' or a 'new geographic market' with the amount raised more than 50% of the previous 3 years average annual turnover.
- The maximum number of employees at the date of investment increased from less than 250 to less than 500 for KICs.
- Investee companies are no longer able to use money raised to fund the acquisition of an existing company or trade and the purpose of the investment must be to promote the growth and development of the business.
- A VCT's 'non-qualifying investments' for liquidity management purposes are now restricted to:
    - shares/units in an Authorised Investment Fund (AIF) or Undertakings for the Collective Investment in Transferable Securities (UCITS)
    - ordinary shares acquired on a regulated market or
    - sums held in an account where available on less than 7 days' notice only

- A sunset clause of 6 April 2025 was introduced to the EIS and VCT scheme.

Companies making reserve electricity generating capacity available (for example Capacity Management) no longer qualify for investment after 30 November 2015.

2016 to 2017

From 6 April 2016, companies whose trades consist of undertaking the activities of energy or heat generation, the production of gas or other fuel or generating or exporting electricity no longer qualify for investment.

2017 to 2018

The conditions for obtaining and maintaining VCT approval were amended as follows:

- for investments made by a VCT on or after 15 March 2018, qualifying loans must be unsecured and that returns on loan capital are not above 10%
- for investments made by a VCT on or after 6 April 2018, the grandfathering rules are removed
- 30% of any funds raised by a VCT in an accounting period must be invested in qualifying holdings within 12 months after the end of that period (applying to accounting periods ending on or after 6 April 2018)
- the time that VCTs have to reinvest gains from investments is increased from six to 12 months and the proportion of VCT funds that must be held in qualifying holdings is increased from 70% to 80% (for VCT accounting periods ending on or after 6 April 2019)

A new "risk-to-capital condition" was introduced for the venture capital schemes (EIS, SEIS and VCT) in respect of investments made on or after 15 March 2018. The condition has two parts requiring:

- the company in which the investment is made to have objectives to grow and develop over the long term; and
- that the investment must carry a significant risk that the investor will lose more capital than they gain as a return (including any tax relief).

For investments made on or after 6 April 2018, KICs may elect to use the date their turnover reaches £200,000 in place of the first commercial sale when establishing the initial investment period and the amount that a KIC can receive under the VCS in a year is increased to £10 million.

For further details on the VCT scheme and policy changes, please see the Venture Capital Schemes manual and investment schemes guidance.

AIC - VCT tax rules

To be approved as a venture capital trust (VCT), a company must satisfy the tests set out in Section 274 of the Income Tax Act 2007 for each (tax) accounting period.

The tests are listed below:

- The company must not be a close company (a close company is broadly a company which is controlled by five or fewer shareholders);
- The company's income must be derived wholly or mainly from shares or securities;
- At least 80% by value of its investments must be in qualifying holdings (see below) of shares or securities throughout the accounting period;
- Throughout the accounting period, at least 70% by value of qualifying holdings (see below) must be in holdings of ordinary shares with no preferential rights to dividends or assets on winding up;
- There are also restrictions on the non-qualifying investments a company can hold;
- The company must not have any investments which represent more than 15% by value of its investments at the time it was acquired;
- The company's ordinary share capital must be admitted to trading on a regulated market;
- The company must not retain in respect of any accounting period more than 15% of its income from shares and securities;
- The company has not made any investments which breach the permitted investment limits;
- The company has not made any investments which breach the permitted age limit;
- The company has not made any investment which breaches the prohibition on business acquisition.

Section 274 enables a company to obtain an exemption from paying tax on its capital profits. In addition, investors in VCTs also receive various tax benefits providing they hold their shares for a minimum period. These conditions and benefits vary according to when the VCT's shares were issued.

Further information on the tax issues relating to VCTs can be found on HMRC's website. Alternatively, please contact the AIC for further information.

Qualifying holdings for VCTs

To be a qualifying holding, an investment held by a VCT must meet certain conditions. For venture capital trusts, these include the requirement that the company must be unquoted (i.e. not listed on a recognised stock exchange so AIM stocks are allowed), it must carry on a 'qualifying trade', and there are limits to the amount that may be received annually and in total from risk capital schemes.

The maximum amount raised annually though risk capital schemes (e.g. VCT, EIS, seed EIS) by the investee company must not exceed £5 million or £10 million for knowledge intensive companies.

Tax benefits for VCT investors

VCT shareholders also benefit from certain income tax and capital gains tax benefits. Dividends from ordinary shares in venture capital trusts are exempt from income tax. For shares issued by VCTs on or after 6 April 2006, there is a 30% income tax relief on the amount invested up to £200,000 if the shares are held for 5 years and are subscribed for/issued by the VCT to the investor. Furthermore, shareholders do not have to pay capital gains tax on any gain made on the disposal of their shares.

Venture Capital Trusts statistics: 2021

1. Main findings

The number of companies operating as Venture Capital Trusts (VCTs) has decreased in the tax year 2020 to 2021, though the amount of investment raised by the remaining VCTs has increased year on year.

The amounts claimed as tax relief fell in 2019 to 2020, reflecting a drop in funds raised by VCTs in that tax year. Amounts claimed as tax relief are reported with a one year time delay due to the nature of the Self Assessment reporting system (see '2.1 About these statistics').

The main headlines are:

- Venture Capital Trusts (VCTs) issued shares to the value of £668 million in 2020 to 2021, which is 4% higher in comparison to 2019 to 2020 (£645 million)
- the number of VCTs raising funds has decreased by 3 in 2020 to 2021 (40)
- the number of VCTs managing funds has decreased by 4 in 2020 to 2021 (57)
- in 2019 to 2020, Venture Capital Trust (VCT) investors claimed Income Tax relief on £575 million of investment, which is a decrease of 16% from 2018 to 2019
- the number of VCT investors who claimed Income Tax relief decreased by 11% to 17,725 in 2019 to 2020

2. Introduction

2.1 About these statistics

This is an annual National Statistics publication of Venture Capital Trusts (VCTs) statistics.

Section 3 (number of VCTs and funds raised) includes figures covering the period up to tax year 2020 to 2021. Section 4 (investors claiming relief on VCT investments) includes first estimates for 2019 to 2020. The deadline for submitting Self Assessment returns for the tax year 2020 to 2021 has not yet passed and individuals can also submit late claims, therefore the data for 2020 to 2021 is currently incomplete for publication.

This year, several changes have been made to the layout of this publication. These have been introduced to improve the accessibility and readability of the statistics. Table 8.6, 8.9a and 8.9b from the previous release have been renamed to Table 1, 2a and 2b respectively. Information about the data sources and methodology can now be found in the Background quality report.

In Table 1, figures for 2019 to 2020 are revised and 2020 to 2021 are provisional.

In Table 2a and 2b, figures prior to 2019 to 2020 are revised and 2019 to 2020 are provisional.

The next release of these statistics will be in December 2022. If you would like to comment on these statistics, please see the contacts named at the end.

2.2 What are Venture Capital Trusts?

The VCT scheme, introduced in 1995, is one of four tax-based venture capital schemes. VCTs raise funds for investments, normally annually, through new and/or top-up share issues to investors.

For more information about Venture Capital Trusts and the policy background, see the Venture Capital Trusts statistics: Introductory note.

3. Amount of funds raised and number of Venture Capital Trusts

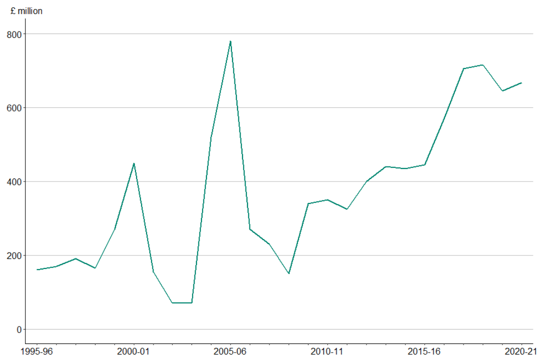
Venture Capital Trusts (VCTs) have raised funds to the value of £668 million in 2020 to 2021, which is 4% higher than in 2019 to 2020 (£645 million).

Amount raised has been rounded to the nearest £5 million for data up to 2016 to 2017 and £1 million for 2017 to 2018 onwards.

Table 1: Amount of funds raised (£ million) and number of Venture Capital Trusts (VCTs) by year, 1995-96 to 2020-21

Year	Funds raised (£m)	VCTs raising funds	VCTs managing funds	Rate of Income Tax relief (%)
1995-96	160	12	12	20
1996-97	170	13	18	20
1997-98	190	16	26	20
1998-99	165	11	34	20
1999-00	270	20	43	20
2000-01	450	38	61	20
2001-02	155	45	70	20
2002-03	70	32	71	20
2003-04	70	31	71	20
2004-05	520	58	98	40
2005-06	780	82	108	40
2006-07	270	32	121	30
2007-08	230	54	131	30
2008-09	150	46	129	30
2009-10	340	68	122	30
2010-11	350	78	128	30
2011-12	325	76	124	30
2012-13	400	65	118	30
2013-14	440	66	97	30
2014-15	435	57	94	30
2015-16	445	45	80	30
2016-17	570	38	75	30
2017-18	705	43	68	30
2018-19	716	42	61	30
2019-20	645	43	61	30
2020-21	668	40	57	30

Figure 1: Amount of funds raised by VCTs (£ million), 1995-96 to 2020-21

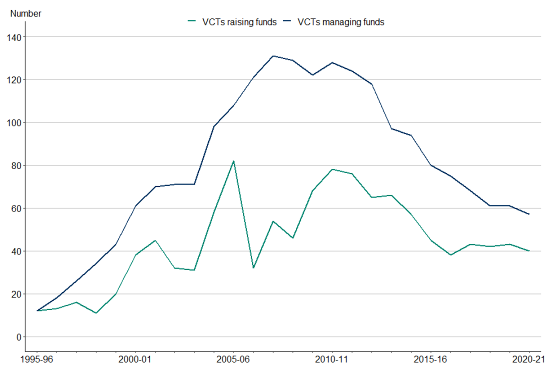


As seen in Figure 1, the amount of funds raised by VCTs has been on a rising trend in recent years and has more than doubled since 2009 to 2010. Several rules which were introduced during the period, namely the restricted enhanced share buybacks from April 2014 and the government's Patient Capital Review consultation in summer 2017, may partly explain the increased fund raising between tax year 2014 to 2015 and tax year 2017 to 2018, as VCTs anticipated possible changes to the rules of the scheme. The increase in the Income Tax relief rate to 40% saw peak funds raised in 2005 to 2006 from the previous year.

As well as anticipation of changes from the Patient Capital Review, the increase in funds raised during tax year 2017 to 2018 and tax year 2018 to 2019 is likely due to the reduction of the lifetime allowance from £1.25 million to £1 million. This made traditional pensions less attractive, and the introduction of pension freedoms which allow for cash to be taken out of the pot for investment rather than buying an annuity, meaning there is more freedom for investment in alternatives such as VCTs.

The slight decrease in funds raised in 2019 to 2020 is likely to be a reaction to the VCT reforms introduced in 2017, but which came into effect during later accounting periods and potentially due to the impacts of Covid-19 towards the end of the tax year.

Figure 2: Number of VCTs raising and managing funds, 1995-96 to 2020-21



The number of Venture Capital Trusts (VCTs) raising funds in 2020 to 2021 has decreased to 40 from the previous year. In the past, the amount of funds raised by VCTs and the number of VCTs raising funds have been closely linked. However, this has been less evident in recent years where similar amounts of funds have been raised by a smaller number of larger VCTs.

A reduction in the Income Tax relief rate to 30% in 2006 to 2007 was accompanied by a sharp fall in activity to £270 million raised by 32 VCTs, and activity remained relatively low until 2009 to 2010. The amount raised by VCTs has remained stable from tax year 2014 to 2015 to tax year 2015 to 2016. However, tax year 2017 to 2018 saw a rise to £705 million raised by 43 VCTs and; £716 million in 2018 to 2019 by 42 VCTs.

There has been a slight increase in the amount raised by VCTs in 2020 to 2021, though the number of VCTs raising funds has decreased, reflecting further concentration of the VCT market. As shown in Figure 2, Venture Capital Trusts (VCTs) have been merging over time to achieve economies of scale.

VCTs managing funds include VCTs which raised funds in the tax year and also those VCTs which managed funds raised in previous years. The number of VCTs managing funds has decreased in 2020 to 2021 as a few VCTs have ceased to be active. Since 2010 to 2011, the number of VCTs managing funds has generally been decreasing, dropping to 57 in 2020 to 2021.

4. Investors claiming Income Tax relief and amounts invested

The amount of VCT investment on which Income Tax relief was claimed decreased by 16% in 2019 to 2020, compared to the previous year. The number of investors decreased by 11% to 17,725 in 2019 to 2020. This information only covers claims made through Self Assessment and will not cover investors making Income Tax relief claims through other systems (for example PAYE) or not making any claims.

Table 2a and Table 2b presents the distribution of investors claiming Income Tax relief under the VCT scheme, and the amounts invested.

Total figures provided in Table 2a and 2b on the amount of investment on which Income Tax relief was claimed are not directly comparable with the figures on the amount of investment received by VCTs in a tax year shown in Table 1, as an amount of relief would be claimed outside Self Assessment, or not claimed at all.

4.1 Number of investors claiming VCT relief

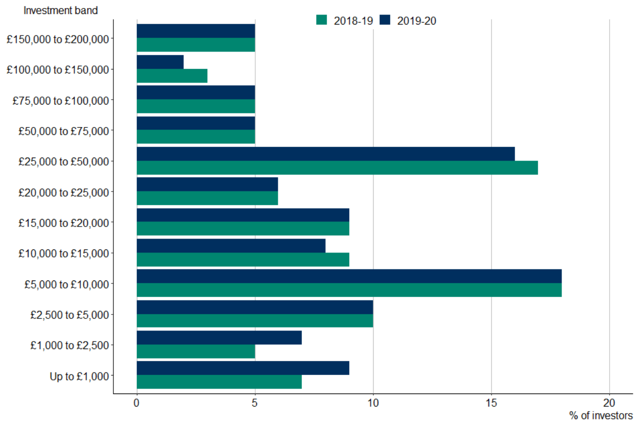
Most investors tend to invest under £50,000 into VCT funds. The average amount invested by an individual in 2019 to 2020 was around £32,000.

Numbers have been rounded to the nearest 5. Totals may not sum due to rounding.

Table 2a: Number of investors claiming VCT relief by size of investment, 2017-18 to 2019-20

Investment band	2017-18	2018-19	2019-20
Up to £1,000	1,285	1,440	1,585
£1,000 to £2,500	830	1,005	1,235
£2,500 to £5,000	1,745	1,965	1,770
£5,000 to £10,000	3,505	3,600	3,110
£10,000 to £15,000	1,730	1,815	1,475
£15,000 to £20,000	1,895	1,870	1,645
£20,000 to £25,000	1,160	1,265	1,065
£25,000 to £50,000	3,415	3,410	2,855
£50,000 to £75,000	1,030	1,040	870
£75,000 to £100,000	995	950	800
£100,000 to £150,000	540	530	430
£150,000 to £200,000	1,005	1,035	885
Total	19,130	19,930	17,725

Figure 3: Distribution of the proportion of investors claiming VCT relief by size of investment, 2018-19 to 2019-20



In 2019 to 2020, there was a significant decrease in the number of VCT investors compared to the previous year. However, this is consistent with the reduction in funds raised by VCTs in 2019 to 2020 (see Table 1). This is likely an impact of the reforms to VCT investment conditions which were introduced in 2017 but began to take effect in later accounting periods. The Covid-19 pandemic also may have acted to reduce investment towards the end of 2019 to 2020 as uncertainty increased across the economy.

Figure 3 shows the distribution of the investors claiming VCT relief grouped by size of investment. Around 83% of VCT investors claimed tax relief under the VCT scheme for an investment of £50,000 or less; the largest number being in the £5,000 to £10,000 group (18%) and £25,000 to £50,000 group (16%). In 2019 to 2020 the proportion of VCT investors in the higher investment size categories (above £25,000) has decreased from 2018 to 2019.

Figure 4: Number of investors claiming VCT relief via Self Assessment, 2004-05 to 2019-20

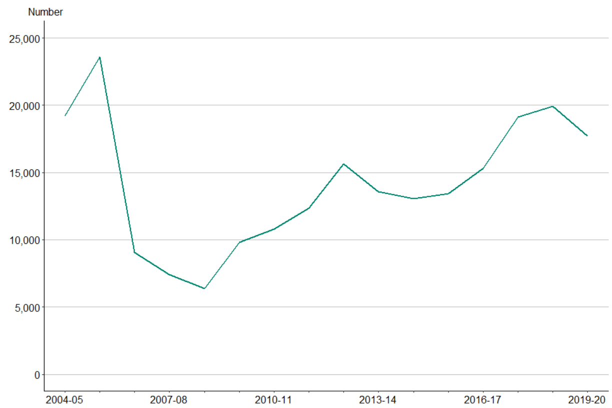


Figure 4 shows a time series of the number of investors who have claimed VCT relief from 2004 to 2005. The tax year 2018 to 2019 saw the largest number of investors since 2005 to 2006. This reflects the increase in funds raised seen in Figure 1 as a result of pension changes and the Patient Capital Review.

4.2 Amounts invested by VCT investors

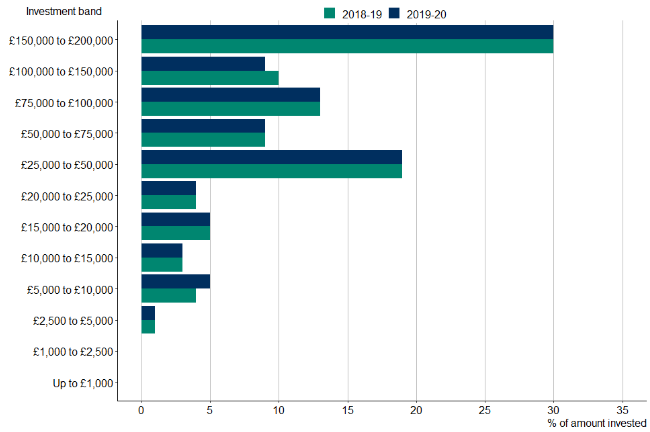
Similar to the number of investors, Table 2b shows a significant decrease (16%) in the amount of relief claimed by VCT investors in 2019 to 2020.

Amounts have been rounded to the nearest £5 million. Totals may not sum due to rounding.

Table 2b: Amount of investment (£ million) on which VCT relief was claimed by size of investment, 2017-18 to 2019-20

Investment band	2017-18	2018-19	2019-20
Up to £1,000	<5	<5	<5
£1,000 to £2,500	<5	<5	<5
£2,500 to £5,000	5	10	5
£5,000 to £10,000	30	30	25
£10,000 to £15,000	25	25	20
£15,000 to £20,000	35	35	30
£20,000 to £25,000	25	30	25
£25,000 to £50,000	130	130	110
£50,000 to £75,000	65	65	55
£75,000 to £100,000	95	90	75
£100,000 to £150,000	65	65	55
£150,000 to £200,000	195	200	175
Total	675	685	575

Figure 5: Distribution of the proportion of investment for which VCT relief was claimed by size of investment, 2018-19 to 2019-20



In Figure 5, we see that the largest category of investment by amount in 2019 to 2020 was investments between £150,000 to £200,000. More precisely, 30% of the total amount invested is accounted for by only 5% of investors.

Figure 6: Comparison of the amount of investment on which relief was claimed via Self Assessment and total funds raised (£ million), 2004-05 to 2019-20

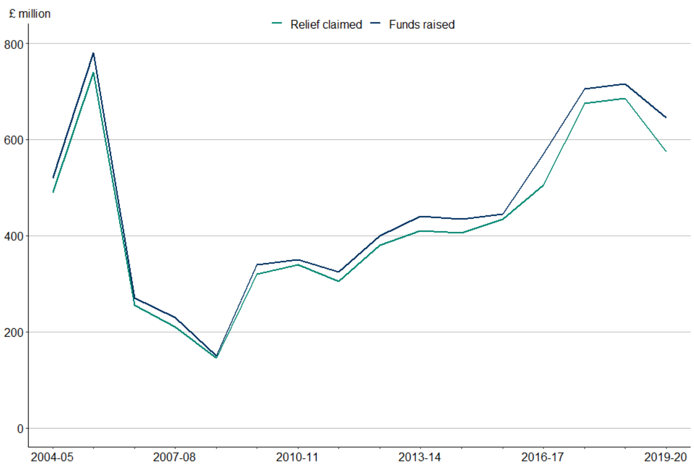


Figure 6 shows that the amount of relief claimed and total funds raised by VCTs are largely consistent year on year. In 2019 to 2020, around 89% of the total VCT investments were claimed through Self Assessment. The remaining amounts are assumed to be either claimed outside Self Assessment or not claimed at all.

AIC Sectors

Sector	Description	Funds in sector
VCT AIM Quoted	Invests in AIM stocks	Amati AIM VCT Hargreave Hale AIM VCT New Century AIM VCT New Century AIM VCT 2 Octopus AIM VCT Octopus AIM VCT 2 Unicorn AIM VCT
VCT AIM Quoted Pre-Qualifying	Invests in AIM stocks. Pre-Qualifying VCTs are not required to hold 80% bin qualifying investments. A VCT must hold at least 80% by value of its investments in qualifying holdings by the end of its third year.	Thames Ventures VCT 2 AIM shares
VCT Generalist	Invests in a range of different sectors.	Albion Development VCT Albion Enterprise VCT Albion Technology & General VCT Albion VCT Baronsmead Second Venture Trust Baronsmead Venture Trust British Smaller Companies VCT British Smaller Companies VCT 2 Calculus VCT Crown Place VCT Foresight Enterprise VCT Foresight VCT Kings Arms Yard VCT Maven Income and Growth VCT Maven Income and Growth VCT 3 Maven Income and Growth VCT 4 Maven Income and Growth VCT 5 Mobeus Income & Growth 2 VCT Mobeus Income & Growth 4 VCT Mobeus Income & Growth VCT Molten Ventures VCT Northern 2 VCT Northern 3 VCT Northern Venture Trust Octopus Apollo VCT Octopus Titan VCT Pembroke VCT B shares ProVen Growth and Income VCT ProVen VCT Puma VCT 13 Seneca Growth Capital VCT B shares Thames Ventures VCT 1 Thames Ventures VCT 2 D shares Thames Ventures VCT 2 DP67 shares Thames Ventures VCT 2 Ventures shares The Income & Growth VCT Triple Point Income VCT C shares Triple Point Income VCT D shares Triple Point Income VCT E shares Triple Point VCT 2011 A shares Triple Point VCT 2011 B shares

Sector	Description	Funds in sector
VCT Generalist Pre-Qualifying	Invests in a range of different sectors. Pre-Qualifying VCTs are not required to hold 80% bin qualifying investments. A VCT must hold at least 80% by value of its investments in qualifying holdings by the end of its third year.	Octopus Future Generations VCT Puma Alpha VCT Triple Point VCT 2011 Venture shares
VCT Specialist: Environment	Invests in environmental companies	Foresight Solar & Technology VCT Gresham House Renewable Energy VCT 1 Gresham House Renewable Energy VCT 2
VCT Specialist: Environmental pre-qualifying	Invests in environmental companies. Pre-Qualifying VCTs are not required to hold 80% bin qualifying investments. A VCT must hold at least 80% by value of its investments in qualifying holdings by the end of its third year.	Foresight Solar & Technology VCT FWT shares
VCT Specialist: Healthcare and Biotechnology	Invests in healthcare or biotechnology companies	Seneca Growth Capital VCT Thames Ventures VCT 2 Healthcare shares
VCT Specialist: Media, Leisure & Events	Invests in media, leisure and events companies	Edge Performance VCT H shares
VCT Specialist: Technology	Invests in technology companies	Oxford Technology 2 VCT
VCT Sepcialist: Technology Pre-Qualifying	Invests in technology companies. Pre-Qualifying VCTs are not required to hold 80% bin qualifying investments. A VCT must hold at least 80% by value of its investments in qualifying holdings by the end of its third year.	BlackFinch Spring VCT

The potential risks of investing in VCT

Investing in start-ups and early-stage businesses involves risks, including illiquidity, lack of dividends, loss of investment and dilution. It should be done only as part of a diversified portfolio. VCT investments are targeted exclusively at investors who understand the risks of investing in early-stage businesses and can make their own investment decisions.

RISK TO CAPITAL	Investors should only consider subscribing if they are able to bear the risk of losing their entire investment.
INVESTING IN SMALLER COMPANIES	Investee companies can experience significant and sudden increases or decreases in value.
LENGTH OF INVESTMENT	Our aim is to exit the majority of investments five to seven years after we first purchase shares. This is not always possible, and it is not unusual for venture capital investments to be held for periods of 10 years or more.
ILLIQUIDITY	Venture Capital is typically an illiquid investment; funds can only be returned if and when companies are sold.
PAST PERFORMANCE	Past performance is not a reliable indicator of future results.
DIVERSIFICATION RISK	There is a risk that the final portfolio may be comprised of a small number of companies, which will limit diversification
LEGISLATIVE RISKS	Legislative changes may affect portfolio companies which are expanding to other territories, such as the US. Legislation may also change within the UK resulting in the initial product or technology becoming unviable.
TAX RISKS	Changes in UK tax legislation or its interpretation may adversely affect investment performance and returns to investors. VCTs are only suitable for UK resident taxpayers.
NEW TECHNOLOGY RISKS	Companies introducing new technology or products into existing or new markets may present additional risks

Venture Capital Trusts (VCTs) are considered to be specialist, **high-risk investments** as they invest in small companies with shares that are illiquid and can be hard to sell. Investors must remain invested for at least five years to keep the tax credit, VCT shares are also long-term investments. Because of this, they should only form a small part of any overall investment portfolio.

Small or young companies can be harder to sell or be unable to realise their shares at levels close to that which reflect the value of the underlying assets

Venture Capital Trusts invest in a variety of small and growing companies, including unquoted companies and those listed on AIM (the London Stock Exchange's growth market). Shares in these companies can be illiquid – they may be difficult for the VCT to eventually sell.

New investments made by VCTs must be made into companies that are no more than seven years from making their first commercial sale (or 10 years for 'knowledge intensive' companies). Investments in younger companies should be considered much higher risk than investing in businesses with long trading track records and established revenue sources.

VCTs are designed as long-term investments. If investors buy VCT shares in a new issue, they need to hold them for at least five years to keep the 30% income tax credit – otherwise the tax credit will need to be paid back.

Venture Capital Trusts are listed on the London Stock Exchange, but as there is very little trading on the secondary market all VCT shares trade at discounts to their net asset values. In the past these discounts were often very high, but now most VCTs have control mechanisms in place. They usually aim to keep discounts at no more than 10% to net asset value, but a number of VCTs now target a 5% discount.

Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance.

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance.

Early-stage businesses defy economic gloom and target £2m each of new equity capital to fund growth plans.

- **New capital to be used to fund R&D, tech upgrades and recruitment**

16 January 2022, London – New research published today reveals that the UK's class of small, fast-growing entrepreneurial businesses are looking to raise an average of £1.9 million in equity finance over the coming two years to fund their growth plans.

The study, commissioned by the Venture Capital Trust Association (VCTA), among 240 senior decision makers in charge of recently launched small businesses less than seven years old and employing up to 250 employees, reveals a strong appetite for growth despite the economic challenges facing the country. An overwhelming majority (92%) of respondents said they are likely to consider raising equity through a Venture Capital Trust.

Pro-growth mindset
In a clear sign that businesses of this type are pursuing a pro-growth agenda, the most popular reasons for requiring equity finance are to invest in Research & Development (48%), new technology (45%), and equipment and machinery (42%). Over a third (36%) plan to use the funding to hire new talent and around a quarter (23%) to launch a new product or service. Just 17% of respondents said the fresh capital would be needed to improve their cash flow, which can be a sign of distress.

Over the last financial year, VCTA-backed businesses delivered £12.5 billion in revenues, generating £3 billion in exports and investing £548 million in R&D. Over 75% of post-2015 VCT investee companies have invested in R&D.

More equity sought outside London and South East
Businesses outside the UK's main economic hub of London and the South East are on average seeking £2.04 million in fresh equity by 2024, compared to £1.3 million among entrepreneurs located in and around the capital, underlining the urgent demand for equity finance across all parts of the country.

A growing appetite for equity capital is reflected in the volume of investment activity by VCTs, which has increased by 28% year on year in the period January - October 2022. Over 1,100 of the most ambitious companies across the United Kingdom currently benefit from VCT funding, each of which is looking to scale and grow at pace.

Typically, when receiving their first investment from VCTs, entrepreneurs have managed to get their business started, have a small number of employees and a handful of customers, but lack the organisational infrastructure to be able to accelerate growth.

The VCTA's appetite for equity survey[1] found that an overwhelming majority of firms (96%) have sought to raise finance over the past two years.

Will Fraser-Allen, Chair of the VCTA, commented:

"It's encouraging to see such a strong level of demand for equity capital among early-stage businesses across all parts of the country. That businesses plan to deploy new capital to fund areas such as R&D, new technology and recruitment speaks to their pro-growth mindset. With the UK facing an uncertain future, their contribution is particularly important as many larger companies are under pressure to reduce costs and shelve investment plans.

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[1] Research was conducted among a sample of 240 senior decisionmakers at UK SMEs in August 2022. Respondents were split evenly by the 12 UK regions and by headcount (1-9, 10-49 and 50-249). All respondents fit the criteria for VCT investment, with responding businesses having been trading for an average of 3.5 years and having total gross value of assets standing at £7.2 million

Early-stage businesses rely on equity capital to scale up as they lack the track record required to attract other types of funding, and Venture Capital Trusts are a critical source of support.

"Young businesses, run by entrepreneurs with ambitious expansion plans, are supporting the health of our economy. We strongly believe that VCTs are ideally placed to continue funding this growth."

Stuart Veale, Managing Partner at Beringea, the manager of the ProVen VCTs, commented:

"There is an entrepreneurial boom taking place in the UK – more and more people are motivated to take a leap of faith and set up in business, often tackling the great social, environmental, and economic challenges of our generation. The VCT scheme therefore plays a vital role in supporting the ambitions of entrepreneurs throughout the country and driving the UK economy back to growth."

According to VCTA data, VCTs have an excellent track record of stimulating well-paid jobs in innovative, fast-growing industries across the UK, delivering on the government's intention to level up regional economies outside of London and the South East. For example, the average salary for an employee at an unquoted, VCT-backed company in the North West of England is approximately £40,000, nearly £10,000 higher than the whole-region average wage. Amongst quoted VCT-backed companies in the North West, the average salary rises to £50,000.

Over the last financial year, VCTA-backed businesses delivered £12.5 billion in revenues, generating £3 billion in exports and investing £548 million in R&D. Over three-quarters of post-2015 VCT investee companies have invested in R&D.

Media contacts

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About the Venture Capital Trust Association

The Venture Capital Trust Association (VCTA) is the industry body representing twelve of the largest venture capital trust managers in the UK. Its members make up more than 90% of the VCT industry, with £6.1bn funds under management invested through an extensive regional network of local offices across the UK.

It is an industry body actively campaigning to support early-stage businesses during a period of significant economic disruption and create the regulatory landscape to unlock sufficient growth capital to accelerate the UK's recovery.

VCTA – Case Studies

MATILLION

Matillion is a leading provider of cloud-based data extraction and transformation tools, which helps companies utilise their data for insight and decision making. At the point of YFM's initial investment in 2016, Matillion had only launched a product on one platform, Amazon Web Services. With funding it enabled Matillion to accelerate customer penetration within 15 months, but it actually achieved this within just six months.

Since YFM's investment Matillion co-founder and CEO, Matthew Scullion, has grown the Manchester-based enterprise software business from a small team of 18 to over 270 employees with new offices in New York, Denver and Seattle. Vital early-stage funding facilitated Matillion's transition into a significant presence in the US, demonstrating how the UK can nurture the growth of small tech businesses.

Now one of the most successful enterprise software companies in the UK, Matillion is a great example of VCT funding achieving exactly what it is meant to do – creating a valuable business that provides employment, tax revenue and exports.

"It's our view that every company in the world needs to compete using data," said Matthew Scullion, CEO at Matillion. "And most of the time they'll do this in the cloud. Only the cloud offers the speed, agility, power, and economics to cope with this demand for data insights, and to manage the exponentially growing data volumes and complexities that we work with today. As the leader in purpose-built data transformation software for cloud data warehouses, Matillion is perfectly positioned to help our customers compete and win using data."

ELVIE

Elvie is a British brand developing smarter technology for women. Its team of world-class engineers, designers and business minds are redesigning existing unattractive and outdated medical devices in women's health into sleek consumer products that could be used at home. Elvie now has six pioneering products across two categories, the latest - a hands free, hospital grade breast pump, Elvie Stride, which won the 2021 TIME best invention award, to Elvie Trainer, its award-winning Kegel trainer and app.

Elvie was founded in 2013 by Tania Boler, a women's health expert who's passionate about improving women's physical and emotional wellbeing while leading taboo-busting conversations around women's health. As an expert with over 15 years' experience, Tania's mission has always been to create world-class technology to address intimate (and often neglected) issues faced by women throughout their lives. Tania's vision for the company – to produce a suite of products designed with women considered at every stage of the design process, and that address the severe gender gaps in technology.

Titan VCT, managed by **Octopus Ventures**, led Elvie's $6m series A in 2017 and participated in its 2019 $42m series B and $68m 2021 series C rounds, investments that have helped Elvie continually innovate and develop new, best-in-class products and services for women, and helped it move into new markets including the USA.

Simon King, Octopus Ventures said: "When we first met Elvie, the combination of a cracking team with a powerful vision, a massive market and great initial traction meant making our investment decision was straightforward. We remain excited by the continued innovation we see from the team and the huge opportunity the company has in a historically underinvested area!"

QUORUM CYBER

Quorum Cyber is an award-winning cyber security business which has developed advanced solutions to protect organisations against security attacks and breaches.

When the **Maven** VCT's first invested in Quorum in 2020, the business had ambitions to grow internationally and saw the importance of further developing its innovative offering to help capitalise on the growing global demand for robust cybersecurity solutions. During the time of **Maven**'s investment, Quorum increased both annual recurring revenues and headcount fourfold and entered the US market. The **Maven** funding was used to make several key hires and to enhance the service offering, including innovations around both its Microsoft Azure Sentinel Security Operations Centre and the Managed Detection and Response service. These solutions quickly became attractive to a range of organisations across the world, helping protect them against cyber-attacks and ensuring that they could confidently operate in an increasingly hostile digital landscape.

Critically, Quorum also strengthened its partnership with Microsoft and is now recognised by industry commentators as a leading player in the sector, where its cutting-edge cyber solutions support many well-known organisations in enhancing their cyber protection.

"Our successful partnership with Maven has enabled us to accelerate growth and scale our business, and it has demonstrated what can be achieved with the right team and direction," *said Federico Charosky, CEO at Quorum Cyber.* "I'm incredibly proud of the progress made with Maven as our investment partner and Quorum is ideally positioned to continue its rapid growth."

BLOOBLOOM

Bloobloom is disrupting the glasses market by selling premium spectacles and sunglasses at a fair price, via a seamless buying experience. Bloobloom sells direct to consumers both online and offline through a growing store network, removing the middlemen and costs associated with them. Pembroke's latest £2.5 million investment, as part of a £3.7 million fundraise, alongside DMG Ventures and several angel investors will help Bloobloom further develop its pioneering technology and scale its business in the UK.

Established in 2018 by brothers Abbas and Fares Manai, Bloobloom adopts a transparent business model, sharing information such as raw material costs, transport and taxes with customers to demonstrate what they are getting for their money. Acting in stark contrast to its costly competitors, Bloobloom sells its glasses at an average price per pair of £95 whilst still achieving a healthy margin. The founders believe premium glasses can be reasonably priced and reject the glasses industry's current pricing conventions.

A key goal of the business is to help the 2.5 billion sight-challenged people in the world without access to glasses. Bloobloom's Pair for Pair programme ensures that, for every pair of glasses sold, Bloobloom donates another pair to someone in need. Bloobloom successfully launched two London stores in November and December 2021 (based in Carnaby Street and Marylebone High Street) and plans to grow this store network firstly in London before looking nationwide.

Fred Ursell, Investment Director, Pembroke Investment Managers LLP commented: "Bloobloom is a great example of a brand recognising and harnessing the power of the omnichannel approach. Fares and Abbas are transforming the customer experience of purchasing glasses into a delightful one, both online and instore. Bloobloom's focus on experience, product and brand has led to impressive commercial traction to date to match its solid ethical foundation. We are pleased to be supporting the team to realise its next level of ambition."

YARDLINK

YardLink is reinventing the future of construction procurement for SMEs across the UK with its full-service supply chain management software. Beringea led a $17.5 million Series A funding round, with participation from Amplifier and existing investors Speedinvest and FJ Labs, to double YardLink's headcount and expand its supplier network nationwide.

Construction sites often have to hire equipment, but the centralized nature of the traditional hire market means suppliers can be slow to deliver, leading to downtime on-site and delayed projects. YardLink aims to speed up this process with a digital-first, marketplace approach. It has a network of 100 suppliers with more than 1,400 equipment depots across the U.K.

These suppliers can be sourced, booked, and paid for directly through a single user-friendly digital platform. This not only streamlines the procurement process but it is also far more environmentally friendly by linking up contractors with approved local suppliers and helping to reduce the carbon footprint of every project.

YardLink CEO Neeral Shah said: "Construction is one of the least digitized industries with over 95% of supply chain transactions still being conducted over the phone, email and pen and paper. YardLink connects construction customers with their supply chain on a single digital platform."

Maria Wagner, partner at Beringea added: "In an industry that has struggled to embrace new technologies, and where supply and demand are fragmented, YardLink has the potential to establish itself as the go-to marketplace for construction supplies. Neeral and the team have built a business that enables a fast, reliable and cost-effective way for renting equipment or purchasing materials. The efficiency of the process also facilitates a lower environmental footprint. We are excited to join them on their journey!"

CLUBSPARK

ClubSpark is an awarding-winning specialist software company serving participants, sports providers, National Governing Bodies and International Federations. ClubSpark helps sports clubs with the management of operational activities and provides National Governing Bodies insight into participation and activity levels.

In February 2019, Foresight invested £2.15 million into Clubspark, helping extend the business' international operations - consolidating its position as the de facto standard in tennis worldwide.

In March 2021, Foresight completed a £2.5 million follow-on investment to allow ClubSpark to roll-out the global tennis platform and launch the World Tennis Number - developed in partnership with the International Tennis Federation. The investment will also support further product develop.

TOQIO

Toqio is a fast-growing fintech SaaS provider that allows any business, not just banks, to launch embedded finance solutions in a matter of days. Toqio recently secured £17.2m in Series A funding, led by Albion Capital, which also includes a £1.1m grant from a public organisation for technology development in Spain.

With a proliferation of innovative fintech and financial service providers entering the market over the past five years, Toqio was established to help make these services more accessible through its low-code platform, designed to build and launch new banking and finance solutions quickly and easily.

It removes the need to build and manage complex software through its SaaS platform and its marketplace. Toqio's 'Marketplace' provides a place to incorporate curated fintech modules into a solution, offered by leading financial service providers.

Eduardo Martinez Garcia, CEO & Co-Founder of Toqio, said: "After rapidly growing our team and entering the Spanish market, we'll now be broadening our focus within Europe. This new funding round will enable us to keep evolving and delivering on our vision to become the world's premier fintech SaaS platform, giving our clients the ability to create, customise, and launch bank-grade digital finance solutions."

Jay Wilson, Investment Director at Albion Capital added: "We have been incredibly impressed by Toqio's growth to date and the exceptional quality of the SaaS business it is building. We are well aligned with the company's vision of bridging the gap between financial services and financial outcomes. The digitisation of finance is only just beginning and Toqio has a massive market to go after. We look forward to playing a small part to support them in delivering on their bold ambition."

HURR

HURR launched in 2019, aiming to reinvent what ownership means for consumers through fashion rental. The business has a hybrid business model: It operates its own marketplace where people can rent fashion from peers or directly from more than 130 designers and brands, and provides white-label services allowing retailers such as Selfridges to provide their own rental offerings. On top of those, HURR has opened a physical store in Selfridges London and a partnership with Depop to sell items that can no longer be rented.

The driving force behind HURR is founder & CEO, Victoria Prew. She launched the business to give women the ability to be part of the latest trends without fuelling demand for more disposable fashion. She built the business from visiting lenders' homes with a camera in hand, to a desk at Google's Startups Campus, to a thriving on and offline community of renters and lenders.

Building a more sustainable planet is a core value for Octopus Ventures, and the team quickly realised the values they shared with Victoria on first meeting her in 2020. The team also realised the value they could bring to HURR by applying learnings from the likes of Olio, Cazoo and Depop to the business. Octopus Ventures led HURR's £4.1m seed round in 2021.

Matt Chandler, Octopus Ventures said: "Steering consumers away from overconsumption is something we care deeply about at Octopus Ventures. It is why we were early backers of Depop, and Victoria had a brilliant vision in how to do that. Not only did she have that vision but she was executing beyond expectations – shifting to a hybrid business model and securing valuable, high-quality partnerships. We believe Victoria can reinvent how consumers view fashion."

PURE PET FOOD

West Yorkshire-based Pure Pet Food is an online direct to consumer manufacture of natural health food for dogs and cats. Its mission is to provide pets with customised, healthy, convenient pet food through differentiated air dried or dehydrated recipes.

Mercia's Northern VCTs invested an initial £2.0million to support co-founders Matthew Cockroft and Daniel Valdur Eha develop a more personalised offering. The appointment of an in-house teaching technology team to build a bespoke customer-facing platform allows the acquisition of data to enable intelligent marketing and customised recipes for improved customer retention.

Pure Pet Food's growth has accelerated during the pandemic with pet owners opting for online convenience, and this is set to double the company's run rate revenue.

SIMULITY

In November 2016, Foresight VCT invested £4 million of growth capital into Simulity Labs, a specialist technology business based in Bangor and Belfast, that produces embedded communications software for SIM, eSIM and the next generation of connected devices.

Following investment, Foresight and the management team developed and implemented a comprehensive 100-day plan, which involved expanding the company's product offerings, transitioning the business to a more licensed and software focused growth strategy and opening additional offices in India and the USA. The investment, which led to a 25% growth in staff numbers in the UK, helped attract key global partners and customers with an increased level of confidence in the provision of critical products, especially in overseas markets such as Israel. It also attracted the attention of potential acquirers and, just eight months after investment, in July 2017, Foresight successfully completed the sale of Simulity to world-leading semiconductor IP company ARM delivering a near three times return to shareholders at an IRR of 400%.

Stephane Fund, Founder and CEO, Simulity Labs said: The institutional backing of Foresight allowed us to scale the business and continue to build our world leading team and technology, whilst also providing huge credibility in discussions with large global corporates. Foresight has worked closely with us, particularly during the exit process."

Open Offers – Ventures Capital Trusts

This list is taken from the GrowthInvest website on 9th December 2022.

- Albion VCTs
- Blackfinch Spring VCT
- British Smaller Companies VCTs
- Calculus Capital VCT
- Edition VCT
- Foresight Enterprise VCT
- Foresight |Williams Technology VCT
- Guinness VCT
- Hargreave Hale AIM VCT
- Maven Income & Growth VCTs
- Mobeus VCTs
- Molten Ventures VCT
- Octopus Apollo VCT
- Octopus Titan VCT
- Pembroke VCT
- ProVen VCTs
- Puma Alpha VCT
- Puma VCT 13
- Seneca Growth Capital VCT
- Thames Ventures VCT 1
- Thames Ventures VCT 2 – Healthcare Shares
- Thames Ventures VCT 2 – Ventures Shares
- Triple Point VCT 2011

Coming Soon

- Baronsmead Venture Trust PLC & Second Venture Trust PLC
- Foresight VCT
- Northern VCTs
- Unicorn AIM VCT

Amati AIM VCT questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
CT – Amati AIM VCT

AUM changed since last year?

Fund	AUM as at October 2021	AUM as at October 2022
Amati AIM VCT	£278.9m	£205.5m

Funds raised v target in the last year?

Fund	Funds raised last 12 months to 31 October 2022
Amati AIM VCT	£25.0m

How happy are you with your fund performance this year?

AIM has been weak this year, falling over 33%. Whilst we have delivered a slightly better outcome, with the model portfolio falling just over 30%, the scale of the drawdown has been disappointing. AIM was the most hit of all the UK markets, as investors reduced exposure to highly valued technology and consumer names, which are particularly represented on AIM. Low levels of liquidity coupled with outflows exacerbated the situation. We did see bids for some portfolio holdings which reassured us that the companies we hold are attractive to trade and Private Equity buyers.

How has the economic climate affected your AUM?

The economic climate worsened during the year, after the huge monetary and fiscal stimulus during the pandemic which has now started to be reversed. The invasion of Ukraine has increased the pressure on Central Banks to rein in inflation. The negative effects of Brexit on UK trade have also become more noticeable as the year has gone on, as the UK's economic performance lags those of other developed nations. Amati's AUM, in common with other fund managers, have fallen in our established funds.

Is your fund evergeen? If not, is it open or closed now? Is this status likely to change?

Amati AIM VCT – Evergreen – Closed – It is unlikely that we will look to raise any further funds within the 2022/23 tax year. However, we would expect to launch a new prospectus offer in the 2023/24 tax year, depending on the availability of suitable investment opportunities.

How has MiFIDII affected your fund/business?

The implementation of MiFID II has had far-reaching implications for regulated firms and it continues to present operational and compliance challenges. The extent to which the UK will diverge from the EU regime is yet to be determined, however there is clearly a delicate balance to struck between developing a post-Brexit framework appropriate to the UK, the benefits of broad regulatory alignment with other jurisdictions, and the desire on the part of firms for a period of relative stability on the regulatory front, after several years of uncertainty.

How have you implemented the PROD rules?
The PROD rules were implemented in full across our firm, with appropriate structures having been put in place for product design, testing, distribution, governance and oversight. Many of the requirements overlap with those of the Products and Services Outcome of the Consumer Duty, although we will need to ensure that there are no gaps in our framework and be mindful of the cross-cutting rules.
How has SFDR and PRIIPS affected your provision of information?
The VCT and the AIM Service are not subject to SFDR. The VCT is subject the PRIIPs regime, which has been controversial since its inception, particularly in regard to the performance scenarios, which are a mandatory element of the Key Information Documents (KIDs). The scenarios are based on historical share price volatility, the results of which can produce unrealistic projections of future performance. More generally, the KIDs in their present form do not capture the full risks associated with the product and should therefore be used with the utmost caution. Since Brexit, the FCA has used certain (limited) powers to remove or mitigate some of the more problematic elements of the regime, and has recently published a revised set of rules for KIDs applicable from 1 January 2023. Further improvements to the regime will need to wait until a full Treasury review, the timing of which has not been confirmed.
Do you expect Consumer Duty to have any further effects?
The Duty will impact firms across the retail distribution chain, even where that relationship is indirect. All firms will need to map their business models to the Duty and be able to evidence how they are acting to deliver good outcomes for retail clients. Some of the requirements of the Duty are already being met by compliance with existing rules such as PROD, in which case there will be a proportionate application of the Duty depending on the nature and scope of the products and services offered, the place in the distribution chain and the identified target market(s). The overarching cross-cutting rules will fill any gaps in the regulatory framework and ensure that there is a wide application of the Duty. A significant development is that the treatment of vulnerable customers is now integrated in to the FCA's supervisory framework. This is central to Amati's implementation plan for the Duty.
How has your sustainable investment strategy evolved?
We have deepened our understanding of ESG risks over time, and believe that this will continue further over the coming years. We have introduced new thinking specifically around human rights issues over the last couple of years, with this being focused both on supply chain issues and the natural resources sector.
What is your experience of the numbers of advisers starting or stopping using tax-efficient funds?
In terms of tax efficient investing Amati offer two different tax-efficient products - an AIM VCT and AIM IHT Portfolio Service. From our experience we are seeing increased interest in both products from advisers over the past year or so. AIM VCTs seem to be becoming a more widely used financial planning tool for advisers and we see the transparency of AIM listed VCTs as a potential attraction for advisers. Equally, more advisers seem to be confronted with a growing number of clients with potential future IHT liabilities as a result of static IHT thresholds and strong housing markets, for example. After Jeremy Hunt's recent autumn statement and the rising tax burden we feel interest in these strategies should remain strong, as the demand for financial planning solutions tend to be less impacted by shorter term market movements and sentiment.
Anything else you feel that I should be including.
For more information, please contact info@amatiglobal.com or call 0131 503 9115. https://www.amatiglobal,com

The Baronsmead VCTs

Baronsmead

Gresham House
Specialist asset management

Baronsmead Venture Trust plc
Baronsmead Second Venture Trust plc

Founded in 1995, the Baronsmead VCTs combine rich heritage and experience with a dynamic, entrepreneurial approach, to invest in the UK and Ireland's very best early-stage growth businesses.

The Baronsmead VCTs seek to invest in innovative companies that we believe will be crucial to the UK economy in the years to come, providing capital and expertise to accelerate growth at a critical stage of their journey.

Drawing on our investment team's extensive entrepreneurial network and specialist skills, we inject capital at pivotal points to push exciting businesses to the next level.

We concentrate our efforts on sectors, markets and companies benefiting from long term structural growth in order to benefit our investors and investees.

Our two listed funds, Baronsmead Venture Trust plc and Baronsmead Second Venture Trust plc, are tax-efficient venture capital trusts, offering private investors the opportunity to achieve attractive long term investment returns.

Both VCTs have a 'generalist' approach, investing in high growth unquoted, AIM-traded and other listed companies.

The VCTs have similar portfolios and co-invest alongside each other.

The Baronsmead VCTs are managed by specialist alternative asset management group, Gresham House.

About Gresham House

Gresham House is a specialist alternative asset management group, dedicated to sustainable investments across a range of strategies, with expertise across forestry, housing, infrastructure, renewable energy and battery storage, public and private equity.

Our origins stretch back to 1857, while our focus is on the future and the long term. Quoted on the London Stock Exchange (GHE:LN), we actively manage c.£7.5bn1 of assets on behalf of institutions, family offices, charities and endowments, private individuals and their advisers.
1. AUM as at 30 September 2022, Gresham House. Unaudited.

We act responsibly within a culture of innovation that encourages individual flair and entrepreneurial thinking.

As a signatory to the UN-supported Principles for Responsible Investment (PRI), our vision is to always make a positive social or environmental impact, while delivering on our commitments to shareholders, employees and investors. Our team are empowered to design and implement alternative investment solutions in support of a more sustainable future, with ESG considerations at their core.

Large and diversified portfolio

The portfolio within the Baronsmead VCTs is well diversified, with investments in over 85 direct quoted and unquoted companies.

The portfolio is constructed with the aim of delivering consistent performance and regular liquidity to support the payment of shareholder dividends.

- Portfolio is weighted towards technology, healthcare and business services companies in sectors with positive long-term growth drivers

- c.50% of portfolio companies by market value have contracted or recurring revenue business models
- Quoted and unquoted portfolios have historically had complementary return profiles over time

Investment objectives

The Baronsmead team has been backing growing businesses for over 27 years and has invested in over 300 unquoted and AIM-listed companies since launch.

Through these investments the team has built an extensive entrepreneurial network and sector expertise across consumer, technology, business services, healthcare and education.

Why choose Baronsmead?

✅ First launched in 1995, Baronsmead is a longstanding and respected brand, managing a combined NAV of c.£420mn
✅ Long-term track record of delivering robust investment returns and consistent dividends for shareholders
✅ Well-established portfolio of diversified unquoted and quoted investments
✅ Proven deal origination capability, driving a strong pipeline of new deal and follow-on investment opportunities

Businesses we invest in

As a result of significant VCT rule changes in November 2015 and the Finance Act of 2018, the Baronsmead VCTs now invest principally in small, early-stage, unquoted and AIM-traded companies.

These businesses have established operations, clear product-market fit and are growing strongly. Investment from the Baronsmead VCTs is used to support ongoing growth and is typically utilised to build sales and marketing capability, expanding internationally, developing technology and strengthening corporate governance.

Case studies

Patchworks

Patchworks provides integration software to the multiple operational systems used by e-commerce businesses.

Deal type	Growth
Sector	Technology
Year of investment	2021
Amount invested	£4.8mn
Adopted valuation	£7.2mn

Metrion

Metrion is a Contract Research Organisation (CRO) focused on delivering a range of high-quality ion channel drug discovery services.

Deal type	Growth
Sector	Healthcare & education
Year of investment	2021
Amount invested	£2.2mn
Adopted valuation	£4.4mn

Sustainable investing and ESG

The Investment Manager is committed to sustainable investment as an integral part of its business strategy.

Environmental, social and governance (ESG) analysis is embedded into the Companies' investment processes by the Investment Manager in order to build and protect long-term value for investors.

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

The table below shows the ten themes and the most important ESG factors the Investment Manager will use to assess an investment

Environmental

Climate change and pollution	Natural capital	Waste management
Optimal contribution to low carbon energy generation in the UK	Visual impact and biodiversity management	Waste reduction and sustainable management of waste in construction, operation and decommissioning

Social

Employment, health, safety and well-being	Marketplace responsibility	Supply chain sustainability	Community care and engagement
First class H&S system; site safety policy	Maximum uptime and minimal local disruption	Robust policy relating to materials impact, quality and ethics	Good practice consultation; local investment strategy

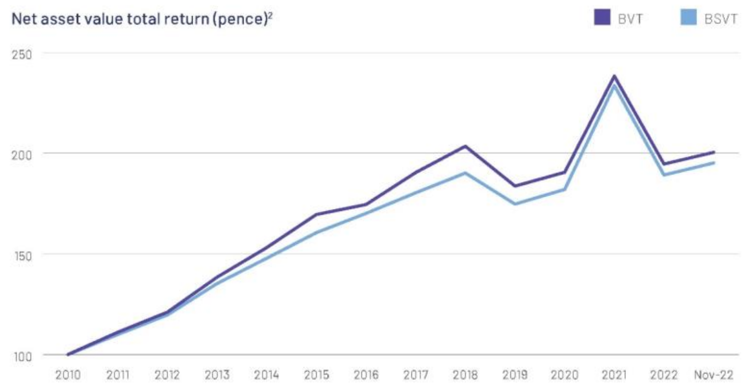
Governance

Governance and ethics	Risk and compliance	Commitment to sustainability
Governance good practice; strong business ethics management and culture	Robust risk and compliance management	Continuing enhancement of the portfolio and its impacts

ESG approach

- ESG assessment tool is embedded across the investment lifecycle from initial appraisal to ongoing portfolio management
- Carrying out portfolio company ESG surveys to set benchmarks, measure improvements and develop best practice
- Development of template ESG policies to provide to portfolio companies to help acceleration of approach to ESG and sustainability
- Stewardship & Proxy Voting policies established, implemented and publicly stated
- Enhanced ESG reporting in Baronsmead Annual Report and Accounts

Robust long-term performance.



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

Net Asset Value total return to 30th November 2022

	1 year	3 years	5 years	10 years
Baronsmead Venture Trust plc	(12.57%)	6.23%	5.02%	61.40%
Baronsmead Second Venture Trust plc	(12.83%)	8.52%	7.69%	59.67%

Dividend Track Record

The Baronsmead VCTs have a track record of consistently paying dividends to shareholders.

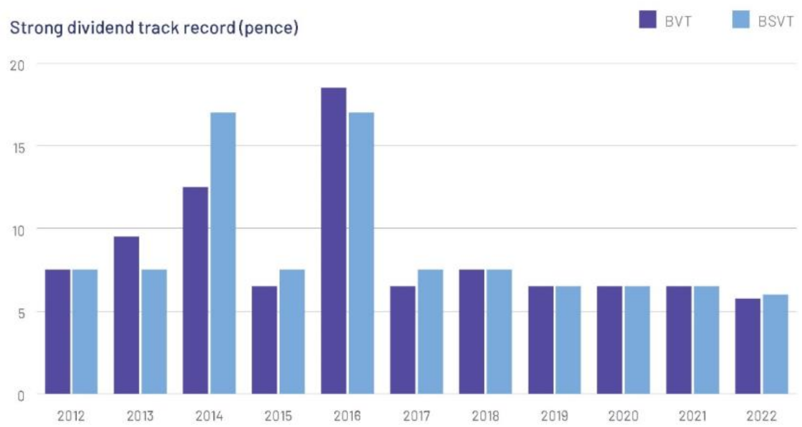
Each board is responsible for its own dividend policy and these are subject to review and changes over time. The Boards will use as a guide a yield of 7% per annum, based on opening NAV per share at the start of the financial year, as a target for setting dividends. Dividends are typically paid twice each year.

Baronsmead Venture Trust plc - 8.6p
Average dividend paid and declared in the last 10 years - 7.3%

Baronsmead Second Venture Trust plc - 9.0p
Average dividend paid and declared in the last 10 years - 7.1%

Dividend sustainability

- Strong track record of successfully selling investments through the cycle
- These companies are generally more mature, profitable and cash generative businesses
- c.50% of the portfolio remains invested under the old VCT rules
- Ability to top-slice shareholdings in AIM portfolio to generate short-term liquidity
- Clear evidence of value creation in the early stage portfolio, which will increasingly contribute to the future performance of the VCTs



All data as at 30 November 2022, Gresham House. Unaudited.
Average dividend paid and declared in the last 10 years to end of latest financial year, 30 September 2022. Includes 2022 proposed final dividend, BVT 2.75p; BSVT 3.00p
2022 dividend yield based on 2022 dividends declared over opening NAV per share.

Investments in 2022

February

£2.3mn
Unquoted - new investment

Proximity offers a software-as-a-service (SaaS) cloud-based retail app for global omni-channel retailers to build long-term relationships with customers by capturing data around their preferences, behaviours, and purchases.

£1.5mn
Unquoted - follow-on investment

RevLifter is an e-commerce deal personalisation platform. The platform uses artificial intelligence to understand real-time signals from user behaviour on websites in order to deliver deals at the optimum time and achieve advertisers' goals.

March

£1.4mn
Quoted - new investment

Oberon Group is a financial boutique comprising three divisions: corporate advisory and broking; investment management; and wealth planning.

April

£0.5mn
Unquoted - follow-on investment

Tribe Limited is a social media micro-influencer marketing platform helping brands reach and engage with more people.

£5.0mn
Unquoted - follow-on investment

Panthera is a leading clinical trials organisation with dedicated clinical trial sites in locations around the UK, including Preston, Manchester, Glasgow, and London.

May

£1.9mn
Unquoted - new investment

Bidnamic combines advanced machine learning with human expertise to drive revenue and profits from Google Shopping adverts.

May

£0.6mn
Unquoted - follow-on investment

Glisser is a leading live audience engagement and meeting analytics platform. Their certified audience engagement software shares presentation slides to delegates' devices in real-time, then uses audience interaction – Q&A, polling, social feeds, private notes – to improve the attendee experience and provide useful meeting analytics.

£2.0mn
Unquoted - follow-on investment

Yappy is an online retailer offering personalised products for pets and pet lovers alike.

June

£1.2mn
Unquoted - follow-on investment

Moteefe is a social commerce platform providing a solution for users to sell customised products through social media.

£3.5mn
Unquoted - new investment

fu3e. is a software provider for managing projects, developments or assets, created explicitly to span the entire real estate and property sector.

£1.5mn
Unquoted - follow-on investment

Patchworks helps e-commerce businesses automate and manage data flows across backend systems. Its software connects key ecommerce systems allowing businesses to simplify the integration of their technology stack.

September

£2.0mn
Quoted - follow-on investment

Crossword Cybersecurity provides sourcing and development of academic ideas into commercial cyber security products and services.

£2.5mn
Unquoted - follow-on investment

eConsult Health is the NHS's leading online consultation provider to primary care. Their form-based online consultation platform collects patients' medical or administrative requests and sends them through to GP practices to triage and decide on appropriate care.

September

£0.6mn
Unquoted - follow-on investment

Airfinity is a pioneer in predictive health analytics providing real time life science intelligence as a subscription service.

£1.8mn
Unquoted - new investment

FocalPoint is a deeptech business using proprietary technology to apply advanced physics and machine learning to reduce costs and dramatically improve satellite-based location sensitivity, accuracy, and security in smartphones, wearables and vehicles.

£1.6mn
Unquoted - new investment

Orri offers in-person and virtual eating disorder (ED) services, providing an important service in a growing area where NHS services contend with insufficient budgets to meet the rising demand.

Blackfinch Spring VCT

The Blackfinch Spring VCT invests in new firms at the growth stage of development. The investment team focuses on companies using the Internet, mobile devices and social media to offer their customers better products and services. With these businesses operating across industries, exposure to different firms and sectors also helps create portfolio diversification.

The Blackfinch Spring VCT invests in firms that have already raised funding, gained traction in their respective markets, and require investment to accelerate the scale-up process. The investment team targets firms offering the potential for higher returns at exit. Potential portfolio companies must show they have revenue and customers, are capable of disrupting large, growing markets, and are ready for the next phase of growth.

Investors can draw on VCT tax benefits (including income tax relief, CGT exemption and no income tax payable on VCT dividends) through investing in growth-stage technology-enabled firms.

GROWTH INVESTOR 2020 AWARDS FINALIST BEST BR INVESTMENT MANAGER (UNLISTED)

GROWTH INVESTOR 2020 AWARDS WINNER BEST BR INVESTMENT MANAGER (LISTED)

Professional Paraplanner Awards 2022 Winner Best Independent Service Provider

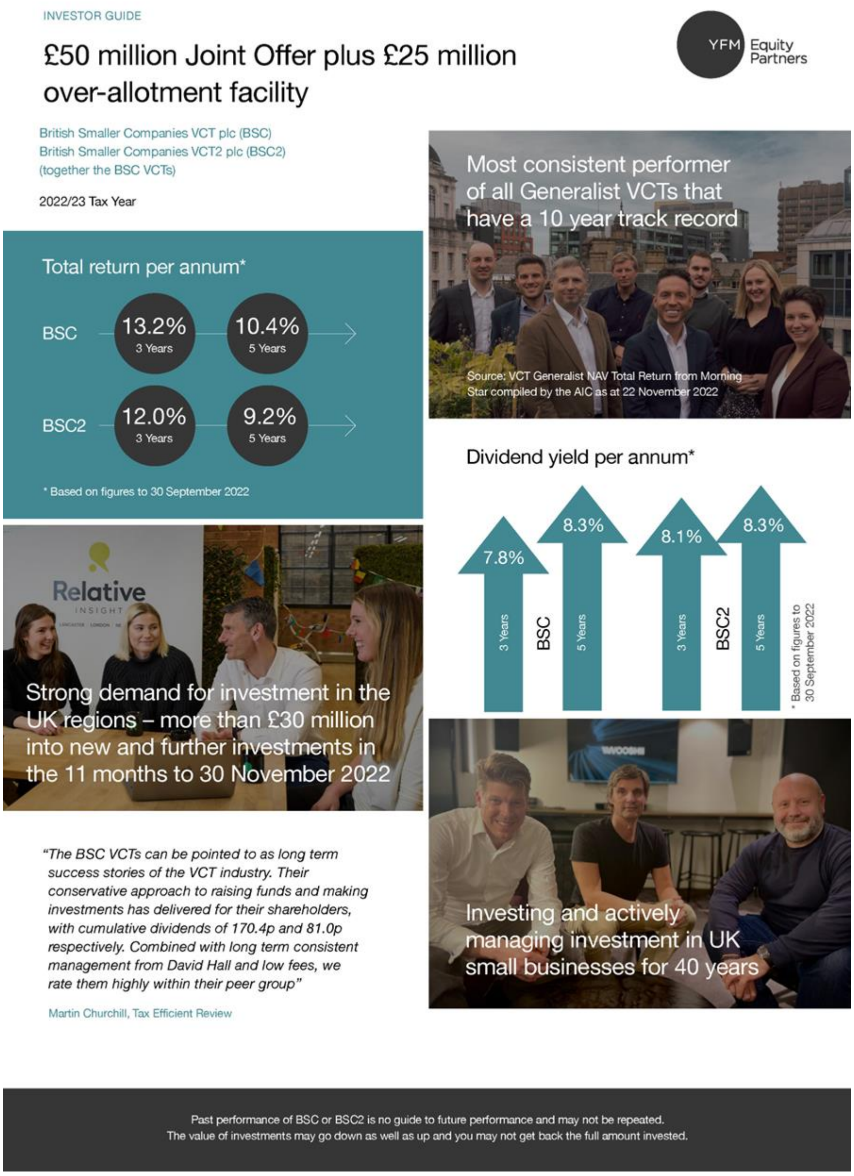
defaqto EXPERT RATED DFM MPS (Platform) Family 2021

defaqto EXPERT RATED Risk Focused Fund Family 2021

ESG Committed

Signatory of: PRI Principles for Responsible Investment

British Smaller Companies VCT



Introduction

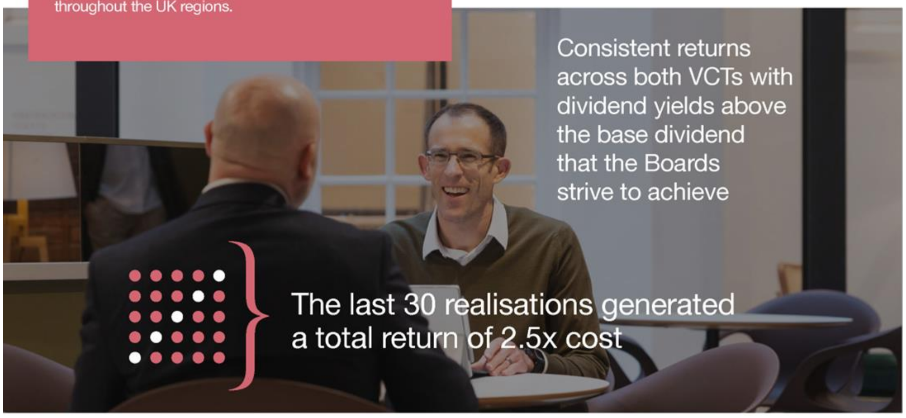
The BSC VCTs invest in growing businesses located across the UK from YFM's five regional offices. YFM has invested heavily in its new deal capability, and this, as well as increased demand for equity investment provided by Venture Capital Trusts, has seen the BSC VCTs deploy more than £30 million in the 11 months to 30 November 2022.

To meet the growing demand for further and new investment, the BSC VCTs are seeking to raise £50 million plus a £25 million over-allotment facility of new investment funds, to take advantage of the high level and quality of investment opportunities available throughout the UK regions.

Successful private equity fund manager

YFM Private Equity Limited (YFM), a subsidiary of YFM Equity Partners LLP, has a 40-year history of investing in growing businesses and has been managing and advising venture capital trusts since 1996. YFM's key strengths are its:

- **Highly experienced investment team:** 28 investment and portfolio staff spread across YFM's regional office network, with an average of 14 years' experience each
- **Strong levels of deal flow in the UK regions:** selectively choosing from over 600 investment opportunities each year
- **Active portfolio management style:** involved in setting strategy, strengthening management teams, evaluating acquisition opportunities and driving exit values.



Key Risks

This financial promotion is an advertisement, for information purposes and does not constitute the Prospectus relating to the Offers to subscribe for shares in BSC and BSC2 ("the VCTs") and it does not contain investment advice. You should only invest under the Offers on the basis of information contained in the VCT Offers Prospectus issued by the VCTs ("the Prospectus") which can be found at bscfunds.com.

The tax reliefs available are dependent on the VCTs maintaining HM Revenue & Customs approval and will also depend on individual circumstances and on investors retaining their shares for a 5-year period.

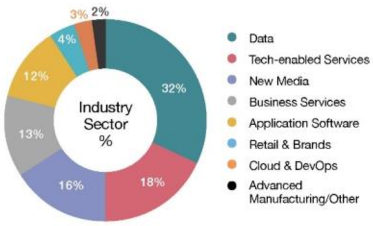
Past performance is no guide to future performance and the value of an investment in the VCTs may go down as well as up and you may not get back the full amount invested. An investment in a Venture Capital Trust may be higher risk than investing in other securities listed on the London Stock Exchange official list. You should regard an investment in the VCTs as a long term investment. The VCTs invest in mostly unquoted companies which are small and which by their nature carry a heightened level of risk. In the past there has been limited liquidity in venture capital trust shares listed on the London Stock Exchange. It may therefore be difficult to realise shares in the VCTs in the future and the share price may not reflect the underlying Net Asset Value. For a full list of risk factors, please see "Risk factors" on page 13 of the Prospectus.

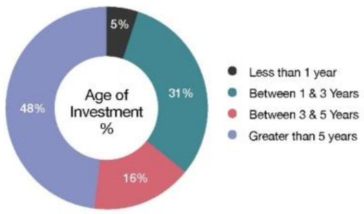
We recommend that you seek independent financial advice from an appropriately authorised independent financial adviser as to whether this investment is suitable for you as well as your personal entitlement to tax reliefs associated with the Offers.

Past performance of BSC or BSC2 is no guide to future performance and may not be repeated. The value of investments may go down as well as up and you may not get back the full amount invested.

Strong demand for investment in the UK regions

Portfolio sector analysis as at 30 September 2022





Venture Capital Trusts

Dividend Re-investment Scheme ("DRIS")

Each of the BSC VCTs operates a DRIS which provides investors a tax efficient way of building up their shareholding as an alternative to receiving dividends in cash. Tax free dividends are re-invested at the most recent Net Asset Value and attract 30% income tax relief.

Providing improved liquidity and buy-back policy

Both BSC VCTs want to ensure that shareholders have the ability to realise their investment; to facilitate this they operate a share buy-back policy whereby shares are bought back at a 5% discount to Net Asset Value. This policy and the rate of discount are reviewed regularly.

New to Venture Capital Trusts?

VCTs offer significant tax benefits to investors which currently include:

- 30% income tax rebate on your investment (subject to your total income tax bill)
- Tax free dividends and capital distributions
- Exemption from capital gains tax on any capital on sale

More information on Venture Capital Trusts can be found on the Association of Investment Companies website: theaic.co.uk

Tax reliefs are subject to change. Please refer to your tax adviser or HM Revenue & Customs website for further guidance on Venture Capital Trust reliefs.

Offer details

Closing date	31 March 2023 (or earlier if fully subscribed)
Final allotment date	4 April 2023
Offer size	£50 million plus £25 million over-allotment facility
Allotment	Based on most recently reported Net Asset Values
Minimum investment	£6,000 (across both VCTs)
Maximum investment	£200,000 (per tax year)
Early bird offers	0.25% for the first £15 million raised
Costs of the offers	3.0% Advised 3.5% Direct 5.0% Execution only
Offer terms	For full details of the Offer terms, please refer to the Prospectus

RAM Capital Partners

PROMOTER TO THE OFFERS
T 020 3006 7530
ramcapital.co.uk

This document is an advertisement and is not a prospectus and any decision to invest in this product should be made on the basis of the information contained in the Prospectus issued by British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, which can be found on bscfunds.com.

Important Notice

An investment in British Smaller Companies VCT plc and British Smaller Companies VCT2 plc ("the VCTs") is suitable only for investors who are capable of evaluating the risks (see page 2) and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in any doubt as to the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

This financial promotion has been issued and approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by YFM Private Equity Limited, which is authorised and regulated by the Financial Conduct Authority (FRN 122120). YFM Private Equity Limited is the Manager to the VCTs and is a wholly owned subsidiary of YFM Equity Partners LLP (OC 384467) Registered in England and Wales. Registered office: 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS.

YFM British Smaller Companies VCT Fund Questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
VCTs
Minimum investment for funds?
£6,000
Amount to be raised?
£50 million with a £25 million over allotment facility
Deployable this tax year?
The Offers are for the current tax year
How many companies are in your portfolio?
36
What is your fee structure/how are your fees deducted/etc?
Initial fee for the Offers 3% (3.5% if investors come direct) The VCTs offer fee facilitation (capped at 4.5%) for the Advisers where tax relief is applicable to the gross amount
What is/are the sector/s that your fund is looking to invest into?
The investment strategy of the BSCVCTs is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services. These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will comprise mainly equity investments. The BSCVCTS seek to build a broad portfolio of investments in early stage companies focussed on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines. Investments are made selectively and are currently analysed across these sectors: Data, Tech-enabled Services, New Media, Business Services, Application Software, Retail & Brands, Cloud & DevOps and Advanced Manufacturing. The BSC VCTs will make investments in accordance with the prevailing VCT legislation which places restrictions, inter alia, on the type and age of investee companies as well as the maximum amount of investment that such investee companies may receive.

Calculus VCT

Calculus
experience counts

The Calculus VCT is targeting around 50 small UK companies across a diverse range of different sectors. The Calculus VCT provides immediate exposure to a diversified portfolio of entrepreneurial UK smaller companies with high growth potential. The additional funds will be used to provide development and scale-up capital to new investments with robust business models and to help drive growth in existing portfolio companies.

Experience counts

Calculus has been investing in UK growth companies since we created the first approved EIS (Enterprise Investment Scheme) in 1999 and launched our first VCT in 2005. Our investors benefit from over two decades of investment experience, covering varying periods of economic expansion, contraction and changing tax rules. The aim is to deliver resilient, long-term outperformance.

Our reputation is built on our ability to identify the best opportunities, negotiate mutually beneficial deal structures – to keep management teams incentivised, grow and scale businesses, and successfully manage and deliver profitable exits at the best possible moment.

Our diligent investment process is demonstrated by our impressive record of profitable exits, which fund our consistent dividend stream, and this distinguishes us from other VCT managers.

In the last financial year, the Calculus VCT achieved 7 exits including 4x return for CloudTrade and 3.6x return for Mologic. Please note, past performance is not indicative of future performance.

Calculus VCT – Key Features

- Minimum Investment Amount – £5,000
- Next allotment date – March 2023
- Target dividend – 4.5% of NAV

Now open for subscription – Next allotment – March 2023

info@calculuscapital.com 020 7493 4940

Edition VCT

- Edition Capital is an established EIS manager with particular expertise in the leisure sector in a tech-heavy tax-efficient marketplace
- The team has 125+ years' experience in leisure and investment
- The team has a with a track record of achieving significant upside for EIS Investors
- Paul Bedford, Chairman, managed VCTs for 10 years at Ingenious before founding Edition Capital alongside the other partners and launching their EIS product
- Edition EIS has unique access to fast growing businesses and has raised and deployed over £51m into 34 companies in the last 18 allotments
- Edition VCT gives investors access to a broad spectrum of mainly later stage companies operating in leisure that require scale up capital
- Attractive valuation opportunities in leisure businesses post-pandemic

Key fund features

- £3000 minimum subscription, with £500 top-ups thereafter
- Edition VCT will pay dividends from year 1, with a longer-term target of 5% dividend yield, and special dividends available when appropriate
- Target allocation of between 8-12 companies (minimum 5) with diversity across the leisure sector, with a longer term target of 30-40 companies within the VCT
- 100% tax efficient – 30% income tax relief on subscriptions (after any adviser charges)
-

Sector Approach

Edition Capital *("Edition"),* the specialist EIS and VCT manager providing vital growth capital for ambitious leisure companies, has launched an offer for £10m new investment in Edition Capital VCT Leisure Shares, with a further £10m over allotment facility.

Edition has taken over the Oxford Technology VCT – which has been renamed Edition Capital VCT– and launched its new share class, Leisure Shares. Edition Capital VCT is also undertaking a merger with the other (four) Oxford Technology VCTs.

Importantly, this merger allows the recently launched Leisure Shares to begin paying tax free dividends to investors from year one.

The Edition Capital VCT builds on the proven strategy of the Edition EIS Fund of investing in the UK leisure industry, which continues to see a strong recovery post-Pandemic.

Edition collaborates with its portfolio companies providing strategic planning and dedicated support to bolster growth - this proven approach grows shareholder wealth for the benefit of investors.

Edition focuses on making investments into key sectors including hospitality, live entertainment, lifestyle and well-being, content and IP, plus digital and technology. Previous investments include coffee house and online retailer WatchHouse Coffee, Little Lion Entertainment (creator of The Crystal Maze Live and Tomb Raider Live Experience), boat charter marketplace Borrow A Boat, and Mainstage Festivals (promoter of international music festivals including Snowboxx and Kala).

Furthermore, consultancy firm Oxford Economics forecast that the leisure and hospitality sectors are expected to be the fastest growing parts of the economy over the next five years[2]

Key features of any business Edition VCT invests in:

- Proven business model, with potential to roll out and generate high levels of growth
- Focus on later stage businesses which are profitable and are looking to scale up
- Strong management teams with excellent track records to execute strategy
- Flexible business plans and able to take advantage of changes in consumer demand

[2] Oxford Economics (April 2022)

Maven VCTs

MAVEN INCOME AND GROWTH VCT PLC (MAVEN VCT 1),
MAVEN INCOME AND GROWTH VCT 3 PLC (MAVEN VCT 3),
MAVEN INCOME AND GROWTH VCT 4 PLC (MAVEN VCT 4),
MAVEN INCOME AND GROWTH VCT 5 PLC (MAVEN VCT 5)

Maven is one of the longest established VCT Managers with:

- a UK wide presence through a regional business model and nationwide investment team, with more than 25 executives active across the regions where Maven believes that private company investments can often be obtained at better entry pricing than in London and the South East;
- nationwide Presence and Deal Flow - Maven has one of the largest investment and portfolio teams in the VCT sector, operating from 11 regional offices, and offers the collective skills and resources to identify and execute a wide range of VCT qualifying transactions, including specific experience of providing growth finance to innovative, early stage businesses across the UK in a range of sectors;
- Maven's national office network allows regionally based executives to provide close support to each private Investee Company throughout the life of the investment;
- a strong record of VCT investment, with approximately £63 million invested in 43 new private company investments completed since January 2019, in sectors such as enterprise software solutions, fulfilment technology, fintech, cyber security, medtech, data analytics, training, life sciences and healthcare, which have delivered sustained growth and typically have limited direct consumer exposure:







- a specialist investment team that is able to offer a hybrid private company and AIM investment strategy, which allows each of the Maven VCTs to maximise sector and asset diversification and spread investment risk;
- a history of achieving profitable private company exits, including 15 realisations since January 2019 from Investee Companies in which one or more of the Maven VCTs were invested, and which have generated total return multiples of up to 6.5x cost; and
- a rigorous approach to asset selection and active portfolio management, providing comprehensive mitigation of risk while helping to expand the VCT portfolios.

Key features – VCT Offers:

- Maven is one of the leading VCT fund managers, with a VCT heritage spanning over 20 years.
- Four mature, evergreen generalist VCTs managed by a highly experienced UK wide team which has launched VCT offers every year since 2009, which has allowed the Maven VCTs to expand their portfolios by making additional new Qualifying Investments.
- VCTs with a long term record of achieving positive Shareholder returns. In the period to their most recent financial year ends, Maven VCT 1 and Maven VCT 3 have each delivered 13 consecutive years of increases in NAV Total Return while Maven VCT 4 has achieved increases in 12 of 13 years, and Maven VCT 5 has delivered increases in each of the 10 full years since Maven was appointed to replace the previous manager;
- highly diversified, established portfolios with exposure to a range of carefully vetted private and AIM quoted companies, offering both geographical and sectoral diversification;
- a dividend policy, for each Maven VCT, of seeking, as a guide, to pay an annual dividend that represents a yield of around 5% of NAV per Share; and
- participation in the investment returns of the existing portfolios, with an entitlement to any dividends paid by the Maven VCTs.

Diversification and investment approach

Hybrid Private Company and AIM Investment Strategy:

- Each Maven VCT invests primarily in a diversified portfolio of private companies, alongside carefully selected AIM quoted holdings. This has proven to be a successful strategy, and the Maven VCTs have each delivered a positive NAV Total Return performance over the long term.
- Maven targets private businesses with annual revenues of at least £1 million, alongside selected AIM investments and later stage private company investments in more mature businesses completed prior to 2016.
- Maven's hybrid private equity and AIM model ensures that the VCT portfolios are invested not only across a broad range of companies and sectors, but also are exposed to different asset classes.
- Whilst the core portfolios remain underpinned by private company holdings, a hybrid private company and AIM investment model allows the VCTs to build large, diversified portfolios, providing Shareholders with exposure to companies in markets with complementary liquidity and return characteristics.

- This strategy offers the potential to optimise Shareholder returns by combining the long term capital return potential of private company investments with the prospect of generating shorter term returns through actively traded AIM holding, as well as helping to mitigate risk within the portfolios;
- Alongside Maven's UK wide office network, with one of the largest and best resourced teams in the sector, this offers investors broadly based portfolios with both geographical and sectoral diversification.

ESG Credentials

- ESG is becoming an increasingly important feature of investment and can also be a key consideration for potential future acquirers.
- Although the Maven VCTs do not have a specific ESG focus, Maven recognises the importance of considering ESG factors in making and managing VCT investments, as well as the role that the Manager and every Investee Company can play in ensuring positive and responsible behaviour in respect of the environment and society – so Maven and the VCTs look to deliver strong investor returns whilst embracing a positive ESG focus in their investment approach in view of the increased interest in more societally conscious and sustainable investing.
- In May 2021, Maven became a signatory to the internationally recognised Principles for Responsible Investment (PRI), which is supported by the UN, demonstrating Maven's commitment to the importance of ESG in investment decision making and ownership.
- The Maven VCTs have completed several investments in companies that have particularly strong ESG credentials, and which are demonstrating strong growth in new and expanding markets. These include:
  - Liftango, which has developed a technology platform to improve the efficiency of on-demand transport such as corporate buses and carpooling, in order to reduce carbon footprint and congestion;
  - Guru Systems, which is focused on providing hardware, software and analytics to help improve the performance of heat networks as part of the drive to decarbonise heat systems;
  - Pura, which has developed a range of eco-friendly baby nappies and wipes that are completely plastic free and biodegradable, as well as being accredited by the British Skin Foundation and Allergy UK;
  - iPac, which manufactures thermoformed sustainable plastic packaging, primarily used in the food and pharmaceutical sectors, with a design focus on eco-responsible products which meet key sustainability requirements;
  - Turnkey, which is a developer of a Software-as-a-Service (SaaS) software solution that uses real-time data and detailed analytics to help business clients in the global financial and corporate sustainability sectors to analyse ESG data; and
  - Plyable, which has developed software to deliver composite molds which enable automotive and aerospace manufacturers to improve processes for using composite materials with superior weight and strength qualities.

Maven VCTs Questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
VCTs
AUM changed since last year?
AUM (aggregate for the 4 Maven VCTS, at 31 Dec 2022) £261.8m (£262.5m at 31/12/21)
Funds raised v target in the last year?
For offer launched in 2021, £32m raised against initial target of £20m (i.e. £12m of over-allotment used). For offer launched in Oct 2022, £13m raised to date against initial target of £30m.
How happy are you with your fund performance this year?
The four Maven VCTs have continued to perform well up to their most recent published (2022 interim) reports. In the period to their most recent financial year ends (at Oct 2022), Maven VCT 1 and Maven VCT 3 have each delivered 13 consecutive years of increases in NAV Total Return while Maven VCT 4 has achieved increases in 12 of 13 years, and Maven VCT 5 has delivered increases in each of the 10 full years since Maven was appointed to replace the previous manager. At the 2022 interim period, there was a small reduction in the NAV total return, which is mainly attributed to the fall in the quoted portfolio valuation in view of wider conditions in AIM (at their most recent year ends the VCTs had between 4% and 12% each of total assets in AIM). It is worth noting that those NAVTR reductions are small compared to some peer group VCTs during 2022.
How has the economic climate affected your AUM?
There has been no specific noticeable effect. Maven has a highly diversified business model, with established private company and property teams investing in a range of transaction types and sizes throughout the UK regions, on behalf of a wide range of client funds. In addition Maven targets private companies which typically operate in a range of sectors that are counter-cyclical or the Manager believes are more defensive during periods of market uncertainty, and often have a digital business model or offer a disruptive technology designed to take a product or service online. These sectors are often less consumer dependent, including software, cyber security, web archiving, biotech, data analytics, financial services, training, life sciences and healthcare. Maven also typically avoids sectors with direct consumer facing exposure, such as retail, leisure, travel, hospitality and entertainment, which are often adversely impacted during periods of economic uncertainty.
What has been your exit record in the last 12 months?
See pages 27-28 of the Securities Note for the current offers, which outlines VCT exits across the 4 VCTs.
Is your fund evergeen? If not, is it open or closed now? Is this status likely to change?
The four Maven VCTs are evergreen. Maven has joint offers currently open until May 2023 (or earlier if fully subscribed), which allow investors to apply for one or all of the VCTs on a single application form.
How has MiFIDII affected your fund/business?
The four Maven VCTs are not in scope of MiFIDII.
How have you implemented the PROD rules?
The four Maven VCTs look to the Product Governance rules by way of guidance.

How has SFDR and PRIIPS affected your provision of information?
The four Maven VCTs are not in scope of SFDR. PRIIPs applies to the four Maven VCTs, and a Key Information Document (KID) is produced and made available to all potential and existing investors via the Maven website.
Do you expect Consumer Duty to have any further effects?
The new Consumer Duty rules allow firms which look to Product Governance rules by way of guidance to follow these rules, Maven are considering and assessing any changes required to meet the new Consumer Duty requirements as rules. A Consumer Duty implementation plan for the Maven VCTs was agreed by the end of October 2022 and a project team has since been convened, focusing principally on ensuring that the Maven VCTs meet the Four Outcomes.
How has your sustainable investment strategy evolved?
ESG The Maven VCTs do not have specific ESG investment focus or targets. However, the importance of ESG credentials is recognised by both the VCT Boards and Maven as the Investment Manager, and that ESG is becoming an increasingly important feature of investment and can also be a key consideration for potential future acquirers. In view of the continued market move towards more societally conscious and sustainable investing, Maven works to deliver strong investor returns whilst embracing a positive ESG focus on its investment approach and Processes: • The Boards and the Manager recognise the importance of considering ESG factors in making and managing VCT investments, as well as the role that the Manager and every Investee Company can play in ensuring positive and responsible behaviour in respect of the environment and society. • In May 2021, the Manager became a signatory to the internationally recognised Principles for Responsible Investment (PRI), which is supported by the UN, demonstrating Maven's commitment to the importance of ESG in investment decision making and ownership. • Any relevant ESG issues are considered in evaluating each investment proposal, including an ESG questionnaire being issued to prospective Investee Companies as part of the due diligence process. ESG factors are then carefully considered throughout the period of investment, to ensure that Maven can help deliver long term, responsible and sustainable growth, which also allows the sharing of best practice across Maven's wider portfolio. The Maven VCTs have completed several investments in companies that have particularly strong ESG credentials, and which are demonstrating strong growth in new and expanding markets. These include: • **Liftango**, which has developed a technology platform to improve the efficiency of on-demand transport such as corporate buses and carpooling, in order to reduce carbon footprint and congestion; • **Guru Systems**, which is focused on providing hardware, software and analytics to help improve the performance of heat networks as part of the drive to decarbonise heat systems; • **Pura**, which has developed a range of eco-friendly baby nappies and wipes that are completely plastic free and biodegradable, as well as being accredited by the British Skin Foundation and Allergy UK; • **iPac**, which manufactures thermoformed sustainable plastic packaging, primarily used in the food and pharmaceutical sectors, with a design focus on eco-responsible products which meet key sustainability requirements; • **Turnkey**, which is a developer of a Software-as-a-Service (SaaS) software solution that uses real-time data and detailed analytics to help business clients in the global financial and corporate sustainability sectors to analyse ESG data; and • **Plyable**, which has developed software to deliver composite molds which enable automotive and aerospace manufacturers to improve processes for using composite materials with superior weight and strength qualities.
What is your experience of the numbers of advisers starting or stopping using tax-efficient funds?
In recent years we have seen an upturn in advisers now considering VCTs as a more mainstream part of their financial planning discussions with clients. Although the past 6 months has perhaps seen a degree more caution in investment planning generally, in view of macroeconomic factors, we have not seen any drop in general interest in VCTs.

Molten Ventures VCT plc


INVESTMENT SUMMARY

Molten Ventures VCT plc

Molten Ventures VCT plc – investing in early and later stage, growth-focused technology companies

The VCT offers the opportunity to invest in a highly rated venture capital trust with its consequent tax advantages. The VCT is successful, with a high analyst score, generating tax free income from a portfolio focused on knowledge intensive technologies. That focus places this VCT at the forefront of the Government's renewed intention to continue its support for VCT and EIS schemes.

Since the deal sharing association with Molten Ventures plc was signed in November 2016, the prospects of the VCT have been transformed. Molten Ventures plc, as a leading venture capital investor in the UK and Europe and its listing on the Main Market of the London Stock Exchange, makes it an ideal lead investor for the VCT. As a consequence, and obviously bound by VCT regulations, the VCT has enjoyed participation in outstanding, and leading-edge investments.

To date the VCT has invested over £45 million into 34 new technology companies.

In the year ending 31 March 2022 the VCT's portfolio of investments helped the VCT to deliver a NAV Total Return of 27%.[1]

[1] NAV plus dividends paid in the period.
[2] Capital at risk. Past performance is not indicative of future performance. The return figure stated is a target and not guaranteed.
[3] Conflicts could arise between Molten Ventures VCT plc, Molten Ventures plc, and Molten Ventures EIS with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits.

High growth, technology focused investments

New investments will continue to expand the Molten Ventures VCT portfolio of high growth/high potential businesses with the aspiration of promising exit prospects via strategic M&A or IPO.

The main sectors where opportunities are expected to be identified are:

- Enterprise Technology
- Consumer Technology
- Deeptech and Hardware
- Digital Healthcare and Wellness

Established portfolio, yielding VCT dividends

Investors in any new prospectus share issues or buying Molten Ventures VCT plc shares in the market will gain exposure to the existing portfolio and to any potential tax free dividends paid in the future (current target 5% of prevailing NAV per annum).[2]

Co-Investment model

Molten Ventures VCT plc will co-invest into qualifying opportunities alongside Molten Ventures plc, Molten Ventures EIS and syndicate partners.

The co-investment model allows the pooling of multiple sources of capital to give the VCT access to participate in larger deals, and, later stage companies.[3]

Molten Ventures VCT plc is managed by Elderstreet Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FRN: 148527). Elderstreet Investments Limited is a 100% owned subsidiary of Molten Ventures plc.
Prospective Investors are reminded that Molten Ventures VCT plc (LSE: MVCT) is distinct from Molten Ventures plc (LSE: GROW) and does not form part of its group.

Molten

Molten Ventures VCT plc completed deals

Sector split as % of the VCT portfolio by carrying value as at 31 August 2022		Companies in the VCT portfolio as at 31 August 2022
Consumer Technology	13%	resolver, crowdcube, AGORA, allplants, SWEEPR, Unbound, PrimaryBid, Freetrade
Enterprise Technology	17%	Droplet Computing, real eyes, FORM3 Financial Cloud, Apperio, GARDIN, Roomex.com
Deeptech and Hardware	45%	cervest, hadean, Thought Machine, SATELLITEVU, river lane, ALTRUISTIQ, Ravelin, causaLens, FocalPoint, PARAGRAF, BeZero
Digital Health and Wellness	25%	endomag, Fluidic Analytics, ieso digital health, evonetix

Key features

The VCT targets a potential tax free dividend yield of 5% of NAV per annum[4]

Investment into an existing mature portfolio

Investors gain immediate exposure to an existing portfolio.

Experienced manager with strong track record

Elderstreet Investments is one of the oldest VCT managers having made its entry into the VCT market in 1998. In the year ending 31 March 2022, the VCT's portfolio of investments, including those detailed above helped the VCT to deliver a NAV Total Return of 27%.[5]

The VCT continues to enjoy positive re-rating. In October 2022, the VCT scored 87/100 from Tax Efficient Review, a well-respected VCT analyst, increasing its score from 84/100 since January 2019 whilst for the past eight years running Molten Ventures' EIS funds have continued to receive the joint highest score issued by that publication with a latest score of 89/100.

[4] **Capital at risk. Past performance is not indicative of future performance. The return figure stated is a target and not guaranteed.**
[5] NAV plus dividends paid in the period.

Access to larger more mature growth opportunities

Since 2016, Molten Ventures plc and its subsidiary and affiliated undertakings has scaled its platform to enable access to some of the best deal flow across Europe. The VCT (under the management of the Manager, a Molten Ventures company) is one of the funds which, together with Molten Ventures plc itself and the Molten Ventures EIS fund, make up that platform. The participation of the VCT alongside these co-branded investment partners enable the VCT to obtain access to private technology company fundraisings that are rarely accessible to individual investors. Molten Ventures plc's growing leadership in this field has enabled the entrepreneurs in the portfolio to access the capital they need to rapidly grow their businesses, while simultaneously providing VCT Investors with exposure to exciting early and growth-stage technology companies.

Target tax-free income of around 5%

The VCT aims to maximise dividends to Shareholders subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target an annual dividend equivalent to a 5.0% tax free return based on the Estimated Offer Price, and a 7.2% tax free return after factoring in initial tax reliefs. Further details on the potential yields are shown below.

Potential yield

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2 pence, 3 pence or 4 pence per annum is paid, and the equivalent taxable yield grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 3 pence per Share have been paid in the year ending March 2022. These illustrations do not include initial VCT tax reliefs.

Estimated Offer Price* (gross of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield per annum	
			40% taxpayer	45% taxpayer
59.7p	2.0p	3.4%	5.6%	6.1%
59.7p	3.0p	5.0%	8.4%	9.1%
59.7p	4.0p	6.7%	11.2%	12.2%

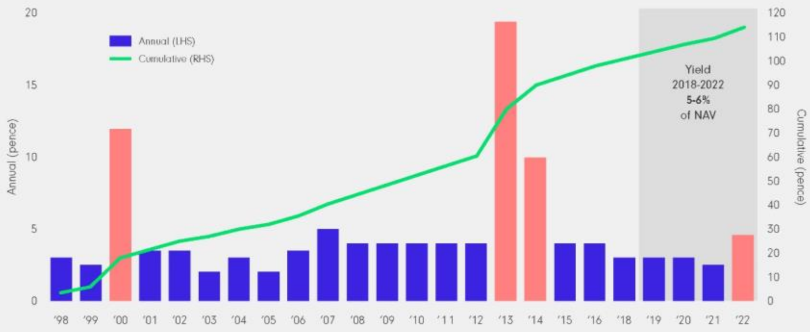
*Using an Illustrative Offer Price of 59.7p being the unaudited 31 August 2022 NAV adjusted for the maximum issue costs of 5.5%. Note that the NAV will be calculated prior to the allotment and adjusted for any dividend declared and unpaid prior to that allotment. No forecast or projection should be implied or inferred.
Capital at risk. Past performance is not indicative of future performance. The return figure stated is a target and not guaranteed.

Performance

Historic dividends

The VCT has paid a total of 113.6 pence in dividends since inception in 1998. These include special dividends when meaningful exits have occurred. These can be seen in the figure 1 as red bars.

Figure 1: Annual and cumulative dividends



NAV Breakdown

Figure 2, shows the breakdown of the VCT by Net Asset Value % as at 31 August 2022, adjusted for deals completed in September and work in progress deals where the Manager has high confidence they will complete. These include completed deals and signed legals of £5.49 million, and anticipated deals at term sheet stage of £3.37 million.

The Manager forecasts that the cash element of the VCT at the year ending March 2023 would be c. £10 million prior to any new funds being allotted via this Offer. This would represent c.14% of the unaudited NAV as at 31 August 2022. This forecast is based on completing a further £9 million of investments, deducting estimated running costs and future dividends (not guaranteed), and no further realisations in the period.

This can be seen in the figure 3 that shows cash flows movements since the 31 March 2022 year end and a projection of the cash balance at the year end 31 March 2023.

Consequently, if this offer is taken up in full (including the over-allotment facility), once invested, the VCT will have over £140 million of net assets of which over 89% will be allocated predominately to the Molten Ventures strategy of technology investments, driven by the co-investment strategy the VCT operates alongside Molten Ventures. As to the legacy portfolio that pre-dates the VCT's strategic partnership with Molten Ventures, currently 88% of the legacy portfolio is made up of two companies. One is an AIM quoted software business, and the other is a private profitable engineering company.

Figure 2: Adjusted split of the VCT by value
– at 31 August 2022

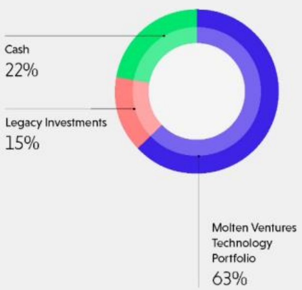
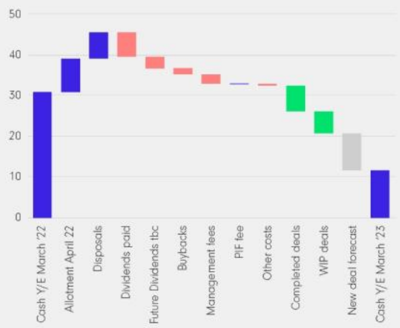


Figure 3: Cash forecast MV VCT 2022-2023 (£m)
– at 31 August 2021



Sample portfolio companies

Enterprise & SaaS, Fintech

Thought Machine

Thought Machine is a software business that is developing core banking systems for the modern era. This is large scale, mission critical, complex software.

Thought Machines's approach enables decades-old, legacy platforms to be replaced with scalable, internet-based technologies.

Customers include Lloyds Banking Group, SEB and Standard Chartered.

Thought Machine's founder is a successful, serial entrepreneur whose last business was acquired by Google.

www.thoughtmachine.net

Digital Health & Wellness

endomag

Endomag has developed unique, minimally-invasive, surgical guidance technology with an initial use in breast cancer surgery.

It uses a fluid with magnetic properties to replace the use of radioactive liquids, and a magnetic location marker to pinpoint a tumour and guide the surgeon to that tissue during an operation.

Endomag has enabled 160,000 procedures in 650 hospitals in 40 countries and is the subject of 12 clinical publications, all confirming its efficacy compared with current standards.

www.endomag.com

AI, Deeptech & Hardware

river lane

Riverlane aims to dramatically reduce the cost of the first quantum computer by developing a 'portable' operating system for quantum computers with the first high impact application. This application has the ability to simulate microscopic P systems such as proteins.

Riverlane's vision is to bring quantum computing to the world; making quantum computers as accessible and as ubiquitous as the PC.

www.riverlane.com

EXIT CASE STUDY

pod POINT
Charging Your Electric Car

Pod Point is a leading provider of EV (Electric Vehicle) charging points across the UK. Its products cover home charging, workplace charging and commercial charge points.

Molten Ventures plc first backed the company in 2017 and Molten Ventures VCT plc participated in a subsequent growth round investment in 2018. Pod Point was acquired by EDF Energy in 2020, yielding a 2.2x gross return and IRR of 63% for Molten Ventures VCT plc.

The adoption of electric vehicles accelerated rapidly during the lifetime of the investment and at 30 June 2021 Pod Point has powered over 715 million miles of electric charging.

2.2x gross return

Acquired by eDF

Details of the Offer

Minimum Investment
£6,000 per investor
and applications should be in multiples of £1,000.

Maximum Investment
£200,000 per investor in VCTs, in total, for the current tax year.

Initial Charge
3.0% of the amount subscribed.

Annual Costs
Total running costs (including VAT but excluding performance fees) capped at 3.5%. Any excess will be borne by the Manager and Administrator through a reduction in their fees in 2022.

For the year ended 31 March 2022 the Total Expenses Ratio (TER) was 2.41% (using a weighted NAV), 31 March 2021 the TER was 2.42%, for the year ended 31 March 2020, the TER was 2.84%.

Further information regarding the management of the VCTs and the performance fees is set out in the Prospectus (particular attention is drawn to Part 1: Risk Factors).

Risk Warning: This is a financial promotion for the purposes of the Financial Services and Markets Act 2000 (as amended) issued and approved by Elderstreet Investments Ltd, who is authorised and regulated by the Financial Conduct Authority. FCA No.148527. Prospective Investors should note that past performance should not be seen as an indication of future performance. The value of an investment can fall as well as rise and investors may not get back the amount originally invested. Your capital is at risk. Therefore, you should only make investments in the VCT which you can afford to lose without having any significant impact on your overall financial position or commitments. Taxation levels, bases and reliefs may change if the law changes and the tax benefits of products will vary according to your personal circumstances; independent advice should therefore be sought. You are unlikely to be able to make a claim to the Financial Services Compensation Scheme (FSCS) about Molten Ventures VCT plc in the event that Molten Ventures VCT plc found itself in a position where it was unable to pay out.

Contact details – for IFA enquiries

RAM Capital Partners

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E: taxsolutions@ramcapital.co.uk
ramcapital.co.uk

Northern Venture Capital Trusts

Northern Venture Trust PLC

Northern 2 VCT PLC

Northern 3 VCT PLC

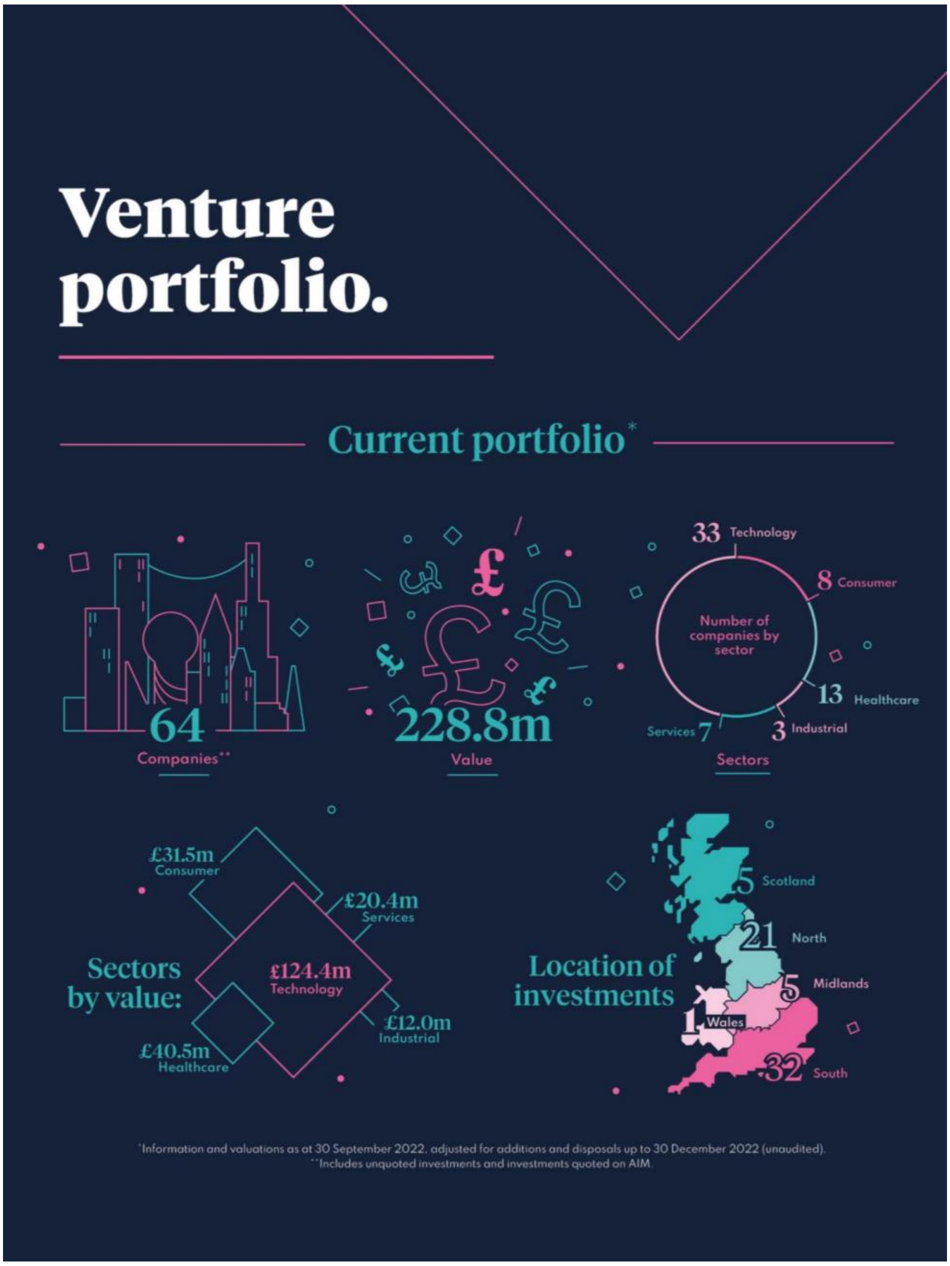
Offers for subscription in the 2022/23 tax year to raise a total of **£18million.**

Northern VCTs' track record

Northern Venture Trust					(launched in 1995)
Year ended	**30 Sept 22**	**30 Sept 21**	**30 Sept 20**	**30 Sept 19**	**30 Sept 18**
Dividends per share in respect of the year	4.0p	10.0p	4.0p	4.0p	4.0p
Cumulative dividends per share paid since inception	186.5p	182.5p	172.0p	168.5p	.164.5p.
NAV per share at year end	63.5p	74.1p	70.7p	68.9	70.8p
Total return per share.	250.0p	256.6p	242.7p	237.4p	235.3p

Northern 2 VCT						(launched in 1999)
Year ended	**30 Sept 22 6-month period**	**31 mar 22**	**31 Mar 21**	**31 mar 20**	**31 mar 19**	**31 mar 18**
Dividends per share in respect of the year	2.0p	3.6p	7.5p	3.5p	4.0p	5.5p
Cumulative dividends per share paid since inception	134.0p	132.4p	124.9p	121.4p	117.4p	111.9p
NAV per share at year end	60.2p	64.4p	71.3p	53.5p	64.7p	66.9p
Total return per share.	194.2p	196.8p	196.2p	174.9p	182.1p	178.8p

Northern 3 VCT						(launched in 2001)
Year ended	**30 Sept 22 6-month period**	**31 mar 22**	**31 Mar 21**	**31 mar 20**	**31 mar 19**	**31 mar 18**
Dividends per share in respect of the year	2.0p	5.0p	9.0p	4.0p	4.0p	5.5p
Cumulative dividends per share paid since inception	111.4p	108.4p	99.4p	95.4p	91.4p	85.9p
NAV per share at year end	92.0p	97.9p	107.0p	78.1p	94.2p	94.0p
Total return per share.	203.4p	206.3p	206.4p	173.5p	185.6p	179.9p


Venture portfolio.
Current portfolio*
64
Companies**
228.8m
Value
33 Technology
8 Consumer
Number of companies by sector
13 Healthcare
3 Industrial
Services 7
Sectors
£31.5m
Consumer
£20.4m
Services
Sectors by value:
£124.4m
Technology
£12.0m
Industrial
£40.5m
Healthcare
Location of investments
5 Scotland
21 North
5 Midlands
1 Wales
32 South
*Information and valuations as at 30 September 2022, adjusted for additions and disposals up to 30 December 2022 (unaudited).
**Includes unquoted investments and investments quoted on AIM.

Investments

New investments from the Northern VCTs for the years 2021 and 2022 have been completed across a multitude of business, notably in fast-growing sectors such as Biotech and Software.

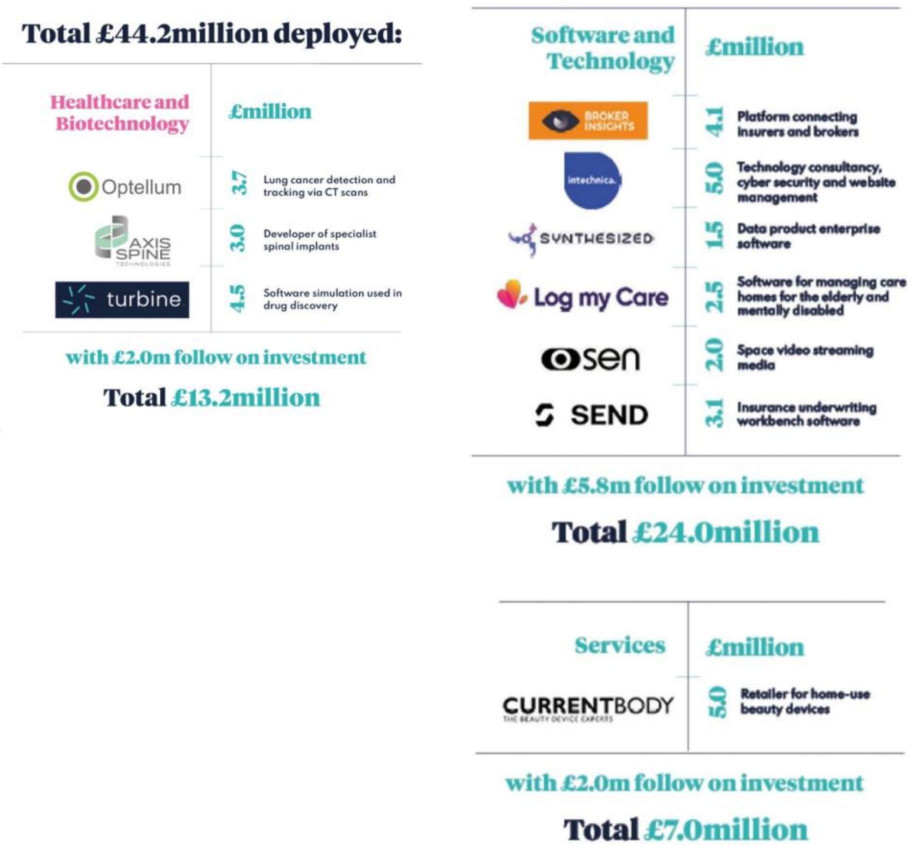
These growing sectors all have the potential to bring significant economic and social benefits to our regions and have seen significant backing form Mercia in recent months.

Highlights this year:

Since the last newsletter, we have deployed £44.2million, including 39.8million in follow-on investments. The new deals have been split across Software& Technology and Healthcare & Biotech.

We firmly believe that these sectors have the greatest potential to drive shareholder returns as well as delivering the biggest social impact which underpins the Group's wider ESG strategy.

Our follow-on funding has been distributed amongst 10 existing portfolio companies.



Total £44.2million deployed:

Healthcare and Biotechnology	£million	
Optellum	3.7	Lung cancer detection and tracking via CT scans
Axis Spine Technologies	3.0	Developer of specialist spinal implants
turbine	4.5	Software simulation used in drug discovery

with £2.0m follow on investment

Total £13.2million

Software and Technology	£million	
Broker Insights	4.1	Platform connecting insurers and brokers
intechnica.	5.0	Technology consultancy, cyber security and website management
Synthesized	1.5	Data product enterprise software
Log my Care	2.5	Software for managing care homes for the elderly and mentally disabled
sen	2.0	Space video streaming media
SEND	3.1	Insurance underwriting workbench software

with £5.8m follow on investment

Total £24.0million

Services	£million	
CurrentBody	5.0	Retailer for home-use beauty devices

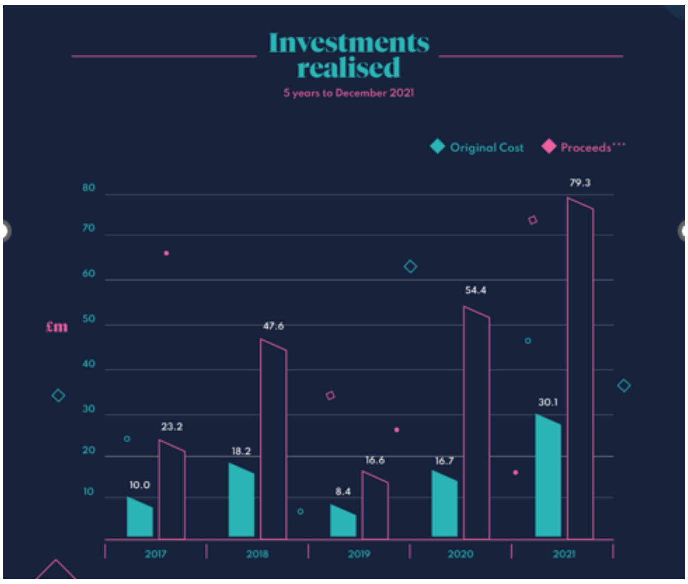
with £2.0m follow on investment

Total £7.0million

Northern VCTs' 3-year exits history

Investment	Exit date	Original Investment	Lifetime return *
Nasstar	February 2020	January 2014	2.6x
Primal Pantry	March 2020	March 2018	-
Cello	August 2020	November 2044	2.2x
Agilitas	November 2020	June 2014	7.7x
Collagen Solutions	November 2020	December 2014	0.9x
It's All Good	December 2020	February 2014	3.4x
Lending Works	December 2020	June 2016	0.3x
Hello Soda	April 2021	October 2017	1.6x
musicMagpie (partial realisation)	April 2021	September 2015	6.9x
Avid	June 2021	Jly 2016	0.5x
Oddbox (partial realisation)	July 2021	March 2020	2.5x
Mojo	July 2021	February 2019	1.6x
Vectura	October 2021	April 2001	2.1x
Intelling	October 2021	March 2017	4.1x
Currentbody	November 2021	March 2018	2.9x
No.1 Lounges	January 2022	March 2014	0.2x
Knowledgemotion	June 2022	July 2017	1.7x
Ideagen	July 2022	January 2015	9.8x

*Values above are unaudited, Includes sale proceeds and interest received over course of investment



Northern VCTs' recent exits.

c.£145 million of cash receipts (unaudited) from realisations have been received since 1 January 2020. Below are details of some of these exits:

Ideagen (9.8x return)

The Northern VCTs provided £0.7 million of funding in January 2015.

Nottinghamshire-based Ideagen plc specialises in quality, audit, safety and risk management software solutions. The AIM-listed business experienced considerable growth over the investment lifetime. More than 11,200 organisations use Ideagen products including seven of the top 10 UK accounting firms, all of the top aerospace and defence companies and 75% of the world's leading pharmaceutical firms.

In July 2022, the company was acquired by private equity firm HG Pooled Management, providing a 9.8x return on the remaining £0.4 million of investment cost for the Companies.

CURRENTBODY (2.9x return)

The Northern VCTs provided £5.8 million of funding over two funding rounds in March 2018 and December 2019.

Cheadle-based Currentbody.com is an online retailer for home-use beauty products. The company's sales have grown significantly, increasing by 100% in 2020 alone. In November 2021, the Northern VCTs realised part of their investment for cash proceeds of £16.7 million and retained an investment of £5.0 million in the new owner's holding vehicle. This represented a 2.9x return for the Northern VCTs.

boclips (1.7x return)

The Northern VCTs provided £5.4 million of funding between two rounds in 2017 and 2019.

Greater Manchester-based Knowledgemotion Ltd (t/a Boclips) is an online educational video and podcast platform. After investment, the company continued to expand its library of video and audio content used by publishers, schools, universities and Ministries of Education around the world.

In June 2022, the Northern VCTs realised their investment for an initial £9.3 million, representing a return of 1.7x.

intelling (4.1x return)

The Northern VCTs provided £3.5 million of funding in March 2017 and March 2018.

Manchester-based Intelling is a communications specialist providing customer support solutions. The company secured a significant contract, initially to respond to NHS 111 calls, which then evolved into part of the Track and Trace initiative during the COVID-19 pandemic. In October 2021, the Northern VCTs realised their investment for proceeds of £12.1 million, representing a 4.1 x return.

musicMagpie (11.8x return)

The Northern VCTs invested £4.5 million of development capital in September 2015.

Stockport-based musicMagpie specialises in re-commerce in the UK and USA focusing on the circular economy of consumer technology (smartphones, tablets, consoles, personal computers), books and disc media (CDs, DVDs and video games). Under the leadership of Steve Oliver (CEO and co-founder), the company has evolved significantly. In April 2021, the company launched its shares on AIM at a valuation of £208 million. The Northern VCTs partially exited on flotation but retained a 11.5% shareholding, making a 11.8x return at the IPO price.

AGILITAS IT SOLUTIONS (8.1x return)

In June 2014 the Northern VCTs invested £4.8 million in Agilitas IT Holdings as part of a management buyout.

Nottingham-based Agilitas is one of the UK's leading channel services providers, delivering managed inventory solutions as well as technical, lifecycle and training services to businesses in over 60 countries. This funding facilitated the automation of systems which fuelled growth both nationally and internationally. Over the next six years the company delivered year-on-year double digit growth through the expansion of its channel service propositions and geographic footprint. In November 2020, the Northern VCTs sold their stake in Agilitas to private equity firm Perwyn, providing a 8.1x return for the Companies.

The Terms

- Investors to be able to invest in any or all of the three VCTs in any amount they wish.
- Minimum investment overall (i.e.in as many of the funds as desired) of £6,000 and maximum of £200,000 (the VCT limit)

Fees

- 2.5% for investment or through an IFA
- 4.5% for investment through an execution only broker
- Existing shareholders will be eligible for a discount of 0.5%

Commission

- Execution only brokers will receive a 2.25% up front commission.

The offer opened on 12 January 2023. Applications will be accepted from investors on a first-come, first-served basis.

Apply Online - Further details and a link to apply can be found at www.mercia.co.uk/vcts/

Apply by Post - A paper application form and instructions can be found on www.mercia.co.uk/vcts/ , or requested from the Receiving Agent. Existing shareholders that have elected to receive hard copy notifications will be sent a copy automatically. Completed forms should be sent to: Northern VCTs Offer, The City Partnership (UK) Limited,
The Mending Room, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH.

Apply through an Adviser or Broker- With the client's permission, the online / paper application form can be completed by the intermediary on their behalf with details of the adviser/broker provided in the relevant sections of the application form.

Octopus Future Generations VCT

Octopus Future Generations VCT invests in young, entrepreneurial businesses that are aiming to build a sustainable planet, empower people, or revitalise healthcare.

Octopus believes these businesses have the potential to transform the world for the better and deliver some of the best returns for investors over the coming decades. Why?

- Because tackling society's biggest challenges means there is a huge market opportunity for those who can tackle them.
- Because the demand for solutions to the planet's challenges is urgent and growing.
- And because people increasingly want to buy from and work for businesses that make a positive difference in the world.

The VCT is managed by Octopus Ventures, one of Europe's largest venture capital investment teams[1] and manager of the UK's largest VCT, Octopus Titan VCT[2]. Octopus Ventures have built a reputation for backing innovative businesses that have gone on to be household names, including Depop, Graze and Zoopla.

Octopus Future Generations VCT benefits from the same deal pipeline and assessment process as some of our existing venture capital investment products.

Example portfolio companies:

Building a sustainable planet: Neat provides embedded insurance. That's the kind that's bundled with a product, for example if you buy from an online retailer and choose to add accidental damage cover, such as a mobile phone. Neat also makes sure the products it protects are repaired or reconditioned, not automatically thrown away or replaced, reducing the environmental impact.

Empowering people: Cobee is a fully digital solution that simplifies employee benefits. Using the app and the Cobee Visa card, they're able to create a completely flexible compensation package, and the platform allows complete control over all employee benefits in a single place, with no intermediaries or external suppliers involved.

Commented [KF1]: Cobee's Visa card? Or 'the Cobee Visa card' ?

Revitalising healthcare: **Oto** is a digital health start-up that helps people with overlooked chronic conditions get their life back. Its first product is a digital programme that teaches people to manage tinnitus – a condition commonly experienced as ringing in the ears. The programme uses science-based therapy delivered via a mobile app at a fraction of the cost of in person treatment.

Open offer details:

Section: VCT

Open date: 19 January 2023

Amount to be raised: £30 million

Min investment: £3,000

- 0800 316 2067
- support@octopusinvestments.com
- octopusinvestments.com/futuregenvct/

Octopus donates 10% of its annual management charge to Octopus Giving, our charitable foundation dedicated to helping charities that are making the world a better place.

Key risks to keep in mind

- The value of a VCT investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and may change in the future.
- Tax reliefs depend on the VCT maintaining its VCT-qualifying status.
- VCT shares are by their nature high risk, their share price may be volatile and they may be hard to sell.

[1]2021 Annual Interactive Global League Tables, PitchBook, 4 March 2022.

[2]The Association of Investment Companies, January 2023.

VCT investments are not suitable for everyone. We do not offer investment or tax advice. This advertisement is not a prospectus. Investors should only subscribe for shares based on information in the prospectus and Key Information Document (KID), which can be obtained from octopusinvestments.com. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London, EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: January 2023. CAM012709.

Octopus Titan VCT

Since 2007, Octopus Titan VCT has earned a reputation for backing pioneering UK entrepreneurs, having made early investments in Zoopla Property Group, Depop and graze.com, among many others. It continues to provide financial backing and support to promising companies with the potential to become household names.

Octopus Titan VCT is the largest VCT in the market[1] with over £1.2 billion of funds under management and invested in a diverse portfolio of over 115 exciting companies.[2]

Titan has a proud history of backing some of the UK's most successful founders, having made early investments in Zoopla Property Group, Depop and graze.com, among many others. It continues to provide financial backing and support to promising companies with the potential to become household names.

Octopus Ventures is the team that manages the investments in Octopus Titan VCT. They invest mainly in UK-based tech-enabled companies with global ambitions and the potential to scale quickly. These businesses are in sectors such as health, fintech, deep tech, business-to-business software and consumer, where they have specialist investment expertise.

Octopus Ventures' deep expertise in these key areas helps attract the best entrepreneurs, who tend to prefer investors who specialise in their sector. It also allows Octopus Ventures to find the best opportunities in each sector more efficiently while continuing to build specialist skills and expertise.

The team is one of the largest in Europe[3], with their base in London and an office in New York.

A selection of portfolio companies

Taster

An online food delivery platform with a strong portfolio of brands, bringing the street food experience to your door.

Orbex

Launching the first vertical rocket from UK soil using low-carbon, high-performance micro-launch rockets.

Quit Genius

A digital clinic partnering with employers, health plans, pharmacy benefit managers and individuals to help conquer substance addition.

Section: VCT

Open date: 10 November 2022

Close date: When capacity is reached or tax year end, whichever comes first

Amount to be raised: £175 million

Min investment: £3,000

- 0800 316 2067
- support@octopusinvestments.com
- https://octopusinvestments.com/

Key risks to keep in mind

- The value of a VCT investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and may change in the future.
- Tax reliefs depend on the VCT maintaining its VCT-qualifying status.
- VCT shares are by their nature high risk, their share price may be volatile and they may be hard to sell.

[1] The Association of Investment Companies, January 2023.
[2.] Octopus Investments, January 2023
[3.] 2021 Annual Interactive Global League Tables, PitchBook, 4 March 2022.

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ProVen VCT and ProVen Growth and Income VCT

ProVen VCT and ProVen Growth and Income VCTs, together the ProVen VCTs, were established more than 20 years ago and are two of the UK's largest and longest-standing Venture Capital Trusts (VCTs). Throughout this period, they have offered investors access to the tax-efficient returns available from VCTs, while supporting the growth of entrepreneurial businesses throughout the UK and generating economic impact.

The two funds are managed by Beringea, a specialist award-winning investment firm with offices in London and in the U.S., which together manage more than $800 million of venture capital and loan assets.

The ProVen VCTs currently manage over £350 million and their investments span in more than 50 companies.

Each ProVen VCT has a target of paying dividends in relation to a financial year of approximately 5% of the opening NAV, after deducting the prior year's final dividend.

The ProVen VCTs have backed a number of exceptional companies in the past two decades. They currently manage over £350 million and their investments span in more than 50 companies.
Investments span a range of entrepreneurial businesses in sectors including: retail brands and technology; data, software and artificial intelligence; and digital media. These companies are often expanding internationally, and businesses in the ProVen VCTs' portfolio currently operate across North America, Europe, Asia and Australia.

Examples of recent additions to the ProVen VCTs' portfolio include:

Luxury Promise is a platform for buying, selling and repairing pre-owned luxury handbags and accessories. It provides authentication, repairs and a marketplace for consumers to buy, sell or swap luxury goods from brands including Chanel, Hermès and Louis Vuitton.

Luxury Promise was founded in 2017 by Sabrina Sadiq, an experienced authenticator who had previously advised several luxury brands. The business has supported the growth of the pre-owned category in the luxury sector, hosting the first ever 'Pre-Loved Fashion Week' alongside London Fashion Week 2021.

The ProVen VCTs first invested in the business in April 2020, providing two tranches of investment totalling £4.7 million. The Companies subsequently provided £7.0 million in further funding in December 2021. The investment has been used to build headcount within the business, expand operations across its offices in London and Dubai, support the growth of its physical retail presence, and develop its online shopping experiences.

Zoovu is an AI-powered discovery platform for e-commerce. Zoovu had been part of the ProVen VCTs' portfolio since 2017. The company successfully raised $169m Series C led by FTV Capital. As part of the round, the ProVen VCTs completed a partial exit from the company.

Dealroom is a global data platform that works with investors, entrepreneurs and government organisations globally to provide analysis and insights on venture capital activity to accelerate entrepreneurship and innovation.

Dealroom was founded in 2013 by Yoram Wijngaarde, and nearly a decade later, the start-up is being actively used by top-tier investors to track promising companies. The platform's unique approach to collecting and analysing data leverages machine learning and APIs, partnerships with governments, and robust verification processes.

The ProVen VCTs led Dealroom's Series A funding round in the Autumn of 2021 with a £4.7 million investment.

The business' existing investors, Knight Venture Capital and Shoe Investments, venture capital firms headquartered in the Netherlands, also participated in the round.

In 2022, the ProVen VCTs also had some notable exits, including:

Blis is an advertising technology company that uses location and demographic data to define digital audiences, without relying on personal data. The ProVen VCTs initially backed the business in 2008, before investing again alongside Beringea's U.S. funds in 2012. The ProVen VCTs and Beringea U.S. completed an exit from Blis following a secondary buyout by LDC.

The ProVen VCTs' investment objective is to achieve long term returns greater than those available from investing in a portfolio of quoted companies, by investing in:

- a portfolio of carefully selected VCT-qualifying Investments in small and medium sized unquoted companies with excellent growth prospects;
- a portfolio of non-qualifying Investments permitted for liquidity management purposes;

within the conditions imposed on all VCTs, and to minimise the risk of each individual investment and the portfolios as a whole.

The ProVen VCTs seek to invest in companies which have the following key characteristics:

- a strong, balanced and well-motivated management team with a proven track record of achievement;
- a defensible market position;
- good growth potential;
- an attractive entry price for the Companies; and
- a clearly identified route for a profitable realisation within a three- to four-year period.

Analysing the net asset value ("NAV") total return since launch, ProVen VCT has a NAV total return of £187 for every £100 invested and its annual rate of return since launch, including initial income tax relief, is 9.5% p.a..

Since launch, ProVen Growth and Income VCT has a NAV total return of £222 for every £100 invested and its annual rate of return since launch, including initial income tax relief, is 12.9% p.a.. **Past performance is not a guide to future performance and no projection is implied.**

Each VCT currently has a target dividend yield of approximately 5% of NAV per annum (after deducting the prior year's final dividend). This target yield has been achieved or exceeded by both Companies for the last five financial years. The table below shows the dividend yield for ProVen VCT and ProVen Growth and Income VCT from 2018 to 2022.

ProVen VCT and ProVen Growth and Income VCT launched two combined offers for subscription in 2022.
In January, the two funds launched an offer for subscription for the tax years 2021/2022 and 2022/2023, seeking to raise up to £20 million each, with an over-allotment facility of up to £20 million each. The offer closed in mid-August after raising close to £70 million.

In October, the ProVen VCTs launched a new offer for subscription for the tax years 2022/2023 and 2023/2024. Each fund is seeking to raise up to £20 million, with the potential of an over-allotment facility that would allow a further £20 million to be raised per VCT.

The current offer is seeking to build on the ProVen VCTs' track-record of investing in entrepreneurial, growing businesses. Investors in this offer will also be buying into an existing diversified portfolio of companies, thereby gaining access to the potential flow of future dividends.

The minimum investment per investor is £5,000, and the maximum investment per investor is £200,000* per tax year.

For investments in the 2022/2023 tax year, the offer will remain open until 1 p.m. on Tuesday 4 April 2023** (unless fully subscribed earlier). For investments in the 2023/2024 tax year, the offer will remain open until 1 p.m. on Friday 28 April 2023** (unless fully subscribed earlier).

*There is no maximum size of investment in the ProVen VCTs, but tax reliefs are only available on investments in VCTs of up to a maximum of £200,000 per person per tax year.
*** The Directors reserve the right to extend the 2023/2024 Offer in respect of their Company at their absolute discretion to a date no later than 9 October 2023*

As with all investments, your capital is at risk and past performance is not a reliable indicator of future results. You should read the risks associated before deciding whether to invest.

The tax reliefs described are based on current legislation, practice and interpretation which may change, possibly retrospectively. The ability of investors to secure the tax reliefs available to investors in VCTs depends on their individual circumstances.

Several of the companies from the portfolio are featured throughout this article, these case studies are only illustrations of the ProVen VCTs' investment strategy and should not be considered as guides for future investments or performance. Further information on the investments in the portfolio can be found in the Securities Note.

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Website: www.proveninvestments.co.uk
LinkedIn: ProVen

Seneca Growth Capital VCT Plc

In May 2018, Hygea vct plc launched an offer for subscription for a new B share class. In August 2018, the company appointed Seneca Partners Limited ("Seneca") as the company's Investment Manager, changed its name to Seneca Growth Capital VCT Plc ("the VCT") and made its first allotment of B shares. Since launching the B share class, Seneca has raised over £18m, deployed over £13.5m into 26 investee companies across unquoted and quoted AIM/AQSE listed companies, covering a diverse spread of sectors. In that relatively short span of time, Seneca has achieved 8 full and partial exits, realising £3.3m for investors, generating £1.6m of profits, resulting in an average weighted return of 1.9x. Seneca has also established a consistent dividend track record, paying 3p of dividends per B share per annum since 2019.

Seneca Growth Capital VCT is a generalist VCT aiming to generate returns from a diverse portfolio of both unquoted and AIM/AQSE quoted growth capital investments. These investment returns are intended to provide Investors with an attractive tax-free income stream whilst also maintaining a relatively stable NAV per B share. Dividends totalling 10.5p per B share have been paid since the launch of the B share Pool and the Company's target is to maintain dividends of at least 3p per annum in relation to the Company's B shares with an ambition to increase this to c.5% per annum of the B share NAV by 2023 (subject to B share Pool investment performance). Profits generated from the exits achieved over the last 3 years have exceeded the £1.1m of dividends paid by the B share pool to date.

As an experienced growth capital investor, Seneca has managed over £190 million of equity including over £130 million of EIS and VCT investment funds raised and deployed into more than 70 SME companies. Seneca was able to effectively take over an existing VCT and use it to launch a new B share class and access the pre-existing distributable reserves of the VCT to pay dividends to their new B share investors whilst the B share pool's early investments matured by leveraging its position as long-standing active growth capital investors via the EIS funds under management.

Seneca is highly regarded as a later stage funder, avoiding start-ups as a deliberate de-risking strategy, instead preferring to focus on:

- Well managed businesses with strong leadership that can demonstrate established and proven concepts;
- Clear and defensible market position; and
- Later stage, ideally revenue generating businesses with a clear and visible route to profitability.

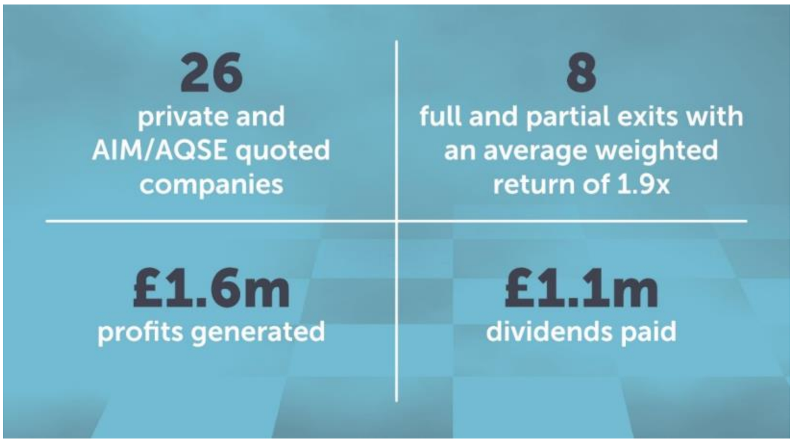
A selection of our Unquoted Investee Companies:

A selection of our AIM Quoted Investee Companies:

Seneca believes that the best returns for shareholders can be generated through investing in both quoted and unquoted companies, providing access to what it believes to be the best and most exciting growing investee companies regardless of their private or public status, as well as access to capital markets, improved liquidity and stronger reporting and governance requirements which come with AIM/AQSE quoted investment opportunities. With its headquarters in the North-West of England, Seneca is well placed to identify attractive private company investment opportunities from its strong regional network in addition to continuing to see a strong flow of AIM quoted investment opportunities from its extensive professional and broker network.

The Seneca Growth Capital VCT Offer opened on 26 August 2022 and will close on 18 August 2023 (unless the Offer has been fully subscribed by an earlier date or earlier at the discretion of the Directors).

Seneca's regional location and high percentage of AIM exposure provide points of difference which may be attractive to investors seeking diversification in their spread of VCT investments. The relatively small current size of the VCT is a further point of difference which may lead some investors to take a wait and see approach, but any choosing to invest now could be rewarded if there are any early B share pool winners.



A couple of highlights from the portfolio include:

- **Company:** Arecor Therapeutics PLC
- **Deal type:** AIM quoted company
- **Investment amount:** £600k B shares & £227k Ord shares
- **Sector:** Life Science

What they do

Arecor Therapeutics plc is a globally focused biopharmaceutical company transforming patient care by bringing innovative medicines to market through the enhancement of existing therapeutic products.

The company is developing ultra-rapid acting and ultra-concentrated insulin product lines, with positive results coming out of Phase 1 trials.

The experienced management team has signed an exclusive formulation study collaboration with a top five global pharmaceutical company and they have developed a strong IP portfolio.

VCT
OPEN
CLOSED-ENDED
AMOUNT TO BE RAISED £20M
MIN INVESTMENT £3,000

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Seneca Partners Ltd is authorised and regulated by the Financial Conduct Authority.

Past performance is not a guide to future returns. Target returns are not guaranteed and you may lose some or all of the money you invest.

Venture Capital Trust and Private Equity Glossary

A	
Advance assurance	Confirmation from HM Revenue & Customs that a company meets the qualifying criteria required by a company to receive investment from investors seeking to participate in tax efficient investment schemes such as EIS and SEIS.
Alternate director	A person appointed by a director to act in his place (as a director) when he is absent.
Angel	An individual who invests into early-stage companies by providing smaller amounts of finance than many private equity firms are able to invest. Angel investors normally invest under a financing round where many angels invest at the same time.
Anti-dilution	A mechanism that protects investors' shareholdings from dilution when shares are issued in future fundraising rounds below the price per share paid by the investor, normally by issuing additional bonus shares or changing the price at which an investor's convertible securities convert. See full ratchet, narrow based weighted average ratchet or broad based weighted average for the most common mechanisms.
Arrears	Unpaid dividends on the shares, such as unpaid fixed cumulative dividends accruing on preferred shares at a set rate per annum.
Articles of association	The document setting out the constitution and organisation of the company, with provisions relating to the classes of shares, directors, shareholders and other mechanisms described in this glossary, together with other boilerplate. A publicly visible document.
Attorney	A person appointed under a power of attorney and authorised to take certain actions on behalf of a party in default. For example, an attorney may be authorised to sign share transfers on behalf of a departing employee shareholder who is refusing to abide by compulsory share transfer provisions.
Audit committee	A committee set up by the board of directors with oversight of the internal and external audit function and financial reporting, its remit and composition being set out in terms of reference.
B	
Bad leaver	A departing employee shareholder who leaves in circumstances that normally result in a reduced price payable for any shares that they are obliged to transfer. The precise definition is a matter for negotiation, but examples would include fraud, gross misconduct, and often voluntary resignation. Contrast to a good leaver (and other negotiated types of leaver, such as an intermediate leaver or early leaver).
BIMBO	A buy-in management buy-out, a form of private equity backed buyout where a combination of both existing and external management decide to participate in the buyout.
Boilerplate	Standard provisions in the legal documents that are important but unlikely to be subject to commercial negotiation
Bolt-on	The acquisition by a fund of a company to add on to an existing portfolio company.
Bridge financing	Interim financing provided as a 'bridge' to a company until it can raise funds by way, for example, of private equity, share subscriptions or flotations.
Broad based weighted average ratchet	An anti-dilution mechanism that issues bonus shares to an investor following a down round so the investor holds the total number of shares it would have had it originally invested at a lower price. The lower price is based on the price across the funding rounds and takes account of how many shares are actually sold at the down round price compared to the total number of shares in issue together with all outstanding options, warrants and other securities on a fully diluted basis.
BVCA	The British Venture Capital Association, an industry body and the publisher of model investment documentation that is often adopted for early-stage venture capital investments.
Business sale	A method of exiting a company, also known as an asset sale, where the business and assets of a company are sold (or a subsidiary is sold) rather than the shares. The sale proceeds are then returned to the shareholders through a dividend or distribution following or followed-by the winding-up of the company that previously held the business and assets.

C	
Cap table	A table showing the share capital of a company (normally with separate cells showing any unexercised share options, warrants and securities convertible into shares), used to understand the shareholdings and economic, voting and ownership percentages of a particular company.
Carry	The share of the profits that the general partner receives from the fund in return for managing the fund. Usually a fund must return the capital invested in it by limited partners plus any preferential rate of return before the general partner can participate in the profits of the fund. The general partner will then receive its carry (in addition to any management fee to which it may be entitled), which is usually 20% of the fund's profits, but in some venture funds it can be up to 30%. Also known as carried interest.
Catch-up right	In circumstances where new shares or securities need to be issued in an emergency (i.e. to prevent a company defaulting on its finance facilities), without going through the pre-emption procedure, a right for shareholders not participating in that emergency issue to retrospectively participate (either through a transfer or additional issue) in their pro rata proportions to avoid dilution.
Claims basket	In relation to warranty claims, a negotiated financial loss hurdle that needs to be reached before the warrantors can be pursued for a claim. Variations include a tipping basket, where upon the hurdle being reached the whole financial loss can be claimed, and a deductible basket, where the claim can only be made for amounts exceeding the hurdle.
Claims cap	In relation to warranty claims, the negotiated maximum financial liability of the warrantor.
Claims de minimis	In relation to warranty claims, the minimum amount of financial loss arising from a particular warranty claim that needs to be realised before a claim can be made. Only claims above the de minimis threshold will be factored into the claims basket hurdle
Class rights	Where the shares are split into different classes, each class of share will have class rights that require the consent of the holders of shares in that class before making a particular decision (such as varying the rights attaching to that class of share).
Common stock	The term used in the United States, and by US investors, to refer to ordinary shares.
Compulsory transfer	A circumstance giving rise to a compulsory transfer of shares by a shareholder, such as an employee shareholder ceasing to be an employee.
Conversion	The process by which a convertible security converts into a different security, such as a loan converting into shares, or preferred shares converting into ordinary shares. Securities carrying the right to convert are intended to enable the holder to participate in a higher return (if available) on the other type of security, but until exercised the existing security often has some form of benefit such as a preferred (higher ranking) return.
Co-sale right	A provision that says if one shareholder has an opportunity to sell some shares, the other shareholders are also given that opportunity on a proportional basis. Similar to a proportional tag-along right.
Cumulative dividend	A dividend that has to be paid on classes of preferred shares, even if the company does not have the reserves to pay the dividend on the date the dividend is due. If unpaid, the dividend is treated as an arrear and arrears will usually rank highly in the liquidation preference. Conversely, there is no right to receive a non-cumulative dividend if the company is unable to pay it on the due date.
D	
Deed of adherence	A legal document where a party agrees to be bound by an existing agreement that they were not originally party to, such as a new member of a management team agreeing to be bound by an existing shareholders agreement relating to the company.
Deferred shares	A class of share normally carrying no economic or voting rights, often used to render the holding of those shares completely meaningless before they can be bought back or cancelled.
Disenfranchisement	A mechanism where certain shares or securities lose certain rights, such as the right to vote, to participate in pre-emptive share issues or transfers, triggered by certain circumstances (such as step-in rights or an employee shareholder becoming a leaver).
Down round	An issue of shares in a fundraising round at a price per share lower than the price paid by investors in a previous round.

Drag-along right	A mechanism whereby the majority shareholders can require the minority shareholders to sell their shares to a third party buyer as part of a sale of the entire share capital of the company, to stop minority shareholders blocking an exit opportunity. The thresholds, conditions and triggers can vary.
E	
Earn out	Provisions in a sale and purchase agreement that provide for compensation for the sellers in the future if the business achieves certain performance targets.
EBITDA	Earnings before interest taxation depreciation and amortisation, a common performance indicator used in the valuation of businesses and financial covenants.
EIS	Enterprise Investment Scheme, a scheme providing tax efficient investment returns in the UK in order to promote investment in early stage and growth stage companies.
EMI	Enterprise management incentive scheme, a tax efficient management option scheme in the UK used to encourage and reward management in smaller companies.
Employee benefit trust	A trust set up by a company to hold shares on behalf of the employees
Enterprise value	The economic value of a company, regardless of how it is financed, normally based on its EBITDAmultiplied by a multiple (normally determined by the company's business sector). During an acquisition, an enterprise value is used to measure the price payable for the company and can be expressed formulaically as the company's equity value plus its total outstanding net debt.
Entrepreneur's relief	A reduced rate of capital gains tax in the UK arising on the sale of shares by certain qualifying employee or office holder shareholders.
Equity covenant	Financial performance targets set by an investor, a breach of which triggers certain rights in favour of the investor (see events of default).
Equity cure	A method by which the shareholders cure a financial covenant breach by subscribing for additional shares in the company, preventing an event of default occurring under its financial documents.
Equity release	A type of private equity backed transaction where the existing owner of the business sells a portion of its shareholding but continues to hold some equity alongside the new investor.
Equity value	The value of a company available to its shareholders. During an acquisition, an equity value is used to measure the price payable for the company and can be expressed formulaically as the company's enterprise value minus its total outstanding net debt.
Events of default	A situation where the financial covenants, equity covenants or other covenants in the financial or shareholder documents are breached. An event of default typically gives rise to rights in favour of a lender or investor, such as accelerating the repayment of a debt, appointing a liquidator or administrator or step-in rights.
Exit	An event where the shareholders receive a return on their investment in a company, normally through an IPO, a business sale or a sale of the shares of a company.
F	
Fair value	The fair price to be paid for certain shares subject to a compulsory transfer, normally agreed or independently determined by an accountant with reference to agreed valuation principles described in the shareholder documents.
Financial covenant	A financial performance target set by a lender, a breach of which triggers certain rights in favour of the lender (see events of default).
Flip-up	Following a share sale, the process by which a seller re-invests part of their sale proceeds in the capital of the buyer (or its parent company) through a mechanism involving put and call options and the exchange of securities. Also referred to as a rollover, reinvestment or exchange mechanism.
Full ratchet	An anti-dilution mechanism that issues bonus shares to the investor following a down round so the investor holds the total number of shares it would have had it originally invested at the down round price.
Fully diluted	An assessment of the capital of the company on the assumption that all share options and other securities convertible into shares have (or will be) exercised, rather than focusing on only the shares that have been issued.

G	
General partner	A type of partner in a limited partnership that is liable for the acts of the partnership. This is usually the entity that manages the fund and earns a management fee and a percentage of profits (see carry).
Good leaver	A departing employee shareholder who leaves in circumstances that normally results in a fair value being paid for any shares that person is obliged to transfer. The precise definition is a matter for negotiation, but examples would be wrongful dismissal and involuntary reasons such as death or ill-heath. Contrast to a bad leaver and other negotiated types of leaver (such as intermediate leaver or early leaver).
H	
Heads of terms	A document agreed between the parties to set out the key commercial terms of an investment before the legal documents are produced. This is usually expressed to be non-binding except for certain provisions such as confidentiality and exclusivity.
I	
Indemnity	An obligation to pay or compensate a party on a 'pound-for-pound' basis in respect of a specific loss, damage or risk.
Information rights	The right of an investor or other shareholders to receive regular reports from the company, often comprising monthly financial reporting packs, measurements of performance against the budget and other KPIs, and fund or industry specific reporting requirements.
Intercreditor agreement	An agreement that ranks the order in which different lenders to a company, or different investors in the company, receive a return on the amounts they have advanced to the company.
Institutional buyout (IBO)	When a fund first acquires a company and then the existing or incoming management are given a stake in the business.
Institutional strip	Also known as strip equity, the classes of shares and securities held by the investor, which often have preferred economic rights and other enhanced rights or protection compared to the sweet equity.
Investment agreement	The agreement setting out the terms and conditions on which an investor subscribes for shares in a company, and regulating the ongoing relationship between the shareholders. Also known as a subscription and shareholders' agreement.
Investor consent	The requirement for the company to receive the consent of the investor, or an investor director, before taking a specific action that needs to be approved by the investor.
Investor director	A non-executive director appointed to the board of a company by the investor, often responsible for representing the interests of the investor and monitoring the company's performance.
IPO	An initial public offering, where shares are listed on a stock exchange, a possible method of achieving an Exit.
IRR (Internal Rate of Return)	A financial metric by which an investor's return on an investment is measured, often used as a basis for initially modelling and pricing investments and sometimes used in liquidation preferences to set out preferred hurdles.
J	
Jointly and severally	Where two or more persons are legally responsible to do the same thing, both together and separately. It means if one person is in default, the other person(s) can be liable for the full obligation. For example, if A and B are jointly and severally liable to pay an investor £100, the investor can ask either of A and B to pay the full £100. It does not mean they only have to pay £50 each, and does not mean the investor can recover £200.
K	
KPI	Key performance indicators used to measure the performance of a company, often used in relation to financial covenants and equity covenants.
KYC	Know your client, a compliance obligation placed on investors and professional advisors to identify the parties in financial transactions and counter money laundering.

L	
Leaver	An employee shareholder who ceases to be an employee of the company. Leaver is a generic term to describe the event of leaving, with other terms such as good leaver and bad leaver describing the consequences based on the circumstances causing that person to become a leaver.
Leveraged buyout (LBO)	A process in which a company is purchased using a combination of both equity and debt, often involving a private equity investor acquiring the equity and a bank or debt fund advancing the debt.
Limitations	In relation to warranties, the provisions in the investment agreement that limit a warrantor's liabilities if a warranty is breached.
Limited partner	A type of partner in a limited partnership that has limited liability for the actions of the partnership up to its investment. This is usually the entity that provides capital to the fund but does not participate in managing the fund. The limited partner receives income, capital gains and tax benefits.
Limited partnership	A partnership used as the legal structure to organise a fund with two categories of partner: general partners (usually one) and limited partners (usually more than one).
Liquidation preference	A mechanism that describes in what order shareholders are paid following a liquidity event, normally with preferred shareholders being paid first and ordinary shareholders being paid after. Also referred to as a waterfall. In addition to a liquidation preference for shares, debt generally ranks ahead of equity, and both structural subordination and intercreditor agreements can be used to rank the priority of debt.
Liquidity event	An event triggering a return for shareholders, normally arising on the sale of a company, a business sale, an IPO or upon the liquidation of the company. The liquidation preference will determine in what order and proportions the return is paid to shareholders, a share sale being the most common liquidity event.
Loan Note	A financial instrument that works like an 'IOU', setting out the amount of cash borrowed and the interest payable. It is a form of debt and typically ranks ahead of equity but behind leveraged finance, and is typically used by private equity investors as part of their initial investment. For example, for every £100 loaned the lender will receive 100 £1 loan notes. Can be secured or unsecured.
M	
MAC	Material adverse change, a clause that triggers an event of default or similar if there is a material change in the financial or other performance of a business.
Management declaration	A questionnaire to be completed by members of a management team, informing an investor of their personal situation and covering topics such as financial circumstances, health, and other interests, investments and commitments.
MBI	Management buy-in, a process where an external management team partners with a private equity investor to acquire a business from the current owners/managers.
MBO	Management buy-out, a process where the existing management team of a business partners with a private equity investor to acquire the business from its current shareholder.
Model articles	A set of articles of articles of association applied by default under English law, which can be replaced entirely by bespoke articles of association prepared to facilitate an investment or buy-out, but which are often only modified in part and the unmodified terms will still form part of the constitution of a company (mostly containing boilerplate).
N	
Narrow-based weighted average ratchet	An anti-dilution mechanism that issues bonus shares to the investor following a down round so the investor holds the total number of shares it would have had it originally invested at a lower price. The lower price is based on the price across the rounds and takes account how many shares are actually sold at the down round price compared to the total number of shares issued (excluding options, warrants and other securities, so not on a fully diluted basis).
Non-disclosure agreement (NDA)	A confidentiality agreement entered into with potential investors or acquirers.
Non-qualifying corporate	A type of loan note (or bond) that meets certain UK capital gains tax requirements, as opposed to

bond	a qualifying corporate bond. The specific type required will be based on the desired tax planning of the holder.
O	
Observer	A person who may attend and speak at board meetings, but is not entitled to vote and is not a director.
Ordinary resolution	A shareholder vote that requires a simple majority (over 50%) of the holders of voting shares to vote in favour to be passed.
Operating partner	A person working alongside a private equity or venture capital investor to help build value in investee companies, often a person with a proven track-record in the industry such as a former CEO, CFO or COO.
Option	A right for the option holder to subscribe for shares in the future at a defined price, often used to incentivise employees to achieve growth in shareholder value or to allow investors to subscribe for additional shares in the future.
Option pool	A portion of the company's ordinary shares that are reserved to be issued (or have been issued) to employees, as part of employee incentive planning and aligning the interests of employees with shareholders. The size of option pools is a matter for negotiation, but typically at least 10% of the ordinary shares are reserved for employees.
Ordinary Share	Shares with voting rights that do not normally have a preferred dividend, are not redeemable and rank towards the bottom of the liquidation preference. An ordinary shareholder may only receive a return in the liquidation preference after all of the preferred shares have received their preferred return (such as the initial investment amount plus interest).
P	
Participating preferred share	In the context of a liquidation preference, normally a non-participating preferred share only has a right to receive a preferred return (such as the initial investment amount plus interest) and after those preferred returns are paid the ordinary shares receive the excess. A participating preferred share carries a right for the holder to convert those preferred shares into ordinary shares, which it would only do if it would receive a higher return by holding ordinary shares than it would by holding its preferred shares.
Par value	The face value of a security, without any premium or discount applied on a subscription or transfer.
Pay-to-play	A provision that penalises existing shareholders who fail to participate in future fundraising rounds, the consequence being that they lose their anti-dilution rights or their preferred shares are converted into ordinary shares or a less valuable type of share. Becoming increasingly rare in the UK.
Permitted transfer	A share transfer that can be made without going through the pre-emption rights procedure, often to related parties such as group companies or family members.
PIK	Payment in kind, where interest payments are paid by the issue of further securities rather than in cash.
Pre-emption rights (transfer and issue)	A right for existing shareholders to subscribe for shares (on a new issue or a transfer by an existing shareholder) pro rata to their existing proportions, in order to protect themselves from dilution and to acquire shares being transferred before they are offered to third parties.
Preferred Share	A share that carries a preferred right of return in the liquidation preference, often being a return of the initial investment amount, and sometimes with a fixed rate cumulative dividend (or other minimum level of return) and any unpaid accrued dividends. Can be voting or non-voting.
Pre-money valuation	The valuation of the company before an investment round, which is calculated by taking the post-money valuation and deducting the amount invested in that round.
Post-money valuation	The valuation of the company after an investment round, which is calculated by the formula A x (B / C), where A is the cash invested in that round, B is the total fully diluted share capital and C is the number of shares issued in return for the new investment.
Pro rata	A proportional right or allocation, often relating to a number of shares held.
Proxy	An existing shareholder or third party appointed by a shareholder to exercise the voting rights attaching to shares at a shareholder meeting, where the holder of the shares is unable to attend.

Q	
Quorum	The number of directors or shareholders required to be present at a board or shareholder meeting in order for it to validly conduct business, and sometimes requiring specific directors or shareholders to be present (such as an investor director or investor).
R	
Ratchet	In the context of shares, a mechanism that increases or decreases the economic rights attaching to the shares based on certain conditions. For example, a performance ratchet attaching to a class of shares held by managers may increase their share of returns if certain performance targets are met, often as an incentivisation arrangement.
Redeemable shares	Are shares that can or have to be bought back by the company, often on or by a fixed date. Redeemable shares are often preferred shares as well.
Redemption date	The date on which redeemable shares or loan notes are required to be redeemed, meaning the company has to pay back the initial investment amount plus any accrued interest.
Registration rights	In the case of investments with a US link, a right for the investor to force the company to file a registration statement so the investor can sell the shares in a public market without restriction, or a piggyback right so an investor has these rights if any other investor initiates a registration. This relates to the securities legislation in the US, which closely governs the sale of securities to the public in the US and may not be relevant in the context of all UK based private equity and venture capital transactions.
Remuneration committee	A committee set up by the board of directors with oversight of employee and director remuneration, and often the award of employee options and hiring and firing of employees (including executive directors), its remit and composition being set out in terms of reference.
Reserved matters	A list of matters requiring an investor consent (or the consent of another person).
Restrictive covenants	Terms that prevent a person competing with the company and soliciting its employees, customers or suppliers for a certain period of time.
Return on investment (ROI)	The proceeds from an investment during a particular period of time calculated as a percentage of the original investment.
S	
Secondary buyout	An event where a private equity fund acquires shares in a company from another private equity fund (the next similar buyout being a tertiary buyout and so on).
Section 431 election	A document commonly used by an employee shareholder or option holder to elect that the shares or securities in the employing group are treated in a certain manner for UK tax purposes.
Securities	Generally used to refer to forms of investment instruments and financial instruments, such as shares, loan notes, debentures, bonds and convertible instruments.
Seed investment	An early-stage investment in a company to allow a business concept to be developed such as producing a business plan prior to taking a product or service to the market, most likely attracting investment from angels rather than institutional funds.
SEIS	The Seed Enterprise Investment Scheme, a scheme providing tax efficient investment returns in the UK in order to promote investment in seed and very early stage companies.
Series A (to Z)	A term used to describe significant fund raising rounds for a company, the first being a series A round (whereby the class of shares issued are normally prefixed with the letter 'A' in their name) and progressing through the alphabet.
Service Agreement	The legal agreement setting out the terms of employment or engagement of a manager as an employee and executive director of the company.
Special resolution	A shareholder vote that requires a majority of 75% or more of the holders of voting shares to vote in favour to be passed.
Step-in rights	The right of an investor to take day-to-day control of the company by enhancing the voting rights attaching to its shares and its votes at board meetings, often triggered by an event of default and operated as a last resort if the company is or is likely to be in financial distress.
Strike price	A pre-determined price at which shares of a company may be purchased under a warrant or share option.

Structural subordination	A process of inserting several holding companies above a trading subsidiary, whereby the creditors of the first (or lowest) holding company are paid before the creditors of the holding companies above can be paid. Often used to rank the priority of leveraged debt and loan note repayments in private equity buyouts, with different lenders lending to different holding companies lower or higher in the structure depending on the desired priority of their repayment.
Subscription and shareholders' agreement	Another name for an investment agreement.
Subscription price	The price at which shares or securities in a company are subscribed for by an investor.
Swamping	Another name for step-in rights.
Sweat equity	Any shares or securities acquired by members of the management team at fair value (i.e. at the same price as an investor), which normally would be a class of share with rights equivalent to those in the institutional strip or the same class as the investor.
Sweet equity	A class of ordinary share that is given to or reserved for the man agement team as part of their incentivisation arrangements, often realising value as the company grows above the level of preferred returns attaching to the preferred shares ranking higher in the liquidation preference.
Syndication	A process whereby an investor can syndicate their investment following completion, normally to de-risk the investment and optimise exposure, by transferring shares or securities to other investors. The process is normally exempt from pre-emption, tag-along and co-sale provisions.
T	
Tag-along	If the majority of shareholders are selling shares to a third party buyer, the minority shareholders are permitted to participate in such sale at the same price and on the same terms by exercising the tag-along rights. It prevents minority shareholders being left behind if the majority shareholders exit.
Term sheet	Another name given for heads of terms.
Trade sale	The sale of a company to another company normally operating in the same industry.
Transaction fees	The amount that funds sometimes charge the companies they acquire through a buyout (normally between 1% to 2% of the initial investment amount), which can be on top of annual monitoring and investor director fees.
Transmission	The process by which shares are transferred to a transmittee by operation of law, such as on the death or bankruptcy of a shareholder.
U	
Undertakings	Obligations in favour of an investor in an investment agreement, setting out what the company and management team must do (positive undertakings, such as information rights) and what they cannot do (negative undertakings, such as restricted matters).
V	
VCT	Venture capital trust, a type of tax efficient investment fund making investments in qualifying small and medium sized companies.
Vesting	The process by which shares (such as sweet equity) or share options gain economic value or are entitled to be exercised, usually determined by the period of time held (e.g. on a straight line vesting basis or a cliff-vesting basis).
Veto right	A right stating that a certain decision cannot be made without the consent of a person, normally the investor, see also reserved matters.
Voting rights	The rights attaching to certain classes of shares enabling the holder to vote on shareholder resolutions (such as ordinary and special resolutions).

W

Warrant	An instrument that allows the holder to subscribe for a number of shares at a set price, often used as an option for a party (e.g. a lender) to participate in upside in the future. Similar to an option.
Warranties	The contractual assurances provided to investors about the company it is investing in, normally in the form of factual statements about the company (e.g. ownership of intellectual property, litigation, employees) to provide the investor with comfort that there is no reason not to invest. Primarily used to encourage disclosure of known liabilities and issues, and can give rise to a legal claim if the warranty is breached (e.g. the factual statement made is not true and no disclosure has been made).
Waterfall	Another term for the 'liquidation preference'.
X	The only letter of the alphabet yet to be popularly utilised by the private equity and venture capital community.
Y	
YOY	Year-over-year, a way of measuring two KPI's across more than one year.
Z	
Zero-Dividend Preferred Share	A preferred share paying no dividend to its holder, meaning any gains only arise from an increase in capital value across the life of the investment.

Health warning

The above explanations are intended to be general only. The concepts and application often vary between different investment funds and are often applied differently, or not applied at all, depending on the type of transaction. For example, a leveraged buyout will look very different to a venture capital investment. In all cases, the general concepts are often negotiated and accordingly the legal documentation must be reviewed to understand the exact meanings.

Taken from Gowling WLG site.