

Thames Ventures VCT 2 plc (formerly Downing FOUR VCT plc)

Healthcare Securities Note

Offer for Subscription to raise £10 million
(with an over-allotment facility of up to £15 million)
Tax years 2022/23 and 2023/24



This document constitutes a securities note dated 13 October 2022 (the “**Securities Note**”) issued by Thames Ventures VCT 2 plc (the “**Company**”) and has been prepared in compliance with Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”). The Securities Note has been drawn up as part of a simplified prospectus in accordance with Article 14 of the UK Prospectus Regulation. Additional information relating to the Company is contained in a registration document (the “**Registration Document**”) issued by the Company of even date herewith. A brief summary written in non-technical language and conveying the essential characteristics and risks associated with the Company and Healthcare Shares of 0.1p each in the capital of the Company (ISIN: GB00BMYXV611) (the “**Healthcare Shares**”) which are being offered for subscription (the “**Healthcare Share Offer**”, the “**Offer**”) is contained in a summary issued by the Company of even date herewith (the “**Summary**”).

The Summary, the Securities Note and the Registration Document together comprise a prospectus (the “**Prospectus**”) and you are advised to read the Prospectus in full. The Prospectus has been approved by the Financial Conduct Authority (“**FCA**”), as competent authority for the purposes of the UK Prospectus Regulation. The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by UK Prospectus Regulation. Such approval should not be considered an endorsement of the issuer that is the subject of the Prospectus or of the quality of the securities that are the subject of the Prospectus and investors should make their own assessment as to the suitability of investing in those securities.

The Company and the Directors (whose names are set out on pages 13 and 14) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Application will be made to the FCA for the Healthcare Shares offered for subscription pursuant to the Prospectus to be admitted to the Official List of the FCA. Application will also be made to the London Stock Exchange for such Healthcare Shares to be admitted to trading on its market for listed securities. It is expected that Admission will become effective and that trading in the Healthcare Shares will commence three Business Days following allotment.

THAMES VENTURES VCT 2 PLC

(registered in England and Wales with registered number 06789187)

Offer for Subscription
for the 2022/23 and 2023/24 tax years
of up to £10 million
being approximately 12.4 million new Healthcare Shares
(excluding Management Shares and ignoring the over-allotment facility)

Sponsor

SPARK Advisory Partners Limited

Healthcare Share Offer Promoter

Downing LLP

SPARK Advisory Partners Limited (“**SPARK**”), which is authorised and regulated in the UK by the FCA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of SPARK or for providing advice (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder).

In connection with the Healthcare Share Offer, Downing LLP (“**Downing**”), the promoter of the Offer and investment manager to the Company in respect of the Healthcare Shares, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Downing or for providing advice in relation to the Offer (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder). Downing is authorised and regulated in the UK by the FCA with firm reference number 545025.

Copies of this document, the Registration Document and the Summary are available (and any supplementary prospectus published by the Company will be available) free of charge from the Company’s registered office St. Magnus House, 3 Lower Thames Street, London EC3R 6HD and the Downing website at www.downing.co.uk/existing-investor/thames-ventures-vct-2 and from the offices of SPARK, the Company’s sponsor, at 5 St John’s Lane, London EC1M 4BH.

The procedure for, and the terms and conditions of, application under this Offer are set out at the end of this document. Applications must be submitted to the Receiving Agent, The City Partnership (UK) Limited. The Offer opens on 26 October 2022 and will close on 31 May 2023 (or earlier at the discretion of the directors or if Full Subscription is reached or later if extended).

Your attention is drawn to the risk factors set out on pages 4 to 6 of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in doubt as to the action you should take, you should consult an independent financial intermediary authorised under the Financial Services and Markets Act 2000 (“FSMA”).

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RISK FACTORS

Investors should consider carefully the following risk factors in addition to the other information presented in the Prospectus. If any of the risks described below were to occur, it could have a material effect on the Company's businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or current and prospective Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's businesses, financial condition and results of operations. The value of Shares could decline due to any of these risk factors, and Investors could lose part or all of their investment. Investors who are in any doubt about what to do should consult their independent financial adviser. The attention of prospective Investors is drawn to the following risks:

Valuation and sale of Shares

The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value or that Shareholders will be able to realise their shareholding or that dividends will be paid. Existing and prospective Shareholders should be aware that the sale of Shares within five years of their subscription will require the repayment of some or all of the 30% VCT income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short- or medium-term investment. The past performance of the Company or of other funds managed or advised by Downing, the investment manager to the Company in respect of the Healthcare Share pool, is not necessarily an indication of the future performance of the Company.

Liquidity

Although the Offer Shares, like the Existing Shares, will be Listed, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares. In addition, there is no guarantee that the market price of the Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to their net asset value. If the Company lacks sufficient cash reserves to purchase its own Shares, and during prohibited periods when the Company is unable to purchase its own Shares, the market price of Shares may not fully reflect, and will tend to be at a discount to, their underlying NAV. The Board intends to buy back Shares in the Company at a nil discount to NAV, subject to liquidity and cash resources, which should help to reduce the share discount price.

Six-month rule

Shareholders should note that if they have sold, or if they sell, any Shares in the Company within six months either side of the subscription for new Shares, then for the purposes of calculating the tax relief on the newly subscribed Shares, the subscribed amount must be reduced by the amount received from the sale.

Value of underlying assets

The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time.

VCT Rules and the impact on the portfolio

There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of Investee Companies which may restrict the Company's ability to obtain maximum value from its investments or to achieve the intended timing of distributions. For example, the Company must maintain at least 80% of its portfolio in VCT Qualifying Investments.

Minority interest

Although the Company may receive conventional venture capital rights in connection with its investments, as a minority investor it may not be in a position to fully protect its interests.

Nature of smaller companies

Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. To be qualifying holdings, VCT funds must be invested in smaller companies with gross assets of not more than £15 million prior to the investment and £16 million post investment. In addition, to be qualifying holdings, VCT funds must be invested in companies which have fewer than 250 full time (equivalent) employees and do not, in most cases, receive more than £5 million of investment from state aided risk capital sources in the 12 months ending on the date of the VCT's investment. Smaller companies who meet these criteria generally have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies.

Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.

General Investment Risks

Economic and global political uncertainty, including the continuing impact of Brexit, the COVID-19 pandemic, the Ukraine conflict, inflation and potential low levels of economic growth, continues to present significant challenges and is adversely affecting, and may continue to adversely affect, the performance of companies in which the Company has invested or may invest, which in turn may adversely affect the performance of the Company. This may also negatively impact the number or quality of investment opportunities available to the Company. It is possible that currently unknown and unanticipated events, either domestic or international, may occur and have a negative effect on economic activity and adversely affect the future viability of the Company and/or the performance of companies in which the Company has invested or may invest which in turn may adversely affect the performance of the Company.

VCT legislation

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective.

Whilst it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains and its ability to pay tax-free dividends to Investors.

VCTs such as the Company may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company irrespective of whether the return takes the form of income, capital growth, fees, other payments or anything else. This prevents the making of VCT Qualifying investments which focus on capital preservation and ensures that VCTs may only invest in order to fuel the growth of genuine trading companies with the attendant higher risk to investor capital that that entails.

VCTs are also subject to other restrictions on the range of investments into which they can deploy funds and which have the effect of increasing investment risk. The Company is required to invest in businesses which are less than seven years old (less than 10 years for 'knowledge intensive' companies) and VCT funds cannot be used to finance acquisitions by investee companies. The penalty for breaching these rules is the loss of VCT status, so the Company and its investors may face a higher risk of the loss of tax benefits than under the previous rules. Qualifying investee companies are also subject to a lifetime risk finance investment limit of £12 million (£20 million for 'knowledge intensive' companies), which may restrict the Company's ability to make follow on investments. Further, more recent, changes to the VCT Rules have also prohibited the making of secured loans by VCTs. Loan capital held by the Company will therefore be unsecured and will rank behind secured creditors of the Investee Company in question. As loan capital investments by a VCT are separately restricted by the requirement that at least 70% of any new investments must be in eligible shares, and as Investee Companies which meet the above noted "risk to capital" test tend not to be able to provide significant assets against which to secure loans in any case, the Board do not consider that this restriction materially increases the risk profile of new investments made by the Company.

Current UK legislation does not automatically provide for income tax relief for investors on new investments in VCTs to extend beyond 5 April 2025 (sometimes known as the “VCT Sunset Clause”). The current UK Government has now signalled its intention to extend the VCT scheme. Should the UK Government not make amendments to the legislation to allow income tax relief for investors after that date, the ability of the Company to raise further funds after that date may be severely negatively impacted and the Company may suffer constraints on liquidity which may impact its ability to support portfolio companies, pay dividends and support share buybacks.

OFFER STATISTICS AND COSTS

Offer Statistics for the Company

NAV per Healthcare Share*	78.4p
Estimated proceeds of the Offer**	£9,700,000
Approximate number of Healthcare Shares to be issued under the Offer***	38.7 million
Approximate number of Healthcare Shares in issue following the Offer***	66.6 million

* NAV per Healthcare Share is the unaudited NAV per share, as at 31 August 2022, being the most recently published NAV as at the date of this document and is calculated by dividing the most recently published net assets by the number of shares in issue (less the Management Shares)

** Assuming Full Subscription by direct investors paying a Promoter's Fee of 3.0%, and no use of the over-allotment facility

*** Assuming Full Subscription by investors paying a Promoter's Fee of 3.0%, including the over-allotment facility and including Management Shares

Financial Calendar

Financial year end	31 March
Final results announcement	July
Annual General Meeting	September
Half-yearly results announcement	November/December

Offer costs

Promoter's Fee – Application through Intermediary (commission payable)	3.0%
Promoter's Fee – Application through Intermediary (no commission payable)	0.0%
Promoter's Fee – Application not through Intermediary (direct)	3.0%

Forward-Looking Statements

You should not place undue reliance on forward-looking statements. This Prospectus includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Prospectus or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

The information contained in this document will be updated if required by the Prospectus Regulation Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, as appropriate.

LETTER FROM THE CHAIRMAN OF THE COMPANY

Thames Ventures VCT 2 plc
St. Magnus House,
3 Lower Thames Street
London EC3R 6HD

13 October 2022

Dear Investor

Healthcare Share Offer

Thames Ventures VCT 2 plc is the new name for Downing FOUR VCT plc following the transfer of the management of the Company (with the exception of the Healthcare Share class) to Foresight Group LLP ("**Foresight**") which took place earlier this year. The Healthcare Share class continues to be managed by Downing LLP ("**Downing**"), who have an investment team focussed on investing in healthcare and life sciences.

I am now pleased to present a new Offer for Subscription for the Healthcare Shares for the new VCT fundraising season.

Background on Thames Ventures VCT 2 plc

The Company was originally created by the merger of four VCTs managed by Downing in 2015, all of which operated planned exit strategies. In 2016, the Company created two new "evergreen" share classes, Ventures and Healthcare, which, in line with the current VCT Regulations, focus on investing in young growth businesses. Further offers for subscription in respect of the Ventures and Healthcare share classes were undertaken in 2018 and 2021. In 2021, a further evergreen class, the AIM Share Class was also added.

In July 2022, Downing sold its Ventures technology investing team to Foresight and the management of the Ventures, AIM and planned exit shares class moved to Foresight. In September 2022, the Company changed its name to Thames Ventures VCT 2 plc.

The Healthcare Share class has stayed under the management of Downing and now employed most of the funds raised in the previous fundraising in building a portfolio of small life sciences companies with good growth potential. Downing reports that there continues to be a good flow of attractive potential investment opportunities in this sector.

The Directors have therefore decided to launch a new offer for subscription to raise further funds for the Healthcare Share class in order that the Company is able to take advantage of such opportunities and give existing Shareholders and new investors the opportunity to participate.

The key points of the Offer (under current legislation) are set out below:

- **30% income tax relief:** will be available on the value of the Offer Shares subscribed for by qualifying investors, providing they are held for at least five years and the investor does not sell any shares in the Company six months either side of the issue of the new Shares. Capital gains on VCT shares are tax-free.
- **Tax-free dividends:** The Healthcare Share pool targets a minimum dividend equating to a tax-free yield of 5.7% p.a. on the current Issue Price net of 30% income tax relief.
- **Running costs capped:** The Company's annual running costs are capped by the Investment Manager at 3.3% of net assets per annum in respect of the Healthcare Share class.
- **Established Healthcare Share class:** The Healthcare Share class has a portfolio comprising of 15 venture capital investments, which have been made throughout the period since the launch in 2016. Some of these investments are now starting to mature, with two undertaking IPOs in 2021.

- **Experienced Healthcare Investment Manager:** Downing is an experienced VCT manager whose business dates back to 1986. It has approximately £1.5 billion of assets under management in both tax -based and non-tax based schemes across its entire operations.
- **Share buyback policy of nil discount:** The Company's policy is to buy back its evergreen Shares, including the Healthcare Shares, in the market at a **nil discount** to its latest published Net Asset Value (after allowing for stamp duty that may be incurred by the Company), subject to liquidity, market conditions and applicable rules and regulations, so investors may be able to realise their shareholding without suffering a significant discount if required.

If you wish to invest, please read the Prospectus (comprising this Securities Note, the Registration Document and the Summary) and follow the instructions to apply for shares set out on Downing's website at www.downing.co.uk/investor/products/vct.

If you have any questions regarding an investment in the Healthcare Shares, you should contact your financial intermediary. For questions relating to an application or the process for investing in the Healthcare Share class, please contact the Downing Customer Team by email to customer@downing.co.uk or by telephone on 020 7416 7780.

Investors should note that no investment advice can be given by Downing and your attention is drawn to the risk factors set out on pages 4 to 6 of this document.

Yours sincerely

Sir Aubrey Brocklebank
Chairman

PART I – THE HEALTHCARE SHARES OFFER

Introduction

VCTs were introduced in 1995 to encourage individuals to invest indirectly in a range of small higher risk UK trading companies. VCTs are investment companies whose shares are listed on the Official List and traded on the London Stock Exchange. To date, over £9 billion has been raised by over 100 VCTs¹.

The Company was created by the merger of four VCTs managed or advised by Downing LLP in July 2015 (the “**Merger**”) and, at that time, had net assets of approximately £60 million. In 2022, Foresight Group LLP took over as the Company’s Investment Manager from Downing LLP, although Downing LLP retained the Investment Management mandate for the Healthcare Share pool. Following the change in management arrangements, the Company changed its name, on 2 September 2022, from Downing FOUR VCT plc to Thames Ventures VCT 2 plc.

The Company now has three evergreen share classes (Ventures, Healthcare and AIM) and two planned exit share classes which are now realising their investments and returning funds to investors and are expected to be cancelled once that task is complete.

Reasons for the Offer

The Healthcare Share Offer has been designed for Investors seeking a portfolio of young growth investments in the life sciences and healthcare sector, whilst taking advantage of the VCT tax reliefs. The Company is seeking to raise additional gross proceeds of approximately £10 million in respect of the Healthcare Share class, together with an over-allotment facility of approximately £15 million.

The new funds raised will allow new and existing shareholders to benefit from the Company being able to participate in attractive investment opportunities in well managed businesses that need capital to expand and also support existing portfolio companies as they develop. By raising more capital, the running costs per Share in the Company for existing Shareholders will be reduced as the fixed costs are spread over a larger asset base.

The Healthcare Shares

The Healthcare Shares were also first issued by the Company in February 2017 with an evergreen strategy focussing on long term returns to Shareholders generated and ongoing tax-free dividends. The returns will be generated from a portfolio of young growth businesses within the healthcare, life sciences and biosciences sectors.

Investments and cash attributable to the Healthcare Share pool are kept separate from that of the other share pools, and each pool is administered separately.

The holders of Healthcare Shares have the right to participate (by way of dividends and returns of capital) in those assets attributable to the Healthcare Shares but not in those assets attributable to the other share classes. The Healthcare Shares are freely transferable.

Investment Strategy

Healthcare Share Pool

The Healthcare Share pool focuses its VCT Qualifying Investments on early and mid-stage healthcare investments, including life sciences and bioscience companies.

Non-qualifying funds

Funds not invested in VCT Qualifying Investments will be held as cash deposits or invested in OEICs, Investment Trusts and other securities in line with the investment policy and the VCT Regulations.

¹ <https://www.gov.uk/government/statistics/venture-capital-trusts-2021/venture-capital-trusts-statistics-2021>

Dividends

The Board is mindful that dividends are attractive to many VCT investors and seeks to pay dividends at an appropriate level while also taking into account liquidity considerations and compliance with VCT and other regulations.

The stated objective Healthcare Share pool is to target an annual tax-free dividend of at least 4% of the pool's NAV, subject to the availability of sufficient distributable profits, capital resources and compliance with the VCT Regulations. There is no guarantee that this objective will be met.

The level of any dividends paid will be largely dependent on the performance of the investments in the Healthcare Share pool.

The Company does not currently offer a dividend reinvestment scheme, however, the Directors review this policy from time to time and will consider introducing such a scheme if appropriate and believed to be cost effective.

Taxation Benefits to Investors (see Part III for further details)

The principal VCT tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2022/23 and 2023/24 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years and provided the Investor has not sold any shares in the VCT six months either side of the issue of the new shares. Relief is restricted to the amount which reduces the Investor's income tax liability to nil.
- **Tax-free dividends and capital distributions** from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

The table below shows the effect of the initial income tax relief using an assumed investment of £10,000.

Effect of initial 30% VCT income tax relief	
Cost of investment	£
Gross subscription by Investor	10,000
30% VCT income tax relief	(3,000)
Net of tax cost of investment	7,000
Initial value of investment	
Gross subscription by Investor	10,000
Assumed Adviser Charge of 2.5%	(250)
Initial Net Asset Value	9,750
Initial "uplift" (pounds)	+2,750
Initial "uplift" (%)	+39.3%
The above table shows that, based on an illustrative investment of £10,000 and income tax relief at 30%, an Investor's net of tax cost of investment is £7,000 and the net assets initially attributable to the investment are £9,750, an "uplift" of £2,750 or +39.3%. The table assumes an Adviser Charge of 2.5% is paid. Investors should note that they are required to hold the Shares for at least five years in order to retain the full amount of income tax relief and, as such, this initial uplift cannot be immediately realised.	

This is only a very brief summary of the UK tax position of investors in VCTs, based on the Company's understanding of current law and practice. Further details are set out in Part III of this document. Prospective Investors are recommended to consult their own appropriate professional advisers as to the taxation consequences of their investing in a VCT. In addition, the availability of tax reliefs depends on the Company maintaining its VCT qualifying status.

Investment Policy

The Company's formal Investment Policy, which covers all share classes, is as follows:

Asset allocation

It is intended that at least 80% of each share pools' funds are invested in VCT Qualifying Investments within 3 years of the close of the relevant share offer with 30% of new funds raised so invested within 12 months of the end of accounting period in which they were raised. The remainder of the funds will be held in cash or other Non-Qualifying Investments.

The DSO D and DP67 share pools operate a "planned exit" strategy. Downing is seeking realisations of the remaining investments in these pools such that funds can be returned to Shareholders.

VCT Qualifying Investments

New VCT Qualifying Investments will normally comprise investments in businesses that are less than seven years old and require funding to support the growth of the business. Investments may be in a range of sectors which are allowable under the VCT Regulations.

The Company will focus on development and expansion funding for quoted and unquoted businesses and will not usually undertake very early stage or start up investments.

Specific share pools may have a generalist focus or may focus on certain sectors according to the strategy of that specific share pool.

Non-Qualifying Investments

The funds not employed in VCT Qualifying Investments will be invested in Non-Qualifying Investments as allowed by the VCT Regulations. These will typically be cash deposits and investments in quoted securities, investment trusts or OEICs.

Liquidity investments will be made with the aim of producing capital appreciation, rather than income. Therefore, the profit arising from the disposal or maturity of the liquidity investments typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to Shareholders.

Risk diversification

The Directors control the overall risk of the Company. Downing ensures that, for each share pool, the Company has exposure to a diversified range of VCT Investments from different sectors and adheres to the holding limit that no investment in a company may represent more than 15% by value of the Company's total investments at the time of investment.

Listing Rules

As a company whose shares have been admitted to the Official List, the Company conducts its business in accordance with the Listing Rules.

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007.

Borrowing policy

It is not the Company's intention to have any borrowings, but it reserves the right to enter into such an arrangement should the need arise. The Company does, however, have the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon).

Trading Activity

The Company does not carry out any trading activity which is significant in the context of the Company.

Share Buyback Policy

The Board will seek to ensure that there is liquidity in the Healthcare Shares and, accordingly, it intends to pursue an active Share buyback policy. Throughout its life, the Company will seek to buy back in the market those Ventures Shares that Shareholders wish to sell at **no discount** to the latest published Net Asset Value (after allowing for stamp duty that may be incurred by the Company), subject to applicable regulations, market conditions at the time and the Company having both the necessary funds and distributable reserves available for the purpose. This buyback policy aims to provide liquidity and limit the discount to Net Asset Value at which Shares trade. The making and timing of any Share buybacks will remain at the absolute discretion of the Board.

Under the current Listing Rules, the price paid for the Shares cannot be more than the higher of: (i) the amount equal to 105% of the average of the middle market quotations for the five Business Days immediately preceding the date on which the Shares are purchased; (ii) the price of the last independent trade; and (iii) the highest then current independent bid on the London Stock Exchange.

Management

Downing LLP

Downing manages the Company's Healthcare Share pool. Downing manages approximately £1.5 billion of assets under a broad range of investment mandates across funds, investment trusts and tax-efficient products. Along with healthcare, it is focused on investing in the renewable energy, infrastructure and property sectors.

Role of Foresight Group LLP

Foresight manages the Company's other share pools and is the appointed administrator of the Company, although the administration role is currently subcontracted to Downing. Foresight manages over £8 billion of assets for a wide and varied investor base of private and institutional investors and invests in sectors including energy, infrastructure and private equity.

AIFM

The Company is registered with the FCA as a Small Registered Alternative Investment Fund Manager.

Co-investment Policy

The Company's only formal co-investment relationships in relation to its Healthcare Share pool are with Downing's IHT and EIS funds (together the "Funds"). It has been agreed that allocations will be offered to each party in proportion to their respective funds available for investment, subject to: (i) a priority being given to any of the Funds in order to maintain their tax status; (ii) the time horizon of the investment opportunity being compatible with the exit strategy of each Fund; and (iii) the risk/reward profile of the investment opportunity being compatible with the target return for each Fund. In the event of any conflicts between the parties, the issues will be resolved at the discretion of the independent directors, designated members and committees of the relevant Funds.

Directors

The Company has a Board, comprising four Directors, all of whom are non-executive. and the majority of whom, including the chairman, are independent of Downing and Foresight within the meaning of Listing Rule 15.2.

Sir Aubrey Brocklebank (Chairman) assumed his first role within the VCT industry in 1997, following a career in accountancy, corporate finance and venture capital. Since then, he has gone on to become one of the industry's most experienced directors. Sir Aubrey maintains a wide range of business interests and has been a director of six AIM quoted companies. He is currently also a non-executive director of Edge Performance VCT plc and has been chairman of a number of other VCTs.

Chris Allner has over 35 years of venture capital and private equity experience and is currently a partner of Downing LLP and chairs their investment committee. Prior to joining Downing, he was the head of private equity at Octopus Investments as well as a director at Beringea and Bridgepoint with previous experience at 3i and Charterhouse. He has previously sat on the boards of a number of unquoted and quoted companies across a variety of commercial sectors.

Steven Clarke has 30 years' experience of investing in technology and data businesses including 21 years as a private equity investor with 3i, August Equity and ICG. Steven now supports founders through fundraising, international growth and exit as an investing non-executive director usually alongside a growth equity fund. Steven is also chair of the investment committee for Bethnal Green Ventures, a Tech for Good impact investor.

Andrew Mackintosh has had a distinguished career in industry and investment as a former CEO of FTSE 250 company, Oxford Instruments, before later leading the creation of the Royal Society Enterprise Fund, a pioneering initiative in bringing together scientific expertise and early-stage investment. He was a board member of the Intellectual Property Office and a trustee of the Design Council. He is also chairman of UKI2S, a government-backed venture capital fund supporting companies from the UK's scientific research base.

Andrew has a longstanding interest in enhancing the commercialisation and wider economic impact of UK research and is the author of a report ('The Mackintosh Report') commissioned by HM Treasury and published in April 2021.

Charges

Initial Costs

The initial costs to Investors are made up of the Promoter's Fee plus Adviser Charges (where applicable).

Downing will charge the Company a Promoter's Fee of 3.0% of the monies subscribed, where it is required to pay commission to an Intermediary or the application is direct. No Promoter's Fee will be charged where the application is made via an Intermediary and no commission is payable. Out of its Promoter's Fees, Downing will be responsible for paying all the costs of the Offer (excluding trail commission). Adviser Charges are the fees agreed between Intermediaries and Investors for advice and related services which can be facilitated by the Company. Investors will bear the cost of their applicable Promoter's Fee and Adviser Charge or Commission through the application of the Pricing Formula but will not otherwise be directly charged any other expenses or costs.

The number of Healthcare Shares issued under the Offer will be determined by the "blended" issue cost. Applicants will have a different issue cost attributable to their application for Offer Shares depending on the level of Promoter's Fee and Adviser Charges agreed with their Intermediary. Further information is set out in Part VI. Should the total initial expenses of the Offer (assuming Full Subscription by Investors in respect of whose applications commission is payable or are direct applications) be 3.0% of the gross proceeds, the total net proceeds of the Offer will be approximately £9.7 million.

Annual management and administration fees

Downing receives an annual investment management fee of 2.5% of the net assets of the Healthcare Share class.

In respect of administration fees, Foresight is paid a formula-based fee comprising three elements: (i) a basic fee of £47,550 (plus annual RPI adjustment); (ii) a fee of 0.1% per annum on funds in excess of £10 million; (iii) £5,000 per share pool (excluding the DSO D Shares). Administration services are currently subcontracted by Foresight to Downing.

Assuming Full Subscription by Investors in respect of whose applications on which commission is payable, the Company's assets would be approximately £72 million, resulting in an annual administration fee of approximately £130,000.

Annual Running Costs in respect of the Healthcare Shares are capped at 3.3% of net assets per annum.

Any excess will be paid by Downing or refunded by way of a reduction in its fees. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, irrecoverable VAT and investment management fees.

Downing will receive no carried interest or other performance-related fees, save pursuant to the holding of Management Shares described below.

Where the Company invests in other Downing managed funds, Downing will arrange for one of the fees to be rebated to the Company to ensure that there is no "double charging".

The Company shall also be responsible for paying 0.25% per annum of the Net Asset Value of the Offer Shares to Downing for a maximum of five years, from which Downing will pay annual trail commission to those Intermediaries who remain eligible to receive it. If the total sum due to eligible intermediaries is less than the above amount, Downing will reimburse the Company for the difference.

Costs payable by Investee Companies

Downing may receive arrangement fees (capped at 3.0% of the sums invested by the Company on individual transactions and 1.0% of all sums invested over a financial year, with any excess paid to the Company) and monitoring fees (capped £10,000 per annum plus VAT per Healthcare investment, including any director's fees for sitting on the companies' boards) from Investee Companies. Costs incurred on abortive investment proposals will be borne by Downing.

Performance Incentive

As is customary in the venture capital industry, members of the management team will be entitled to receive a performance incentive fee in the event that returns to Healthcare Shareholders respectively exceed a hurdle. This fee is set at 20% of dividends paid when total returns are above the Hurdle, with effect from 2021 onwards.

For the Hurdle to be met, the Healthcare Shares must achieve a Total Return (based on audited year end results) in excess of £1.06 for the year ended 31 March 2022. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2023 the Total Return hurdle will be £1.09, for the year ending 31 March 2024 the hurdle will be £1.12, and for the year ending 31 March 2025 the hurdle will be £1.15 etc.

The Performance Incentive in respect of the Healthcare Shares will have no impact on shareholders of other share classes. The performance incentive arrangements in respect of the Healthcare Share pool are assessed on just that share pool.

The Company gives effect to the performance incentive through the issue of Management Shares in the Company. From time to time, Management Shares will be issued to certain members of the Management at a lower price of 0.1p per share and immediately thereafter transferred to a nominee company, Downing Nominees Limited (the "**Nominee**"), such that 20% of the total Healthcare Shares in issue are Management Shares. Accordingly, if the Offer is fully subscribed (ignoring the over-allotment facility), approximately 3.2 million Healthcare Shares will be issued to Management at 0.1p per share and transferred to the Nominee to hold on behalf of Management.

Whilst these Management Shares will rank *pari passu* with the other issued shares, the Nominee has agreed with the Company that, so long as the Management Shares are in issue, it will (a) neither exercise any voting rights attaching to the Management Shares, nor transfer or dispose of any of the Management Shares, and (b) waive any of their entitlement to distributions payable on the Management Shares unless, and to the extent that, the Hurdle is met. The effect of this arrangement will be to allow the individuals concerned to receive dividends on the Management Shares equal to 20% of the aggregate dividends payable; this dividend will represent their performance incentive payment. If the payment of the full dividend on the Management Shares would result in the Hurdle no longer being met, the Nominee as holder of the Management Shares will waive dividends to the extent to ensure that the Hurdle continues to be met.

For example, the Total Return per Share might stand at 106.5p as at 31 March 2022, at which time the Hurdle will be 106.0p. Based on 20 million shares in issue, if a dividend of £1,000,000 (5p per share) is declared in respect of the year ended 31 March 2022, Management would normally be entitled to dividends equivalent to £200,000 (20% of aggregate dividends payable, equivalent to 1p per share in issue). However, as this would result in the Hurdle not being met, the Nominee will waive 50% of the dividend, which will result in net dividends of £100,000 (equivalent to 0.5p per share in issue) being paid on the Management Shares. The Hurdle for the following year ending 31 March 2023 will then stand at 109p.

Other Information

Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company provisional approval under the ITA. The Company intends to continue complying with the VCT Regulations and has retained Philip Hare & Associates LLP to advise it on VCT taxation matters.

The Offer and minimum and maximum subscription

Assuming Full Subscription by Investors in respect of whose applications commission is payable, net proceeds (after the costs of the Offer) of £9.7 million will be raised under the Offer. The maximum amount payable by the Company in respect of the costs of the Healthcare Share Offer will be 3.0% (assuming commission is payable on all applications or that all applications are made direct and without an intermediary). If the Healthcare Share Offer is over-subscribed, the size of the Healthcare Share Offer may be increased at the discretion of the Board by no more than an additional £15 million (with expected maximum net proceeds, on the basis set out above, of up to an additional £14.55 million). This facility may be utilised whilst the Offer remains open. In the event that applications are received in excess of the Full Subscription (or in excess of the amount of the over-allotment facility if utilised to any degree), the Directors and the Sponsor reserve the right to use their absolute discretion in the allocation of successful applications. Applicants are encouraged to submit their Application Form early in order to be confident that their applications will be successful. There is no minimum number of Offer Shares which must be subscribed for in order for the Offer to proceed.

The minimum subscription per Applicant is £5,000 (or such lower amount at the Board's discretion) including any Initial Adviser Charge for facilitation. The maximum subscription, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2022/23 and 2023/24 tax years. Spouses can each invest up to £200,000 in each tax year. The subscription list for the Offer will open at 1.00 p.m. on 26 October 2022 and may close at any time thereafter, but in any event, not later than 3.00 p.m. on 31 May 2023, unless fully subscribed earlier or previously extended by the Directors (but to no later than 12 October 2023).

The Offer is not underwritten.

The Offer Shares will be allotted and issued in respect of valid applications received by the Closing Date. **The first allotment will take place at a date no later than 5 April 2023, although may take place on an earlier date which the Directors may decide. Investors wishing to have their shares issued in the 2022/23 tax year should ensure their application is received by the Company in plenty of time prior to 5 April 2023.**

Application has been made to the FCA on behalf of the Company for the Admission of all of the Offer Shares. It is anticipated that dealings in the first allotment of Offer Shares will commence no later than 10 Business Days after allotment. Dealings may not begin before notification of allotments is made. Revocation of the Offer cannot occur after dealings in the Healthcare Shares have commenced.

Settlement of transactions in the Healthcare Shares following Admission may take place within the CREST system if Healthcare Shareholders wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of Healthcare Shares will be posted to Healthcare Shareholders as applicable within 30 days of each allotment. No notification will be made to successful Applicants prior to despatch of definitive share certificates.

Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued.

The result of the Offer will be announced through a regulatory information service provider authorised by the FCA.

No convertible securities, exchangeable securities or securities with warrants will be issued with the Offer.

Availability of the Prospectus

Copies of the Prospectus and any related supplementary prospectus published by the Company are available for download at the National Storage Mechanism (<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>) and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from Downing LLP.

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Part II – Taxation

VCTs: Summary of the applicable legislation in respect of Investors

1. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

2. Tax reliefs for individual Investors

Individuals who subscribe for Offer Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

Relief from income tax

A qualifying investor subscribing up to £200,000 in the 2022/23 and/or 2023/24 tax years for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil. Shareholders should note that if they have sold, or if they sell, any shares in the Company within six months either side of the subscription for the Offer Shares, then for the purposes of calculating tax relief on the Offer Shares the subscribed amount must be reduced by the amount received from the sale.

Dividend relief

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in each of the 2022/23 and 2023/24 tax years) will not be liable for UK income tax on dividends paid by the VCT. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief. There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for the withholding of tax at source.

Capital gains tax relief

A disposal by an individual investor of his/her shares in a VCT will neither give rise to a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

Loss of tax reliefs

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax on capital gains will not apply to any gain realised after VCT status is lost (and on any gain realised by the VCT if approval is deemed never to have been given).
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
 - repayment of the 30% income tax relief on subscription for new VCT shares;
 - income tax becoming payable on subsequent payments of dividends by the VCT; and
 - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the VCT, except that any part of the gain attributable to the period for which the VCT was approved would remain exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
 - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;
 - income tax becoming payable on all payments of dividends by the company; and

- any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

3. Consequences of an investor dying or a transfer of shares between spouses

(i) *Initial income tax*

If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.

(ii) *Tax implications for the beneficiary*

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal but will not be entitled to any initial income tax relief.

(iii) *Transfer of shares between spouses*

Transfers of shares in a VCT between spouses is not deemed to be a disposal and, therefore, all tax reliefs will be retained.

4. General

(i) *Investors who are not resident in the UK*

Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in a VCT, because they may be subject to tax in other jurisdictions.

(ii) *Stamp duty and stamp duty reserve tax*

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of VCT shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within four months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.

(iii) *Purchases in the market after listing*

Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his/her VCT shares.

(iv) *The VCT Regulations 2004*

Under the VCT Regulations 2004, monies raised by any further issue of shares by an existing VCT must be applied by that VCT for qualifying purposes. If any of the money raised (except for amounts which HM Revenue & Customs agrees are insignificant in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares, then the funds may be deemed to not have been used for a qualifying purpose.

The above is only a summary of the tax position of individual investors in VCTs and is based on the Company's understanding of current law and practice. Investors are recommended to consult a professional adviser as to the taxation consequences of their investing in a VCT. The tax legislation of the investor's home country and of the Company's country of incorporation may have an impact on the income received from the securities. All tax reliefs referred to in this document are UK tax reliefs and are dependent on the Company maintaining its VCT qualifying status.

5. VCT approval

To obtain VCT status a company must be approved by HM Revenue & Customs as a VCT. HM Revenue & Customs has granted the Company approval under Section 274 ITA as a VCT and the Company intends to continue complying with the requirements of such section.

For a VCT to obtain full unconditional approval, the conditions summarised below must be satisfied in relation to the accounting period of the company which is current when the application for approval is made, or in any event must be satisfied by no later than the beginning of the VCT's next accounting period and must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15% by value of the VCT's total investments at the time of investment; and
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period; and
- (iv) the VCT must not make an investment into a company which causes that company to have received more than £5 million of state aided risk finance in a rolling 12-month period (£10 million for a 'knowledge intensive' company), or more than £12 million in total (£20 million for a 'knowledge intensive' company);
- (v) no investment can be made by the VCT in a company whose first commercial sale was more than 7 years prior to the date of investment, except where previous State aid Risk Finance was received by the company within 7 years (10 years for a 'knowledge intensive' company) or where a turnover test is satisfied and the investment is used to enter a new product or geographical market;
- (vi) no funds received from an investment by the VCT into a company can be used to acquire another existing business or trade; and
- (vii) the VCT must not make any investments other than qualifying investments or certain non-qualifying investment specified in section 274 Income Tax Act 2007.

Additionally, the VCT must not be a close company and its ordinary share capital must be quoted on a regulated market in the EU or European Economic Area.

The VCT must not, in respect of any share capital created on or after 6 April 2014, and any reserves created from the cancellation thereof, make any payment or distribution out of such share capital and reserves to shareholders within three years from the end of the accounting period in which that share capital was created.

The following conditions also have to be satisfied by no later than the beginning of the VCT's accounting period which commences no later than three years after provisional approval takes effect and must continue to be satisfied throughout the life of the VCT:

- (i) at least 80% by value of its investments is represented by shares or securities comprising qualifying investments; and
- (ii) for funds raised on or after 6 April 2011, and for investments made on or after 6 April 2018 from funds raised prior to 6 April 2011, at least 70% by value of its qualifying investments is represented by "eligible shares" which are ordinary shares which carry no present or future preferential rights to a return or capital on a winding up or any redemption rights but may have certain preferential rights to dividends.

Furthermore, VCTs are required to invest 30% of funds raised in an accounting period in qualifying investments within 12 months from the end of that accounting period.

Disposals of qualifying holdings (which have been so qualifying throughout the six months prior to disposal) are disregarded for the purposes of the 80% test for a period of twelve months.

“Qualifying investments” comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades and which meet a principles based ‘risk to capital’ gateway test. This test requires the company to have genuine plans to grow and develop in the long term and that there be a significant risk that the capital invested could be lost as to an amount greater than the net investment return. The trade must be carried on by, or be intended to be carried on by, the investee company or a 90% held qualifying subsidiary (directly held or in the third tier within the group) at the time of the issue of the shares or securities to the VCT and at all times thereafter. The Qualifying Company must have a permanent establishment in the UK.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes certain activities, including dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development and operating or managing hotels, guest houses, nursing and residential care homes, coal production, steel production, ship building or the generation of electricity. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

A qualifying investment can be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. The subsidiary carrying on the qualifying trade in question must be at least 90% owned by the parent company. The investee company's gross assets, or those of the group if it is a parent company, must not exceed £15 million immediately prior to the investment and £16 million thereafter. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in “eligible shares” as defined above. Qualifying Companies or groups must have fewer than 250 employees. Companies are permitted to receive a maximum of £5 million from investments made under the European Commission's Risk Finance Guidelines in the 12 months ending on the date of the VCT's investment, and a total maximum of £12 million of such investment (£10 million and £20 million respectively for a “knowledge intensive company”). The company's first commercial sale must be no more than seven years before the date of the VCT's investment (10 years for a “knowledge intensive company”), except where previous State Aided risk finance investment was received by the company in that seven or 10 year period, or where a turnover test is satisfied and the money is used to enter a new product or geographic market. There is also a disqualifying purpose test designed to exclude companies set up for the purpose of accessing the tax reliefs. There is an exclusion on the use of VCT funds for the acquisition of a trade, business, or of shares in another company.

Companies whose shares are traded on AIM, or on the AQUIS growth market, are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently become listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

VCTs may only use the non-qualifying portion of their portfolio to make a limited range of investments for the purposes of liquidity management, specifically in listed shares, shares or units in alternative investments funds and UCITS (each of which must be redeemable on seven days' notice by the investor) and short-term cash deposits.

The Company will notify through a Regulatory Information Service provider any action that will be taken in the event of a breach of any of the VCT conditions.

Part III – Definitions

Where used in this document, the following words and expressions will, unless the context otherwise requires, have the following meanings:

2006 Act	Companies Act 2006, as amended from time to time
Admission	admission of the Offer Shares to the premium segment of the Official List and to trading on the London Stock Exchange
Advisers	financial advisers and Intermediaries
Adviser Charge	fee, payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in Healthcare Shares and detailed on the Application Form
AIM Shareholders	holders of AIM Shares
AIM Shares	AIM Shares of 0.1p each in the capital of the Company (ISIN: GB00BMYXV611)
Annual Running Costs	annual running costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT but excluding any amount payable in respect of the Performance Incentive)
Applicant	a person who completes and submits an Application Form
Application Form(s)	form of application for Healthcare Shares under the Offer
Articles	articles of association of the Company, as amended from time to time
Board of Directors	the board of directors of the Company
Business Days	any day, other than a Saturday, Sunday or public holiday, on which clearing banks in London are open for all normal banking business
Closing Date	5 April 2023 for Investors wishing to have their shares issued in the 2022/23 tax year and 31 May 2023 otherwise, unless previously extended by the Directors (but to no later than 12 October 2023)
Company or Thames Ventures 2 CREST	Thames Ventures VCT 2 plc (registered number 06789187, formerly Downing FOUR VCT plc) the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of Shares in uncertificated form which is administered by Euroclear UK & Ireland Limited (registered number 02878738)
CREST Regulations	Uncertificated Securities Regulations 1995 (SI 1995/3272)
Downing	Downing LLP, which is authorised and regulated by the Financial Conduct Authority (registered number OC341575; FCA number 545025)
DP67 Shares	DP67 shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53D91)
DTR	the Disclosure Guidance and Transparency Rules, made by the FCA under part VII of FSMA and relating to the disclosure of information in respect of financial instruments
Existing Investors	an individual who has previously invested in any Downing product prior to subscribing for Offer Shares
Existing Shares	DSO D Shares and/or DP67 Shares and/or Healthcare Shares and/or Ventures Shares in issue at the date of this Prospectus
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000, as amended from time to time
Foresight	Foresight Group LLP
Full Subscription	approximately 12.8 million new Healthcare Shares being issued under the Offer, ignoring the over-allotment facility and excluding the Management Shares
Healthcare Promoter	Downing
Healthcare Share(s)	Healthcare Ordinary Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5D62)
Healthcare Shareholders	holders of Healthcare Shares

Hurdle	achievement, calculated on a per Share basis, of (a) a Total Return in excess of £1 per share for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 (b) subsequent annual Total Returns increasing by 3p per annum
Initial Adviser Charge	a one-off Adviser Charge to be paid at the time of, or shortly after, the investment being made
Intermediary	firm who signs the Application Form and whose details are set out in the Application Form
Investment Manager	Downing LLP
Investor	a subscriber for Healthcare Shares under the Offer
IRR	internal rate of return, which, when applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
Issue Price	price per Offer Share under the Offer as determined by the Pricing Formula from time to time
ITA	Income Tax Act 2007, as amended from time to time
Life sciences/bioscience	the sciences concerned with the study of living organisms, including biology, microbiology, physiology, biochemistry, and related subjects.
Listed	admitted to the premium segment of the Official List and to trading on the London Stock Exchange
Listing Rules	listing rules issued by the FCA, acting as the UK Listing Authority, pursuant to Part VII of the FSMA
London Stock Exchange or LSE	main market for listed securities of the London Stock Exchange plc (registered number 02075721)
Management	individuals engaged in the business of the Company and/or Downing (in respect of the Healthcare Shares) and/or Foresight (in respect of the Shares other than the Healthcare Shares)
Management Shares	those Healthcare Shares held, from time to time, by members of the Management to give effect to the existing arrangements for implementing the Performance Incentive
Merger	the transaction pursuant to section 110 of the Insolvency Act 1986 which took place on 20 July 2015, under which Downing FOUR acquired the assets and liabilities of Downing Planned Exit VCT 2011 plc, Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc
ML Regulations	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
NAV or Net Asset Value	net asset value per Share (in the case of the Healthcare Shares, calculated without including the Management Shares)
Net Assets	gross assets less all liabilities (excluding contingent liabilities) of the Company
Offer Shares	new Healthcare Shares subscribed for under the Offer
Offer or Healthcare Share Offer	the offer for subscription of new Healthcare Shares being made on the terms set out in the Prospectus
Official List	official list of the FCA
Performance Incentive	performance-related benefits accruing to the Management through their holdings of Management Shares in the event that the Hurdle is achieved, as described on page 15 of this document
Pricing Formula	mechanism by which the pricing of the Offer is set by reference to the latest published NAV, the level of the Promoter's Fee and Adviser Charge payable by a particular Applicant, as described on page 33 of this document
Promoter's Fee	fee payable by the Company to Downing, calculated as a percentage of each Applicant's gross subscription in the Offer in return for which Downing will pay the launch costs of the Offer
Prospectus	together this Securities Note, the Registration Document and the Summary prospectus rules issued by the FCA pursuant to Part VI of the FSMA
Prospectus Rules	unquoted company carrying on qualifying trades wholly or mainly in the United Kingdom and which satisfy certain other conditions as defined in Chapter 4, Part 6, of the ITA
Qualifying Company/ies	
Qualifying Investment	an investment in a Qualifying Company

Registrar and/or Receiving Agent	The City Partnership (UK) Limited (registered number SC269164)
Registration Document	the registration document issued by the Company, of even date with this document, which forms part of the Prospectus
Securities Note	this document
Shareholders	holders of Shares
Share(s)	Existing Share(s) and/or Offer Share(s), as the context requires
Sponsor	SPARK Advisory Partners Limited
Sponsor and Promotion Agreement	the agreement dated on or around the date of this Prospectus between the Company (1), the Directors (2), the Sponsor (3) and Downing (4), a summary of which is set out in paragraph 4(a) of Part Two of the Registration Document
Spouse	spouse or civil partner
Summary	the summary issued by the Company, of even date with this document, in connection with the Offer and which forms part of the Prospectus
Total Return	NAV, together with cumulative dividends paid or proposed
Ventures Share(s)	Ventures Ordinary Share(s) of 0.1p each in the capital of the Company (ISIN: GB00BDHF5B49)
VCT or Venture Capital Trust	venture capital trust as defined in Section 259 of the ITA
VCT Regulations or VCT Rules	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs as amended from time to time

Part IV – Additional Information

1. The Company

1.1 Cancellation of the share premium account

The Directors are aware of the possibility that the Company's Shares may trade at a discount to their net asset value at some point. The Directors consider that the Company should have the ability to purchase its Shares in the market (such Shares to be automatically cancelled) with the aim of reducing any discount and increasing the liquidity in the Company's Shares. In the view of the Directors, the awareness of Investors that the Company has such a capability may tend to moderate the scale of any discount which may emerge and the action of buying in Shares should enable any such discount to be narrowed.

The 2006 Act provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase. Subject to confirmation from HM Revenue & Customs that such proposals will not adversely affect the Company's VCT status and Court approval, the Company may decide to reduce and/or cancel the share premium account (created on the issue of the Offer Shares) and to transfer the balance of the special reserve, which is established by the cancellation of a previous share premium account, which may be treated as a distributable profit, out of which purchases of Shares can be made, subject to regulations, VCT Rules and company legislation. The Company intends to cancel the share premium account in due course.

Following changes in Finance Act 2014 for shares issued after 5 April 2014, the Company may not return the capital raised by a share issue to its investors for a period of three years from the end of the accounting period in which the shares were issued. There is no restriction on dividends funded out of income received attributable to the Healthcare Shares.

1.2 Material interests

Downing will be paid an annual investment management fee 2.5% of the Net Assets attributable to the Healthcare Shares. In line with normal VCT practice, Downing will also be entitled to receive the Performance Incentive in respect of the Healthcare Shares. Further details of these arrangements are set out in Part I of this document.

1.3 Results of the Offer

The results of the Offer together with the relevant information regarding the Issue Price will be announced through a regulatory information service provider.

2. Working capital and capitalisation and indebtedness statements

2.1 Working capital

In the opinion of the Company, the working capital available to the Company is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

2.2 Statement of capitalisation and indebtedness

The table below shows the capitalisation of the Company as at 31 August 2022.

	£'000
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Shareholders' equity	
Share capital	119
Other reserves	62,162
	<u>62,281</u>

The following table shows the Company's net indebtedness as at 31 August 2022.

	£'000
A Cash	12,587
B Cash equivalent	-
C Trading Securities	8,620
D Liquidity (A+B+C)	21,207
E Current financial receivables	2,050
F Current bank debt	-
G Current position of non-current debt	-
H Other current financial debt	-
I Current financial debt (F+G+H)	-
J Net current financial indebtedness (I-E-D)	(23,257)
K Non-current bank loans	-
L Bonds issued	-
M Other non-current loans	-
N Non-current financial indebtedness (K+L+M)	-
O Net financial indebtedness (J+N)	(23,257)

The Company does not have any contingent or indirect indebtedness.

There has been no material change in the capitalisation or indebtedness of the Company since 31 August 2022.

3. Issued Share Capital and Dilution

The Shareholders of the Company as at the date of this document hold the rights to a total of 81,771,742,692 votes. If the maximum of approximately 12.8 million Offer Shares are issued pursuant to the Offer (ignoring the over-allotment facility and excluding Management Shares), then the existing Shares would represent approximately 84.8% of the voting rights of the enlarged Company. There will be no dilution in terms of net asset value for any Existing Shareholder as a result of the Offer due to the application of the Pricing Formula.

4. Rights attaching to the Company's Shares

Dividends and Capital

The share capital of the Company comprises DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares and AIM Shares.

The holders of DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares and AIM Shares shall be entitled, in their respective capacities, to receive dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) including on a liquidation of the Company, out of the residual assets attributable to those respective share classes and pro-rata between such Shareholders to the respective number of shares they hold in the relevant share class.

None of the DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares or AIM Shares are redeemable or convertible.

Voting

Every Shareholder shall have the right to receive notice of, to attend, speak and vote at any General Meeting of the Company.

Shareholders who are present at a General Meeting and duly appointed proxies present at a General Meeting can vote on a show of hands. They will have one vote each.

On a poll each Shareholder present in person or by proxy shall be entitled to the number of votes per share of which he is the registered holder which is attributed to shares of that class as set out in the second column opposite each class of share named in the table below, as this number may be adjusted from time to time.

Class of share	Number of votes per share ("Base Votes")	Original net asset value per share at the date of the launch or merger of share class ("Base Value")	Current Net Asset Value (Unaudited 31 August 2022)
Ventures Shares	1,146	100.0p	70.0p
Healthcare Shares	1,146	100.0p	78.4p
AIM Shares	1,146	100.0p	99.3p
DSO D Shares	925	80.7p	2.6p
DP67 Shares	750	63.8p (DP6), 63.5p (DP7)	27.9p

If the net asset value of any class of share, as announced prior to a General Meeting of the Company, adjusted by the deduction of the amount of any dividends declared in or since the announcement or paid since the announcement, is less than or greater than the Base Value in the third column set opposite that class of share in the table above by at least 25% or more of its Base Value then the number of Base Votes per share which each holder of shares of that class may cast upon a poll as set out in the second column of the table above shall correspondingly increase or decrease as set out in the table below:

Net Asset Value, adjusted as required, expressed as a % of the Base Value of a Class of Share	Adjusted Base Votes per share
Up to 25%	0.25 x Base Votes
Over 25% and less than 50%	0.50 x Base Votes
Over 50% and up to 75%	0.75 x Base Votes
Over 75% and up to 125%	Base Votes
Over 125% and up to 150%	1.25 x Base Votes

5. Overseas Investors

- No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him/her to subscribe for or purchase Healthcare Shares unless, in such territory, such offer or invitation could lawfully be made.
- No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(y) of Part VIII of this document or a resident of Canada.

5. Information sourced from third parties

Where information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

6. Takeovers

The Company and its Shareholders are subject to the provisions of the City Code on Takeovers and Mergers and the 2006 Act, which require shares to be acquired/transferred in certain circumstances.

7. Maximum number of Offer Shares to be issued

The maximum number of Offer Shares that may be issued under the Prospectus pursuant to the Offer is 40 million (including Management Shares).

8. Shareholder authority for the issue of the Offer Shares

The following resolutions, inter alia, were passed the Annual General Meeting that took place on 27 September 2022, authorising the issue of the Offer Shares:

9. *That, in addition to any existing authority (to the extent unused), the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £172,555, being up to 58,651,026 Ventures Shares (plus Ventures Management Shares of up to 14,662,757) (representing approximately 105% of the Ventures Share capital in issue at today's date), up to 47,393,365 Healthcare Shares (plus Healthcare Management Shares of up to 11,848,341) (representing approximately 207% of the Healthcare Share capital in issue at today's date) and up to 40,000,000 AIM Shares (representing approximately 1,484% of the AIM Share capital in issue at today's date), during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect.*
10. *That, in addition to any existing authority (to the extent unused), the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), pursuant to section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to Resolution 9 above, as if section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.*

Use of the Prospectus by financial intermediaries

The Company and the Directors consent to the use of the Prospectus and accept responsibility for the content of the Prospectus for subsequent resale or final placement of the securities in the Company by financial intermediaries in the UK. The period in which such consent to use the Prospectus is given begins with the date of the Prospectus and ends on the close of the Offer, for the purpose of introducing subscribers for Offer Shares. The Offer is expected to finally close on or before 31 May 2023, unless previously extended by the Directors to a date not being later than 12 October 2023.

Financial intermediaries must give Investors information on the terms and conditions of the Offer at the time the Offer is introduced to them by the financial intermediary. Any financial intermediary using the Prospectus must state on its website that it uses the Prospectus in accordance with the above consent and the conditions attached thereto.

Part V – Terms and Conditions of Application

1. In these Terms and Conditions of Application, the expression “Prospectus” means this document. The expression “Application Form” means the application form for use in accordance with these Terms and Conditions of Application. Save where the content otherwise requires, the terms used in the Application Form bear the same meaning as in the Prospectus.
2. The right is reserved to reject any application or to accept any application in part only and to allot Offer Shares notwithstanding that the Offer is not fully subscribed. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Offer Shares than the number applied for, or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime, application monies will be retained in the Company's bank account.
3. You may pay for your application for Offer Shares by cheque or banker's draft submitted with the Application Form or direct bank transfer.
4. The contract created by the acceptance of applications in respect of the first allotment of Offer Shares will be conditional on admission of the Offer Shares (in respect of such first allotment of Shares) being granted not later than 3:00 p.m. on 31 May 2023. If the conditions are not met, the Offer will be withdrawn and subscription monies will be returned to Investors within seven days of 31 May 2023, at their own risk, without interest. The Offer is not underwritten.
5. By completing and submitting an Application Form, you:
 - (a) offer to subscribe for the amount specified on your Application Form plus any commission waived for extra shares or any smaller sum for which such application is accepted at the Issue Price;
 - (b) acknowledge that, if your subscription is accepted, you will be allocated such number of Offer Shares as determined by the Pricing Formula;
 - (c) authorise your financial adviser, or whoever he or she may direct, the Registrar or the Company to send a document of title for, or credit your CREST account in respect of, the number of Offer Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
 - (d) in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any Offer Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked once made and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon submission of your duly completed Application Form to the Company or to your financial adviser;
 - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Company (such acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Offer Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment at your risk and without interest);
 - (f) agree that all cheques and banker's drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the verification of identity required by the ML Regulations and that such monies will not bear interest;
 - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with the ML Regulations;
 - (h) agree that, in respect of those Offer Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by the Company instructing Downing or the Registrar to enter your name on the share register;

- (i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
- (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors contained therein;
- (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
- (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (m) irrevocably authorise the Company, the Registrar or Downing or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Offer Shares subscribed by or issued to you into your name and authorise any representatives of the Company, the Registrar or Downing to execute any documents required therefore and to enter your name on the register of members of the Company;
- (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT Regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
- (o) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Downing or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (p) confirm that you have read and complied with paragraph 6 below;
- (q) confirm that you have reviewed the restrictions contained in paragraph 7 below;
- (r) confirm that you understand that if you sell (or have sold) any other Shares in the Company within six months either side of your subscription for Offer Shares then, for the purposes of calculating the tax relief on the Offer Shares, the subscribed amount must be reduced by the amount received from the sale;
- (s) warrant that you are not under the age of 18 years;
- (t) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws and none of the Company, Downing or the Sponsor or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
- (u) agree that Downing and the Sponsor are acting for the Company in connection with the Offer and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Offer Shares or concerning the suitability of Offer Shares for you or be responsible to you for the protections afforded to their customers;
- (v) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (w) warrant that you are not subscribing for the Offer Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the Offer Shares;
- (x) warrant that the Offer Shares are being acquired by you for *bona fide* investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;
- (y) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any Offer Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada; and
- (z) warrant that the information contained in the Application Form is accurate.

6. No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
7. The Offer Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. Downing will not be registered under the United States Investment Adviser Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
8. This application is addressed to the Company, the Receiving Agent and the Sponsor. The rights and remedies of the Company and the Sponsor under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company with the agreement of the Sponsor.
10. The Offer will be suspended if at any time the Company is prohibited by statute or other regulations from issuing Healthcare Shares.
10. The Company has taken advantage of the provisions of the 2006 Act to allow annual reports and other statutory shareholder communications to be made available in electronic form on its website as the default means of publication. This will have a positive environmental impact and save the Company some costs compared to providing all communications in hard copy form by post. By default, applicants who provide an email address on the Application Form and do not complete select any alternative notification methods, will receive notification of shareholder communications by email. Investors can elect to receive notifications by post and to receive all shareholder communications in paper form by ticking the appropriate box on the Application Form. Should you subsequently wish to change your election, you can do so at any time by contacting the Registrar, The City Partnership (UK) Limited of The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. Notwithstanding any election, the Company may in its sole discretion send any notification or information to Shareholders in paper form.
11. Authorised financial intermediaries who, acting on behalf of their clients where those clients are non-advised Investors (and an enhanced service has been provided in accordance with the extended prohibition on inducements under FCA rules) or where their client is a 'professional client' under the FCA Rules who has received only restricted advice, return valid Application Forms bearing their stamp and FCA number may be entitled to commission on the amount payable in respect of the Offer Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part IX of this document. Intermediaries may agree to waive part or all of their initial commission in respect of an application for Offer Shares. If this is the case, then the offer charges will be adjusted, in accordance with the Pricing Formula. Intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
12. The section headed "Application Procedures" forms part of these Terms and Conditions of Application.

13. It is a condition of the Offer to ensure compliance with the ML Regulations. Foresight and/or Downing is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Foresight and/or Downing to be acting on behalf of some other person. Pending the provision of evidence satisfactory to Foresight and/or Downing as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, Foresight and/or Downing may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the register of members or issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or Foresight and/or Downing to reject any application in respect of which Downing considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Offer Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to Foresight and/or Downing such information as may be specified by it as being required for the purpose of the ML Regulations.
14. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed, in some other manner acceptable to the Company, to apply in accordance with these Terms and Conditions of Application.
15. The Company and/or Downing may process the information you give us in accordance with their privacy policies (<https://www.downing.co.uk/privacy-and-cookie-policy>). This includes processing or sharing your information as required to fulfil our obligations under this agreement. We may also use your information to contact you regarding upcoming investment opportunities, should you no longer wish to be contacted you may advise Foresight and/Downing of this without affecting the remainder of this agreement or the terms of use for your information.
16. The minimum subscription is £5,000 subject to the Board's discretion. There is no maximum subscription by an individual subscriber subject to the overall maximum amount to be raised pursuant to the Offer although applicants should have regard to the annual maximum amount on which VCT income tax relief can be claimed.
17. The application of the subscription proceeds is subject to the absolute discretion of the Directors.

Part VI – Pricing of the Offer, Adviser Charges and Commission

Pricing of the Offer

The number of Shares to be issued to each Applicant will be calculated based on the following Pricing Formula (rounded down to the nearest whole Share):

$$\text{Number of Offer Shares} = \left[\begin{array}{l} \text{Amount subscribed, less:} \\ \text{(i) initial Promoter's Fee}^1 \text{ and} \\ \text{(ii) Initial Adviser Charge (if any)} \end{array} \right] \div \left[\begin{array}{l} \text{Latest published} \\ \text{NAV} \\ \text{per Offer Share}^2 \end{array} \right]$$

¹ less any commission waived by Intermediaries (where applicable)

² adjusted for any dividends declared and ex-dividend since the NAV date, as appropriate.

Illustrative examples based on a subscription under the Offer in one tax year of £10,000 and a NAV per Share of 78.4p (being the unaudited NAV of the Healthcare Shares as at 31 August 2022):

Example	Promoter's Fee	Initial Adviser Charge	Number of Offer Shares*		Issue Price**
(i)	3.0% (commission payable and waived)	N/A	(10,000 – 0 – 0) ÷ 0.784	= 12,755	78.4p
(ii)	3.0% (commission payable, not waived)	N/A	(10,000 – 300 – 0) ÷ 0.784	= 12,372	80.8p
(iii)	3.0% (direct application)	N/A	(10,000 – 300 – 0) ÷ 0.784	12,372	80.8p
(iv)	0.0%	2.25%	(10,000 – 0 – 225) ÷ 0.784	= 12,468	80.2p
(v)	0.0%	4.0%	(10,000 – 0 – 400) ÷ 0.784	= 12,244	81.7p

* Rounded down to the nearest whole share

** Sum subscribed in the relevant tax year divided by the number of Offer Share, rounded to the nearest 0.1p

Applications made directly (not through an Intermediary) or where commission is payable to an intermediary will attract a Promoter's Fee of 3.0%. In all other cases, no Promoter Fee will be charged.

It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offer and should not be considered as a recommendation as to the appropriate levels of Adviser Charges.

Income tax relief should be available on the total amount subscribed (including any Initial Adviser Charges and Promoter Fee), subject to VCT Rules and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

The number of Shares issued under the Offer will be affected by a "blended" Issue Price, because Applicants will have a different Issue Price attributable to their application for Offer Shares depending upon whether their Application is received directly, through an Intermediary where commission is payable by Downing or through an Intermediary who is remunerated by way of an Initial Adviser Charge (defined below).

The Company's Net Asset Value shall be announced from time to time through a regulatory information service provider.

Adviser Charges

Commission is generally not permitted to be paid to Intermediaries save in circumstances where an "enhanced value" non-advisory service is provided or where restricted advice is provided to a professional client of the adviser. Instead of commission being paid by the Company, a fee will usually be agreed between the Intermediary and Investor for the advice and related services ("Initial Adviser Charge"). This fee can either be paid directly by the Investor to the Intermediary or the payment of such fee may be facilitated by the Company.

If the payment of an Initial Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge on the Application Form. The Company will facilitate an Initial Adviser Charge of up to a maximum of 4.5%. The Investor will be issued fewer Shares (to the equivalent value of the Initial Adviser Charge) through the Pricing Formula set out above.

The Initial Adviser Charge is inclusive of VAT, if applicable.

The Company is unable to facilitate payment of any ongoing adviser charges.

Commission

Commission is only payable in limited circumstances noted above. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 3.0% of the amount invested by their clients under the Offer unless this is waived (in full or part) in favour of additional Shares for the Applicant. Initial commission is payable by Downing out of its Promoter's Fee. Additionally, provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Healthcare Shares, and subject to applicable laws, regulations and FCA rules, eligible Intermediaries that represented the Investor at the application stage will usually be paid an annual trail commission of 0.25% of the Net Asset Value of their clients' holdings for five years from the date of allotment as agreed between the Intermediary and the Promoter. Trail commission will usually be paid by Downing annually in August (commencing August 2024 for applications under the Offer, based on the audited Net Asset Value at the preceding 31 March).

Application Procedure

You may complete and submit your application using the Receiving Agent's online application service (please refer to the instructions at:

www.downing.co.uk/investor/products/vct

or contact the Receiving Agent on 01484 240 910 or by email at ThamesVenturesVCT2@city.uk.com.

The Offers will open for applications at 1.00 p.m. on 26 October 2022 and will close for applications (unless fully subscribed earlier or otherwise at the discretion of the Board) at 3.00 p.m. on 31 May 2023. Applications in respect of the 2022/23 tax year will need to be submitted and funds cleared by 12 noon on 5 April 2023.

Please note that applications under the Offers will be accepted on a 'first-come, first-served' basis, subject always to the discretion of the Board. An application may not be considered as 'complete' until identity verification is completed and/or, where relevant, information or supporting evidence required for the application remains outstanding.

Before making an application, please ensure you have read the Prospectus in full, in particular the Risk Factors and the Terms and Conditions of Application. The Company, the Investment Manager and the Receiving Agent cannot accept responsibility if any details provided by you are incorrect.

If you are a nominee applying on behalf of beneficial owner applicants, please complete and submit an application form for each applicant with the relevant nominee details (CREST or otherwise) in Section 4 of the application form. Subject to the number of beneficial owner applicants, the Receiving Agent may configure an online application form pre-filled with the nominee's details to expedite the application process. Nominees should contact the Receiving Agent regarding the remittance of the associated application monies to ensure compliance with the relevant Money Laundering Regulations.

Bank transfers should be made to:

Bank name: **The Bank of Scotland plc**
Account name: **City-Thames Ventures VCT 2-Segregated**
Account number: **22031661**
Sort Code: **802260**

Please reference your transfer with your initials and telephone number (alphanumeric, no spaces) from Section 1 of the Application Form.

Cheques/banker's drafts should be made payable to: **City-Thames Ventures VCT 2-Segregated**

Please reference the back of the cheque/banker's draft with your initials and telephone number (alphanumeric, no spaces) from Section 1 of the Application Form.

Please send your cheque/banker's draft to:

Thames Ventures VCT 2 Offer – Healthcare Shares
The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

If you have any questions relating to the completion and return of the application form, please contact the Receiving Agent on 01484 240 910 or ThamesVenturesVCT2@city.uk.com. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and monitored for security and training purposes.

If you are a private investor and would like more information concerning the Healthcare Offer, please contact Downing's investor relationship team on 020 7416 7780 or at customer@downing.co.uk

If you are a financial intermediary and would like more information concerning the Healthcare Offer, please contact Downing's sales team on 020 7630 3319 or at sales@downing.co.uk.

The Company, the Managers and the Receiving Agent respect your privacy and are committed to protecting your personal information. If you would like to find out more about how the Company, Downing, Foresight and the Receiving Agent use and look after your personal information, please refer to their privacy notices, which can be found at www.downing.co.uk/privacy-and-cookie-policy, www.foresightgroup.eu/privacy-policy/, and city.uk.com/privacy.html.



13 October 2022

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