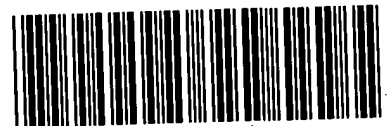


THAMES VENTURES VCT 2 PLC

ANNUAL REPORT
AND ACCOUNTS

31 MARCH 2024

TUESDAY



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Foresight
FOR A SMARTER FUTURE

Downing 

Shareholder Information

Financial Calendar

24 September 2024

18 October 2024

December 2024

Annual General Meeting

Payment of final dividend

Announcement of Half-Yearly financial results

Selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange, using a stockbroker. Disposing of shares may have tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision.

The Company has stated that it will, from time to time, consider making market purchases of its own shares, in accordance with the policy set out in the Chair's Statement. As noted in the Annual Report and Accounts for the year ended 31 March 2023, the Board have temporarily decided not to buyback any shares to conserve cash, which the Board believes is currently in the best interests of Shareholders. If you are considering selling your shares or wish to buy shares in the secondary market, you can contact the Company's Corporate Broker, Panmure Liberum Limited ("Panmure") who can provide guidance on the likely timing of buyback and other details.

Panmure can be contacted as follows:

Chris Lloyd

0207 886 2716

chris.lloyd@panmure.com

Paul Nolan

0207 886 2717

paul.nolan@panmure.com

If you have any queries, Foresight's Customer Team can be contacted at:

investorrelations@foresightgroup.eu or on 020 3667 8181

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose or do this via the Investor Hub at thames-ventures-vcts.cityhub.uk.com. Queries relating to dividends, shareholdings, and requests for mandate forms should be directed to the Company's registrar, whose details can be found on the Company Information page.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendments this should be notified to the Company's registrar or via the Investor Hub.

Share scam warning

We are aware that a number of shareholders of VCTs continue to receive unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call. The FCA has published information about such scams at www.fca.org.uk/scamsmart**

If you have any concerns, please contact Foresight Investor Relations on 020 3667 8181 or at InvestorRelations@foresightgroup.eu

Other information for Shareholders

Up-to-date Company information (including financial statements, share prices, and dividend history) may be obtained from Foresight's website at:

www.foresightgroup.eu/products/thames-ventures-vct-2-plc

If you have any queries regarding your Shareholding in Thames Ventures VCT 2 plc, please contact the registrar.

Contents

	Page
Company Information	1
Financial Highlights	2
Investment Objectives and Directors	3
Chair's Statement	4
Ventures Share Class Summary	9
Investment Manager's Report – Ventures Share Class	10
Review of Investments – Ventures Share Class	14
Healthcare Share Class Summary	20
Investment Manager's Report – Healthcare Share Class	21
Review of Investments – Healthcare Share Class	23
AIM Share Class Summary	27
Investment Manager's Report – AIM Share Class	28
Review of Investments – AIM Share Class	29
DSO D Share Class Summary	30
Investment Manager's Report – DSO D Share Class	31
DP67 Share Class Summary	32
Investment Manager's Report – DP67 Share Class	33
Review of Investments – DP67 Share Class	34
Investment Additions and Disposals	36
Approach to Responsible Investment	38
Strategic Report	41
Report of the Directors	49
Directors' Remuneration Report	55
Corporate Governance Statement	60
Income Statement (Analysed by Share Class – unaudited and non-statutory)	65
Balance Sheet (Analysed by Share Class – unaudited and non-statutory)	68
Independent Auditor's Report	69
Audited Income Statement	76
Audited Balance Sheet	77
Statement of Changes in Equity	78
Cash Flow Statement	79
Notes to the Accounts	80
Notice of the Annual General Meeting of Thames Ventures VCT 2 plc	101

Company Information

Registered number	06789187
Directors	Sir Aubrey Brocklebank Bt. (Chair) Chris Allner Steven Clarke Andrew Mackintosh
Secretary and registered office	Foresight Group LLP The Shard 32 London Bridge Street London SE1 9SG
Administration Manager and Investment Manager (excluding the Healthcare Share Class)	Foresight Group LLP The Shard 32 London Bridge Street London SE1 9SG www.foresightgroup.eu
Investment Manager of the Healthcare Share Class	Downing LLP 6 th Floor, St. Magnus House 3 Lower Thames Street London EC3R 6HD www.downing.co.uk
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VCT status advisers	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue, Temple London EC4Y 0HA
Registrar	The City Partnership (UK) Limited The Mending Rooms Park Valley Mills Meltham Road Huddersfield HD4 7BH 01484 240 910 registrars@city.uk.com Investor Hub: thames-ventures-vcts.cityhub.uk.com
Corporate broker	Panmure Liberum Limited Chris Lloyd 0207 886 2716 chris.lloyd@panmure.com Paul Nolan 0207 886 2717 paul.nolan@panmure.com
Bankers	Royal Bank of Scotland plc Liverpool CSC, Stephenson Way Wavertree, Liverpool, L13, 1HE

Financial Highlights

	31 March 2024 Pence	31 March 2023 Pence
Ventures Share Class		
Net Asset Value ("NAV") per Ventures Share	46.80	59.4
Cumulative distributions	9.25	8.0
Total Return per Ventures Share	56.05	67.4
Healthcare Share Class		
Net Asset Value ("NAV") per Healthcare Share	41.5	61.60
Cumulative distributions	10.0	8.75
Total Return per Healthcare Share	51.5	70.35
AIM Share Class		
Net Asset Value ("NAV") per AIM Share	101.8	101.1
Cumulative distributions	-	-
Total Return per AIM Share	101.8	101.1
DSO D Share Class		
Net Asset Value ("NAV") per DSO D Share	-	2.6
Cumulative distributions	104.7	102.0
Total Return per DSO D Share	104.7	104.6
DP67 Share Class		
Net Asset Value ("NAV") per DP67 Share	26.3	24.8
Cumulative distributions (since original launch)	67.8	67.8
Total Return per DP67 Share	94.1	92.6

Investment Objectives

The Company's principal objectives are to:

- ▶ invest in a portfolio of venture capital investments and liquidity investments;
- ▶ provide a full exit for Planned Exit Shareholders within approximately six years at no discount to NAV;
- ▶ maintain VCT status; and
- ▶ target an annual dividend of at least 4% of the respective Ventures and Healthcare NAVs, from the summer of 2021 onwards.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 45 and 46.

Directors

Sir Aubrey Brocklebank Bt. (appointed 21 July 2015) (Chair) qualified as a chartered accountant prior to working for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before helping to establish a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund and subsequently managed the Avon Enterprise Fund Limited. Sir Aubrey assumed his first role within the VCT industry in 1997 and has since gone on to become one of the most experienced VCT directors. Sir Aubrey maintains a wide range of business interests and has been a director of six AIM listed companies. He is currently also a non-executive director of Edge Performance VCT plc.

Chris Allner (appointed 8 September 2021) has over 35 years of venture capital and private equity experience and is currently a partner of Downing LLP and chairs their investment committee. He is also a non-executive director of Thames Ventures VCT 1 plc and Pembroke VCT plc and 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 (appointed 8 September 2021) 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 (appointed 8 September 2021) has had a distinguished career in industry and investment as a former CEO of FTSE250 company, Oxford Instruments, before later leading the creation of the Royal Society Enterprise Fund, a pioneering initiative bringing together scientific expertise and early-stage investment. He was the author in 2021 of the Mackintosh Report, commissioned by HM Treasury, which led to the creation of the new Government Office for Technology Transfer. He is chair of UKI2S, a government-backed venture capital fund supporting companies from the UK's scientific research base. He is a Fellow of the Royal Academy of Engineering and was awarded a CBE in the 2024 New Years Honours for services to Science and Technology, and to Enterprise Development.

All the Directors are non-executive and, with the exception of Chris Allner (who is a partner of one of the Investment Managers, Downing LLP), are independent of the Investment Manager.

Chair's Statement

Introduction

I present the Company's audited Annual Report for the year ended 31 March 2024, which has been a difficult period for the Company.

Before commenting on events from the last financial year, I would first like to take the opportunity to highlight two key developments that have taken place since year end.

Firstly, as announced on 26 July 2024, I am pleased to report that the Company has entered discussions to merge with Thames Ventures VCT 1 plc ("TV1"). If approved by Shareholders of both companies, this merger would achieve costs savings, administration efficiency and increased scale - including access to more capital to deploy, which is a critical capability to protect and enhance value for Shareholders.

If the transaction proceeds, it is anticipated that each of the Company's current Share Classes would roll into the Ordinary Share Class of TV1. The Board is cognisant of ensuring we act in the best interest of all Shareholders across our four remaining Share Classes, and, assuming the Boards of both companies agree terms, we anticipate formally announcing details of the structure of the proposed transaction and the benefits it would bring to all Shareholders within the next two months, with the transaction completing in the early Autumn.

Secondly, as Shareholders may be aware, the Company's custodian of its quoted assets, IBP Capital Markets Limited ("IBP"), was put into special administration by the FCA in October 2023. Since then, the Investment Manager has been actively collaborating with the Joint Special Administrators ("JSA") to achieve a resolution. I am pleased to inform Shareholders that last week we were granted access to c. 80% of the Company's quoted assets again following an interim distribution by the JSA to our new custodian, with the remainder to follow in due course. A small provision of c. £80,000 has been made in the accounts to cover losses and costs of the JSA. Further details are provided later in my report below and in note 17 to the accounts.

Turning to the year ended 31 March 2024, we have continued to see a challenging investment environment for small growth businesses. However, there have been some early signs of recovery in the UK market with decreasing inflation. Our focus has been to preserve value in our existing portfolio and to that end we have temporarily reduced dividends and suspended share buybacks to preserve cash.

Evergreen Share Class review

Ventures Share Class

With the challenging macroeconomic environment, a key focus for the Ventures Share Class portfolio over the year has been to support existing investments, where possible. During the year, £0.5 million was invested in four companies, three of which were existing portfolio investments.

The Ventures Share Class NAV at the year-end was 46.8p, representing a decrease of 11.35p per share or 19.1% over the year. This is after adding back the dividend of 1.25p per share, which was paid on 29 September 2023.

There has been a general decline in the portfolio valuations across the year, in line with sector trends of lower revenue and earnings multiples, due to economic concerns. Total valuation losses for the year were £5.3 million, however this was materially driven by two exceptional situations. The first of these was Cornelis Networks Inc, which decreased in value by £2.8 million, as a result of a round closing in the year which had very aggressive terms for those unable to participate. This was the case for the Company as the business was no longer VCT-qualifying, meaning under VCT rules, we were unable to invest further cash. The second write down was Limitless Technology Limited, which decreased in value by £0.7 million, as a result of one of the co-investors being on the UK sanctions list following the Russian invasion of Ukraine. This meant the business was unable to raise capital and, despite exploring all other options, it was eventually forced into administration. Further details on these investments are included in the Investment Manager's Report on page 12.

Chair's Statement (continued)

Evergreen Share Class review (continued)

Ventures Share Class (continued)

There were four full exits during the year, including the liquidity investment Downing Strategic Micro-Cap Investment Trust plc, generating total proceeds of £5.2m and a realised loss versus cost of £1.5 million. There were also three companies that were dissolved in the year taking total realised losses to £3.6 million.

A more detailed review of the Ventures Share Class is included in the Investment Manager's Report on pages 10 to 13.

Healthcare Share Class

The Healthcare Share Class, which continues to be managed by Downing LLP, had a limited level of investment over the year with one investment of £0.25 million made into TidalSense Limited (formerly Cambridge Respiratory Innovations Limited), an existing investment. There were, however, a total of four full and partial exits, generating total proceeds of £1.1 million.

The Healthcare Share Class NAV at the year-end was 41.5p, representing a decrease of 18.85p per share or 30.6% over the year after adjusting for the Healthcare dividend of 1.25p per share, which was paid on 29 September 2023.

The Healthcare Share Class remains heavily exposed to the relatively volatile AIM market, with nearly 30% of the Class's value accounted for by the three AIM-quoted investments. All of these investments: Arcor Therapeutics plc, GENinCode plc and Destiny Pharma plc, decreased further in valuation during the year, making up £2.0 million of the £4.1 million total valuation loss. The remaining £2.1 million valuation loss was driven by further write-downs including in Congenica Ltd (£0.9 million), Invizius Limited (£0.5 million), The Electrospringing Company Limited (£0.4 million) and TidalSense Limited (£0.3 million).

A more detailed review of the Healthcare Share Class is included in the Investment Manager's Report on pages 21 to 22.

AIM Share Class

The AIM Share Class launched in 2022 and is a small Class with net assets of £2.7 million. The AIM market remains tough meaning no AIM investments were made in the year, although funds have been placed in a money market fund and an equity income fund. This Share Class has demonstrated good performance relative to other AIM funds during the year.

The AIM Share Class NAV stood at 101.8p at the year end, representing an increase of 0.7p per share or 0.7% in NAV over the year.

Planned Exit Share Class review

I am pleased to report that the wind up of the DSO D Share Class is now complete with a total return of 104.7p per share, before tax relief, now distributed to Shareholders. As at 31 March 2024, there remains just one Planned Exit Share Class, DP67.

DP67 Share Class

The remaining value in the DP67 Share Class portfolio is in two investments which are both in the hospitality sector.

As at 31 March 2024, the DP67 Share Class NAV stood at 26.3p and Total Return stood at 94.1p per share, an increase of 1.5p per share, equivalent to 1.6% in Total Return terms since 31 March 2023.

Gatewales has ceased trading and we are expecting final proceeds in the near future.

Cadbury House Holdings Limited owns a four-star boutique hotel, conference centre and leisure facility in Congresbury, Bristol. The property has been actively marketed for sale for some time now, however the current market is weak, and the Investment Manager is keen to avoid a sale at undervalue. Whilst there have been offers received during the year, the Company took the decision not to accept these in order to secure the best possible return for Shareholders. The investment remains held at the same value as reported at the end of last year and loan interest continues to be recognised in full, providing the Share Class with £194,000 of income during the year, with this balance included within debtors at year end.

A more detailed review of the DP67 Share Class is included in the Investment Manager's Report on page 33.

Chair's Statement (continued)

Evergreen Share Class review (continued)

DSO D Share Class

The exit from the two final assets in this Share Class completed during the year with £39,000 of liquidation proceeds received.

The Share Class has since been fully wound up with final distributions made to shareholders. A more detailed review of the DSO D Share Class is included in the Investment Manager's Report on page 31.

Responsible investment

The Board notes the commitment of the Investment Manager, Foresight Group, to being a "Responsible Investor". Foresight places Environmental, Social and Governance ("ESG") criteria at the forefront of its business and investment activities in line with best practice and in order to enhance returns for their investors.

Further detail on the Investment Manager's approach to responsible investment, including the key principles and their screening approach, can be found on pages 38 to 40.

Special Administration of the Company's Custodian of Quoted Assets

As previously reported, since March 2022, the Company has used IBP Capital Markets Limited ("IBP") as custodian for its quoted investments. Appointing a custodian is a requirement of the FCA, and IBP is an FCA authorised and regulated wholesale broker, providing custody services and access to equity and fixed income securities for non-retail clients (which includes the Company). On 13 October 2023, the FCA published a supervisory notice under section 55L(3)(a) of the Financial Services and Markets Act 2000, imposing certain restrictions on IBP. On the same date, IBP applied to the High Court and special administrators were appointed.

As noted earlier in my report, the Investment Manager has been working to resolve this issue, which has involved reconciling quoted stocks ("Custody Assets") and cash ("Client Money") held with IBP. As at 13 October 2023, the Company held Client Money of £26,379, all within the Healthcare Share Class (0.2% of indicative Healthcare NAV on the same date), and Custody Assets of £8,448,179 split between the Ventures Share Class: £3,127,539; Healthcare Share Class: £3,406,697; and AIM Share Class: £1,913,943.

As at 31 March 2024, regarding Custody Assets, all quoted holdings were reconciled and regarding Client Money the Company has been notified of a potential 44% cash shortfall, equating to £11,607 impacting the Healthcare Share Class only. This has been provided for. Further to this, fees to the special administrators in the region of £68,000 have been accrued, split between the relevant Share Classes. The total exposure to the Company is therefore anticipated to be around £80,000. Full details are provided in note 17 on page 99 of this Annual Report.

The ultimate outcome remains subject to change, with the final distribution plan being shared following the court proceedings, timing of which is currently uncertain. The Company will communicate with Shareholders if there is any new information which materially impacts the numbers presented in this Annual Report.

VCT Qualification

At 31 March 2024, qualifying investments represented 89.6% of total investments (including cash). The Board expects that the minimum VCT qualification level of 80% will continue to be maintained for the foreseeable future.

Fundraising

With the uncertainty brought about by the special administration of the custodian of the Company's quoted stocks, we have not been in a position to raise new funds since then.

With visibility over the outcome of the IBP situation now improved, and discussion underway for a merger with TV1, the strategic direction of the Company with regards to fundraising will be communicated with Shareholders in the near future.

Dividends

The Company has a target of seeking to pay annual dividends for the Ventures and Healthcare Share Classes of 4% of the respective NAVs per annum, however this is contingent on a number of criteria, including cash availability.

Chair's Statement (continued)

Dividends (continued)

On this basis, given the current focus on preserving cash, the Board is proposing to pay reduced final dividends of 0.25p per Ventures Share and 0.25p per Healthcare Share on 18 October 2024, to Shareholders on the register as at 4 October 2024. The proposed dividends are subject to Shareholder approval at the forthcoming AGM.

Following the payment of the proposed dividends, the Company will have paid cumulative dividends of 9.5p per Ventures Share and 10.25p per Healthcare Share.

Further dividends in respect of the DP67 Share Class will be paid once Cadbury House has been exited. No dividends are expected to be paid by the AIM Share Class in its initial years.

Share buybacks

The Company usually operates a policy of buying back its own shares that become available in the market, subject to regulatory and liquidity factors. The Board reviews this policy on a regular basis and will make appropriate adjustments as it sees fit. Any such purchases are undertaken at a price approximately equal to NAV (i.e. at a nil discount).

Following a period of uncertainty relating to IBP, the Board decided to pause the buyback scheme. Whilst there is now improved visibility regarding the outcome of the IBP situation, and the impact to the Company is expected to be minimal, restrictions on cash resources remain. On this basis, the Board has decided not to reinstate share buybacks for the Ventures, Healthcare and AIM Share Classes at this time. The Board, however, continues to review plans for the future of the Company, notably with regards to the proposed merger with TV1, which will allow a clear strategy for the allocation of the Company's cash resources to be drawn up.

As the focus for the one remaining Planned Exit Share Class is on returning funds to Shareholders via distributions, the Company will not undertake any further buybacks in respect of this Share Class.

Panmure Liberum continues to act as the Company's corporate broker, operating the share buyback process and ensuring that the quoted spread on the Company's shares remains at a reasonable level.

There were no shares repurchased for the Ventures or Healthcare Share Classes during the year ended 31 March 2024.

Change of Company Secretary and Registered Office

As previously reported, Foresight Group LLP was appointed as Company Secretary effective from 12 September 2023, succeeding Grant Whitehouse. I would like to take this opportunity to thank Grant for his many years of loyal service.

Annual General Meeting ("AGM")

The Company invites Shareholders to attend this year's AGM in person. The AGM is planned to take place at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 4.00 p.m. on 24 September 2024.

Shareholders wishing to attend the AGM are requested to please notify Foresight Group LLP via email, to InvestorRelations@foresightgroup.eu, in case there are changes to arrangements which need to be communicated at short notice.

This year, Shareholders will be able submit proxy votes electronically. The details required for voting will be sent to each Shareholder. The deadline for proxy votes to be received is 4.00 p.m. on 20 September 2024.

Outlook

Although the main Share Classes have seen their portfolios fall in value over the year, these movements are in line with general market conditions for young growth businesses. The Board is cognisant that it takes time to nurture and realise value from companies, whereas economic turmoil pushes weaker companies into difficulty.

Whilst the Board acknowledges it has been another difficult year, resulting in a continuing decline in NAV, there have been some early signs of recovery with a number of interesting developments in the portfolio. The Board remains generally satisfied that the Ventures and Healthcare portfolios have a sufficient number of stronger investments to generate growth in the future.

Chair's Statement (continued)

Outlook (continued)

The Board and the Investment Managers have continued to focus on securing exits in the portfolio, in particular of the legacy investments, to drive liquidity events. An example of this was the sale of Downing Strategic Micro-Cap Investment Trust plc, following disappointing performance. This generated more than £3.3 million of cash.

In respect of the Planned Exit Share Classes, the Board is very pleased to confirm the full winding up of the DSO D Share Class in the year and is hopeful the DP67 Share Class will follow in the coming year.

As previously noted, the Board has been actively considering options for the future of the Company, looking to pursue any that it concluded may benefit Shareholders and allow the Company to be better placed to serve them.

Following the announcement made on 26 July 2024 that the Company is actively considering merging with TV1, the Board is very much looking forward to this next chapter and the benefits it will undoubtedly bring to Shareholders. I will, of course, report any significant developments to this end to Shareholders as things progress.

Signed by:



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Sir Aubrey Brocklebank Bt.

Chair

31 July 2024

Ventures Share Class

Share Class Summary

	31 March 2024 Pence	31 March 2023 Pence
Financial highlights		
Net Asset Value per Ventures Share	46.80	59.4
Cumulative distributions	9.25	8.0
Total Return per Ventures Share	56.05	67.4

Forthcoming Dividend

A proposed final dividend of 0.25p per Ventures Share will be paid on 18 October 2024, to Shareholders on the register at 4 October 2024.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.50
2021 Final	24 September 2021	2.75
2022 Final	30 September 2022	2.75
2023 Final	29 September 2023	1.25
		9.25

Share prices

The Company's share prices can be found on various financial websites with the following TIDM/EPIC codes:

	Ventures Shares
TIDM/EPIC codes	TV2V
Latest share price (31 July 2024)	48.5p per share

Performance Incentive arrangements

Members of the Downing LLP management team have committed to subscribe for a number of Ventures Shares equal to 20% of the total number of Ventures Shares in issue. The members of the Downing LLP management team have agreed to waive any dividends on these Shares until the performance hurdles are met. As part of the Foresight Group LLP acquisition from Downing LLP in July 2022, the beneficial title of these Ventures Shares will transfer to the Investment Manager over a period of time.

For the year ended 31 March 2024, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.12 per Ventures Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2025 the Total Return hurdle will be £1.15, for the year ended 31 March 2026 the hurdle will be £1.18, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The Total Return at 31 March 2024 was 56.05p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report - Ventures Share Class

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Ventures Share Class for the year ended 31 March 2024.

This Investment Manager's Report is split into three sections comprising this overview, a review of the Ventures Capital portfolio and a report on the portfolio of Liquidity Investments.

Net Asset Value and results

As at 31 March 2024, the Ventures Share NAV at the year-end was 46.8p, representing a decrease of 11.35p per share or 19.1% over the year. This is after adding back the dividend of 1.25p per share, which was paid on 29 September 2023.

The return on ordinary activities for the Ventures Share Class for the year was a loss of £6.0 million (2023: loss of £3.2 million), comprising a revenue loss of £566,000 (2023: loss of £494,000) and a capital loss of £5.5 million (2023: loss of £2.7 million).

It is disappointing to report the Total Return to Shareholders as at 31 March 2024 of 56.05p which continues to be considered an underperformance against our expectations for the Ventures Share Class.

A final dividend of 0.25p per share is proposed to be paid on 18 October 2024, to Shareholders on the register at 4 October 2024.

Portfolio Overview

As at 31 March 2024, the Ventures Share Class held a portfolio of 32 Venture Capital investments with a total value of £17.8 million. The one Liquidity investment brought forward, **Downing Strategic Micro-Cap Investment Trust plc ("DSM")**, was sold on 26 March 2024.

The year has continued to be challenging for businesses in the UK and internationally, caused by the impact of the economic downturn with rising rates of inflation and interest. However, whilst it remains early days, there have been some recent signs of potential recovery with some interesting updates across the portfolio, in particular with regards to access to capital and fund raising.

The investment team continue to work closely with portfolio companies to provide guidance and, where appropriate, additional funding in support of potential value growth which has made up the majority of investment activity in the year ended 31 March 2024.

The valuation movements during the period are discussed in more detail in the following sections of this Investment Manager's Report.

Portfolio Performance

Overall, several valuation uplifts in the Venture Capital Portfolio were outweighed by a number of valuation decreases during the period, resulting in a net valuation decrease of £5.3 million across the portfolio. The one Liquidity Investment brought forward was exited during the year, details of which are provided in the disposal table on page 37.

ii. Ventures Portfolio

Investment activity

During the year, a total of £0.5 million was invested in four businesses, three of which were follow-on investments into existing portfolio companies.

New Ventures investments

A total of £0.1 million was invested into new VCT Qualifying investment, **EM Scientific Limited (trading as Inoviv)**, during the year. Inoviv has a long-term data play in drug discovery and trials, having developed novel precision biomarker technology which helps pharmaceutical customers run drug trials more efficiently. This investment will enable Inoviv to further accelerate their commercial plans, including facilitating the development of tests across more diseases.

Follow-on Ventures investments

A total of £0.4 million was invested as follow-on capital into existing businesses in the Venture Capital Portfolio.

These were £200,000 into **Cambridge Touch Technologies Ltd**, a company developing pressure sensitive multi touch technology, £150,000 into **Maestro Media Limited**, a talent-led, e-learning media platform of multichannel e-commerce technology and £50,000 into **Virtual Class Ltd (trading as Third Space Learning)**, a platform offering personalised online lessons from specialist tutors.

Investment Manager's Report - Ventures Share Class (continued)

ii. Venture Capital Portfolio (continued)

Realisations

There were three full exits during the year from the Venture Capital portfolio and one full exit from the Liquidity investments. Total proceeds of £5.2 million were generated, producing a realised loss over cost of £1.5 million. There were also three dissolutions in the year taking total realised losses to £3.6 million.

Imagen Limited is a Software as a Service ("SaaS") video management platform which holds both current and archive footage for major sporting organisations and news outlets. The company was sold for initial cash consideration of £1.7 million at a gain over cost of £0.7 million. There was also £0.2 million of deferred consideration received taking total proceeds to £1.9 million and a total gain over cost of £0.9 million.

There was also £450,000 received in relation to the exit of **Maverick Pubs (Holdings) Limited**. This was a distribution of capital reserves following the sale of this real estate development company. Maverick Pubs (Holdings) was seeking to build quality freehold pubs in and around London, however it was adversely impacted by the COVID pandemic, being forced to shut sites, and the subsequent impact of the UK economic downturn. The Company had invested £1.0 million, resulting in realised losses of £550,000.

LineTen Limited was also sold in the period generating nil return on the £400,000 investment.

The one brought forward liquidity investment in **Downing Strategic Micro-Cap Investment Trust plc ("DSM")** was liquidated in full during the year, returning cash proceeds of £2.9 million. Previous to this, **DSM** announced that the fund was going to commence a managed wind-down of its portfolio, therefore this outcome is preferential to the Company in terms of unlocking liquidity. This exit resulted in a realised loss over cost of £1.4 million.

Portfolio valuation

During the year, the Venture Capital portfolio of the Ventures Share Class recognised a decrease in the valuation of investments of £5.3 million, including unrealised foreign exchange losses of £124,000.

Whilst there have been a number of positive developments within the Venture Capital portfolio, this was offset by the reduction in value of several companies, predominantly due to underperformance in a challenging macroeconomic environment and restricted access to capital. Of the £5.3 million total valuation loss, the most significant movements are noted below.

The largest gain in value was in **Funding Xchange Limited**, a fintech platform delivering SME lenders insights into their portfolio trends, was uplifted £591,000 during the year as a result of closing a £5m investment from Barclays in February 2024 as part of the company's Series B funding round. This revaluation is the result of a calibration to the price set by this funding round.

Masters of Pie Limited, developer of "Radical", a software solution that enables remote sharing and collaboration on large data sets, was uplifted by £369,000 as a result of improved performance following some significant contract wins.

Carbice Corporation, which has developed a suite of products based on its carbon material called Carbice Carbon, is primarily used as thermal management solutions to enable greater thermal conductivity. The valuation was increased by £352,000, as a result of the company accessing more capital in the year and launching its Series B funding round.

Cambridge Touch Technologies Ltd, a company developing pressure sensitive multi touch technology, was uplifted £116,000 during the year as a result of a funding round which closed in June 2024, which the VCT participated in. This revaluation is the result of a calibration to the price set by this funding round.

Maestro Media Limited (trading as BBC Maestro), a talent-led, e-learning media platform of multichannel e-commerce technology, increased in value by £110,000 as a result of a calibration to the price set by a funding round during the year, supported by a strong trading year.

Trinny London Limited, a cosmetics and skincare brand, was uplifted by £102,000 due to increased confidence in consumer spending and improved trading performance during the year.

Investment Manager's Report - Ventures Share Class (continued)

Portfolio valuation (continued)

Six other investments in the Venture Capital portfolio make up additional investment valuation gains of £410,000.

There were also a number of valuation losses recognised during the year. Some of these came from the more vulnerable businesses within the portfolio, however there were two material movements in the year that were exceptional circumstances and out of the investment team's control.

These were **Cornelis Networks Inc.** (£2.8 million, including foreign exchange losses) and **Limitless Technology Limited** (£703,000).

Cornelis Networks Inc., which delivers purpose-built high-performance fabrics for High Performance Computing ("HPC"), High Performance Data Analytics ("HPDA") and Artificial Intelligence ("AI"), went through an internal funding round in the year, which resulted in existing investors who were unable to participate being heavily diluted. The VCT was unable to participate as the company exceeded the VCT-qualification threshold for gross assets, meaning the VCT's position was severely impacted, which is reflected in the year-on-year movement in valuation.

Limitless Technology Limited, the developer of a crowdsourced customer service platform, was unable to access additional capital as a result of one of the co-investors being on the UK Sanctions List following the Russian invasion of Ukraine. This ultimately resulted in the company going into administration and the carrying value has therefore been written down to nil.

Other investment valuation decreases include **Hackajob Ltd**, a recruitment platform for technical hires, which was revalued downwards by £651,000 to account for trading headwinds in the UK as a result of the challenging economic environment.

Congenica Ltd, which has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients, has been written down to nil in the year. This led to a valuation decrease of £605,000, as a result of its struggle to raise funding. As a result, Congenica has entered a sales process but it is highly unlikely there will be any return to the Company.

Upp Technologies Group Ltd, a provider of multichannel e-commerce technology, was decreased in value by £442,000 as a result of a calibration to the price set by a funding round during the year.

Virtual Class Ltd, (trading as Third Space Learning), a platform offering personalised online lessons from specialist tutors, decreased in carrying value by £425,000 during the year. This was driven by a challenging market in the UK, with the government recently announcing the National Tutoring Programme will not be extended.

CommercelQ Inc, the pioneer in helping brands win on retail e-commerce channels, decreased in value by £417,000 during the year, including foreign exchange losses. The company continues to perform well, growing revenues during the period and supported by a very strong balance sheet. This valuation movement is therefore simply a reflection of wider market conditions.

Arecor Therapeutics plc has fallen in value by £378,000. This investment is listed on AIM and is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The valuation is marked to market and this movement is reflective of a flat trading year. We eagerly await further clinical readouts and partnering opportunities.

Parsable Inc., a provider of software to improve operational efficiencies in the industrial and manufacturing sectors, has also been impacted by the macroeconomic environment. Losing a significant customer has led to a valuation decrease of £347,000, including foreign exchange losses.

Rated People Limited, an online marketplace connecting homeowners and local tradespeople, reduced in carrying value by £236,000, as a result of trading headwinds and access to capital.

There were four other investments which decreased in valuation during the year totalling losses of £356,000.

Aside from Limitless Technology Limited and Congenica Ltd, there were no further investments written down to nil in the year.

Investment Manager's Report - Ventures Share Class (continued)

Portfolio valuation (continued)

iii. Liquidity Investments

As noted, the one remaining investment in the Healthcare Liquidity portfolio was **DSM** which was sold on 26 March 2024, returning cash proceeds of £2.9 million. There are no further Liquidity Investments.

Outlook

It has been another challenging year for the Venture Capital market, and especially for certain sectors the Company invests in. Having said that, more recently there have been a few very early signs of some recovery in the market so we are hopeful this will continue through the next financial year.

The Investment Manager continues to review plans for the future of the Company notably with regards to the proposed merger with Thames Ventures VCT 1 plc, which will allow a clear strategy for the allocation of the Company's cash resources to be drawn up.

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Foresight Group LLP

31 July 2024

Review of Investments – Ventures Share Class

The following investments were held at 31 March 2024:

	31 March 2024				31 March 2023	
	Date of investment	Accounting Cost (£'000)	Valuation (£'000)	Valuation Methodology	Accounting Cost (£'000)	Valuation (£'000)
Ventures investments						
Virtual Class Ltd	03/04/2018	1,103	1,824*	Discounted revenue multiple	1,053	2,199
Ayar Labs, Inc.	28/08/2020	764	1,708*	Price of last funding round	764	1,840
Rated People Limited	22/11/2018	1,582	1,585*	Discounted revenue multiple	1,582	1,821
CommerceIQ, Inc.	20/07/2022	1,749	1,314*	Discounted revenue multiple	1,749	1,731
Masters of Pie Limited	02/07/2018	886	1,245*	VC method	886	876
Trinny London Limited	07/07/2020	219	1,036*	Discounted revenue multiple	219	934
Hackajob Ltd	15/10/2018	1,284	1,014*	Price of last funding round	1,284	1,665
Ecstase Limited (trading as ADAY)	28/11/2019	1,000	986*	Discounted revenue multiple	1,000	1,000
Cambridge Touch Technologies Ltd	01/07/2019	1,159	921*	Price of last funding round	959	605
FundingXchange Limited	08/11/2019	1,050	867*	Price of last funding round	1,050	276
Carbice Corporation	30/09/2020	656	758	Discount to round underway	656	406
Maestro Media Limited (trading as BBC Maestro)	30/06/2022	490	679	Price of last funding round	340	419
FVRVS Limited (trading as Fundamental VR)	30/10/2019	787	678	Price of last funding round	787	678
Upp Technologies Group Ltd	21/08/2017	1,136	481	Price of last funding round	1,136	923
Bulbshare Limited	24/11/2021	249	456	Discounted revenue multiple	249	427
Arecor Therapeutics plc^	03/06/2021	418	444	Bid price	418	822
Parsable, Inc.	29/06/2020	766	406	Discounted revenue multiple	766	753
MIP Discovery Limited	30/06/2020	300	316	Price of last funding round	300	300
Vivacity Labs Limited	04/07/2022	493	288	Price of last funding round	493	490
DSTBTD Limited (trading as Distributed)	30/03/2022	275	275	Discounted revenue multiple	275	275
Audioscenic Limited	09/12/2022	200	227	VC method	200	200
Cornelis Networks, Inc.	18/09/2020	1,402	111	Price of last funding round	1,402	2,874
EM Scientific Limited (trading as Inoviv)	19/10/2023	100	100	Price of last funding round	-	-
Destiny Pharma plc^	04/09/2017	500	80	Bid price	500	88
Glisser Ltd	16/05/2022	200	-	Nil value	200	-
Odysian (Holdings) Limited	31/03/2023	387	-	Nil value	387	-
Congenica Ltd	04/10/2019	734	-	Nil value	734	605
Limitless Technology Limited	21/12/2017	757	-	Nil value	757	703
Channel Mum Limited	29/10/2018	757	-	Nil value	757	-
Ormsborough Limited	07/03/2018	900	-	Nil value	900	-
Empiribox Limited	16/08/2017	1,563	-	Nil value	1,563	-
Lignia Wood Company Limited	23/07/2018	1,778	-	Nil value	1,778	-
Imagen Ltd	20/12/2018	-	-	Sold	1,000	1,703
Maverick Pubs (Holdings) Limited	11/01/2018	-	-	Sold	1,000	444
Lineten Limited	19/03/2020	-	-	Sold	400	-
Live Better With Ltd.	31/01/2018	-	-	Dissolved	1,211	-
Hummingbird Technologies Limited	09/07/2019	-	-	Dissolved	750	-
London City Shopping Centre Limited**	02/11/2017	-	-	Dissolved	118	-
		25,644	17,799		29,623	25,057
Liquidity investments						
Downing Strategic Micro-Cap Investment Trust plc^^	09/05/2017	-	-	Sold	4,269	2,701
Total investments		25,644	17,799		33,892	27,758

*Top ten investments by value are shown on pages 15 to 18

**Non-qualifying investment

^Listed and traded on the London Stock Exchange

All Ventures investments are incorporated in England and Wales, except Ayar Labs, Inc.; Cornelis Networks, Inc.; and Parsable, Inc. which are incorporated in the USA.

Additions and disposals for the year ended 31 March 2024 are shown on pages 36 and 37.

Review of Investments – Ventures Share Class (continued)

Further details of the ten largest Ventures investments held by the Ventures Share Class:

 THIRD SPACE LEARNING	1) Virtual Class Ltd (Third Space Learning) www.thirdspacelearning.com	Cost at 31/03/24: £1,103,000	Valuation at 31/03/24: £1,824,000
	Cost at 31/03/23: £1,053,000	Valuation at 31/03/23: £2,199,000	
	Date of first investment: Apr-18	Valuation method: Discounted revenue multiple	
	Investment comprises:		
	Equity: £1,053,000	% of total shares in issue: 4.5%	
 AyarLabs	2) Ayar labs, Inc. www.ayarlabs.com	Cost at 31/03/24: £764,000	Valuation at 31/03/24: £1,708,000
	Cost at 31/03/23: £764,000	Valuation at 31/03/23: £1,840,000	
	Date of first investment: Aug-20	Valuation method: Price of last funding round	
	Investment comprises:		
	Equity: £764,000	% of total shares in issue: 0.4%	
 rated people	3) Rated People Limited www.ratedpeople.com	Cost at 31/03/24: £1,582,000	Valuation at 31/03/24: £1,585,000
	Cost at 31/03/23: £1,582,000	Valuation at 31/03/23: £1,821,000	
	Date of first investment: Nov-18	Valuation method: Discounted revenue multiple	
	Investment comprises:		
	Equity: £1,382,000	% of total shares in issue: 2.5%	
	Convertible loan stock: £200,000		
	Summary financial information from statutory accounts to 31 December:		
		2022	2021
	Turnover:	£10.4m	£11.0m
	Loss before tax:	(£2.6m)	(£1.0m)
	Net liabilities:	(£4.1m)	(£4.8m)
	Third Space Learning has developed an online educational platform that provides mathematics tuition to pupils studying for their exams, offering online 1-to-1 maths intervention and high-quality resources that help develop the building blocks to success in maths.		
	Ayar Labs is developing a solution to overcome the power/performance scaling challenges of semiconductors as well as the interconnect bandwidth bottleneck between those devices, through the use of its Optical I/O technology.		
	Rated People is an online home services marketplace that aims to connect homeowners with high quality local tradespeople. The company offers access to more than 50,000 tradespeople, representing over 30 trades, and covering the whole of the UK.		

Review of Investments – Ventures Share Class (continued)

Further details of the ten largest Ventures investments held by the Ventures Share Class:

4) CommerceIQ, Inc. www.commerceiq.ai	Cost at 31/03/24:	£1,749,000	Valuation at 31/03/24:	£1,314,000
	Cost at 31/03/23:	£1,749,000	Valuation at 31/03/23:	£1,731,000
	Date of first investment:	Jul-22	Valuation method:	Discounted revenue multiple
	Investment comprises:			
	Equity:	£1,749,000	% of total shares in issue:	0.2%

CommerceIQ

Summary financial information not publicly available.

CommerceIQ supports brands on retail ecommerce channels such as Amazon. Its unified platform applies machine learning and automation across marketing, supply chain, and sales operations to help brands gain market share profitably. The holding in CommerceIQ was received as part of a disposal transaction for E Fundamentals Limited.

5) Masters of Pie Limited www.mastersofpie.com	Cost at 31/03/24:	£886,000	Valuation at 31/03/24:	£1,245,000
	Cost at 31/03/23:	£886,000	Valuation at 31/03/23:	£876,000
	Date of first investment:	Jul-18	Valuation method:	VC method



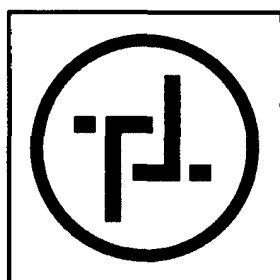
Investment comprises:			
Equity:	£667,000	% of total shares in issue:	4.5%
Loan stock:	£219,000		

Summary financial information from statutory accounts to 31 March:

	2023	2022
Net assets:	£0.4m	£0.8m

Masters of Pie is the software author of a collaborative virtual reality software package for Computer Aided Design ("CAD") systems. The company has developed "Radical", a software solution that enables remote sharing and collaboration on large data sets.

6) Trinny London Limited www.trinnylondon.com	Cost at 31/03/24:	£219,000	Valuation at 31/03/24:	£1,036,000
	Cost at 31/03/23:	£219,000	Valuation at 31/03/23:	£934,000
	Date of first investment:	Jul-20	Valuation method:	Discounted revenue multiple



Investment comprises:			
Equity:	£219,000	% of total shares in issue:	0.5%

Summary financial information from statutory accounts to 31 March:

	2023	2022
Turnover:	£56.2m	£51.2m
Profit/(loss) before tax:	£1.5m	(£2.9m)
Net assets:	£10.1m	£7.2m

Trinny Woodall founded Trinny London in 2017, developing a portable, versatile range of makeup, with colours to suit every woman.

Review of Investments – Ventures Share Class (continued)

Further details of the ten largest Ventures investments held by the Ventures Share Class:

7) Hackajob Ltd www.hackajob.com 	Cost at 31/03/24:	£1,284,000	Valuation at 31/03/24:	£1,014,000
	Cost at 31/03/23:	£1,284,000	Valuation at 31/03/23:	£1,665,000
	Date of first investment:	Oct-18	Valuation method:	Price of last funding round
	Investment comprises:			
	Equity:	£1,284,000	% of total shares in issue:	2.90%
	Summary financial information from statutory accounts to 31 October:			
			2022	2021
	Net liabilities:		(£7.0m)	(£2.6m)
	Hackajob provides an online, automated recruitment platform for software engineers that leverages software, rather than people, to source, screen and hire candidates.			

8) Ecstase Limited (trading as ADAY) www.thisisaday.com 	Cost at 31/03/24:	£1,000,000	Valuation at 31/03/24:	£986,000
	Cost at 31/03/23:	£1,000,000	Valuation at 31/03/23:	£1,000,000
	Date of first investment:	Nov-19	Valuation method:	Discounted revenue multiple
	Investment comprises:			
	Equity:	£1,000,000	% of total shares in issue:	4.0%
	Summary financial information from statutory accounts to 30 June:			
			2023	2022
	Net assets:		£8.9m	£9.3m
	ADAY is an e-commerce clothing brand creating versatile, seasonless garments using fabrics and factories with a low environmental footprint. Founded in 2015, the company creates and sells direct to consumer multi-functional clothes for professional women using 'technical' fabrics more commonly used for sports attire, and where possible, incorporating the latest innovation in sustainable materials and sustainable manufacturing.			

9) Cambridge Touch Technologies Ltd www.camtouch3d.com 	Cost at 31/03/24:	£1,159,000	Valuation at 31/03/24:	£921,000
	Cost at 31/03/23:	£959,000	Valuation at 31/03/23:	£605,000
	Date of first investment:	Jul-19	Valuation method:	Price of last funding round
	Investment comprises:			
	Equity:	£1,159,000	% of total shares in issue:	1.8%
	Summary financial information from statutory accounts to 30 September:			
			2023	2022
	Net assets:		£5.7m	£4.5m
	Cambridge Touch Technologies is developing best-in-class, cost effective, pressure sensitive multitouch technology for the screens of handheld devices, known as UltraTouch. The technology can be deployed in difficult use cases such as in the presence of fluids or humidity, or where a dual-signal is required for safety reasons.			

Review of Investments – Ventures Share Class (continued)

Further details of the ten largest Ventures investments held by the Ventures Share Class:

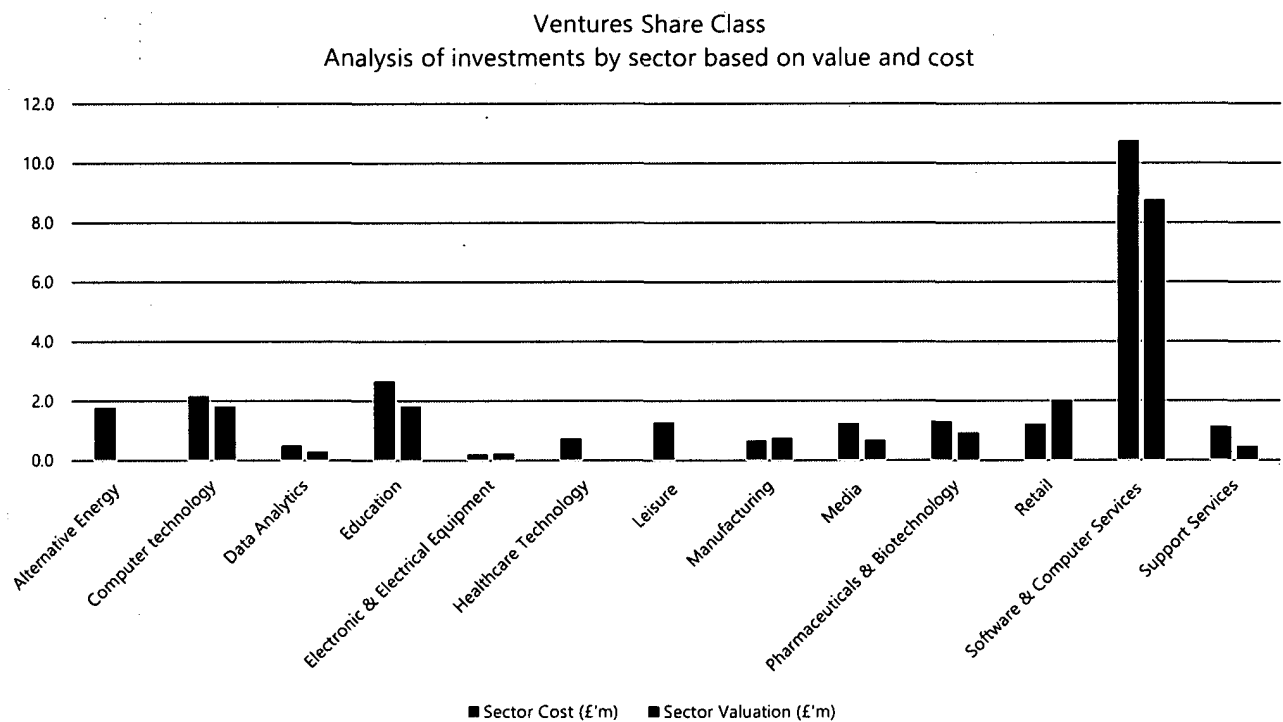
10) FundingXchange Limited www.fundingxchange.co.uk	Cost at 31/03/24:	£1,050,000	Valuation at 31/03/24:	£867,000
	Cost at 31/03/23:	£1,050,000	Valuation at 31/03/23:	£276,000
	Date of first investment:	Nov-19	Valuation method:	Price of last funding round
	Investment comprises:			
	Equity:	£1,050,000	% of total shares in issue:	3.1%
 Funding Xchange	Summary financial information from statutory accounts to 30 September:			
			2023	2022
	Net assets:		£3.9m	£5.4m
Funding Xchange's mission is to transform access to lending by allowing banks and lenders to access an instant, personalised, business credit assessment.				

Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available. The proportion of the total shares in issue/total voting rights are stated on an individual Share Class basis.

Review of Investments – Ventures Share Class (continued)

Summary of loan interest income and interest on advances

Loan interest and interest on advances receivable in the year	£'000
Upp Technologies Group Limited	1
Rated People Limited	(3)
Masters of Pie Limited	(7)
	<u>(9)</u>



Healthcare Share Class

Share Class Summary

	31 March 2024 Pence	31 March 2023 Pence
Financial highlights		
Net Asset Value per Healthcare Share	41.5	61.60
Cumulative distributions	10.0	8.75
Total Return per Healthcare Share	51.5	70.35

Forthcoming Dividend

A proposed final dividend of 0.25p per Healthcare Share will be paid on 18 October 2024, to Shareholders on the register at 4 October 2024.

Dividend history

Period end	Date paid	Pence per share
2020 Interim	25 September 2020	2.50
2021 Final	24 September 2021	2.75
2022 Final	30 September 2022	3.50
2023 Final	29 September 2023	1.25
		10.00

Share prices

The Company's share prices can be found on various financial websites with the following TIDM/EPIC codes:

	Healthcare Shares
TIDM/EPIC codes	TV2H
Latest share price (31 July 2024)	47.5p per share

Performance Incentive arrangements

Members of the Downing LLP management team have committed to subscribe for a number of Healthcare Shares equal to 20% of the total number of Healthcare Shares in issue. The members of the Downing LLP management team have agreed to waive any dividends on these Shares until the performance hurdles are met.

For the year ended 31 March 2024, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.12 per Healthcare Share. For subsequent years, the Total Return hurdle increases by 3p per annum such that for the year ended 31 March 2025 the Total Return hurdle will be £1.15, for the year ended 31 March 2026 the hurdle will be £1.18, etc. If the hurdle is met in any year, then members of the management team will receive 20% of the dividends paid. The current Total Return is 51.5p and therefore no provision for a performance incentive fee is necessary.

Investment Manager's Report- Healthcare Share Class

i. Overview

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share Class over the year ended 31 March 2024.

This Investment Manager's Report is split into three sections comprising this overview, a review of the Healthcare Portfolio and a report on the portfolio of Liquidity Investments.

Net Asset Value and results

As at 31 March 2024, the NAV of a Healthcare share stood at 41.5p, a decrease of 18.85p (30.6%) over the year after adding back the Healthcare dividend, of 1.25p per share, which was paid on 29 September 2023.

The loss on ordinary activities for the Healthcare Share Class for the year was £4.5 million (2023: loss of £4.3 million), being a revenue loss of £328,000 (2023: loss of £272,000) and a capital loss of £4.2 million (2023: loss of £4.0 million).

The Total Return to Shareholders as at 31 March 2024, of 51.5p, continues to be considered an underperformance against our expectations for the Healthcare Share Class.

A proposed final dividend of 0.25p per share will be paid on 18 October 2024, to Shareholders on the register at 4 October 2024.

Portfolio Overview

As at 31 March 2024, the Healthcare Share Class held a portfolio of twelve Healthcare investments valued at £7.3 million. The one Liquidity investment brought forward, **Downing Strategic Micro-Cap Investment Trust plc ("DSM")**, was sold on 26 March 2024.

Portfolio Performance

There were several valuation movements in the Healthcare Portfolio during the year, resulting in a total valuation loss of £4.1 million.

ii. Healthcare Portfolio

Investment activity

During the year, £250,000 was invested in one business, a follow-on investment into existing investee company, **TidalSense Limited** (formerly Cambridge Respiratory Innovations Limited). TidalSense is a leading MedTech company that creates ground-breaking respiratory technologies.

There were full and partial disposals of four investments during the year, excluding dissolutions, with total proceeds received of £1.1 million.

Full disposals in the year were:

DiA Imaging Analysis Limited, a developer and seller of AI ultrasound imaging analysis solutions with the aim of assisting current operators and reducing the experience and technical know-how required for future operators, was sold in May 2023 with cash proceeds of £393,000. The Company continues to recognise £91,000 of deferred consideration related to the exit.

Adaptix Limited, a MedTech 3D X-ray business, was sold during the year to **Avingtrans plc** in exchange for shares in this quoted company. The Company then made a decision to liquidate this holding, returning cash proceeds of £212,000 to the Company.

The one brought forward liquidity investment in **DSM** was liquidated in full during the year, returning cash proceeds of £487,000. Previous to this, **DSM** announced that the fund was going to commence a managed wind-down of its portfolio, therefore this outcome is preferential to the Company in terms of unlocking liquidity.

There was one partial disposal of quoted investments, **GENinCode plc**, returning cash proceeds of £30,000. GENinCode products combine genetic and clinical data to risk assess patients and provide healthcare practitioners with advanced clinical information to evaluate and predict the onset of cardiovascular disease.

Investment Manager's Report- Healthcare Share Class (continued)

Portfolio valuation

During the period, the Healthcare portfolio of the Share Class decreased in value by a total of £4.1 million.

Excluding disposals and three investments recording no movement in valuation, all but one of the investments decreased in value during the period, totalling valuation losses of £4.2 million across eight investments. The one investment which increased in value was **MIP Discovery Limited**. This company designs and produces synthetic affinity reagents for detection, capture and purification of viral vectors in cell and gene therapy. The valuation increase of £16,000 was as a result of a funding round which closed and to which the valuation is calibrated to. Valuation movements on disposals totalled gains of £67,000 across three investments.

The valuation losses relate to:

Arecor Therapeutics plc (£1.4 million), is listed on AIM and is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The valuation is marked to market and this movement is a result of the wider macroeconomic challenges.

Congenica Ltd (£865,000), has developed a genomics-based diagnostic decision support platform which helps doctors identify rare diseases in patients. This investment has been written down to nil in the year as a result of its struggle to raise funding. As a result, Congenica has entered a sales process, but it is highly unlikely there will be any return to the Company.

GENinCode plc (£622,000) is listed on AIM and therefore marked to market. This decrease in valuation is considered to be a result of the wider macroeconomic challenges.

Invizius Limited (£499,000) is developing novel primers with the aim of reducing adverse inflammatory responses. The decrease in valuation of this investment is driven by Invizius' need to fundraise with access to capital being very challenging in the current market. Invizius has, however, completed its clinical trial with data showing that it meaningfully improves the biomarker profile of patients using its product.

The Electrospinning Company Limited (£408,000) is a supplier and manufacturer of clinical-grade biomaterials. This investment has also decreased in valuation as a result of the challenges to access capital.

TidalSense Limited (formerly Cambridge Respiratory Innovations Limited) (£262,000) was written down in the period as a result of the company requiring additional funding, which is likely to be an internal round, however TidalSense continues to make strong progress and build partner traction with Big Pharma.

There were two other investments which decreased in valuation during the year totalling losses of £177,000.

iii. Liquidity Investments

As noted, the one remaining investment in the Healthcare Liquidity portfolio was **DSM** which was sold on 26 March 2024, returning cash proceeds of £487,000. There are no further Liquidity Investments.

Outlook

Macroeconomic factors continue to impact the financial markets with a knock-on impact on the venture capital funding environment as many venture funds choose to focus on supporting their existing portfolios rather than looking to add new positions. This has been the case for the Healthcare Share Class, and access to capital has also been a material challenge for much of the portfolio.

There are, however, some investments in the portfolio starting to make commercial progress and could therefore become attractive targets, as evidenced by some of the exits in the year. The investment team will continue to focus on extracting value from the existing portfolio wherever possible.

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Downing LLP – Healthcare Ventures Team
 31 July 2024

Review of Investments – Healthcare Share Class

The following investments were held at 31 March 2024:

		31 March 2024			31 March 2023	
	Date of investment	Accounting Cost (£'000)	Valuation (£'000)	Valuation Methodology	Accounting Cost (£'000)	Valuation (£'000)
Healthcare investments						
Arecor Therapeutics plc^	03/06/2021	1,533	1,628*	Bid price	1,533	3,015
Open Bionics Ltd	21/12/2018	1,000	1,428*	Price of last funding round	1,000	1,428
FVRVS Limited (trading as Fundamental VR)	30/10/2019	1,324	1,169*	Price of last funding round	1,324	1,169
TidalSense Limited (formerly Cambridge Respiratory Innovations Limited)	16/11/2020	1,050	788*	Price of last funding round	800	800
Invizius Limited	29/03/2021	927	499*	Price of last funding round	927	998
Closed Loop Medicine Ltd	20/10/2021	650	485	Price of last funding round	650	650
GENinCode plc^	22/07/2021	1,158	399	Bid price	1,202	1,051
Qkine Limited	02/12/2022	303	379	Price of last funding round	303	379
MIP Discovery Limited	30/06/2020	300	316	Price of last funding round	300	300
The Electrospinning Company Limited	05/04/2019	478	136	Price of last funding round	478	544
Destiny Pharma plc^	04/09/2017	750	119	Bid price	750	131
Congenica Ltd	04/10/2019	1,184	-	Nil value	1,184	865
DIA Imaging Analysis Ltd	20/07/2021	-	-	Sold	415	564
Live Better With Ltd.	31/01/2018	-	-	Sold	1,106	-
Adaptix Limited	20/03/2019	-	-	Sold	1,056	-
		10,657	7,346		13,028	11,894
Liquidity Investments						
Downing Strategic Micro-Cap Investment Trust plc**^	09/05/2017	-	-	Sold	729	461
Total investments		10,657	7,346		13,757	12,355

*Top five investments by value are shown on pages 24 and 25

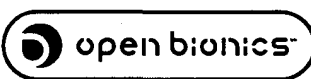
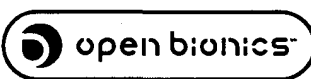
**Non-qualifying investment

^Listed and traded on the London Stock Exchange

Additions and disposals for the year ended 31 March 2024 are shown on pages 36 and 37.

Review of Investments – Healthcare Share Class (continued)

Further details of the five largest Healthcare investments held by the Healthcare Share Class:

1) Arecor Therapeutics plc www.arecor.com	Cost at 31/03/24:	£1,533,000	Valuation at 31/03/24:	£1,628,000
	Cost at 31/03/23:	£1,533,000	Valuation at 31/03/23:	£3,015,000
	Date of first investment:	Jun-21	Valuation method:	Bid price
	Investment comprises:		% of total shares in	
	Equity	£1,533,000	issue:	3.9%
	Summary financial information from statutory accounts to 31 December:			
			2023	2022
	Turnover		£4.6m	£2.4m
	Loss before tax		(£8.9m)	(£10.4m)
	Net assets:		£9.5m	£17.5m
	Arecor is a leader in developing superior biopharmaceuticals through the application of its innovative formulation technology platform. The company also provides the use of its platform as a service to drug development customers.			
	On 3 June 2023, Arecor admitted its shares to trading on AIM and raised a further £20 million via a new placing. The proceeds will be used to facilitate the development of its internal proprietary diabetes and specialty hospital products.			
	Cost at 31/03/24:	£1,000,000	Valuation at 31/03/24:	£1,428,000
	Cost at 31/03/23:	£1,000,000	Valuation at 31/03/23:	£1,428,000
	Date of first investment:	Dec-18	Valuation method:	Price of last funding round
	Investment comprises:		% of total shares in	
	Equity:	£1,000,000	issue:	5.6%
	Summary financial information from statutory accounts to 31 December:			
			2022	2021
	Net assets:		£2.6m	£0.8m
3) FVRVS Limited (trading as Fundamental VR) www.FundamentalVR.com	Open Bionics is a Bristol-based engineering start-up that designs and manufactures affordable bionic prosthetic hands by using 3D scanning and printing. Founded in 2014, their current focus is on becoming the market leader for bionic hands, before entering new higher-growth prosthetic/orthotic markets.			
	Cost at 31/03/24:	£1,324,000	Valuation at 31/03/24:	£1,169,000
	Cost at 31/03/23:	£1,324,000	Valuation at 31/03/23:	£1,169,000
	Date of first investment:	Oct-19	Valuation method:	Price of last funding round
	Investment comprises:		% of total shares in	
	Equity:	£1,324,000	issue:	5.2%
	Summary financial information from statutory accounts to 31 December:			
			2022	2021
	Net assets/(liabilities):		£5.6m	(£0.1m)
	Fundamental VR supply virtual reality enabled surgery simulation software into hospitals, medical schools and pharmaceutical companies. The software has proprietary in-built haptics functionality (i.e. touch sensations closely mimicking real life textures) and connects seamlessly into off-the-shelf hardware that many hospitals already have on site.			

Review of Investments – Healthcare Share Class (continued)

Further details of the five largest Healthcare investments held by the Healthcare Share Class:

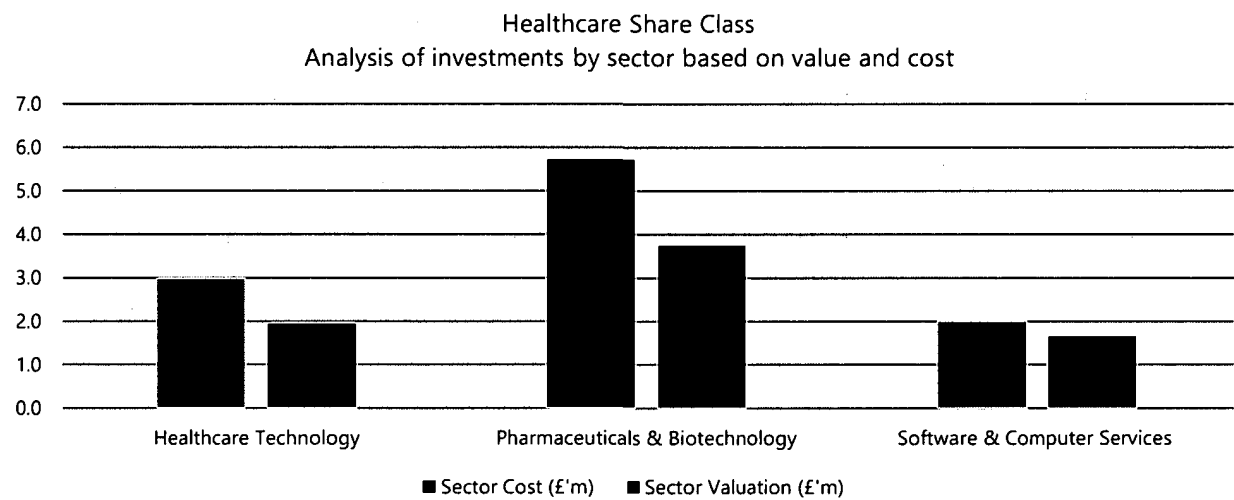
4) TidalSense Limited (formerly Cambridge Respiratory Innovations Limited) www.tidalsense.com	Cost at 31/03/24:	£1,050,000	Valuation at 31/03/24:	£788,000
	Cost at 31/03/23:	£800,000	Valuation at 31/03/23:	£800,000
	Date of first investment:	Nov-20	Valuation method:	Price of last funding round
	Investment comprises:			
	Equity:	£1,050,000	% of total shares in issue:	7.5%
	Summary financial information from statutory accounts to 31 December:			
			2022	2021
	Net assets:		£1.8m	£2.8m
	TidalSense is a leading medtech company that creates ground-breaking respiratory technologies. In December 2021 it received funding from BGF and Downing Ventures to fast-track research and development of its award-winning N-Tidal device to help medical professionals diagnose and monitor respiratory conditions. The N-Tidal device is a first-in-kind, connected, handheld capnometer incorporating unique patented sensor technology, that can accurately measure carbon dioxide levels in exhaled breath during normal breathing. The data is transmitted wirelessly using mobile networks and is analysed using CRI's intelligent cloud-based analytics software. This information can be used to provide novel insights into lung health.			
5) Invizius Limited www.invizius.com	Cost at 31/03/24:	£927,000	Valuation at 31/03/24:	£499,000
	Cost at 31/03/23:	£927,000	Valuation at 31/03/23:	£998,000
	Date of first investment:	Mar-21	Valuation method:	Price of last funding round
	Investment comprises:			
	Equity:	£927,000	% of total shares in issue:	5.96%
	Summary financial information from statutory accounts to 31 December:			
			2023	2022
	Net assets:		£2.1m	£5.0m
	Invizius Limited is a developer of new coating technologies for dialysers to minimise the side effects of dialysis and help improve patient outcomes.			

Note: net asset, turnover and pre-tax profit figures are stated where this information is publicly available. The proportion of the total shares in issue/total voting rights are stated on an individual Share Class basis.

Review of Investments – Healthcare Share Class (continued)

Summary of loan interest income and interest on advances

Loan interest and interest on advances receivable in the year	£'000
Adaptix Limited	2
	<u>2</u>



Review of Investments – AIM Share Class

Share Class Summary

	31 March 2024 Pence	31 March 2023 Pence
Financial highlights		
Net Asset Value per AIM Share	101.8	101.1
Cumulative distributions	-	-
Total Return per AIM Share	101.8	101.1

Dividend history

No dividends paid to date. Dividends are unlikely to be paid in respect of the AIM Share Class in its initial years.

Share prices

The Company’s share prices can be found on various financial websites with the following TIDM/EPIC codes:

	AIM Shares
TIDM/EPIC codes	TV2A
Latest share price (31 July 2024)	99.5p per share

Performance Incentive arrangements

There are no performance incentive arrangements in place in respect of the AIM Share Class.

Investment Manager's Report- AIM Share Class

Introduction

The fundraising for the AIM Share Class was launched in August 2021 at a time when markets were performing well, as the economy started to rebound from the release of the constraints of the pandemic. At that time, we were seeing a steady flow of potentially attractive IPOs on AIM which were eligible for investment by VCTs.

The world has changed dramatically since then with the conflict in Ukraine, the Middle East, Gaza and Israel, increased tensions between China and Taiwan, political uncertainty, recessionary fears, continued high inflation and increasing interest rates combining to shake investor confidence, resulting in an extended period when there were no suitable investment opportunities for the Share Class.

In view of the lack of AIM-IPOs we invested a proportion of the funds raised in a cash fund and equity income fund looking to produce some returns from the uninvested funds.

Net Asset Value and results

As at 31 March 2024, the NAV of an AIM share stood at 101.8p, an increase of 0.7p (0.7%) over the year.

IBP Capital Markets Limited

Since it was announced on 13 October 2023 that IBP Capital Markets Limited ("IBP"), the custodian of the Company's quoted investments, was entering Special Administration, the Investment Manager has been unable to trade any of the quoted stocks.

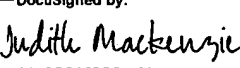
The Investment Manager has been actively collaborating with the special administrators to reconcile the quoted positions, and is pleased to report no differences of value in quoted holdings have been identified as at 31 March 2024.

As noted in the Chair's Statement and note 17 to the Annual Report, the Company has recently recovered c.80% of the eligible quoted portfolio, with the remaining c.20% expected to be recovered following court proceedings. Whilst the outcome remains subject to change, the Company will be able to return to normal management of the portfolio following this initial distribution.

Outlook

Despite the frustrations of not being able to invest the Share Class's funds as planned, it is pleasing to be able to report a positive return when, over the same period, the AIM market in general has suffered substantial losses.

With the challenge of investing the Share Class's funds and the fact that the class is very small in size, we are discussing plans for the future of the class with the Board and seeking to find a strategy which is in Shareholders' best interests.

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Downing LLP
31 July 2024

Review of Investments – AIM Share Class

The following investments were held at 31 March 2024:

	Date of investment	31 March 2024		Valuation Methodology	31 March 2023	
		Accounting Cost (£'000)	Valuation (£'000)		Accounting Cost (£'000)	Valuation (£'000)
Liquidity investments						
BlackRock Cash Fund Class D Accumulating*	21/10/2022	1,157	1,230	Bid price	1,157	1,172
Vanguard FTSE U.K. Equity Income Index Fund GBP Acc*	14/11/2022	643	773	Bid price	643	721
Total investments		1,800	2,003		1,800	1,893

*non-qualifying investment

DSO D Share Class

Share Class Summary

Financial highlights

Net Asset Value per DSO D Share
Cumulative distributions
Total Return per DSO D Share

31 March 2024	31 March 2023
Pence	Pence
-	2.6
104.7	102.0
104.7	104.6

Dividend history

Period end	Date paid	Pence per share
2012 Final	27 September 2012	2.5
2013 Interim	25 January 2013	2.5
2013 Final	13 September 2013	2.5
2014 Interim	24 January 2014	2.5
2014 Final	30 September 2014	2.5
2015 Interim	30 January 2015	2.5
2015 Second interim	30 September 2015	2.5
2016 Interim	23 December 2015	2.5
2016 Final	30 September 2016	2.5
2017 Interim	6 January 2017	2.5
2017 Final	29 September 2017	2.5
2018 Special	2 November 2017	25.0
2018 Interim	13 August 2018	24.0
2021 Special	29 November 2019	18.0
2022 Special	28 January 2022	7.5
2024 Interim	28 March 2024	2.7
		104.7

Investment Manager's Report - DSO D Share Class

Introduction

Proceeds from the two remaining investments in this Share Class were received in the year ended 31 March 2024 and all funds have been returned to DSO D Shareholders, with the Share Class now formally wound up.

Investments

As at 31 March 2023, the DSO D Share Class held two investments, Pearce and Saunders Limited and Pearce and Saunders DevCo Limited, with a total value of £16,000. The final pub was sold some time ago and an Insolvency Practitioner was appointed to distribute funds via a liquidation.

During the year ended 31 March 2024, final distributions were made returning £39,000 in liquidation proceeds from Pearce & Saunders Limited. There were no further distributions from Pearce and Saunders DevCo Limited.

Return to Shareholders

On 28 March 2024, the Company announced that it had completed a programme of returning funds to holders of the DSO D Shares, culminating with dividend payments of 2.7p per DSO D Share paid on 28 March 2024.

Following the payment of this dividend, the Company has now returned all the capital associated with the DSO D Shares to Shareholders and divested of all investments held in the portfolio, with the payment of the dividend marking the end of the life cycle of the DSO D Shares.

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Stephen Thayer
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Foresight Group LLP

31 July 2024

DP67 Share Class

Share Class Summary

	31 March 2024	31 March 2023
Financial highlights	Pence	Pence
Net Asset Value per DP67 Share	26.3	24.8
Cumulative distributions	67.8	67.8
Total Return per DP67 Share	94.1	92.6

Dividend history

Period end	Date paid	Pence per share
Pre-merger dividends		21.8
2016 Interim	23 December 2015	2.0
2016 Final	30 September 2016	2.0
2017 Interim	6 January 2017	2.0
2017 Final	29 September 2017	2.0
2018 Special	16 March 2018	20.0
2021 Special	29 November 2019	18.0
		67.8

Share prices

The Company's share prices can be found on various financial websites with the following TIDM/EPIC codes:

	DP67 Shares
TIDM/EPIC codes	D467
Latest share price (31 July 2024)	14.0p per share

Structure of shareholdings

The original Share offers under Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc launched in July 2007 and were followed by a Share Realisation and Reinvestment Programme ("SRRP") in 2013, under which many investors committed for a further five years. For every £1 invested, Shareholders received one Downing Planned Exit VCT 6 Share or one Downing Planned Exit VCT 7 Share. Each Share was converted to a Thames Ventures 2 DP67 Share as part of the merger in July 2015.

Performance Incentive arrangements

There are no Performance Incentive arrangements in place in respect of this Share Class.

Investment Manager's Report - DP67 Share Class

Introduction

The process of seeking to realise the remaining investments for optimal proceeds and returning funds to DP67 Shareholders continues.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 31 March 2024 stood at 26.3p, an increase of 1.5p or 1.6% in Total Return terms during the year. Total Return stands at 94.1p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per share. Compared to the initial NAV of 100.0p, we consider the Total Return to be an underperformance against the original expectations for the DP67 Share Class.

The gain on ordinary activities after taxation for the year was £168,000 (2023: loss of £221,000), comprising a revenue gain of £7,000 (2023: loss of £92,000) and a capital gain of £161,000 (2023: loss of £129,000).

Investments

As at 31 March 2024, the DP67 Share Class held a portfolio of two investments of value, with that value totalling £1.3 million.

Portfolio activity

Excluding the formal dissolutions of Yamuna Renewables Limited and London City Shopping Centre Limited in the year, there were no additions or disposals.

Portfolio valuation

During the year, the valuation of the remaining DP67 Share Class increased in value by a total of £137,000 (2023: £nil).

Following a distribution from the underlying business which sold its hotel asset, in which **Gatewales Limited** holds an interest, it is estimated that the DP67 Share Class will shortly receive £481,000, an increase of £137,000 from previously recognised.

Attempts by **Cadbury House Holdings Limited** to sell its conference centre and hotel property have been ongoing for some months now. During the year, no offers have been received that match the target valuation and therefore, the decision was made to continue to market the property until a buyer is found with an offer at an appropriate price. The DP67 Share Class's holding remains held at the same value as reported at the end of last year and loan interest continues to be recognised in full, providing the Share Class with £194,000 of income during the year.

Outlook

The challenge now is to achieve an exit from Cadbury House Holdings Limited at an acceptable valuation. The market for this type of assets is currently weak but we believe it is in the best interests of Shareholders not to sell at undervalue even if this means the final exit takes longer. Further dividends will be paid once the final realisations have taken place.

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Stephen Thayer

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Foresight Group LLP

31 July 2024

Review of Investments – DP67 Share Class

The following investments were held at 31 March 2024:

	Date of investment	31 March 2024		Valuation Methodology	31 March 2023	
		Accounting Cost (£'000s)	Valuation (£'000s)		Accounting Cost (£'000s)	Valuation (£'000s)
Yield focused investments						
Cadbury House Holdings Limited	20/07/2014	1,409	791	Discounted independent valuation	1,409	791
Gatewales Limited*	20/10/2015	344	481	Net assets	344	344
Yamuna Renewables Limited	05/04/2016	-	-	Dissolved	400	-
London City Shopping Centre Limited**	20/10/2015	-	-	Dissolved	99	-
Total investments		1,753	1,272		2,252	1,135

*Partially qualifying investment

**Non-qualifying investment

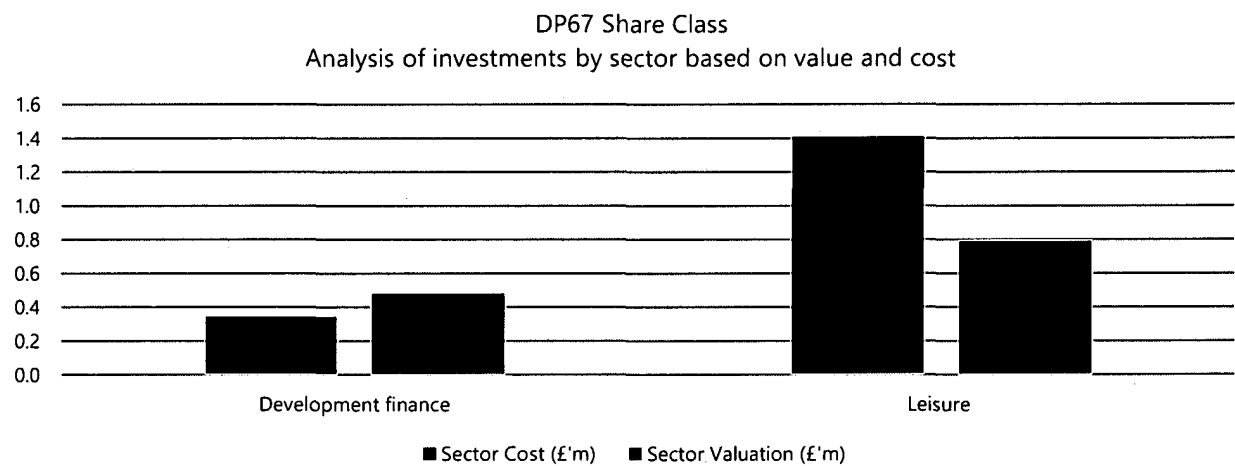
All investments are incorporated in England and Wales.

Additions and disposals for the year ended 31 March 2024 are shown on pages 36 and 37.

Review of Investments – DP67 Share Class (continued)

Summary of loan interest income/(expense) and interest on advances

Loan interest and interest on advances receivable in the year	£'000
Cadbury House Holdings Limited	194
Gatewales Limited	(137)
	<u>57</u>



Investment Additions and Disposals

Additions

	£'000
<i>Ventures Share Class</i>	
Virtual Class Ltd	50
Cambridge Touch Technologies Ltd	200
Maestro Media Limited (trading as BBC Maestro)	150
EM Scientific Limited (trading as Inoviv)	100
	500
<i>Healthcare Share Class</i>	
TidalSense Limited (formerly Cambridge Respiratory Innovations Limited)	250
	250
Total additions	750

Investment Additions and Disposals (continued)

Disposals

	Cost £'000	Value at 31 March 2023 £'000	Proceeds £'000	Realised gain/(loss) £'000
Ventures Share Class				
Imagen Ltd	1,000	1,703	1,884*	884
London City Shopping Centre Limited	118	-	-	(118)
Lineten Limited	400	-	-	(400)
Maverick Pubs (Holdings) Limited	1,000	444	450	(550)
Hummingbird Technologies Limited	750	-	-	(750)
Live Better With Ltd.	1,211	-	-	(1,211)
Downing Strategic Micro-Cap Investment Trust plc	4,269	2,701	2,852	(1,417)
	8,748	4,848	5,186	(3,562)
Healthcare Share Class				
GENinCode plc	44	39	30	(14)
DIA Imaging Analysis Ltd	415	564	393	(22)
Downing Strategic Micro-Cap Investment Trust plc	729	461	487	(242)
Adaptix Limited	1,056	-	212	(844)
Live Better With Ltd.	1,106	-	-	(1,106)
	3,350	1,064	1,122	(2,228)
DSO D Share Class				
Pearce & Saunders DevCo Limited	19	16	-	(19)
Pearce & Saunders Limited	255	-	39	(216)
	274	16	39	(235)
DP67 Share Class				
London City Shopping Centre Limited	99	-	-	(99)
Yamuna Renewables Limited	400	-	-	(400)
	499	-	-	(499)
Total	12,871	5,928	6,347	(6,524)

*Includes deferred consideration received in the year

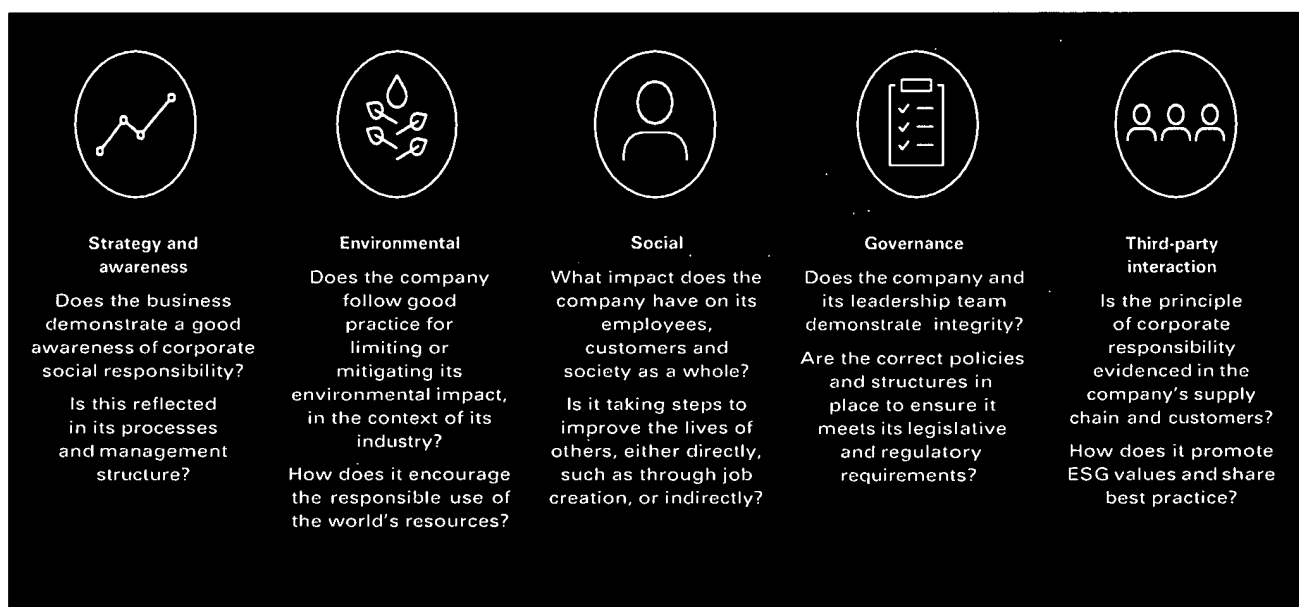
Approach to Responsible Investment

Often referred to as Responsible Investment, Environmental, Social and Governance principles ("ESG") provide not only a key basis for generating attractive returns for investors, but also to help build better quality businesses in the UK, creating jobs and making a positive contribution to society.

ESG values form an integral part of the principal Investment Manager, Foresight Group's, day-to-day decision making, with all new investments made subject to ESG due diligence and ongoing ESG monitoring. Downing LLP, the Healthcare Share Class Manager, operates on a broadly similar basis.

Central to its investment approach are five ESG Principles which are used to evaluate investee companies.

Overall, 100 individual key performance indicators are considered under the five Principles. Foresight invests in a wide range of sectors and believes its approach covers the key tests that should be applied to assess a company's ESG performance, throughout the life cycle of an investment:



UN SDGs

The UN's Sustainable Development Goals ("SDGs") also represent a key driver and important lens through which corporate and investment activities are reviewed.

In May 2021, Foresight formalised its Impact Themes for private equity investments into four areas:

- Health
- Quality Employment at Scale
- Research and Innovation
- Sustainable, Inclusive, Local Infrastructure and the Environment

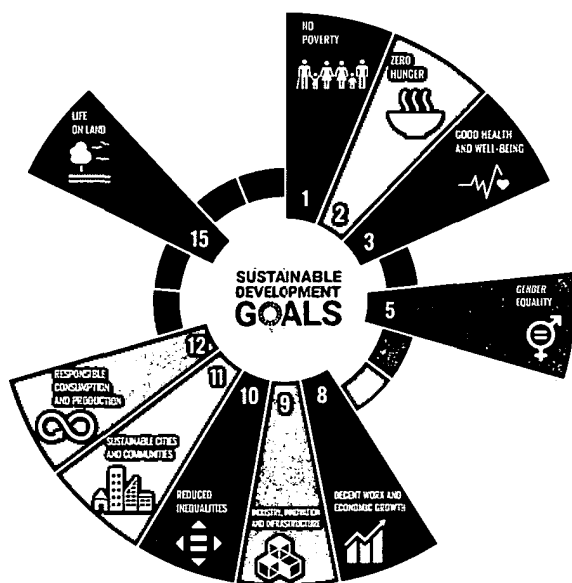
These outcome-focused themes are aligned with the UN's SDGs. They help Foresight assess any opportunities in the business model, and by mapping its investments to them the private equity team can identify the value and benefits for the companies, society and the environment.

Approach to Responsible Investment (continued)

UN SDGs (continued)

Each new portfolio company is subject to an annual assessment where progress against each of the five Principles and four Impact Themes are measured and an evaluation matrix updated to allow progress to be tracked and continuous improvement encouraged.

The diagram below shows the specific SDGs that Foresight has scope to contribute to across all of its activities.



Credentials

Foresight has been a member of the UK Sustainable Investment and Finance Association since 2009 and a signatory to the Principles for Responsible Investment ("PRI") since 2013. Foresight is an accredited Living Wage Employer and a signatory of the HM Treasury Women in Finance Charter, committing to implement recommendations to improve gender diversity in financial services. Portfolio companies are encouraged to pursue similar objectives.

Climate Change Statement

Foresight has a long-term investing vision, and its strategy aligns with the UN's Sustainable Development Goals and the decarbonisation targets set out in the Paris Agreement of 2015.

As such, taking actions to mitigate the risks posed by climate change, whilst also investing to generate commercial returns for our investors, must be done hand in hand. Foresight has been a signatory to the United Nations-backed PRI since 2013.

PRI is a globally recognised voluntary framework concerned with the incorporation of ESG considerations into the investment decision-making process. It provides a basis for potential and existing investors to judge the quality of a company's ESG processes and positioning within an industry sector. In 2024, Foresight received a "five star" for Strategy and Governance, and "five star" for Private Equity and Infrastructure investments. The Board supports Foresight's views on climate change and ESG and its vigorous process in the evaluation of an asset's environmental and social impact during due diligence and thereafter. For each material risk identified during due diligence, a mitigation plan is proposed in the investment submission and these actions form part of each portfolio company's plan to track post-investment.

From an environmental perspective, analysis relating to the implementation of good industry practice in limiting and mitigating the potentially adverse environmental impact of a company's operations has four principal components:

- Environmental policy and track record
- Energy and resource usage and environmental impact
- Environmental impact of products and services
- Environmental performance improvements

Regular monitoring post-investment ensures that standards are maintained in respect of ESG issues where there is a change in either the regulatory or operating environment or the composition of the management team.

Approach to Responsible Investment (continued)

Task Force on Climate-related Financial Disclosures ("TCFD")

The Task Force on Climate-related Financial Disclosures ("TCFD") reporting requirements for the Company changed from 1 July 2024. The Board and Investment Manager are assessing the impact to ensure that the Company aligns with the requirements to the extent that they are relevant for the Company. The Investment Manager continues its journey to full alignment with the recommendations of the TCFD. Further details are noted in the Foresight Group Holdings Limited Annual Report and Accounts and can be found at: www.foresightgroup.eu.

Environmental, human rights, employee, social and community issues

The Board recognises the requirement under Section 414 of the Companies Act 2006 to provide information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues; and information about any policies it has in relation to these matters and the effectiveness of these policies.

The Company does not have any policies in place for human rights, environmental, social and community issues due to having no office premises, no employees and its purchases being services as opposed to tangible products. Foresight's policies in respect of all the above issues can be found on its website: www.foresightgroup.eu.

Diversity

Foresight has an equal opportunities policy and, as at 31 March 2024, employed 238 men (2023: 225) and 158 women (2023: 150).

The VCT Board currently comprises four male Directors, all of whom are of white British ethnicity. The Board does not yet meet the targets set out in the Listing Rules, for 40% of the individuals on its board of directors to be women; at least one of the senior positions on its board of directors is held by a woman; and at least one individual on its board of directors is from a minority ethnic background. There is no formal diversity policy in place, however the Board is conscious of the need for diversity and will actively seek and encourage male and female candidates from all ethnic backgrounds when appointing new Directors in future.

Global greenhouse gas emissions

The Company has negligible greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Strategic Report

The Directors present the Strategic Report for the year ended 31 March 2024. The Board has prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company's principal investment objective is to provide Shareholders with an attractive level of tax-free capital gains and income generated from a portfolio of investments in a range of different sectors.

The Company's strategy for achieving its principal investment objective is to:

- ▶ invest in a portfolio of investments across a range of differing sectors, primarily in the UK and EU; and
- ▶ comply with the VCT regulations to enable Shareholders to retain the initial income tax relief and ongoing tax reliefs.

As a Venture Capital Trust, Investors are required to hold their shares for a minimum period of five years in order to retain their income tax relief.

Business review and developments

Ventures Share Class

The Ventures Share Class began the year with £27.8 million of investments and ended the year with £17.8 million spread across a portfolio of 32 Ventures investments.

The Share Class began the year with cash resources of £3.4 million and ended the year with cash resources of £6.2 million, after paying dividends totalling £0.7 million.

The loss on ordinary activities after taxation for the year was £6.0 million, comprising a revenue loss of £566,000 and a capital loss of £5.5 million.

Healthcare Share Class

The Healthcare Share Class began the year with £12.4 million of investments and ended the year with £7.3 million spread across a portfolio of 12 Healthcare investments.

The Share Class began the year with cash resources of £860,000 and ended the year with cash resources of £2.7 million, after paying dividends of £0.3 million.

The loss on ordinary activities after taxation for the year was £4.5 million, comprising a revenue loss of £328,000 and a capital loss of £4.2 million.

AIM Share Class

The AIM Share Class began the year with £1.9 million of investments and ended the year with £2.0 million spread across a portfolio of two AIM investments.

The Share Class began the year with cash resources of £850,000 and ended the year with cash resources of £827,000.

The gain on ordinary activities for the year was £20,000, comprising a revenue loss of £66,000 and a capital gain of £86,000.

DSO D Share Class

The DSO D Share Class began the year with £16,000 of investments and all investments were disposed during the year as the Share Class was wound up.

The gain on ordinary activities after taxation for the period was £230,000, comprising a revenue loss of £6,000 and a capital gain of £236,000.

DP67 Share Class

The DP67 Share Class began the year with £1.1 million of investments and ended the year with £1.3 million spread across a portfolio of two investments.

The gain on ordinary activities after taxation for the year was £168,000, comprising a revenue gain of £7,000 and a capital gain of £161,000.

The Company's business and developments during the year are reviewed further within the Chair's Statement, Investment Manager's reports and the Review of Investments for each Share Class.

Strategic Report (continued)

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value, dividends per share (see Financial Highlights on page 2) and Total Return (NAV plus cumulative dividends paid to date). Further consideration of the above key performance indicators is included in the Investment Manager's Reports under Net Asset Value and results.

The performance of the VCT's Share Classes, measured by historic NAV Total Return, is shown in the graphs on pages 58 and 59.

Net Asset Value per share and Total Return are defined as Alternative Performance Measures as they are not defined or specified by FRS 102. The Board considers these two measures to be the primary indicators of future and historical performance.

The Chair's Statement and Investment Manager's Reports include further commentary on the Company's activities and future prospects.

Principal risks and uncertainties

The Board have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity. The Board has ensured that there are policies in place for managing each of these risks. The principal financial risks faced by the Company, which include interest rate, investment price, credit and liquidity risks, are summarised within note 15 to the financial statements. Note 15 also includes an analysis of the sensitivity of the NAV to changes in investment valuations.

Other principal risks faced by the Company have been assessed by the Board and grouped into the key categories outlined below:

- Investment performance;
- Regulatory;
- Operational; and
- Economic, political and other external factors.

Investment performance (similar level of risk)

The Company holds investments in unquoted and quoted companies. Poor investment decisions or a lack of effective monitoring and management of investments could result in a reduction in the carrying values of the Company's investments.

The Investment Manager has significant experience in investing in unquoted UK companies and engages reputable and experienced advisers at each stage of the investment process. Furthermore, the Board regularly reviews the performance of the portfolio.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Regulatory

(similar level of risk)

The Company, as a fully listed company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces several related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing Rules of the Financial Conduct Authority and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board receives quarterly reports from the Investment and Administration Manager, and places reliance on them to provide updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

Philip Hare & Associates provides regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

In order to further mitigate this risk, the Board monitors regulatory and legislative developments. The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

Further detail on VCT Status is provided on page 50.

Operational

(similar level of risk)

The Company relies on the Investment Manager, Administration Manager and other third parties to fulfil many of its operational requirements and duties. A provision of inferior services by one or more of these parties could lead to inadequate systems and controls or inefficient management of the Company, its assets and its reporting requirements.

The Company, the Investment Manager and the Administration Manager engage experienced and reputable service providers, the performance of which is reviewed on an annual basis by the Board. In addition, the Audit Committee reviews the Internal Control and Corporate Governance Manual on an annual basis.

Economic, political and other external factors **(similar level of risk)**

Fluctuations in the stock market due to conflict in Ukraine, the Middle East, Gaza, Israel and increased tensions between China and Taiwan, fears of economic recession, increasing inflation or monetary policy could all affect the valuations of quoted investments, even if such companies are performing to plan. With respect to the Liquidity investments, the impact of this is mitigated by the active management and diversification of the underlying portfolios.

Wider political and economic events also have the potential to impact the performance, and therefore valuations of, the unquoted companies in the portfolio as a result of a deterioration in business and consumer confidence. This is mitigated by holding a diversified portfolio of investments across a wide range of sectors and subsectors.

The emerging risks faced by the Company are outlined on the following pages.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Emerging risks	
Risk	Mitigation
<i>Interest rate rises and inflation</i>	
The Company's investments could be impacted negatively as a result of increasing interest rates and high inflation, particularly wages and other costs.	The Investment Manager's close relationship with the investee companies allows it to ensure that the businesses properly assess the potential impact of increasing costs, particularly wages, and the extent to which these may or may not be able to be passed on to the end customer. The Board and the Investment Manager considers the net impact to be at a manageable level and shall continue to monitor developments closely across all investee companies.
<i>Geopolitical risks</i>	
The continuing conflict in Ukraine, the Middle East, Gaza, Israel, increased tensions between China and Taiwan and the impact of sanctions placed on Russian businesses and individuals may have some impact on the returns of the Company.	The Investment Manager's hands on approach with the investee companies ensures that they are well placed to assess the exposure of the business such developments. The Board considers exposure to the Ukraine conflict and associated developments be low and any direct impact on the Company's performance is not expected to be significant. The Board along with the Investment Manager shall continue to review the evolving situation as part of its ongoing activities.
<i>Climate change</i>	
The effects of climate change or those of changing legislation as the world looks to transition towards net zero emissions may impact the returns generated by the portfolio companies.	Whilst the Company itself, as a Venture Capital Trust, is considered to have negligible exposures to climate change risk, the Investment Manager works with the investee companies, via regular reporting and, in most cases, Board representation, to ensure that climate change risk and transition risk is appropriately addressed. The Board together with the Investment Manager believe that the risks within the current portfolio to be manageable and gives consideration to this in reviewing new investment decisions and will continue to assess developments in legislation and their potential impact on portfolio companies. Developments in accounting and disclosure regulations impacting the Company are monitored by the Investment Manager and Administration Manager to ensure full compliance.
<i>Internal Control Risk</i>	
The control environments at service providers, including the Investment Manager, have inadequate procedures for the identification, evaluation and management of risks, cyber security and GDPR, putting the Company's assets and data at risk.	The Board carries out semi-annual reviews of the system of internal controls, both financial and non-financial, operated by the Investment Manager and other service providers and asks the external auditor to report on the Investment Manager's internal controls. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Viability statement

In accordance with Corporate Governance best practice, the Directors have carried out a robust assessment of the emerging and principal risks of the Company over a period of five years from the date of this report. The Board has conducted this review for the period covering the expected remaining life of the Planned Exit Share Class, and the minimum expected holding period in respect of the three Evergreen Share Class, encompassing all Ventures, Healthcare and AIM Shareholders. The longer of these two time horizons is five years from the balance sheet date.

The five-year review considers the principal risks facing the Company, which are summarised on pages 42 and 43 and within note 15, as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. This includes the impact of emerging risks noted on page 44 and any other risks which may adversely impact its business model, future performance, solvency or liquidity. The five-year review makes assumptions about the normal level of capital recycling likely to occur, which include the following: -

- Dividends are paid in accordance with the 4% of NAV targets for the Evergreen Share Classes;
- Planned Exit Share Class distributions are paid out as realisations take place from the portfolios; and
- New and follow on investments are made as further capital is raised or existing investments are exited, whilst considering availability of cash for expenses, which are estimated based on the results to 31 March 2024.

The Board has considered the Company's cash flow projections and found these to be realistic and reasonable.

The Directors believe that the Company is well placed to manage its business risks successfully. Based on the results, the Board believes that, taking into account the Company's current position, and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for the period under review.

Business model

The Company operates as a Venture Capital Trust to ensure that its Shareholders can benefit from the tax reliefs available.

The business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set out within its Investment Policy, as shown below.

Investment policy

Asset allocation

It is intended that at least 80% of each of the Evergreen Share Class's funds are invested in VCT Qualifying Investments, within three years of the close of the relevant Offer. The remainder of the funds will be held in Non-Qualifying investments, as described below.

For the Planned Exit Share Class, the Investment Manager is working on plans to exit from the remaining investments, such that funds can be returned to Shareholders.

Venture Capital investments

New Venture Capital 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 unquoted businesses and will not usually undertake very early stage or start-up investments.

Specific Share Classes may have a Ventures focus or may focus on certain sectors according to the strategy of that specific Share Class.

Venture Capital Investments made in 2015 and earlier were made under previous VCT Regulations and focused on investments in UK businesses that own substantial assets (over which a charge could be taken by the Company) or have predictable revenue streams from financially sound customers.

Non-Qualifying Investments

The funds not deployed 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.

Strategic Report (continued)

Investment policy (continued)

Non-Qualifying Investments

Liquidity investments are made with the aim of producing capital appreciation or income. The intended profit arising from the disposal or maturity of 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. The Investment Manager ensures that the Company has exposure to a diversified range of VCT Qualifying 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.

Changes to the VCT Regulations in recent years have sought to strengthen the availability of capital for innovative growth businesses in the UK. This inherently increases the risk profile of the new investments made by the Evergreen Share Classes, which stand in contrast to those in which the Company's Planned Exit Share Classes have historically invested. However, whilst new investments will generally be in businesses which are not asset-backed, and are therefore higher risk, these new investments will have the potential to offer greater rewards. The principal risks faced by the Company are considered in more detail on pages 42 and 43.

Pursuant to the introduction of the 80% VCT Qualification test on 1 April 2022, the target allocation of the Company's funds is summarised as follows:

VCT Qualifying Investments	85%
Non-Qualifying Investments	15%
	100%

The qualification test is measured on the Company as a whole and not on any individual Share Class.

As one of the four active Share Classes is in an exit stage, ongoing adherence to the VCT Qualification test has come to rest on the combined VCT Qualification status of the Ventures and Healthcare Share Classes. As such, when building the Ventures, Healthcare and AIM Share Classes, the Investment Manager is working towards a long term VCT Qualification target of 85% for these classes, as outlined in the respective Reviews of Investments.

Listing rules

In accordance with the listing rules:

- (i) the Company may not invest more than 10% in aggregate, of the value of total assets of the Company at the time an investment is made in other listed closed-ended investment funds, except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of the Company; and
- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document.

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.

An analysis of the compliance with the applicable VCT regulations for the year ended 31 March 2024 is set out on page 50.

Strategic Report (continued)

Statement on section 172

Under section 172 of the Companies Act 2006, the Board has a duty to promote the success of the Company, and when making decisions for the long term, have regard to a range of matters including:

- ▶ the likely consequences of any decision in the long term;
- ▶ the interest of the Company's employees;
- ▶ the need to foster the Company's business relationships with suppliers, customers and others;
- ▶ the impact of the Company's operations on the environment and community;
- ▶ the desirability of the Company maintaining a reputation for high standards of business conduct; and
- ▶ the need to act fairly between Shareholders of the Company.

However, the Company has no employees (other than its Directors) and no customers in the traditional sense. It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management and administration of the Company to third parties. The Board will then engage with the third parties in setting, approving and overseeing the execution of the business strategy and related policies. In accordance with the Company's nature as a Venture Capital Trust, the Board's principal concern has been, and continues to be, the interest of the Company's Shareholders taken as a whole, as well as continuing to monitor portfolio management in light of the Company's objectives.

In addition to this, the Board has a responsible governance culture and has due regard for broader matters, so far as they apply including the expectations of its regulators. Specifically, the Board engages with the Investment Manager at every Board meeting, where it will review the financial and operational performance, as well as legal and regulatory compliance. The Board also reviews its relationships with other service providers at least annually, as well as other areas over the course of the financial year including the Company's key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; and corporate responsibility and governance.

The Investment and Administration Manager engages with Shareholders by producing half-yearly reports and reporting back to the Board. The Board also usually encourages Shareholders to attend the AGM and welcomes any other communications from Shareholders. Its main stakeholders therefore comprise the Shareholders, the Investment Manager, other service providers and investee companies.

The principal decisions made or approved by the Directors during the year are set out below. In taking these decisions, the Directors considered their duties under section 172 of the Act. Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

Dividend declarations

For the Ventures and Healthcare Share Classes, the Directors target an annual dividend of at least 4% of net assets per annum, subject to sufficient distributable reserves and capital resources. The AIM Share Class will not pay any dividends in its initial years. The Board closely monitors the level of dividends and proposes to pay a final dividend of 0.25p per Ventures Share and 0.25p per Healthcare Share, equivalent to 0.5% and 0.6% respectively based on the net asset values at 31 March 2024.

Strategic Report (continued)

Statement on section 172 (continued)

Launch of offers for subscription

An offer for subscription was launched in October 2022, which closed on 31 July 2023. The offer raised £237,000 in the Ventures Share Class and £1.2 million in the Healthcare Share Class. The additional funds raised will allow the Investment Manager to expand the portfolios and provide support where necessary to the existing investee companies.

Communication with Shareholders

The Board communicates with its Shareholders in a number of ways including, but not limited to:

- the Company's annual and half yearly reports;
- regulatory announcements;
- information on the Company's website; and
- the Annual General Meeting.

The Board continues to encourage all Shareholders to attend the AGM and welcomes communication from Shareholders. The Board is pleased to continue to hold the 2024 AGM in person at the Investment Manager's office to facilitate this interaction. In person AGMs will continue, where possible, to allow Shareholders to ask questions and hear updates from the Board and Investment Manager.

Borrowings

At 31 March 2024, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, was 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon). There are no plans to utilise this ability at the current time.

Global greenhouse gas emissions

The Company has negligible greenhouse emissions to report from its operations, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013.

Environmental, social, and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Investment Manager take environmental, social and human rights factors into consideration when making investment decisions. Further details on the Investment Manager's approach to responsible investment can be found on pages 38 to 40.

The FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") do not currently apply to the Company. The Board and Investment Manager acknowledge the recommendations which will be reviewed over future periods.

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of four non-executive directors. All directors are male.

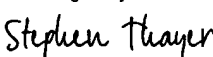
Events after the end of the reporting period

Important events affecting the Company since 31 March 2024 have been disclosed in the Chair's Statement and in note 19 to the financial statements.

Future prospects

The Company's future prospects are set out in the Chair's Statement and Investment Manager's Reports.

By order of the Board

DocuSigned by:

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Foresight Group LLP

Secretary of Thames Ventures VCT 2 plc
Company number: 06789187

Registered office:
The Shard
32 London Bridge Street
London
SE1 9SG

31 July 2024

Report of the Directors

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2024.

Share capital

At the year end, the Company had in issue 67,213,007 Ventures Shares (including Management Shares), 29,266,979 Healthcare Shares (including Management Shares), 2,695,803 AIM Shares and 11,192,136 DP67 Shares.

Every Shareholder is entitled to receive notice of, to attend, speak and vote at any general meeting. Shareholders who are present in person or by proxy can vote on a show of hands and will have one vote each. On a poll, every Shareholder present in person or by proxy is entitled to the number of votes per share as set out in the table below:

Class of share	Number of votes per share
Ventures Share	573
Healthcare Share	573
AIM Share	1,146
DP67 Share	375

If the Net Asset Value of a share moves by more than 25% or more compared to the per share base values for each Share Class set out in the Articles of the Company then the voting rights per share are adjusted up or down in proportion to the 25% threshold changes.

The Company operates a policy, subject to certain restrictions, of buying Ventures, Healthcare and AIM Shares that become available in the market at a price equal to the latest published NAV (i.e. at a nil discount). As the remaining planned exit class is in an exit phase, the Company does not intend to buy back shares of any other class.

During the year the Company did not repurchase any shares.

At the AGM that took place on 12 September 2023, the Company was authorised to make market purchases of its shares up to a limit of 1,172,219 DSO D Shares, 1,667,628 DP67 Shares, 7,932,291 Ventures Shares, 3,509,682 Healthcare Shares and 401,674 AIM Shares, which represented approximately 14.9% of the issued DSO D Share capital, DP67 Share capital, Ventures Share capital, Healthcare Share capital and AIM Share capital, as at the date of the AGM.

At the current date, authority remains for 1,667,628 DP67 Shares, 7,932,291 Ventures Shares, 3,509,682 Healthcare Shares and 401,674 AIM Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 24 September 2024.

The minimum price which may be paid for a DP67 Share, a Ventures Share, Healthcare Share or an AIM Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for a DP67 Share, a Ventures Share, a Healthcare Share or an AIM Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

Results and dividends

Return/(loss) for the year:	£'000	Pence per share
Ventures Share	(6,040)	(11.3p)
Healthcare Share	(4,533)	(19.3p)
AIM Share	20	0.7p
DSO D Share	230	2.9p
DP67 Share	168	1.5p

Dividends paid during the current period:	£'000	Pence per share
Ventures Share	666	1.25p
Healthcare Share	294	1.25p
DSO D Share	212	2.7p

Final dividends proposed to be paid 18 October 2024

Ventures Share	133	0.25p
Healthcare Share	59	0.25p

As the remaining Planned Exit Share Class is in an exit phase, further dividends will be declared as and when realisations are completed.

Report of the Directors (continued)

Directors

In accordance with the Company's Director tenure policy and corporate governance best practice, Directors are subject to annual re-election.

All Directors were re-elected at the previous AGM.

Sir Aubrey Brocklebank, Andrew Mackintosh, Steven Clarke and Chris Allner will each retire and offer themselves for re-election at the forthcoming AGM. Each has continued to make a valuable contribution during the year and is expected to continue to drive the Company's long-term success.

Sir Aubrey Brocklebank entered into a letter of appointment in July 2016. Steven Clarke, Andrew Mackintosh and Chris Allner entered into letters of appointment dated 8 September 2021. The appointments are terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third-party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors.

VCT status

The Company has retained Philip Hare & Associates LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular review of the portfolio. Although Philip Hare & Associates LLP work closely with the Investment Manager, they report directly to the Board.

Compliance with the main VCT regulations (as described in the Investment policy) as at 31 March 2024, and for the year then ended, is summarised as follows:

1.	80% of its investments held in qualifying companies;	89.6%
2.	At least 70% of the Company's qualifying investments are held in "eligible shares" for funds raised on or after 6 April 2011;	99.2%
3.	At least 10% of each investment in a qualifying company is held in eligible shares;	Complied
4.	At least 30% of the of the proceeds of shares issued after 1 April 2019 must be invested in VCT Qualifying companies within 12 months of the next year end;	Complied
5.	No investment constitutes more than 15% of the Company's portfolio;	Complied
6.	Income for the year is derived wholly or mainly from shares and securities; and	95.6%
7.	The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained.	Complied

Report of the Directors (continued)

Investment management and administration fees

With effect from 4 July 2022, Foresight Group LLP ("Foresight") was appointed as Investment Manager to the Company following agreement by the Company's former Investment Manager, Downing LLP, to sell its non-healthcare ventures division to Foresight, with Downing continuing to provide investment management services for the Healthcare Share Class.

Foresight is paid a fee equivalent to 1.5% of the DSO D Share net assets per annum, 1.35% of DP67 Share net assets per annum, 2.0% of Ventures Share net assets per annum, and 1.75% of AIM Share net assets per annum.

The management of the Healthcare Share Class remains with the Company's previous Investment Manager, Downing LLP. Downing is paid a fee equivalent to 2.5% of the Healthcare Share net assets per annum.

Under the Administration Management agreement Foresight provide administration services to the Company for a fee calculated as follows: (i) a basic fee of £47,550; (ii) A fee of 0.1% of NAV per annum on funds in excess of £10 million; (iii) £5,000 per additional Share Class, excluding the DSO D Share Class.

The agreement may be terminated by either side giving not less than 12 months' notice in writing.

During the year, a total of £1.1 million (2023: £1.1 million) was payable to Foresight and Downing for investment management and administration fees.

Foresight and Downing also receive arrangement and monitoring (non-executive directorship) fees from the investee companies. Arrangement and monitoring fees paid to the Investment Managers from Thames Ventures VCT 2 portfolio companies were as below:

	Arrangement fees £'000	Monitoring fees £'000
Year ended 31 March 2024		
Foresight	7	19
Downing	-	-
	<u>7</u>	<u>19</u>
Year ended 31 March 2023		
Foresight	13	60
Downing	11	67
	<u>24</u>	<u>127</u>

These fees also relate to investments made into these companies by other funds managed by Foresight and Downing and so are only partly attributable to Thames Ventures VCT 2 investments.

The annual running costs of the Company, for the year, are also subject to a cap of 3.0% of net assets of the Company for all Share Classes, with the exception of the DP67 and Healthcare Share Classes, which are subject to caps of 2.9% and 3.3%, respectively. Any excess costs over each of the relevant caps are met by the Investment Manager through a reduction in fees.

The Ongoing Charges value for the Company as a whole for the year (calculated in accordance with the AIC guidance) was 2.6% (2023: 2.2%).

Report of the Directors (continued)

Performance Incentives

Ventures and Healthcare Share Classes

A Performance Incentive scheme is in place in respect of the Ventures and Healthcare Management Shares, which will represent 20% of the total number of Ventures and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the Shareholders of the Ventures and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the Total Return hurdle is met.

For the year ended 31 March 2024, the hurdle is met when Total Return (based on audited year end results) is in excess of £1.12 per share. For subsequent years, the Total Return hurdle increases by 3.0p per annum, such that for the year ended 31 March 2025 the Total Return hurdle will be £1.15, and for the year ended 31 March 2026 the hurdle will be £1.18.

AIM Share Class

There is no performance incentive scheme in place for the AIM Share Class.

Further details of the Performance Incentive arrangements are set out on page 90.

Ongoing promoter fee (trail fee)

The Company has an agreement to pay an ongoing promoter fee (trail fee) annually to the Investment Manager in connection with applicable funds raised under the Company's previous offers for subscription, out of which there is an obligation to pay a trail commission to intermediaries. The trail fee is calculated at between 0.25% and 0.5% of the Net Asset Value of those offer shares in respect of which adviser commission is payable at each period end.

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for at least the next 12 months, as further detailed in the Corporate Governance Statement report on pages 63 and 64.

Substantial interests

As at 31 March 2024, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Auditor

A resolution proposing the reappointment of BDO LLP as the Company's Auditor will be submitted at the Annual General Meeting.

Annual General Meeting

The AGM will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 4.00 p.m. on 24 September 2024. Full details of this are included in the Notice of the Annual General Meeting, which can be found at the back of this document.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. The Directors are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

Report of the Directors (continued)

Directors' responsibilities (continued)

- ▶ prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006; and
 - ▶ carry out a robust assessment of the principal risks facing the Company, as set out in the Strategic Report on pages 42 and 43.
- ▶ the management report included within the Report of the Directors, Strategic report, Chair's Statement, Investment Manager's Reports, and Review of Investments includes a fair review of the development and performance of the business and the position of the Company, together with a robust assessment of the principal risks and uncertainties that it faces.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website: www.foresightgroup/products/thames-venturesvct-2-plc. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the Annual Reports may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure Guidance and Transparency Rules

Each of the Directors, whose names and functions are listed on page 3, confirms that, to the best of each person's knowledge:

- ▶ the financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the website of the Investment Manager (www.foresightgroup.eu) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate Governance

The Company's compliance with, and departures from, the AIC Code of Corporate Governance (www.theaic.co.uk) is shown on page 64.

Streamlined Energy and Carbon Reporting ("SECR")

As the Company has no employees and primarily conducts its business at the London office of the Investment Manager, Foresight Group LLP, the Company is not directly responsible for the consumption of electricity and gas in the UK, nor is the Company responsible for greenhouse gas emissions related to transport in the UK.

As the Company did not consume more than 40,000 kWh of energy during the year ended 31 March 2024, it has nothing to report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018.

Responsible Investing

The day-to-day management of the Company's investments is delegated to the Investment Manager, Foresight Group LLP ("Foresight"). Foresight's report on its approach to responsible investment is included on pages 38 to 40.

Report of the Directors (continued)

Global greenhouse gas emissions

The Company has negligible greenhouse gas emissions to report from its operations, nor does it have any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Insurance cover

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

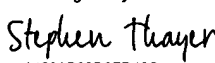
Other matters

Information in respect of financial instruments, principal risks, future prospects, dividends and subsequent events, which were previously disclosed within the Directors Report, has been disclosed within the Strategic Report on pages 41 to 48.

Statement as to disclosure of information to Auditors

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

By order of the Board

DocuSigned by:

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Foresight Group LLP

Secretary of Thames Ventures VCT 2 plc
Company number: 06789187

Registered office:
The Shard
32 London Bridge Street
London
SE1 9SG

31 July 2024

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the AGM to be held on 24 September 2024.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on page 73.

Statement by the Chair of the Remuneration Committee

The Remuneration Committee comprises Sir Aubrey Brocklebank, Andrew Mackintosh, Steven Clarke and Chris Allner. The current fee structure has been in effect since 1 April 2022.

The committee reviews the fee structure as and when required, to ensure that the levels in place are commensurate with the size of the Company and the time commitments required of each of the Directors.

Directors' remuneration policy

Below is the Company's current remuneration policy, which was last put to a Shareholder vote at the AGM in 2023. In accordance with regulations, Shareholders must vote on the remuneration policy every three years or sooner if the Company wants to make changes to the policy. The policy will next be put to Shareholders at the AGM in 2024.

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- ▶ The Directors shall be paid out of the funds of the Company, by way of fees for their services, an aggregate sum not exceeding £150,000 per annum. The Directors shall also receive by, way of additional fees, such further sums (if any) as the Company, in General Meeting, may from time to time determine. Such fees shall be divided among the Directors in such proportion and manner as they may determine and, in default of the determination, equally.
- ▶ The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. This includes any expenses incurred in attending meetings of the Board, Committees of the Board or General Meetings. If, in the opinion of the Directors, it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, the Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

No payment for loss of office will be made to a current or former Director except in exceptional circumstances, and the Directors will consider any such position on an ad-hoc basis.

The Company's policy is that fees payable to Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. There is no performance related pay criteria applicable to Directors.

The Directors' Remuneration policy is available for inspection in the Annual Reports, which can be found on the website of the Investment Manager or the Administrator.

Service contracts

Each of the Directors has entered into a consultancy agreement for the fixed term of three years from the date of their appointment and thereafter on a three-month rolling notice.

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

Directors' remuneration for the Company for the year under review was as follows:

	Current annual fee £'000	Year end 31 March 2024 £'000	Change in fee ¹ %	Year end 31 March 2023 £'000
Sir Aubrey Brocklebank	30	30	-	30
Andrew Mackintosh	24	24	-	24
Steven Clarke	24	24	-	24
Chris Allner [^]	20	20	33%	15
Lord Flight*	-	-	(100%)	15
VAT on the above	-	-	-	2
	98	98		110

¹ Between the years ending 31 March 2024 and 31 March 2023

* Resigned 27 September 2022

[^] Under the transfer of the investment management agreement to Foresight, from 1 July 2022 Chris Allner is being paid an annual fee of £20,000 which is rechargeable to Downing LLP for two years.

The current fee structure was last reviewed in the year ended 31 March 2024, with the current fees unchanged from 1 April 2022.

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

Statement of voting at AGM

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

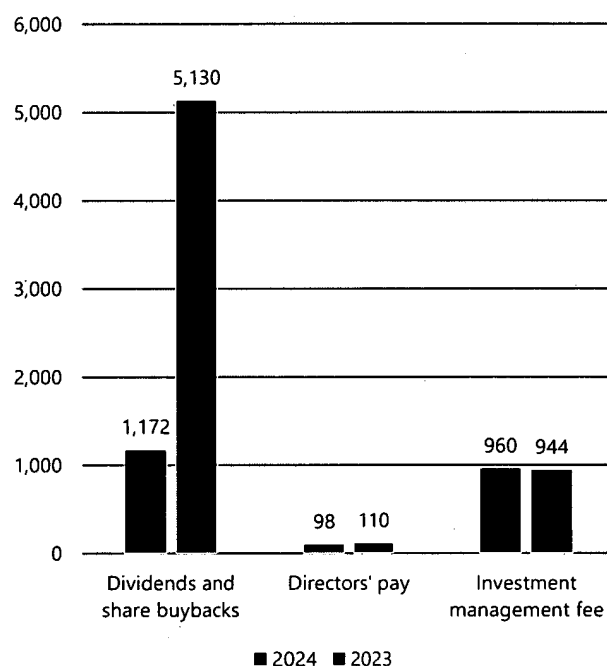
At the last AGM on 12 September 2023, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

In favour	95.5%
Against	4.5%

At the 2023 AGM, when the remuneration policy was last put to a Shareholder vote, 95.0% voted for the resolution and 5.0% against, showing significant Shareholder support.

Relative importance of spend on pay

The difference in actual spend between the year ended 31 March 2023 and the year ended 31 March 2024 on remunerations for all employees, in comparison to distributions (dividends and share buybacks) and other significant spend, are set out in the graph below:



N.B. £20,000 of the Directors' emoluments is reimbursed by Downing LLP (2023: £15,000).

Directors' Remuneration Report (continued)

Directors share interest (audited)

The Directors of the Company during the year and their beneficial interests (including connected persons) in the issued shares of the Company at 31 March 2024, and at the date of this report, are as follows:

No. of shares at 31/03/24 (audited)

Share Class	Sir Aubrey Brocklebank	Steven Clarke	Chris Allner	Andrew Mackintosh
Ventures	32,679	-	8,000	-
Healthcare	5,000	-	2,000	-
AIM	-	-	-	-
DP67	-	-	-	-

No. of shares at 31/03/23 (audited)

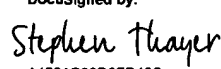
Share Class	Sir Aubrey Brocklebank	Steven Clarke	Chris Allner	Andrew Mackintosh
Ventures	32,679	-	8,000	-
Healthcare	5,000	-	2,000	-
AIM	-	-	-	-
DSO D	-	-	-	-
DP67	-	-	-	-

There is no requirement for Directors to own shares in the Company.

Performance graphs

The charts on the following pages represent the performance of the Ventures, Healthcare, AIM and DP67 Share Classes over the last five years or the period since the shares were first listed on the London Stock Exchange and compare the Total Return of the Company (Net Asset Value plus dividends) to the AIC's VCT Generalist industry average, each of which has been rebased to 100 pence.

By order of the Board

DocuSigned by:

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Foresight Group LLP

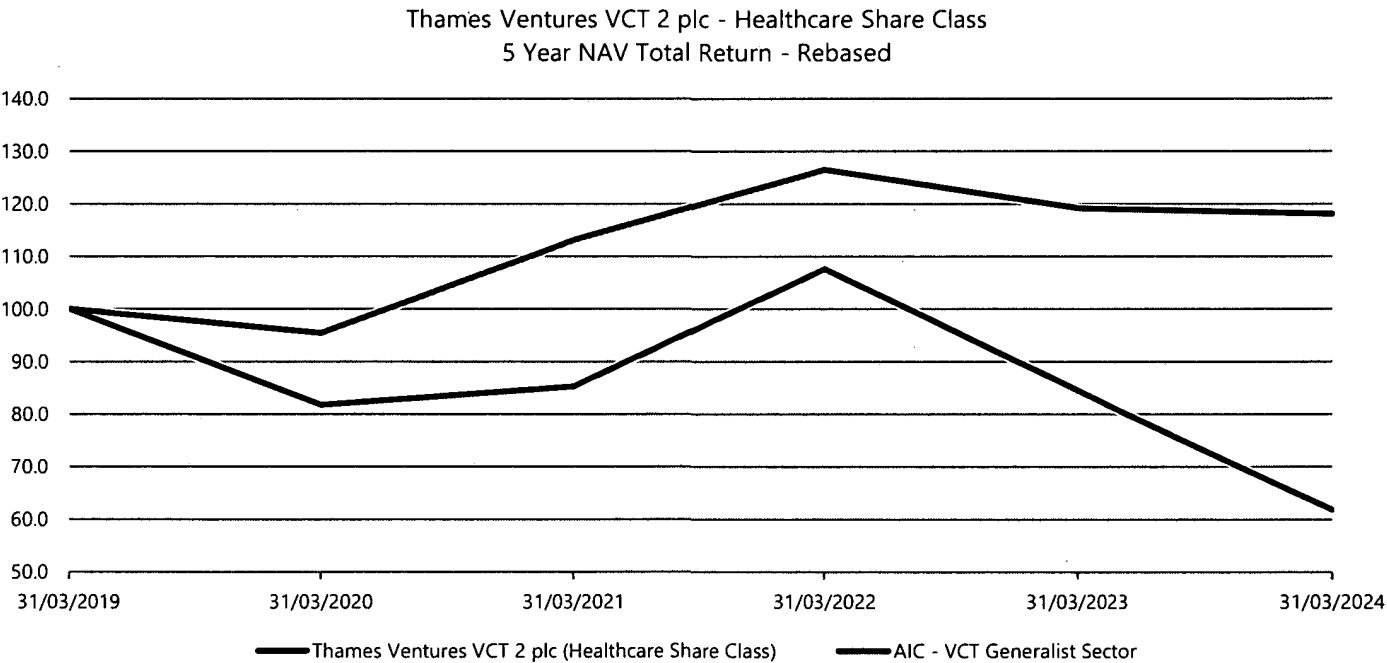
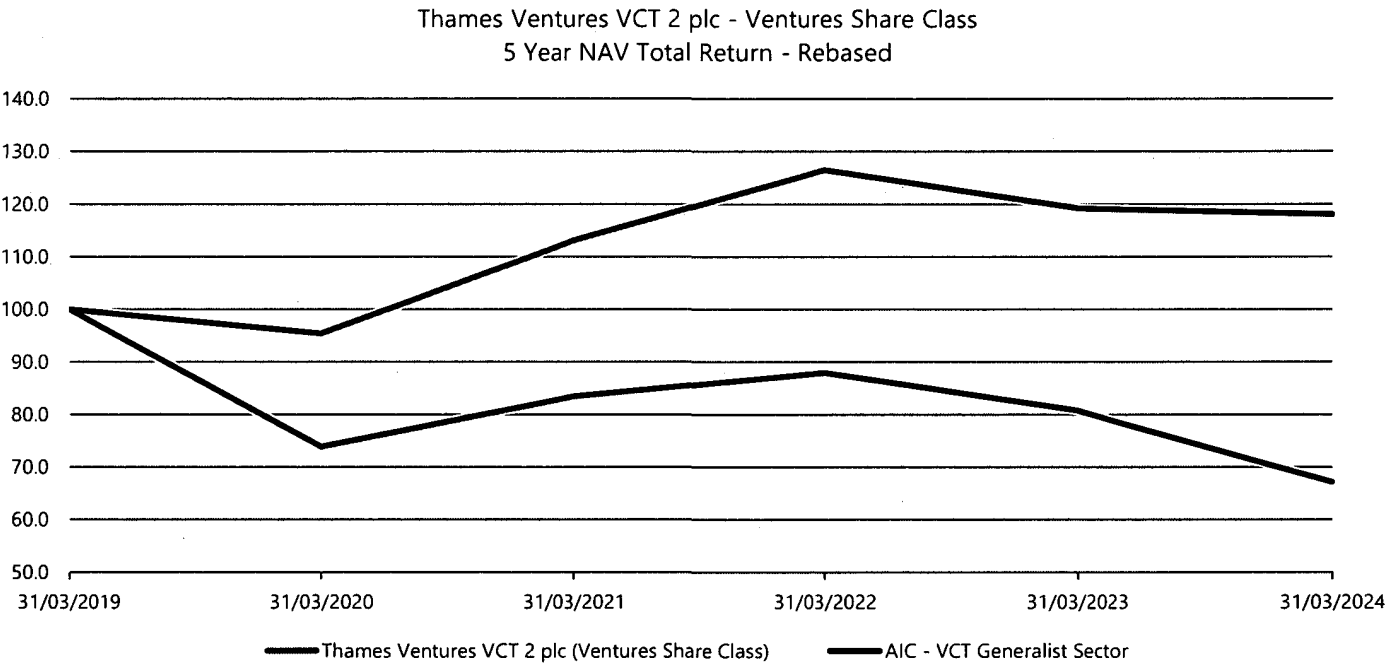
Secretary of Thames Ventures VCT 2 plc
 Company number: 06789187

Registered office:
 The Shard
 32 London Bridge Street
 London
 SE1 9SG

31 July 2024

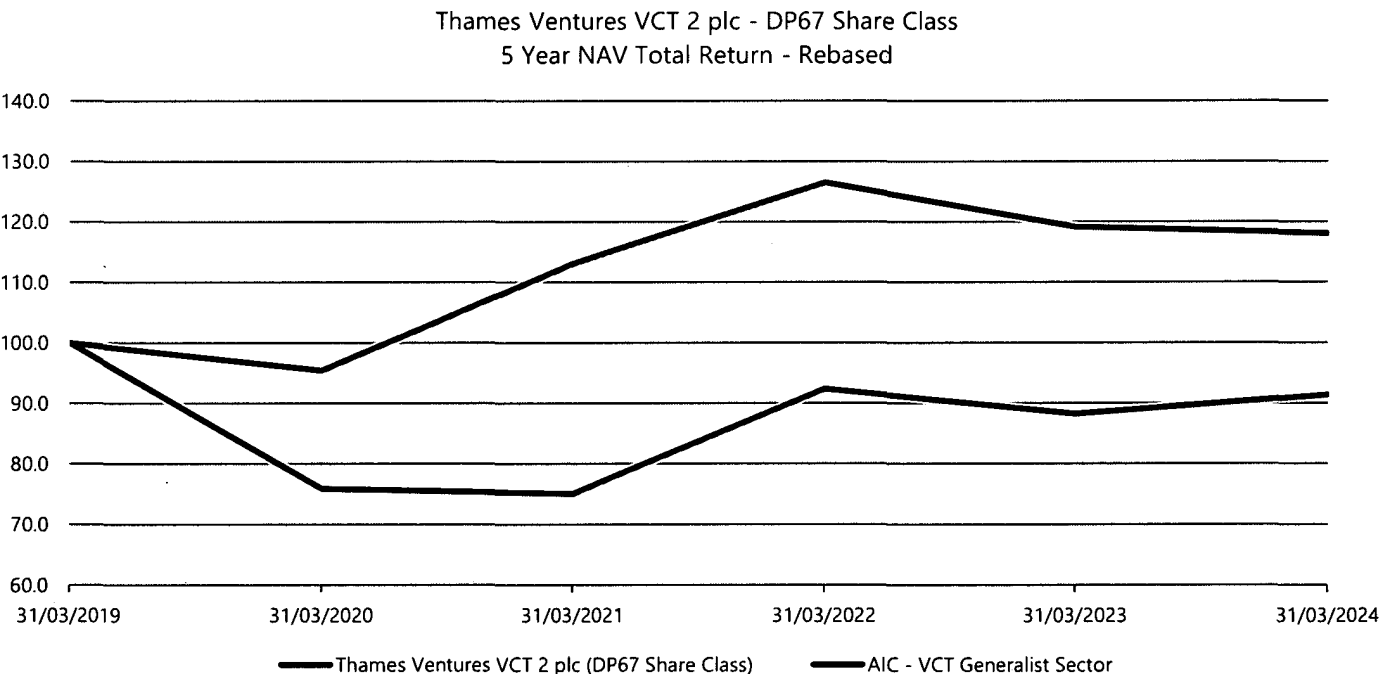
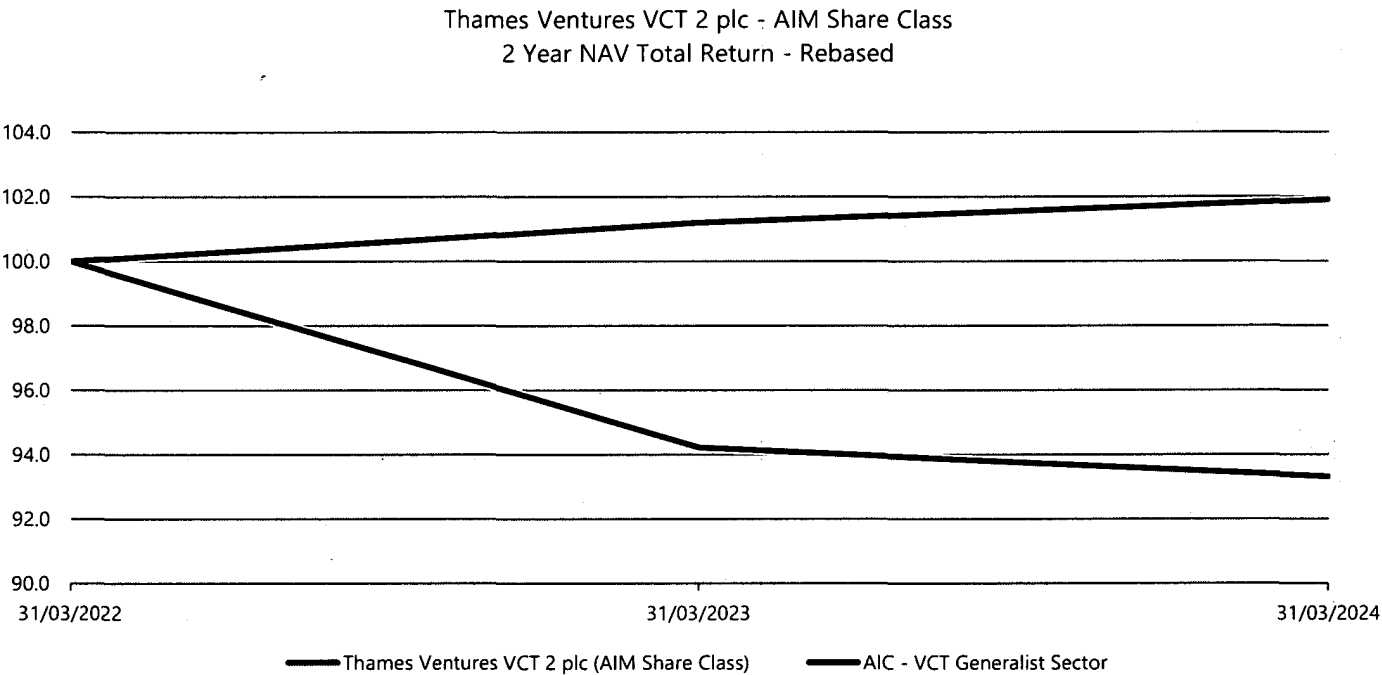
Directors' Remuneration Report (continued)

Performance graphs (continued)



Directors’ Remuneration Report (continued)

Performance graphs (continued)



Note: It is a requirement to show the above charts including NAV Total Return with dividends reinvested at the prevailing share price at the time of the dividend. This method can give a distorted result for the Planned Exit Share Class, as it is in the process of returning funds to Shareholders.

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code"), being the principles of good governance and the code of best practice, as set out in the annex to the Listing Rules of the UK Listing Authority. The AIC Code addresses all principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, will provide better information to Shareholders.

The Board

The Company has a Board comprising four non-executive Directors. The Chair is Sir Aubrey Brocklebank. Biographical details of all Board members are shown on page 3.

The Board has assessed the independence of each of the Directors, all of whom are considered to be independent, with the exception of Chris Allner (who is a partner of one of the Investment Managers, Downing LLP), in accordance with the provisions and recommendations set out in the AIC Code.

Full Board meetings take place quarterly and additional meetings are held as required, to address specific issues, including considering recommendations from the Investment Managers, making all decisions concerning the acquisition or disposal of investments, and reviewing periodically the terms of engagement of all third-party advisers (including the Investment and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

As the Company has a small Board of non-executive Directors, all Directors sit on each Committee. The Chair of the Audit Committee is Andrew Mackintosh, and the Chair of the Nomination and Remuneration Committees is Sir Aubrey Brocklebank. The Audit Committee normally meets twice yearly, and the Remuneration and Nomination Committees meet as required. All Committees have defined terms of reference and duties.

The Board has also established procedures whereby, Directors wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chair, in advance of each Board meeting.

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the AGM on 12 September 2023. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 89.

Audit Committee

The Company has an Audit Committee comprising Andrew Mackintosh (Chair), Sir Aubrey Brocklebank, Steven Clarke and Chris Allner. This Committee has defined terms of reference and duties.

Sir Aubrey Brocklebank was considered independent on appointment as Chair of the Company in January 2019 and is therefore also a member of the Audit Committee.

The Audit Committee is responsible for:

- ▶ monitoring the Company's financial reporting and any formal announcements relating to the Company's financial performance;
- ▶ providing advice on whether the annual report and accounts, taken as a whole, are fair balanced and understandable;
- ▶ reviewing internal controls and risk management systems; and
- ▶ matters regarding audit and external auditors.

Corporate Governance Statement (continued)

Audit Committee (continued)

Financial Reporting

The Committee is responsible for reviewing and agreeing the Half-Yearly and Annual Reports (including those figures presented within) before they are presented to the Board for final approval.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the Half-Yearly and Annual Reports.

The Committee also takes into careful consideration comments on matters regarding valuation, revenue recognition and disclosures arising from the Auditors Report to the Audit Committee, as part of the finalisation process for the Annual Accounts.

The Committee has considered the Annual Report for the year ended 31 March 2024 and has reported to the Board that it considers it to be fair, balanced and understandable, providing the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that such a function is not appropriate for a company of this size and structure. The Committee seeks to satisfy itself that there is a proper system and allocation of the responsibilities for the day-to-day monitoring of financial controls by receiving representations and information (either upon request or voluntarily) from the Investment Manager. This is covered more fully under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff, other than Directors, there are no procedures in place relating to whistleblowing. The Audit Committee understands that the Investment Manager has whistleblowing procedures in place.

External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit, confirms their status of independence and includes the proposed audit fee. The Committee confirms that the main area of risk for the year under review is the valuation of unquoted investments. The Committee also carefully examines the treatment of quoted investments and loan note interest revenue recognition.

The Committee, after taking into consideration comments from the Investment Manager, Foresight Group LLP, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either the re-appointment or removal of the auditors.

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. The last audit tender took place in respect of the year ended 31 March 2020 and therefore mandatory tender will be required in respect of the year ended 31 March 2030. Following assurances received from the Investment Manager at completion of the audit for the year ended 31 March 2024, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non-audit services

The Committee will approve the provision of ad-hoc work and the maximum expected fee before being undertaken, to ensure the Auditors objectivity and independence are safeguarded.

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, the audit feedback documentation and from correspondence and discussions with the engagement partner of BDO LLP.

Corporate Governance Statement (continued)

Conflicts of interest

A conflict of interest may arise where assets are transferred between Share Classes, or from one Foresight fund to another. The Board ensures that any such transaction is at “arm’s length” and will obtain independent valuations where necessary.

Board and Committee meetings

The following table sets out the Directors’ attendance at the Board and Committee meetings held during the year.

	Board meetings attended (4 held)	Nomination Committee meetings attended (1 held)	Audit Committee meetings attended (2 held)
Sir Aubrey Brocklebank Andrew Mackintosh Steven Clarke Chris Allner	4 4 4 4 4	1 1 1 1 1	2 2 2 2 2

Remuneration Committee

The Committee meets as and when required to review the levels of Directors’ remuneration. Details of the specific levels of remuneration to each Director, including the movement in Directors’ remuneration are set out in the Directors’ Remuneration Report on page 56.

Nomination Committee

The Nomination Committee’s primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate.

Diversity Policy

The Board is committed to ensuring that the Company is run in the most effective manner. It seeks to have a Board with a diverse set of skills and experience that is well placed to oversee and challenge the Investment Managers.

When considering a new appointment, the Committee’s key responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender, race, age) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

The current directors are all male and of white British ethnicity. For the reasons set out above, the Board acknowledges that it does not yet meet the Listing Rules target of having at least 40% of the Board comprising female members; at least one senior position on its board of directors held by a woman; and having at least one member with an ethnic minority background. The Board will be mindful of this in any future recruitment plans.

Director tenure policy

Given the size of the Company and the complexity of the VCT regulations, the Board does not impose a limit in respect of the tenure of the Company’s non-executive Directors.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a Shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Administration Manager collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the AIC Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and the conditions of appointment of non-executive Directors are available to Shareholders on request.

Corporate Governance Statement (continued)

Financial reporting

The Directors' responsibilities for preparing the financial statements are set out in the Report of the Directors on pages 52 and 53, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 73.

Risk management and internal control

The Board has adopted a Corporate Governance and Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the AIC Code of Corporate Governance ("AIC Code"). The Manual is designed to provide reasonable, but not absolute assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance, on an annual basis, and implements additional controls as appropriate.

The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- ▶ Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals;
- ▶ Quarterly reviews by the Board of the Company's investments, other assets and liabilities, revenue and expenditure and detailed review of unquoted investment valuations;
- ▶ Quarterly reviews by the Board of compliance with the Venture Capital Trust regulations to retain status, including a review of half-yearly reports from Philip Hare & Associates LLP;
- ▶ A separate review of the Annual Report and Half-Yearly report by the Audit Committee prior to Board approval; and
- ▶ A review by the Board of all financial information prior to publication.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to Foresight Group LLP.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Investment Manager at www.foresightgroup.eu.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair's Statement on pages 4 to 8, the Investment Managers' Reports on pages 10 to 13, 21 and 22, 28, 31, and 33, the Strategic Report on pages 41 to 48 and the Report of the Directors on pages 49 to 54. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 77, Cash Flow Statement on page 79 and the Strategic Report on pages 41 to 48. A viability statement is set out on page 45 considering the longer-term prospects of the Company in light of principle risks and facing the Company. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital and financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

While the continued conflict in Ukraine and the impact of sanctions placed on Russian businesses and individuals recently passed its two-year anniversary, further disruption has emerged in the Middle East, Gaza and Israel as well as increased tensions between China and Taiwan. The Company has little direct exposure to these conflicts. The Investment Manager works closely with all investee companies to ensure that they are well placed to assess the exposure of the business to the Ukraine conflict and associated developments. As a result, direct impact of the sanctions on the Company's performance is not expected to be significant.

Corporate Governance Statement (continued)

Going concern (continued)

High inflation, particularly on wages and other costs has developed into an emerging risk. The Investment Manager's close relationship with the investee companies allow it to ensure that the businesses properly assess the potential impact of increasing costs, particularly wages, and the extent to which these may or may not be able to be passed on to the end customer.

The Board considers the net impact to be at a manageable level, with no impact on the going concern of the Company.

The Company has considerable financial resources and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks effectively.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for a period of at least twelve months from the date of approval of the financial statements.

For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Share capital

The Company has four classes of share capital: DP67 Shares, Ventures Shares, Healthcare Shares and AIM Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares are set out in the Report of the Directors on page 49 and details of any significant shareholdings in the Report of the Directors on page 52.

Compliance statement

The Listing Rules require the Board to report on compliance with the provisions of the UK Corporate Governance Code throughout the accounting period. The Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code will be meeting their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

With the exception of the limited items outlined below, the Company has complied, throughout the accounting year ended 31 March 2024, with the Provisions set out in the AIC Code of Corporate Governance:

- ▶ The Company has no major Shareholders, so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (5.2.3);
- ▶ The Board does not monitor the level of share price discount or premium in respect of the DP67 Shares, as Share buybacks are not in operation in respect of this Share Class. As noted on page 7, the Company has a general policy of buying in Ventures, Healthcare and AIM Shares which become available in the market at a nil discount to NAV. The Board continues to monitor the discount or premium in respect of the Ventures, Healthcare and AIM Shares and has delegated the day-to-day management of this to Panmure Liberum. (6.2.15);
- ▶ Due to the size of the Board and the nature of the Company's business, a formal and rigorous performance evaluation of the Board, its Committees, the individual Directors and the Chair has not been undertaken. Specific performance issues are dealt with as they arise. (7.2.22, 8.2.29, 9.2.37).

By order of the Board

DocuSigned by:

Stephen Thayer

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Foresight Group LLP

Secretary of Thames Ventures VCT 2 plc
Company number: 06789187

Registered office:

The Shard
32 London Bridge Street
London
SE1 9SG

31 July 2024

Income Statement

Analysed by Share Class – unaudited and non-statutory
for the year ended 31 March 2024

	Year ended 31 March 2024		
	Revenue	Capital	Total
Ventures Share Class	£'000	£'000	£'000
Income/(expense)	(9)	-	(9)
Realised losses on investments	-	(3,447)	(3,447)
Investment holding losses	-	(1,749)	(1,749)
Investment management fees	(278)	(278)	(556)
Other expenses	(279)	-	(279)
Losses on ordinary activities before tax	(566)	(5,474)	(6,040)
Tax on total comprehensive income and ordinary activities	-	-	-
Losses attributable to equity Shareholders	(566)	(5,474)	(6,040)
Basic and diluted loss per share	(1.0p)	(10.3p)	(11.3p)

	Year ended 31 March 2024		
	Revenue	Capital	Total
Healthcare Share Class	£'000	£'000	£'000
Income	2	-	2
Realised losses on investments	-	(2,033)	(2,033)
Investment holding losses	-	(2,013)	(2,013)
Investment management fees	(159)	(159)	(318)
Other expenses	(171)	-	(171)
Losses on ordinary activities before tax	(328)	(4,205)	(4,533)
Tax on total comprehensive income and ordinary activities	-	-	-
Losses attributable to equity Shareholders	(328)	(4,205)	(4,533)
Basic and diluted loss per share	(1.4p)	(17.9p)	(19.3p)

The accompanying notes form an integral part of these financial statements.

Income Statement (continued)

Analysed by Share Class – unaudited and non-statutory
for the year ended 31 March 2024

	Year ended 31 March 2024		
	Revenue	Capital	Total
AIM Share Class	£'000	£'000	£'000
Income	-	-	-
Realised gains on investments	-	-	-
Investment holding gains	-	110	110
Investment management fees	(24)	(24)	(48)
Other expenses	(42)	-	(42)
(Losses)/gains on ordinary activities before tax	(66)	86	20
Tax on total comprehensive income and ordinary activities	-	-	-
(Losses)/gains attributable to equity Shareholders	(66)	86	20
Basic and diluted (loss)/return per share	(2.5p)	3.2p	0.7p

	Period from 1 April 2023 to 28 March 2024		
	Revenue	Capital	Total
DSO D Share Class	£'000	£'000	£'000
Income	-	-	-
Realised losses on investments	-	(23)	(23)
Investment holding gains	-	258	258
Investment management fees	(1)	1	-
Other expenses	(5)	-	(5)
(Losses)/gains on ordinary activities before tax	(6)	236	230
Tax on total comprehensive income and ordinary activities	-	-	-
(Losses)/gains attributable to equity Shareholders	(6)	236	230
Basic and diluted (loss)/return per share	(0.1p)	3.0p	2.9p

The accompanying notes form an integral part of these financial statements.

Income Statement (continued)

Analysed by Share Class – unaudited and non-statutory
for the year ended 31 March 2024

	Year ended 31 March 2024		
	Revenue	Capital	Total
	£'000	£'000	£'000
DP67 Share Class			
Income	57	-	57
Realised losses on investments	-	(456)	(456)
Investment holding gains	-	636	636
Investment management fees	(19)	(19)	(38)
Other expenses	(31)	-	(31)
Gains on ordinary activities before tax	7	161	168
Tax on total comprehensive income and ordinary activities	-	-	-
Gains attributable to equity Shareholders	7	161	168
Basic and diluted return per share	0.1p	1.4p	1.5p

The accompanying notes form an integral part of these financial statements.

Balance Sheet

Analysed by Share Class – unaudited and non-statutory
as at 31 March 2024

		Ventures Share Class 2024 £'000	Healthcare Share Class 2024 £'000	AIM Share Class 2024 £'000	DP67 Share Class 2024 £'000
	Note				
Fixed assets					
Investments	9	17,799	7,346	2,003	1,272
Current assets					
Debtors	10	1,306	108	-	1,163
Cash at bank and in hand		6,228	2,678	827	723
		7,534	2,786	827	1,886
Creditors: amounts falling due within one year	11	(419)	(350)	(84)	(213)
Net current assets		7,115	2,436	743	1,673
Net assets		24,914	9,782	2,746	2,945
Capital and reserves					
Called-up share capital	12	67	29	3	11
Capital redemption reserve	13	3	1	-	-
Share premium account	13	237	1,159	-	-
Special reserve	13	31,373	15,101	2,673	(46)
Capital reserve – realised	13	(2,060)	(2,015)	(24)	1,788
Revaluation reserve	13	(579)	(2,308)	203	19
Revenue reserve	13	(4,127)	(2,185)	(109)	1,173
Total equity Shareholders' funds		24,914	9,782	2,746	2,945
Net Asset Value per share	14	46.8p	41.5p	101.8p	26.3p

At 31 March 2024, there was an inter-share debtor/creditor of £451,000 which has been eliminated on aggregation.

The accompanying notes form an integral part of these financial statements.

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Thames Ventures VCT 2 plc (the 'Company') for the year ended 31 March 2024 which comprise the Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the board of directors for the audit of the financial statements for the year ended 31 March 2010. The period of total uninterrupted engagement including retenders and reappointments is 15 years, covering the years ended 31 March 2010 to 31 March 2024. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness; and
- Evaluating the Directors' method of assessing the going concern in light of market volatility mainly on the interest rates.

Independent Auditor’s Report to the Members of Thames Ventures VCT 2 plc (continued)

Conclusions relating to going concern (continued)

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

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

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

Overview

Key audit matters	2024		2023	
	Valuation of unquoted investments		£28,420,000	£43,157,000
Materiality	Company financial statements as a whole £0.600m (2023: £0.884m) based on 1.5% (2023: 1.5%) of Net assets			

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted investments	The unquoted investments consist of both equity and loan note investments. We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.	For all Investments we: Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards. We have recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies.

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc (continued)

Key audit matters (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (continued) There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the value of the net assets of the fund, as shown in note 3. For these reasons we considered the valuation of unquoted investments to be a key audit matter.	For investments that were valued using less subjective valuation techniques (price of recent investment reviewed for changes in fair value) we: • Verified the price of recent investment to supporting documentation; • Assessed whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the portfolio company; • Assessed whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the portfolio company and the milestones and assumptions set out in the investment proposal; and • Assessed whether the price of recent investment is supported by alternative valuation techniques. For investments that were valued using more subjective techniques (earnings multiples and revenue multiples) we: • Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; • Assessed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; • Assessed the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and • Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue or earnings multiple applied in arriving at the valuations adopted by obtaining independent multiples and performing sensitivity analysis on the investment valuations. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we assessed that alternative input assumptions could reasonably have been applied and we assessed the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. We assessed the completeness and clarity of disclosures regarding the valuation of investments in the financial statements. <i>Key observations:</i> Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc (continued)

Our application of materiality

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

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

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

	Company financial statements	
	2024	2023
Materiality	£0.600m	£0.884m
Basis for determining materiality	1.5% of Net assets	1.5% of Net assets
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.5% of Net Assets.	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 1.5% of Net Assets.
Performance materiality	£0.450m	£0.664m
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000 (2023: £18,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc (continued)

Corporate governance statement

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

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 52; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 45.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on pages 52 and 53; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 42 to 45; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 63; and • The section describing the work of the audit committee set out on pages 60 and 61.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Managers and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as a Venture Capital trust (VCT) under UK tax legislation, as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

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

Fraud

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

Our risk assessment procedures included:

- Enquiry with the Investment Managers and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of Board and other Committee meetings for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Independent Auditor's Report to the Members of Thames Ventures VCT 2 plc (continued)

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

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

Our procedures in respect of the above included:

- In addressing the risk of management override of control, we:
 - Performed a review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
 - Considered the opportunity and incentive to manipulate accounting entries and tested relevant adjustments made in the period end financial reporting process;
 - Performed the procedures covered in the 'key audit matter' section above related to the valuation of the unquoted investments;
 - Reviewed for significant transactions outside the normal course of business; and
 - Performed a review of unadjusted audit differences, if any, for indicators of bias or deliberate misstatement.

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

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

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

Use of our report

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

DocuSigned by:

Vanessa Bradley

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Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

31 July 2024

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

Audited Income Statement

for the year ended 31 March 2024

	Year ended 31 March 2024				Year ended 31 March 2023		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	50	-	50	284	-	284
Realised (losses)/gains on investments	9	-	(5,959)	(5,959)	-	141	141
Investment holding losses	9	-	(2,758)	(2,758)	-	(6,448)	(6,448)
Investment management fees	3	(481)	(479)	(960)	(472)	(472)	(944)
Other expenses	4	(528)	-	(528)	(689)	-	(689)
Loss on ordinary activities before tax		(959)	(9,196)	(10,155)	(877)	(6,779)	(7,656)
Tax on total comprehensive income and ordinary activities	6	-	-	-	-	-	-
Loss attributable to equity Shareholders, being total comprehensive loss for the year		(959)	(9,196)	(10,155)	(877)	(6,779)	(7,656)
Basic and diluted (loss)/return per share:							
Ventures Share	8	(1.0p)	(10.3p)	(11.3p)	(1.0p)	(5.5p)	(6.5p)
Healthcare Share	8	(1.4p)	(17.9p)	(19.3p)	(1.4p)	(20.0p)	(21.4p)
AIM Share	8	(2.5p)	3.2p	0.7p	(4.3p)	8.2p	3.9p
DSO D Share	8	(0.1p)	3.0p	2.9p	0.3p	(0.4p)	(0.1p)
DP67 Share	8	0.1p	1.4p	1.5p	(0.8p)	(1.2p)	(2.0p)

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in July 2022 by the Association of Investment Companies ("AIC SORP").

The accompanying notes form an integral part of these financial statements.

Audited Balance Sheet

as at 31 March 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Investments	9	28,420	43,157
Current assets			
Debtors	10	2,126	2,510
Cash at bank and in hand		10,456	6,082
		12,582	8,592
Creditors: amounts falling due within one year	11	(615)	(1,214)
Net current assets		11,967	7,378
Net assets		40,387	50,535
Capital and reserves			
Called up share capital	12	110	117
Capital redemption reserve	13	4	4
Share premium account	13	1,396	-
Special reserve	13	49,101	50,483
Capital reserve – realised	13	(2,311)	4,127
Revaluation reserve	13	(2,665)	93
Revenue reserve	13	(5,248)	(4,289)
Total equity Shareholders' funds	14	40,387	50,535
Basic and diluted Net Asset Value per share:			
Ventures Share	14	46.8p	59.4p
Healthcare Share	14	41.5p	61.6p
AIM Share	14	101.8p	101.1p
DSO D Share	14	-	2.6p
DP67 Share	14	26.3p	24.8p

The financial statements on pages 76 to 100 were approved and authorised for issue by the Board of Directors on 31 July 2024 and were signed on its behalf by:

Signed by:

Aubrey Brocklebank

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Sir Aubrey Brocklebank Bt.
Chair

Company number: 06789187

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2024

	Called up Share capital	Capital Redemption reserve	Share premium account	Funds held in respect of shares not yet allotted	Special reserve	Capital Reserve - realised	Revaluation Reserve (note 9)	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2022	113	58	29,284	7	24,063	3,769	6,995	(3,412)	60,877
Total comprehensive income	-	-	-	-	-	(331)	(6,448)	(877)	(7,656)
Transfer between reserves*	-	-	-	-	(2,540)	2,994	(454)	-	-
Unallotted shares	-	-	-	(7)	-	-	-	-	(7)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	(2,305)	-	-	(2,305)
Cancellation of share premium	-	(58)	(31,727)	-	31,785	-	-	-	-
Issue of shares	8	-	2,500	-	-	-	-	-	2,508
Share issue costs	-	-	(57)	-	-	-	-	-	(57)
Purchase of own shares	(4)	4	-	-	(2,825)	-	-	-	(2,825)
At 31 March 2023	117	4	-	-	50,483	4,127	93	(4,289)	50,535
Total comprehensive income	-	-	-	-	-	(6,438)	(2,758)	(959)	(10,155)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	(1,172)	-	-	-	(1,172)
DSO D wind up	(8)	-	-	-	(210)	-	-	-	(218)
Issue of shares	1	-	1,411	-	-	-	-	-	1,412
Share issue costs	-	-	(15)	-	-	-	-	-	(15)
At 31 March 2024	110	4	1,396	-	49,101	(2,311)	(2,665)	(5,248)	40,387

*A transfer of £nil (2023: £454,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve and the Capital reserve - realised. A transfer of £nil (2023: £2,540,000) representing the total of: realised losses on the disposal of investments, cumulative realised losses on permanent fair value change, capital expenses and capital dividends in the period, has been made between the Capital Reserve - realised and the Special reserve.

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 March 2024

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Cash flows from operating activities		
Loss on ordinary activities before taxation	(10,155)	(7,656)
Losses on investments	8,717	6,307
(Decrease)/increase in creditors	(87)	249
(Increase)/decrease in debtors	(11)	1,807
Net cash (outflow)/inflow from operating activities	(1,536)	707
Cash flow from investing activities		
Purchase of investments	(500)	(8,442)
Proceeds from disposal of investments	6,347	8,119
Proceeds from deferred consideration	353	-
Net cash inflow/(outflow) from investing activities	6,200	(323)
Cash flows from financing activities		
Issue of share capital	1,412	2,508
Funds held in respect of shares not yet allotted	-	(7)
Cost of issue of share capital	(15)	(57)
Repurchase of shares	(515)	(2,825)
Equity dividends paid	(1,172)	(2,305)
Net cash outflow from financing activities	(290)	(2,686)
Net inflow/(outflow) in cash	4,374	(2,302)
Cash and cash equivalents at start of the year	6,082	8,384
Cash and cash equivalents at end of the year	10,456	6,082
Cash and cash equivalents comprise		
Cash at bank and in hand	10,456	6,082
Total cash and cash equivalents	10,456	6,082

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts

for the year ended 31 March 2024

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised July 2022 ("SORP").

The financial statements are presented in pounds sterling and rounded to thousands. The Company's functional and presentational currency is pounds sterling.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of 12 months from the date these Financial Statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows and investment commitments. Therefore, the Financial Statements have been prepared on the going concern basis.

Presentation of Income Statement

In order to better reflect the activities of a Venture Capital Trust, and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Reportable segments

The Company has one reportable segment as the sole activity of the Company is to operate as a VCT and all of the Company's resources are allocated to this activity.

Investments

All investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy.

It is possible to determine the fair values within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with FRS 102 sections 11 and 12, together with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV").

Liquidity investments are measured using bid prices.

Notes to the Accounts (continued)

for the year ended 31 March 2024

1. Accounting policies (continued)

Investments (continued)

For unquoted investments, fair value is established by using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- ▶ Calibration to price of recent investment;
- ▶ Multiples;
- ▶ Net assets;
- ▶ Discounted cash flows or earnings (of underlying business);
- ▶ Discounted cash flows (from the investment); and
- ▶ Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value. The valuation of investments is detailed in Note 9.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed. Where an investee company has gone into receivership, liquidation or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised.

It is not the Company's policy to exercise significant influence or joint control over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with FRS 102 sections 14 and 15 and the SORP, which do not require portfolio investments to be accounted for using the equity method of accounting.

Calibration to price of recent investment requires a level of judgment to be applied in assessing and reviewing any additional information available since the last investment date. The Investment Manager considers a range of factors in order to determine if there is any indication of decline in value or evidence of increase in value since the recent investment date. If no such indications are noted, the price of the recent investment will be used as the fair value for the investment.

Examples of signals which could indicate a movement in value are: -

- ▶ Changes in results against budget or in expectations of achievement of technical milestones (patents/testing/regulatory approvals);
- ▶ Significant changes in the market of the products or in the economic environment in which it operates;
- ▶ Significant changes in the performance of comparable companies;
- ▶ Internal matters such as fraud, litigation or management structure.

In respect of disclosures required by the SORP for the ten largest investments held by the Company, the most recent publicly available accounts information, either as filed at Companies House, or announced to the London Stock Exchange, is disclosed. In the case of unlisted investments, this may be abbreviated information only.

Notes to the Accounts (continued)

for the year ended 31 March 2024

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

The key estimate in the financial statements is the determination of the fair value of the unquoted investments by the Directors as it impacts the valuation of the unquoted investments at the balance sheet date.

Of the Company's assets measured at fair value, it is possible to determine their fair values within a reasonable range of estimates.

A price sensitivity analysis of the unquoted investments is provided in note 15, under Investment price risk.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a time apportioned basis, by reference to the principal sum outstanding and at the effective rate applicable, and only where there is reasonable certainty of collection in the foreseeable future.

Distributions from investments in limited liability partnerships ("LLPs") are recognised as they are paid to the Company. Where such items are considered capital in nature they are recognised as capital income.

Arrangement fee rebates received from the Investment Manager are treated as capital income following the date of investment.

Where previously accrued income is considered unrecoverable, a corresponding bad debt expense is recognised.

Expenses

All expenses are accounted for on an accruals basis, and are stated inclusive of any VAT charged. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- ▶ Expenses which are incidental to the acquisition of an investment are deducted from the Capital Account;
- ▶ Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- ▶ Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Investment management fees are allocated 50% to revenue and 50% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

Expenses and liabilities not specific to a Share Class are generally allocated pro rata to the Net Asset Values of each Share Class.

Notes to the Accounts (continued)

for the year ended 31 March 2024

1. Accounting policies (continued)

Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate, using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust, and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

Deferred taxation, which is not discounted, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Issue costs

Issue costs in relation to the shares issued for each Share Class have been deducted from the share premium account, special reserve or revenue reserve, as applicable, for the relevant Share Class.

Performance Incentive

Amounts payable in respect of Performance Incentive arrangements are recorded at such time that an obligation has been established. An explanation of each of the Performance Incentive arrangements is given in note 12. Performance Incentives in respect of the Ventures and Healthcare Share Classes are paid by way of dividends and will therefore be recognised in accordance with the dividend accounting policy. There is no Performance Incentive in place for the AIM or DP67 Share Classes.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established, typically once declared by the Board or approved by Shareholders at the AGM.

Funds held in respect of shares not yet allotted

Cash received in respect of applications for new shares that have not yet been allotted is shown as "Funds held in respect of shares not yet allotted" and recorded on the Balance Sheet.

Notes to the Accounts (continued)

for the year ended 31 March 2024

2. Income

	2024 £'000	2023 £'000
Income from investments		
Loan interest	46	269
Dividend income	2	15
	48	284
Other income		
Other income	2	-
	50	284

3. Investment management fees

The management fee, which is charged to the Company, is based on an annual amount of 1.50% of the DSO D Share Class net assets, 1.35% of the DP67 Share Class net assets, 2.00% of the Ventures Share Class net assets, 2.50% of the Healthcare Share Class net assets and 1.75% of the AIM Share Class net assets. The Investment Manager also provides administration services for a fee calculated as follows: (i) a basic fee of £47,550; (ii) A fee of 0.1% of net assets per annum on funds in excess of £10 million; (iii) £5,000 per additional Share Class, excluding the DSO D Share Class. Fees in relation to these services are shown within note 4.

	2024 £'000	2023 £'000
Investment management fees	960	944

4. Other expenses

	2024 £'000	2023 £'000
Administration services	109	125
IBP Capital Markets Limited administration costs*	79	-
Directors' remuneration	78	96
Auditor's remuneration for audit	57	60
Registrars	30	22
Printing and Postage	28	19
Trail fee	24	21
Insurance	12	15
London Stock Exchange	9	11
FCA	8	8
Bad debt expense	-	258
Other	94	54
	528	689

*See note 17 on page 99 for further details.

The annual running costs of the Company are subject to a cap of 3.0% of net assets of the Company for all Share Classes, with the exception of the DP67 and Healthcare Share Classes, which are subject to caps of 2.9% and 3.3% respectively. For the year ended 31 March 2024 the expenses for the DSO D Share Class were 2.4% of net assets, for the DP67 Share Class 2.0% of net assets, for the Ventures Share Class 2.4% of net assets, for the Healthcare Share Class 3.0% of net assets and for the AIM Share Class 2.6% of net assets.

Notes to the Accounts (continued)

for the year ended 31 March 2024

5. Directors' remuneration

Details of remuneration are given in the audited part of the Directors' Remuneration Report on page 56. Key management is comprised of the Directors of the Company.

The Company had no employees (other than Directors) during the year. Costs in respect of the Directors are shown in note 4 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. There were no amounts outstanding at the year end.

6. Taxation

	2024 £'000	2023 £'000
(a) Tax charge for the year		
UK corporation tax at 25% (2023: 19%)	-	-
Deferred tax movement	-	-
Charge for the year	-	-
(b) Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	(10,155)	(7,656)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 25% (2023: 19%)	(2,539)	(1,454)
Effects of:		
Expenses disallowed for tax purposes	-	3
Losses on investments	2,179	1,198
UK dividend income	(1)	(3)
LLP profits receivable during the year	-	(4)
Losses carried forward	361	260
Tax on total comprehensive income and ordinary activities	-	-

Excess management expenses, which are available to be carried forward and offset against future taxable income, amounted to £6.4 million (2023: £6.0 million). No deferred tax asset has been recognised due to the fact that it is unlikely that the excess management fees will be offset against future taxable profits in the foreseeable future.

7. Dividends

	2024 Pence per share	2023 Pence per share	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Dividends paid								
Ventures Shares								
2023 Final	1.25	-	-	666	666	-	-	-
2022 Final	-	2.75	-	-	-	-	1,516	1,516
	1.25	2.75	-	666	666	-	1,516	1,516

Notes to the Accounts (continued)

for the year ended 31 March 2024

7. Dividends (continued)

	2024	2023		2024		2023	
	Pence per share		Revenue	Capital	Total	Revenue	Capital
			£'000	£'000	£'000	£'000	£'000
							Total
							£'000
Healthcare Shares							
2023 Final	1.25	-	-	294	294	-	-
2022 Final	-	3.50	-	-	-	-	789
	1.25	3.50	-	294	294	-	789
DSO D Shares							
2024 Interim	2.7	-	-	212	212	-	-
	2.7	-	-	-	-	-	-
Total				1,172	1,172		2,305
Dividends proposed							
Ventures Shares							
2024 Final	0.25		-	133	133		
Healthcare Shares							
2024 Final	0.25		-	59	59		

8. Basic and diluted return per share

	Weighted Average number of shares in issue*	Revenue (loss)/ gain £'000	Capital (loss)/ gain £'000	Total Comprehensive (loss)/ income £'000	Basic and diluted (loss)/ return per share Pence
Return per share is calculated on the following:					
Year ended 31 March 2024					
Ventures Shares	53,230,238	(566)	(5,474)	(6,040)	(11.3p)
Healthcare Shares	23,517,050	(328)	(4,205)	(4,533)	(19.3p)
AIM Shares	2,695,803	(66)	86	20	0.7p
DSO D Shares	7,781,266	(6)	236	230	2.9p
DP67 Shares	11,192,136	7	161	168	1.5p
Year ended 31 March 2023					
Ventures Shares	48,923,338	(494)	(2,679)	(3,173)	(6.5p)
Healthcare Shares	20,046,893	(272)	(4,018)	(4,290)	(21.4p)
AIM Shares	916,744	(39)	75	36	3.9p
DSO D Shares	7,867,247	20	(28)	(8)	(0.1p)
DP67 Shares	11,192,136	(92)	(129)	(221)	(2.0p)

*Excluding 13,976,149 (2023: 13,976,149) Ventures Management Shares and 5,712,064 (2023: 5,712,064) Healthcare Management Shares as there is an agreement in place with the Company that the right to distributions on the Management Shares is waived until certain the performance hurdles are met, as described on pages 9 and 20. At no point will voting rights attaching to the Management Shares be exercised.

As the Company has not issued any convertible securities or share options, there is no dilutive effect on the return per DSO D Share, DP67 Share, Ventures Share, Healthcare Share or AIM Share. The return per share disclosed therefore represents both the basic and diluted return per share for all classes of share.

Notes to the Accounts (continued)

for the year ended 31 March 2024

9. Fixed assets – investments

	Ventures Share Class £'000	Healthcare Share Class £'000	AIM Share Class £'000	DSO D Share Class* £'000	DP67 Share Class £'000	Total £'000
Opening cost at 1 April 2023	33,892	13,757	1,800	274	2,252	51,975
Investment holding (losses)/gains at 1 April 2023	(6,134)	(1,402)	93	(258)	(1,117)	(8,818)
Opening fair value at 1 April 2023	27,758	12,355	1,893	16	1,135	43,157
Movements in the year:						
Purchased at cost	500	250	-	-	-	750
Disposal proceeds	(5,186)	(1,122)	-	(39)	-	(6,347)
Realised losses on disposals**	(3,562)	(2,228)	-	(235)	(499)	(6,524)
Investment holding (losses)/gains***	(1,711)	(1,909)	110	258	636	(2,616)
Closing value at 31 March 2024	17,799	7,346	2,003	-	1,272	28,420
Closing cost at 31 March 2024	25,644	10,657	1,800	-	1,753	39,854
Investment holding (losses)/gains at 31 March 2024	(7,845)	(3,311)	203	-	(481)	(11,434)
Closing value at 31 March 2024	17,799	7,346	2,003	-	1,272	28,420

*Following the payment of the 2.7p per DSO D Share dividend on 28 March 2024, the Company has now returned all the capital associated with the DSO D Shares to Shareholders and divested of all investments held in the portfolio, with the payment of the dividend marking the end of the life cycle of the DSO D Shares. Realised losses in the Income Statement include the reversal of historic realised losses (£212,000) as part of the wind-up procedures.

**Realised losses in the Income Statement for the Ventures Share Class include the deferred consideration receipt from ADC Biotechnology Limited (£115,000). Realised losses in the Income Statement for the Healthcare Share Class include the deferred consideration receipts from ADC Biotechnology Limited (£195,000). Realised losses in the Income Statement for the DP67 Share Class include the deferred consideration receipt from Fenkle Street LLP (£43,000).

***Investment holding losses in the Income Statement for the Ventures Share Class include the deferred consideration debtor decrease of £38,000. The debtor movement reflects the recognition of an amount receivable in respect of Imagen Limited (£18,000), offset by a receipt in respect of ADC Biotechnology Limited (£115,000) and combined FX uplifts of £59,000 made against balances in respect of Efundamentals Group Limited and JRNI Limited. Investment holding losses in the Income Statement for the Healthcare Share Class include the deferred consideration debtor decrease of £104,000. The debtor movement reflects the recognition of an amount receivable in respect of DIA Imaging Analysis Limited (£91,000), offset by a receipt in respect of ADC Biotechnology Limited (£195,000).

No costs incidental to the acquisitions of investments were incurred during the year.

The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level 1	Reflects financial instruments quoted in an active market;						
Level 2	Reflects financial instruments that have prices that are observable either directly or indirectly; and						
Level 3	Reflects financial instruments that use valuation techniques which are not based on observable market data (unquoted equity investments and loan note investments).						

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2024 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 £'000
Quoted equity	4,673	-	-	4,673	10,162	-	-	10,162
Unquoted loan notes	-	-	2,154	2,154	-	-	2,013	2,013
Unquoted equity	-	-	21,593	21,593	-	-	30,982	30,982
	4,673	-	23,747	28,420	10,162	-	32,995	43,157

Notes to the Accounts (continued)

for the year ended 31 March 2024

9. Fixed assets investments (continued)

Reconciliation of fair value for Level 3 financial instruments held at the year-end:

	Unquoted equity £'000	Unquoted loan notes £'000	Total £'000
Balance at 1 April 2023	30,982	2,013	32,995
<i>Movements in the Income Statement:</i>			
Investment holding (losses)/gains in the income statement	(2,587)	418	(2,169)
Realised losses in the income statement	(4,472)	(379)	(4,851)
	23,923	2,052	25,975
Purchases at cost	550	200	750
Loan note conversion	59	(59)	-
Sales proceeds	(2,939)	(39)	(2,978)
Balance at 31 March 2024	21,593	2,154	23,747

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The Board and the Investment Manager believe that the valuations as at 31 March 2024 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 15.

Significant interests

Details of shareholdings in portfolio companies where the Company's holding, as at 31 March 2024, represents greater than 20% of the nominal value of any share class are shown below. The figures represent the financial position and performance as of the latest available financial statements. The Company does not have significant influence over any of its portfolio companies.

Company	Registered office	Share class	Number	Proportion of class held	Total voting rights
Cadbury House Holdings Ltd	EC3R 6HD	Ordinary Shares	678,522	27.5%	27.5%
Channel Mum Limited	EC4N 6EU	Ordinary 'D1' Shares	57,022	26.3%	9.6%
Empiribox Limited	MK5 8FR	Ordinary 'C' Shares	2,515,592	40.9%	25.8%
		Ordinary 'D' Shares	1,377,144	41.5%	
		Ordinary 'E' Shares	9,032,082	24.9%	
Rated People Limited	EC2A 4HJ	Ordinary 'C' Shares	30,171	21.4%	2.5%
Virtual Class Limited	E1 5JL	Ordinary 'C2' Shares	3,428	22.1%	4.5%
		Ordinary 'B' Shares	3,282	50.0%	

Notes to the Accounts (continued)

for the year ended 31 March 2024

10. Debtors

	2024 £'000	2023 £'000
Prepayments and accrued income	1,182	1,140
Other debtors	944	1,370
	2,126	2,510

11. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Accruals and deferred income	277	142
Other creditors	338	1,066
Taxation and social security	-	6
	615	1,214

12. Called up share capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid:		
67,213,007 (2023: 66,852,564) Ventures Shares of 0.1p each	67	67
29,266,979 (2023: 27,544,877) Healthcare Shares of 0.1p each	29	28
2,695,803 (2023: 2,695,803) AIM Shares of 0.1p each	3	3
Nil (2023: 7,867,247) DSO D Shares of 0.1p each	-	8
11,192,136 (2023: 11,192,136) DP67 Shares of 0.1p each	11	11
	110	117

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report, in pursuit of its principal investment objective, as stated on page 41. There have been no significant changes in the objectives, policies or processes for managing capital from the previous period.

The Company has the authority to buy back shares, as described in the Directors' Report.

During the year ended 31 March 2024, the Company issued 360,443 Ventures Shares of 0.1p each at an average price of 66.0p per Ordinary Share and 1,722,102 Healthcare Shares of 0.1p each at an average price of 67.4p per Ordinary Share.

Notes to the Accounts (continued)

for the year ended 31 March 2024

12. Called up share capital (continued)

Ventures and Healthcare Share Classes

A Performance Incentive scheme is in place in respect of the Ventures and Healthcare Management Shares, which will represent 20% of the total number of Ventures and Healthcare Shares in issue. As part of the arrangement, in order to prevent dilution to the Shareholders of the Ventures and Healthcare Shares, the management team will waive their voting rights granted by these Management Shares at any general meeting of the Company and income or capital distributions otherwise payable on these Management Shares will be waived unless the relevant Share Class has achieved the relevant Total Return hurdle (based on audited results) at each year end date.

The Performance Incentive arrangements are structured such that the Ventures and Healthcare Management Shares will receive 20% of dividends paid in respect of the Company's Ventures and Healthcare Share Classes, only when the Total Return hurdle is met. For the hurdle to be met, the Total Return to Ventures or Healthcare Shareholders must exceed £1.12 per share for the year ended 31 March 2024. For subsequent years, the Total Return hurdle increases by 3.0p per annum such that for the year ended 31 March 2025 the hurdle is £1.15, and for the year ended 31 March 2026 the hurdle is £1.18. The performance incentive arrangements in respect of the Ventures and Healthcare Share Classes are assessed on each of the two Share Classes individually.

AIM and DP67 Share Classes

There is no Performance Incentive in place for the AIM or DP67 Share Classes.

Notes to the Accounts (continued)

for the year ended 31 March 2024

13. Reserves

	2024 £'000	2023 £'000
Capital redemption reserve	4	4
Share premium account	1,396	-
Special reserve	49,101	50,483
Capital reserve – realised	(2,311)	4,127
Revaluation reserve	(2,665)	93
Revenue reserve	(5,248)	(4,289)
	40,277	50,418

Note: called up share capital not included above

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserves are reduced by unrealised holding losses of £15.8 million (2023: £18.1 million), which are included in the Revaluation reserve.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Share premium account

This reserve accounts for the difference between the prices at which shares are issued and the nominal value of the shares, less issue costs and transfers to the other distributable reserves.

Special reserve

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay capital distributions.

Capital reserve - realised

The following are disclosed in this reserve:

- ▶ gains and losses on the disposal of investments;
- ▶ foreign exchange differences of a capital nature;
- ▶ expenses, together with the related taxation effect, charged in accordance with the above accounting policies; and
- ▶ capital dividends paid to Shareholders.

Revaluation reserve

This reserve represents the cumulative increases and decreases in the valuations of investments held at each year end, against cost.

Revenue reserve

This reserve accounts for movements within the revenue column of the Income Statement, the payment of revenue dividends and other non-capital realised movements.

Notes to the Accounts (continued)

for the year ended 31 March 2024

14. Basic and diluted Net Asset Value per share

	Shares in issue		2024 Net Asset Value		2023 Net Asset Value	
	2024	2023	Pence per share	£'000	Pence per share	£'000
Ventures Shares	67,213,007*	66,852,564*	46.8p	24,914	59.4p	31,383
Healthcare Shares	29,266,979*	27,544,877*	41.5p	9,782	61.6p	13,449
AIM Shares	2,695,803	2,695,803	101.8p	2,746	101.1p	2,726
DSO D Shares	-	7,867,247	-	-	2.6p	200
DP67 Shares	11,192,136	11,192,136	26.3p	2,945	24.8p	2,777
Net assets per Balance Sheet				40,387		50,535

*Includes 13,976,149 (2023: 13,976,149) Ventures Management Shares and 5,712,064 (2023: 5,712,064) Healthcare Management Shares, which have not been included in the calculation of Net Asset Value per share as the right to distributions on the Management Shares is waived until certain performance hurdles have been met, as described on pages 9 and 20.

The Directors allocate the assets and liabilities of the Company between the DSO D Shares, DP67 Shares, Ventures Shares, Healthcare Shares and AIM Shares such that each Share Class has sufficient net assets to represent its dividend and return of capital rights, as described in note 12.

As the Company has not issued any convertible shares or share options, there is no dilutive effect on the Net Asset Value per DSO D Share, per DP67 Share, per Ventures Share, per Healthcare Share or per AIM Share. The Net Asset Value per share disclosed therefore represents both the basic and diluted Net Asset Value per DSO D Share, per DP67 Share, per Ventures Share, per Healthcare Share and per AIM Share.

15. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit or loss, being equity and loan investments in unquoted companies, Liquidity investments, loans and receivables, being cash deposits and short-term debtors, and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cashflows, revenues and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9.

The fair values of cash deposits and short-term debtors and creditors equate to their carrying values.

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- ▶ Market risks;
- ▶ Credit risk; and
- ▶ Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year-end are provided below:

Market risks

As a VCT, the Company is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds, in accordance with its investment policy. The management of these market risks is a fundamental part of investment activities undertaken by the Investment Manager and is overseen by the Board. The Investment Manager monitors investments through regular contact with the management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Investment Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key market risks to which the Company is exposed are:

- ▶ Investment price risk;
- ▶ Foreign exchange risk; and
- ▶ Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through market price movements in respect of quoted investments, and also changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the prices of its quoted investments is summarised below. A 20% movement in the quoted prices of these assets, which is considered to be a reasonable annual movement given the fluctuations in the FTSE indices, would have the following impact on the Company:

	Risk exposure at 31 March 2024	Risk exposure at 31 March 2023
Quoted Ventures (£'000)	524	3,611
Quoted Healthcare (£'000)	2,146	4,658
Quoted AIM (£'000)	2,003	1,893

Movement in FTSE 100 Index	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV Pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV Pence
Ventures Shares				
20% increase to 629 (2023: 4,333)	105	0.2p	722	1.4p
20% decrease to 419 (2023: 2,889)	(105)	(0.2p)	(722)	(1.4p)
Healthcare Shares				
20% increase to 2,575 (2023: 5,590)	429	1.8p	932	4.3p
20% decrease to 1,717 (2023: 3,726)	(429)	(1.8p)	(932)	(4.3p)
AIM Shares				
20% increase to 2,404 (2023: 2,272)	401	14.9p	379	14.1p
20% decrease to 1,602 (2023: 1,514)	(401)	(14.9p)	(379)	(14.1p)

At 31 March 2024, the unquoted portfolio was valued at £23,747,000 (2023: £32,995,000). A breakdown of the unquoted portfolio by valuation method used is as follows:

	Ventures Shares £'000	Healthcare Shares £'000	DP67 Shares £'000	Total £'000
Price of last funding round	7,163	5,200	-	12,363
Discounted revenue multiple	7,882	-	-	7,882
VC method	1,472	-	-	1,472
Discount to round underway	758	-	-	758
Discounted independent valuation	-	-	791	791
Net assets	-	-	481	481
	17,275	5,200	1,272	23,747

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

Market risks (continued)

Investment price risk (continued)

As the majority of the Company's unquoted investments are valued using calibration to price of recent investment, a change in market conditions could impact on the valuation of the equity investments held in the unquoted portfolio. As the unquoted investments are across a broad range of sectors and valued using different valuation techniques, it is not possible to create a meaningful analysis by changing one input or discount factor. As unquoted investments are typically structured as partly equity and partly loan notes, investment price risk of the unquoted investments is considered as a whole. The Board has considered the volatility of current market conditions in determining the reasonably possible market movements that should be illustrated with sensitivity analysis. Positive and negative movements of 20% in the carrying value of the unquoted portfolio as a whole are considered to be a reasonable maximum level in a given year and would have the following impact:

Movement in unquoted investment valuations

Share Class	31 March 2024			
	+20% movement		-20% movement	
	Impact on net assets £'000	Impact on NAV per share Pence	Impact on net assets £'000	Impact on NAV per share Pence
Ventures Shares	3,455	6.5p	(3,455)	(6.5p)
Healthcare Shares	1,040	4.4p	(1,040)	(4.4p)
DSO D Shares	-	-	-	-
DP67 Shares	254	2.3p	(254)	(2.3p)

Share Class	31 March 2023			
	+20% movement		-50% movement	
	Impact on net assets £'000	Impact on NAV per share Pence	Impact on net assets £'000	Impact on NAV per share Pence
Ventures Shares	5,644	10.7p	(5,644)	(10.7p)
Healthcare Shares	1,529	7.0p	(1,529)	(7.0p)
DSO D Shares	3	0.0p	(3)	(0.0p)
DP67 Shares	227	2.0p	(227)	(2.0p)

The sensitivity analysis for unquoted valuations above assumes that each of the subcategories of financial instruments (ordinary shares and loans) held by the Company produces an overall movement of plus 20% or minus 20%. Shareholders should note that equal correlation between these subcategories is unlikely to be the case in reality, particularly in the case of loan instruments. Where share prices are falling, the equity instrument could fall in value before the loan instrument. It is not considered practical to assess the sensitivity of the loan instruments to market price risk in isolation.

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

Market risks (continued)

Foreign exchange risk

The Company has exposure to fluctuations in the prevailing market rates of exchange between the US Dollar ("USD") and the British Pound ("GBP"), as a result of holding investments in companies which use USD as their functional and reporting currency. The valuations of such investments are first performed in USD and subsequently converted to the equivalent GBP values at each reporting date. As at 31 March 2024, cumulative unrealised foreign exchange gains of £197,000 (2023: cumulative gain of £321,000) had been recognised in the Income Statement, representing the movements in the USD:GBP exchange rates between the date of each relevant investment and the reporting date. The Board continues to review the exposure to fluctuations in foreign currencies but has not sought to mitigate the exposure at this time. The Company does however have relationships with foreign exchange service providers and will seek to reduce the impact of foreign exchange fluctuations on future cash flows as they arise.

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers. Investments in loan notes attract interest, predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

There are three categories in respect of interest, which are attributable to the financial instruments held by the Company as follows:

- ▶ "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments and preference shares;
- ▶ "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank; and
- ▶ "No interest rate" assets do not attract interest and comprise equity investments, certain loan note investments, Liquidity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Average interest rate	Average period until maturity	2024 £'000	2023 £'000
Fixed rate	19.1%	571 days	2,154	2,013
Floating rate	Nil		10,456	-
No interest rate			27,777	49,904
			40,387	51,917

The Company monitors the level of income received from fixed and floating rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, if this should be required to ensure compliance with the VCT regulations.

During the period the Bank of England base rate has increased from 4.25% per annum to 5.25% per annum at the period end (from 0.75% to 4.25% in the prior year). Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan notes in investee companies, cash deposits and debtors. Credit risk relating to holdings of loan notes in investee companies is considered to be part of market risk.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	2024 £'000	2023 £'000
Investments in loan notes	2,154	2,013
Cash and cash equivalents	10,456	6,082
Debtors	2,126	2,510
	14,736	10,605

The Investment Manager manages credit risk in respect of loan notes with a similar approach as described under investment price risk. The management of credit risk, associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held with Royal Bank of Scotland plc, an A-rated financial institution. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

There have been limited changes in fair value during the year that are directly attributable to changes in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments at their fair values when required, or from the inability to generate cash inflows as required.

The Company has a relatively low level of creditors, being £0.6 million (2023: £1.2 million), all of which are payable within one year. The Company has no borrowings, and accordingly the Board believes that the Company's exposure to liquidity risk is low. Also, the quoted investments held by the Company are considered to be readily realisable. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal. The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it were required to do so.

Notes to the Accounts (continued)

for the year ended 31 March 2024

15. Financial instruments (continued)

The carrying values of loan note investments held and at fair value through profit or loss as at 31 March 2024, analysed by expected maturity date, are as follows:

As at 31 March 2024	Passed maturity date £'000	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loans	-	-	-	-	869	869
Past due loans	1,285	-	-	-	-	1,285
	1,285	-	-	-	869	2,154

As at 31 March 2023	Passed maturity date £'000	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Total £'000
Fully performing loans	-	-	-	-	878	878
Past due loans	1,135	-	-	-	-	1,135
	1,135	-	-	-	878	2,013

As at 31 March 2024, of the loans classified as "past due", £1,285,000 (2023: £1,135,000) relates to the principal of loans where the principal had passed its maturity date. The total of £1,285,000 relates to principal which is less than four years past due (2023: £1,135,000 less than three years past due). Notwithstanding that the principal remained outstanding passed its maturity date, the Directors did not consider that the loan principal amounts had been impaired.

16. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in line with its planned exit and evergreen strategies, so that it can continue to provide returns for Shareholders, and to provide an adequate return to the Shareholders by allocating its capital to assets, commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 80% (as measured under the tax legislation) of which is, and must remain, invested in the relatively high-risk asset class of small UK companies, within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets, if so required, to maintain a sufficient level of liquidity in order for the Company to remain a going concern.

As the Investment Policy implies, the Board would consider levels of gearing, although there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous period.

Notes to the Accounts (continued)

for the year ended 31 March 2024

17. Contingencies, guarantees and financial commitments

Since March 2022, the Company has used IBP Capital Markets Limited ("IBP") as custodian for its quoted investments. Appointing a custodian is a requirement of the FCA, and IBP is an FCA authorised and regulated wholesale broker, providing custody services and access to equity and fixed income securities for non-retail clients (which includes the Company). On 13 October 2023, the FCA published a supervisory notice under section 55L(3)(a) of the Financial Services and Markets Act 2000, imposing certain restrictions on IBP. On the same date, IBP applied to the High Court and special administrators were appointed.

During the period since, the Investment Manager has been actively collaborating with the special administrators to reach a resolution, which has involved reconciling quoted stocks held with IBP ("Custody Assets") and cash held with IBP ("Client Money"). As at 13 October 2023, the Company held Client Money of £26,379, all held by the Healthcare Share Class (0.2% of indicative Healthcare NAV on the same date), and Custody Assets of £8,448,179 split Ventures Share Class: £3,127,539 Healthcare Share Class: £3,406,697 and AIM Share Class: £1,913,943.

With regards to Custody Assets, whilst the final outcome remains subject to change, particularly as additional claims may be made, there is currently no difference identified on the quoted stocks held. It was further announced on 17 May 2024 that the special administrators would be making an Interim Distribution of 80% of eligible Custody Assets, and the transfer of these to the new custodian completed on 19 July 2024. The Company is now able to trade these assets on the quoted market. The remaining 20% withheld will be distributed as part of the Court Approved Distribution Plan, unless additional claims are made resulting in a break.

With regards to Client Money, a progress report was released on 12 April 2024 which identified a potential 44% cash shortfall. £11,607 has therefore been provided for in the Healthcare Share Class. Any further deduction for fees relating to the special administration process is unknown at this point, but from the information available these are anticipated to be in the region of £68,000 payable by the Company split between the Ventures Share Class (37.0%), the Healthcare Share Class (40.3%) and the AIM Share Class (22.7%). These fees have been accrued for as at 31 March 2024. The total potential exposure is currently therefore around £80,000, and less than 1.0% NAV for each individual Share Class as at 31 March 2024.

As noted, the outcome remains subject to change with the final distribution plan being shared following the court proceedings. Timing of this is uncertain. The Company will communicate with Shareholders if there is any new information which materially impacts the numbers presented in this Annual Report.

Notes to the Accounts (continued)

for the year ended 31 March 2024

18. Controlling party and related party transactions

In the opinion of the Directors, there is no immediate or ultimate controlling party.

Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on pages 56 and 57. There were no amounts outstanding and due to the Directors as at 31 March 2024 (2023: nil).

Further related party transactions include Investment Management and Administration fees payable to Foresight Group LLP and Downing LLP, as disclosed in notes 3 and 4.

In addition, Downing LLP was also paid promoter fees in connection with the offers for subscription which were open during the year. The total paid to Downing LLP during the year ended 31 March 2024 was £nil (2023: £39,000).

The Company also has an agreement to pay an ongoing trail fee annually to the Investment Manager, in connection with applicable proceeds raised under previous offers for subscription, out of which there is an obligation to pay trail commission to intermediaries. The total trail fee payable in respect of the year ended 31 March 2024 was £24,000, all of which was unpaid as at 31 March 2024 (2023: £21,000).

19. Events after the end of the reporting period

As referenced in note 17, on 19 July 2024, the Company recovered c.80% of the quoted portfolio meaning normal management and trading of these positions can resume following a period of uncertainty as a result of the custodian, IBP Capital Markets Limited, being in special administration.

On 26 July 2024, the Company announced it is in discussions to merge with Thames Ventures VCT 1 plc.

Notice of the Annual General Meeting of Thames Ventures VCT 2 plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Thames Ventures VCT 2 plc will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG at 4.00 p.m. on 24 September 2024 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as **Ordinary Resolutions**:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 March 2024, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the Directors' Remuneration Policy.
4. To approve the payment of final dividends of 0.25p per Ventures Share and 0.25p per Healthcare Share.
5. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are presented and to authorise the Directors to determine their remuneration.
6. To re-elect as Director, Sir Aubrey Brocklebank, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Chris Allner, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Steven Clarke, who retires and, being eligible, offers himself for re-election.
9. To re-elect as Director, Andrew Mackintosh, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following:

Ordinary Resolution

10. 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 £140,000, being:
 - (i) up to £51,000 Ventures Shares (plus Ventures Management Shares of up to £12,750) (representing approximately 95% of the Ventures Share capital in issue at today's date);
 - (ii) up to £49,000 Healthcare Shares (plus Healthcare Management Shares of up to £12,250) (representing approximately 211% of the Healthcare Share capital in issue at today's date); and
 - (iii) up to £15,000 AIM Shares (representing approximately 500% 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.

Special Resolutions

11. 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 10 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.

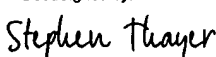
Notice of the Annual General Meeting of Thames Ventures VCT 2 plc (continued)

12. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of DP67 Shares of 0.1p each ("DP67 Shares"), Ventures Shares of 0.1p each ("Ventures Shares"), Healthcare Shares of 0.1p each ("Healthcare Shares") and AIM Shares of 0.1p each ("AIM Shares") in the capital of the Company provided that:
- (i) the maximum number of 1,667,628 DP67 Shares representing approximately 14.9% of the issued DP67 Share capital, 7,932,291 Ventures Shares representing approximately 14.9% of the issued Ventures Share capital, 3,509,682 Healthcare Shares representing approximately 14.9% of the issued Healthcare Share capital of the Company and 401,674 AIM Shares representing approximately 14.9% of the issued AIM Share capital of the Company;
 - (ii) the minimum price which may be paid for a DP67 Share, Ventures Share, Healthcare Share or AIM Share is 0.1p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for a DP67 Share, Ventures Share, Healthcare Share or AIM Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share, as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - (iv) the Company may validly make a contract to purchase its own DP67 Shares, Ventures Shares, Healthcare Shares or AIM Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of DP67 Shares, Ventures Shares, Healthcare Shares or AIM Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

Shareholders wishing to attend the AGM are requested to please notify us via email, to InvestorRelations@foresightgroup.eu, in case there are changes to arrangements which need to be communicated at short notice.

By order of the Board

DocuSigned by:

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Foresight Group LLP

Secretary of Thames Ventures VCT 2 plc
Company number: 06789187

Registered office:
The Shard
32 London Bridge Street
London
SE1 9SG

31 July 2024

Notice of the Annual General Meeting of Thames Ventures VCT 2 plc (continued)

Notes

- (a) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be deposited at the offices of the Company's Registrar, The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH or submitted electronically by accessing the vote here button/link on the Company website: www.foresight.group/products/thames-ventures-vct-2-plc. You will need your City Investor Number (CIN) and Access Code which can be found on the proxy form. In each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote.
- (b) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- ▶ by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
 - ▶ by sending an e-mail to InvestorRelations@foresightgroup.eu.
- In either case, the revocation notice must be received by The City Partnership Registrar 48 hours (excluding weekends and public holidays) before the Annual General Meeting or the holding of a poll subsequent thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (c) directly below, the proxy appointment will remain valid.
- (c) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 4.00 p.m. on 20 September 2024 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business 48 hours (excluding weekends and public holidays) before any adjourned meeting, shall be entitled to vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 4.00 p.m. on 20 September 2024 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours (excluding weekends and public holidays) before any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (d) Please note that you can vote your shares electronically by accessing the vote here button/link on the Company website: www.foresight.group/products/thames-ventures-vct-2-plc. You will need your City Investor Number (CIN) and Access Code which can be found on the proxy form or the meeting notification that you received.
- (e) As at 9.00 a.m. on 31 July 2024, the Company's issued share capital, excluding management shares, comprised 11,192,136 DP67 Shares, 53,236,858 Ventures Shares, 23,554,915 Healthcare Shares and 2,695,803 AIM Shares the total number of voting rights in the Company, excluding management shares, was 51,288,127,167. Information on the number of shares and voting rights is included at www.foresight.group/products/thames-ventures-vct-2-plc.

Notice of the Annual General Meeting of Thames Ventures VCT 2 plc (continued)

Notes (continued)

- (f) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (g) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chair at the registered office set out on the previous pages.
- (h) Members may not use any email address provided either in this notice of Annual General Meeting, or any related documents (including the Chair's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

Foresight
FOR A SMARTER FUTURE

Thames Ventures VCT 2 plc
The Shard
32 London Bridge Street
London
SE1 9SG