

Draper Esprit VCT Prospectus

November 2021



Draper Esprit VCT plc is managed by Elderstreet Investments Limited, which is authorised and regulated by the Financial Conduct Authority (Firm Reference Number:148527). Elderstreet Investments Limited is a 100% subsidiary of Molten Ventures plc (formerly Draper Esprit plc).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA").

This document constitutes a prospectus dated 12 November 2021 (the "**Prospectus**") issued by Draper Esprit VCT plc (the "**Company**"), prepared in accordance with the Prospectus Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**Prospectus Regulation**"). This Prospectus has been approved by the Financial Conduct Authority ("**FCA**") as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered an endorsement of the Company or of the quality of the securities that are the subject of this Prospectus and Investors should make their own assessment as to the suitability of investing in the securities. This prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Prospectus Regulation.

A brief summary written in non-technical language and conveying the essential characteristics and risks associated with the Company and the Ordinary Shares of 5p each in the capital of the Company (the "**New Ordinary Shares**") which are being offered for subscription (the "**Offer**") is contained in a summary on pages 4 to 9 of this document, however you are advised to read the Prospectus in full.

The Company and the Directors (whose names are set out on page 69) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

DRAPER ESPRIT VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03424984)

OFFER FOR SUBSCRIPTION

for the tax years 2021/22 and 2022/23

Target Fundraise: £20 million plus over-allotment facility of £10 million
(Up to a maximum of 60,000,000 New Ordinary Shares)

The Offer will be open from 3.00 p.m. on 12 November 2021 until the earlier of 4.00 p.m. on 30 June 2022 (or such later date as the Board may decide) and the date on which the relevant Maximum Subscription is reached. Applicants who wish to have some or all of their New Ordinary Shares allotted in the tax year 2021/22 must return their completed Application Form by 10.00 a.m. on 5 April 2022. Early Investors may receive a 0.25% rebate from the Promotion Fee, which will be applied for additional New Ordinary Shares through the application of the Pricing Formula, where their Application Form is received and accepted by the Company and forms part of the first £10 million of gross applications under the Offer. **The Offer is not underwritten nor subject to reaching a minimum subscription level.**

Shares issued by the Company to Existing Shareholders are listed on the Official List of the FCA and traded on the London Stock Exchange's market for listed securities. Application will be made to the FCA for all of the New Ordinary Shares to be issued pursuant to the Offer to be listed on the Official List and will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence three Business Days following allotment. The New Ordinary Shares will rank *pari passu* with the Shares held by Existing Shareholders from the date of issue.

The minimum subscription per Investor under the Offer is £6,000. Details on the procedure for lodging online Application Forms are set out on page 77.

The Offer is not being made, directly or indirectly, in or into any jurisdiction other than the United Kingdom and should not be distributed, forwarded or transmitted in or into any other territory.

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

In connection with the Offer, Elderstreet Investments Limited ("**Elderstreet**"), the promoter of the Offer and investment manager to the Company, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Elderstreet or for providing advice in relation to the Offer (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder). Elderstreet is authorised and regulated in the UK by the FCA.

If Investors have any questions regarding this investment, they should contact their own financial intermediaries. Intermediaries may wish to contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Prospective Investors should note that no investment, tax or legal advice can be given by RAM Capital or Elderstreet.

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SUMMARY

SECTION 1: INTRODUCTION

This summary forms part of the Prospectus dated 12 November 2021 issued by the Company and which has been approved by the FCA, the competent authority under the Prospectus Regulation.

The Prospectus describes a public offer by the Company to raise up to £20 million (with a £10 million over-allotment facility) via the issuance of the New Ordinary Shares (ISIN: GB0002867140).

The FCA may be contacted at:

Financial Conduct Authority
12 Endeavour Square
London E20 1JN

The Company's contact details are:

Address: St Magnus House, 3 Lower Thames Street, London EC3R 6HD

Email: customer@downing.co.uk

Website: <https://www.draperesprtvct.com>

Telephone: 0207 416 7780

Warning: The summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the Investor. Investors could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only where the Summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in such securities.

SECTION 2: KEY INFORMATION ON THE ISSUER

Who is the Issuer of the securities?

The Company is the issuer of the securities which are the subject of this Prospectus.

The Company is a public limited liability company which is registered in England and Wales with registered number 03424984. Its Legal Entity Identifier is: 2138003I9Q1QPDSQ9Z97. The Company is approved by HMRC as a venture capital trust ("VCT") in accordance with the VCT regulations. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Company has no parent company and is owned by individuals, none of whom owns more than 3.0% of its ordinary share capital. The Company has no subsidiaries. The Company has four non-executive directors - David Brock (Chairman), Hugh Aldous (Senior Independent Director), Richard Marsh and Nicholas Lewis.

The Company's auditors are BDO LLP of 55 Baker Street, London W1U 7EU.

What is the key financial information regarding the Issuer?

Certain key historical information of the Company is set out below:

	Audited year end to 31 March 2021	Audited year end to 31 March 2020	Audited year end to 31 March 2019
Net assets	£55,412,000	£36,743,000	£38,969,000
Number of Shares in issue	110,738,558	79,934,164	68,719,111
Net asset value per Share	50.0p	46.0p	56.7p
Dividends paid per Share in the period	2.5p	3.0p	3.0p

Income statement

	Audited year end to 31 March 2021	Audited year end to 31 March 2020	Audited year end to 31 March 2019
	£'000	£'000	£'000
Income	104	585	634
Gains/(losses) on investments	9,770	(5,626)	1,817
Investment management fees	(921)	(848)	(784)
Other expenses	(420)	(366)	(342)
Return/(Loss) on ordinary activities after tax	8,533	(6,255)	1,325
Return/(Loss) per Share	7.9	(7.8p)	1.9p

Balance Sheet

	Audited year end to 31 March 2021	Audited year end to 31 March 2020	Audited year end to 31 March 2019
	£'000	£'000	£'000
Fixed assets			
Investments	44,756	26,095	28,678
Current assets			
Debtors	78	2,416	48
Cash at bank and in hand	10,659	8,422	10,455
Creditors: amounts falling due within one year	(81)	(190)	(212)
Net current assets	10,656	10,648	10,291
Net assets	55,412	36,743	38,969
Capital and reserves			
Called up share capital	5,537	3,997	3,436
Capital redemption reserve	659	633	599
Share premium account	18,321	6,388	-
Merger reserve	1,828	1,828	1,828
Special reserve	15,463	18,713	22,545
Capital reserve - unrealised	14,159	4,417	8,403
Capital reserve - realised	-	776	2,174
Revenue reserve	(555)	(9)	(16)
Total equity shareholders' funds	55,412	36,743	38,969
Basic and diluted net asset value per share	50.0p	46.0p	56.7p

Cash Flow Statement

	Audited year end to 31 March 2021 (£'000)	Audited year end to 31 March 2020 (£'000)	Audited year end to 31 March 2019 (£'000)
Cash flow from operating activities			
Profit/(Loss) on ordinary activities before taxation	8,533	(6,255)	1,325
(Gains)/Losses on investments	(9,770)	5,626	(1,871)
(Increase)/Decrease in debtors	(16)	(2,403)	71
Increase/(Decrease) in creditors	(15)	16	(5)
Net cash (outflow)/ inflow from operating activities	(1,268)	(616)	(426)
Cash flow from investing activities			
Purchase of investments	(9,011)	(7,608)	(6,889)
Proceeds from disposal of investments	2,520	2,165	856
Net cash flow from investing activities	(6,491)	(5,443)	(6,033)
Cash flow from financing activities			
Equity dividends paid	(2,772)	(2,403)	(2,072)
Proceeds from share issue	13,499	6,983	3,879
Share issue costs	(501)	(165)	(173)
Purchase of own shares	(230)	(389)	(707)
Net cash inflow/ (outflow) from financing activities	9,996	4,026	927
Net increase/(decrease) in cash	2,237	(2,033)	(5,532)
Cash and cash equivalents at start of period	8,422	10,455	15,987
Cash and cash equivalents at end of period	10,659	8,422	10,455
Total cash and cash equivalents	10,659	8,422	10,455

What are the key risks that are specific to the Issuer?

- The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value, and that Shareholders will be able to realise their shareholding or that dividends will be paid.
- The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time.
- VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams and may ultimately negatively impact Shareholder returns if there are portfolio losses.

- Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.
- The Company is required to operate within the constraints of the VCT legislation and there can be no guarantee that the Company will retain its status as a VCT, the loss of which could lead to adverse tax consequences for Investors, including a requirement to repay the 30% income tax relief. The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively which could affect tax reliefs obtained by Shareholders and the VCT status of the Company.
- Notwithstanding the agreement of a trade deal following the UK's departure from the European Union ("EU"), the future regulatory environment in which the Company will operate is inherently uncertain as the Company is impacted by European-led State aid legislation and other EU regulatory frameworks which have yet to be substantively replaced. Macro-economic changes such as Brexit, and the uncertainty surrounding it, could also lead to fewer willing buyers for the Company's investments and a reduction in exit values ultimately impacting Shareholder returns.
- The coronavirus pandemic has had a substantial impact on many businesses and is expected to have a significant and long-lasting impact on the UK and global economies. The impact that this has on existing portfolio companies and those in which the company may invest in the medium and long term, is difficult to predict. Existing and future portfolio companies may lose value or fail as a result of the ongoing effects or aftermath of the pandemic, resulting in a reduction in the value of Investors' shares.
- Changes in governmental, economic, fiscal, monetary or political policy, including but not limited to increasing interest rates as is currently being considered by the Bank of England, could materially affect the UK economy and accordingly the performance of the Company and/or companies in which the Company invests, and could negatively affect the value of the Company's Shares and the levels of returns from those Shares.

SECTION 3: KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

The securities being offered pursuant to the Offer are Ordinary Shares of 5 pence each (ISIN: GB0002867140). The New Ordinary Shares will be issued pursuant to resolutions passed by the Shareholders of the Company at the Company's annual general meeting which was held on 11 August 2021.

The New Ordinary Shares will rank equally in all respects with each other and with the existing Ordinary Shares. Shareholders will be entitled to receive certificates in respect of their New Ordinary Shares and will also be eligible for electronic settlement.

The New Ordinary Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations and to target an annual dividend return equal to 5% of the Company's prevailing NAV. No New Ordinary Shares issued pursuant to the Offer will be allotted prior to the payment of the dividend expected to be paid in March 2022.

Where will the securities be traded?

Applications will be made to the FCA for the Ordinary Shares offered for subscription pursuant to the Prospectus to be admitted to the premium segment of the Official List of the FCA. Application will also be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that admission will become effective and that trading in the New Ordinary Shares will commence three business days following allotment.

Is there a guarantee attached to the securities?

There is no guarantee attached to the New Ordinary Shares.

What are the key risks that are specific to the securities?

- Although the Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares. It may, therefore, prove difficult for Shareholders to sell their Shares and there is no guarantee that the market price of the Shares will fully reflect their underlying NAV.
- Shareholders should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.
- Shareholders should note that if they have sold, or if they sell, any Shares within six months either side of their subscription for the New Ordinary Shares, then for the purposes of calculating the tax relief on the New Ordinary Shares the subscribed amount must be reduced by the amount received from the sale.
- The Finance Act 2014 amended the VCT regulations, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to Investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to Investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

SECTION 4: KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC

Under which conditions and timetable can I invest in this security?

The Offer opens on 12 November 2021 and will close on 30 June 2022 subject to the discretion of the Directors to extend the Offer or close it early. The Offer will also close early if full subscription is reached. Investors must be over 18 years old.

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

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

$$\text{Number of New Ordinary Shares} = \frac{\text{Amount subscribed less} \\ \text{(i) initial Promotion Fee and} \\ \text{(ii) Initial Adviser Charge or} \\ \text{commission (if any) and} \\ \text{plus (iii) early investment} \\ \text{discount (if any)}}{\text{Latest published} \\ \text{NAV per Offer Share}}$$

The estimated expenses of the Offer will be 5.5% of the funds raised (assuming investment solely by Investors in respect of whom commission is payable). If the Offer is fully subscribed the net proceeds of the Offer would be approximately £18.9 million (assuming no use of the over-allotment facility).

An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increased by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but will experience dilution in terms of voting. The Company will pay an annual trail fee to certain eligible intermediaries, however, unlike the initial costs which are borne by subscribers through the application of the above Pricing Formula, this is a continuing cost to the Company. All others incidental costs of the Offer will be borne by the Promoter from its fee save for the costs of written Shareholder communications which shall be borne by the Company.

The Offer is not underwritten.

Why is this prospectus being produced?

The Offer is being made, and its proceeds will be used, to raise additional funds raised under the Offer to be invested in accordance with the Company's investment policy. The Company is a technology focused VCT. Funds raised under the Offer will, no later than three years following the end of the accounting period in which those shares are issued, be invested primarily in VCT qualifying companies (with the remainder being held in cash or other permitted non-qualifying investments) with 30% of such funds so invested within the first 12 to 24 months.

Consent to use prospectus

The Company and the Directors consent to the use of this Prospectus and accept responsibility for its content also with respect to the subsequent resale or final placement of securities by any financial intermediary which was given consent to use this prospectus. The period for which consent to use this prospectus is given and the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made commences 12 November 2021 and closes on 30 June 2022 (subject to the extension or early closure of the Offer at the discretion of the Directors). All financial intermediaries may use this Prospectus for subsequent resale or final placement of the securities in the UK. There are no conditions attaching to this consent.

OFFER STATISTICS

Key Statistics

Fundraising Target	£20 million (with an over-allotment facility of up to an additional £10 million)
Estimated Offer Price	64.5p*
Number of Shares to be issued pursuant to the Offer	30.9 - 46.4 million**
Net Proceeds of the Offer if fully subscribed	£18.9 million - £28.35 million**
Minimum Investment per Investor	£6,000

Offer Costs

*Applications through intermediaries (commission payable***)*

Promotion Fee	3.0%
Initial Commission	2.5%
Trail Commission	0.25% p.a. (maximum of five years)

Applications through intermediaries (no commission payable)

Promotion Fee	3.0%
Adviser Charges	As agreed between Investors and their intermediaries

Direct applications (no intermediary involvement)

Promotion Fee	3.0%
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Early Investment Incentive

0.25% Promotion Fee discount for valid applications received and accepted up to a limit of £10 million of gross applications

* Per New Ordinary Share; estimated figure assuming a NAV of 61.0p per Ordinary Share (being the unaudited NAV as at 30 September 2021 adjusted total costs of 5.5% rounded to the nearest 0.1p).

** Approximate figures assuming the payment of a Promotion Fee and commission totalling 5.5% in relation to all applications. Range reflects the initial £20 million target and the potential for full use of the over-allotment facility. Note: a maximum of 60 million New Ordinary Shares may be issued pursuant to the Offer

*** Commission will only be payable in accordance with prevailing FCA rules.

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 41 and the costs of the Promotion Fee, commission and adviser charges will be borne by subscribers through the application of the Pricing Formula. Accordingly, if an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the number of New Ordinary Shares issued. No tax should be payable by Investors on subscription for New Ordinary Shares.

OFFER TIMETABLE

Offer opens	12 November 2021
First closing date (2021/22 allotments)	5 April 2022
Final closing date (unless extended)	30 June 2022
Dealings commence	within three Business Days of allotment
Share and income tax certificates despatched and CREST accounts credited	within 15 Business Days of allotment

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from the date on which the Offer opens until 30 June 2022 (or such later date as they may determine). The Offer will close earlier than the relevant date stated above if fully subscribed by an earlier date or at the Directors' discretion.

The first allotment date will be on or before 5 April 2022 unless otherwise determined by the Board.

Investors should note that no New Ordinary Shares will be allotted prior to ex-dividend date of any dividend that may be paid in March 2022.

PART 1

RISK FACTORS

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

Risks relating to the Company

Valuation and sale of Shares

The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value, that Shareholders will be able to realise their shareholding or that dividends will be paid.

Value of underlying assets

The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. As is to be expected from a diverse portfolio, some investments are not performing to plan and it may ultimately be difficult to realise full, or any, value from such investments. Realisation of investments in small unquoted companies can be difficult and may take considerable time. The Company notes the recent volatility in the USA quoted technology markets which may have a negative effect on valuations in the UK.

"Risk to Capital" Test

Changes to the VCT regulations in respect of investments made on or after 15 March 2018 have meant that VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company irrespective of whether the return takes the form of income, capital growth, fees, other payments or anything else. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams, and may ultimately negatively impact Shareholder returns if there are portfolio losses.

Nature of smaller companies

Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. To be qualifying holdings, VCT funds must be invested in smaller companies with gross assets of not more than £15 million prior to the investment and £16 million post investment. In addition, to be qualifying holdings, VCT funds must be invested in companies which have no more than 250 full time (equivalent) employees and do not receive more than £5 million of investment from state aided risk capital sources in the 12 months ending on the date of the VCT's investment ('knowledge Intensive' companies must have fewer than 500 employees and may receive up to £10 million of state aid risk finance investment in any 12 months). Smaller companies who meet these criteria generally have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.

VCT legislation

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

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

VCT restrictions

Changes to the VCT regulations in 2018 have prohibited the making of secured loans by VCTs. Future loan capital held by the Company will therefore be unsecured and will rank behind secured creditors of the investee company in question. As loan capital investments by a VCT are separately restricted to a maximum of 30% of any new investment, and Investee Companies which meet the above noted "risk to capital" test tend not to be able to provide significant assets against which to secure loans in any case, the Board do not consider that this restriction further materially increases the risk profile of new investments made by the Company.

The Finance (No.2) Act 2015 introduced changes to the VCT regulations which have placed greater restrictions on the range of investments into which the Company can deploy funds. As a result, the Company is required to invest in businesses which are less than seven years old (less than 10 years for 'knowledge intensive' companies) and VCT funds cannot be used to finance acquisitions by investee companies. The penalty for breaching these new rules is the loss of VCT status, so the Company and its Investors may face a higher risk of the loss of tax benefits than under the previous rules. Qualifying investee companies are also now subject to a lifetime risk finance investment limit of £12 million (£20 million for 'knowledge intensive' companies), which may restrict the Company's ability to make follow on investments, which may ultimately negatively impact Shareholder returns.

Co-Investments

The Company operates a co-investment strategy and may participate alongside Molten Ventures plc and Molten Ventures EIS where the investment is qualifying for VCT purposes. Consequently, the Company may invest in connection with a transaction in which Molten Ventures plc and/or Molten Ventures EIS have already invested or are expected to participate. Investment allocation splits between the Company, Molten Ventures plc and Molten Ventures EIS are determined periodically and based on a number of factors including (but not limited to) ensuring that the Company continues to qualify as a VCT tax, legal and regulatory considerations, capital available for deployment, forecast investment pipeline, applicable investment objectives and restrictions, investor base, and appetite for risk. The co-investment strategy enables the Company to participate in larger, later stage growth investments and leverage off the recognition of the Molten Ventures brand, however conflicts could arise between the Company, Molten Ventures plc, and Molten Ventures EIS with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits.

Risks relating to the wider economic environment of the UK

Brexit

Notwithstanding the agreement of a trade deal following the UK's departure from the European Union ("EU"), the future regulatory environment in which the Company will operate remains inherently uncertain as the Company is impacted by European-led State aid legislation and other EU regulatory frameworks which have yet to be substantively replaced. Macro-economic changes such as Brexit, and the uncertainty surrounding it, could also lead to fewer willing buyers for the Company's investments and a reduction in exit values ultimately impacting Shareholder returns.

COVID-19

The coronavirus pandemic has had a substantial impact on many businesses and is expected to have a significant and long-lasting impact on the UK and global economies. The impact that this has on existing portfolio companies and those in which the Company may invest in the medium and long term, is difficult to predict. Existing and future portfolio companies may lose value or fail as a result of the ongoing effects or aftermath of the pandemic, resulting in a reduction in the value of Investors' shares.

Economic policy

Changes in governmental, economic, fiscal, monetary or political policy, including but not limited to increasing interest rates as is currently being considered by the Bank of England, could materially affect the UK economy and accordingly the performance of the Company and/or companies in which the Company invests, and could negatively affect the value of the Company's Shares and the levels of returns from those Shares

Risks relating to the Ordinary Shares

Liquidity

Although the Company's Ordinary Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares. In addition, there is no guarantee that the market price of the Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to their net asset value. There is a buyback policy set out in this Prospectus, which is subject to certain restrictions, such as where the Company lacks sufficient cash reserves to purchase its own Shares and during prohibited periods when the Company is unable to purchase its own Shares. The Board intends to buyback Ordinary Shares in accordance with the buyback policy stated in this Prospectus, subject to liquidity and cash resources, which should help to reduce the share discount price.

Minimum holding period

Shareholders should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.

"Six month" rule

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

Restriction on dividends from capital

The Finance Act 2014 amended the VCT regulations, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to Investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to Investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

PART 2

CHAIRMAN'S LETTER

Draper Esprit VCT plc

12 November 2021

Dear Shareholders/Investors

New public offer for Ordinary Shares with a target fundraise of £20 million (plus an over-allotment facility of up to £10 million)

The board of Draper Esprit VCT plc (the “**Company**”) is once more pleased to offer an opportunity to invest in this highly rated VCT with its consequent tax advantages. The Company is a successful VCT, with a high analyst’s score, generating tax free income from a portfolio increasingly focused on knowledge intensive technologies.

Since the deal sharing association with Molten Ventures plc (formerly known as Draper Esprit plc until 9 November 2021) was signed in November 2016, the prospects of this VCT have been transformed. Molten Ventures plc, as a leading venture capital investor in the UK and European new technology sector and a member of the FTSE 250 with a market capitalisation of over £1.4 billion, has become an ideal lead investor for this VCT. As a consequence, and obviously bound by VCT regulations, the Company has enjoyed participation in outstanding, leading-edge investments and expects to continue to do so. To date the Company has invested over £38 million new technology companies.

Already this new portfolio of technology investments is beginning to show some significant upside including Thought Machine Group Limited, recently reported as being set to achieve 'unicorn' status (\$1 billion valuation) on receipt of a proposed £150 million new investment in 2021. In addition, Back Office Technology Group Limited, which trades as Form3, also received third party investment of \$160m in 2021 delivering the VCT an unrealised 5.6x multiple on its cost. The first exit by the Company from the new technology-focused portfolio, Pod Point Limited (a significant player in the surge towards electric vehicles), was made in February 2020 delivering the Company a 2.2 times return on cost and an IRR of 63%.

The Company's 'legacy portfolio' has also performed well and that, together with other gains in the portfolio, has resulted in a 25% uplift in the NAV² Total Return of the VCT since the report for 31 March 2021.

Meanwhile over the past three years, Molten Ventures plc and its subsidiary and affiliated undertakings (“**Molten Ventures**”) has scaled their platform to enable access to some of the best deal flow across Europe. Our VCT is one of the funds which, together with Molten Ventures plc itself and the Molten Ventures EIS fund, make up that platform. These co-investment partners bring third party capital, enabling the VCT to obtain investment access into high technology companies that are rarely available to individual investors. Molten Ventures plc's growing leadership in this field has enabled the high-tech entrepreneurs in the portfolio to access the capital they need to grow their businesses, while simultaneously giving our VCT Investors exposure to exciting early and growth-stage technology companies. Despite the enormous economic upheavals caused by the COVID-19 pandemic, our technology portfolio remains overall very well positioned, in particular given the expected acceleration in the transition to digital.

The Company continues to enjoy re-rating. In February 2021 the VCT scored 87/100 from Martin Churchill of Tax Efficient Review, a well-respected VCT analyst, increasing its re-rating from 84/100 since January 2019 whilst for the past seven years running Molten Ventures' EIS funds have continued to receive the highest rating with a latest score of 89/100.

As a consequence, I am delighted to offer you the chance to invest in the award-winning Draper Esprit VCT plc. Your Board believes that investing in knowledge intensive, high growth technology companies inside a VCT tax wrapper is an attractive investment offering. These technology companies have the potential to grow into valuable companies as shown by the Molten Ventures plc track record on page 21.

¹ Source: Sky News

² NAV plus dividend paid in the period

The Board believes that the VCT, through the co-investment agreement, will continue to provide an excellent opportunity for Shareholders to participate in bigger, as well as better, leading edge technology companies. The Board is also independent of Molten Ventures plc and provides added oversight in that it has the right to challenge or even decline investment opportunities in limited circumstances under the terms of the Investment Management Agreement.

Managers and management team

The Company's manager, Elderstreet Investments Limited, is now a wholly owned subsidiary of Molten Ventures plc. Short biographies of the members of the Molten Ventures Investment Team are set out on pages 38 and 39.

Portfolio

At 30 September 2021, the Company had £26 million of cash. This represents 29% of the Company's unaudited net assets as at 30 September 2021. In October 2021, the Company completed a new investment into Cervest for £1.3 million. At the time of writing, the Manager has entered into further binding commitments to invest £2.8 million into two new deals and £1.7 million into one follow-on deal. HMRC Advanced Assurance is awaited for these deals.

An additional £5.6 million has been set aside for four new deals where term sheets have been signed and/or the process of drafting the legal documents is underway. If all of these were to complete, the Company's adjusted cash would be equal to approximately 17% of the 30 September 2021 unaudited NAV.

The Manager expects a further three new deals to be committed between the publication of the Prospectus and the first allotment of New Ordinary Shares to be made under the Offer. Together with running costs and an estimated, but not guaranteed, dividend which is expected to be paid in March 2022, the Manager expects cash to have fallen to approximately 10% of net assets by that point.

Consequently, if this offer is taken up in full (including the over-allotment facility), once invested, the Company will have over £100 million of net assets of which over 78% will be allocated predominantly to technology investments, driven by Molten Ventures, one of the UK's leading technology investors.

As to the legacy portfolio, currently 97.5% of the legacy portfolio is made up of five companies. Two are AIM quoted and the other three are private companies, two of which are profitable engineering and manufacturing businesses which have consistently paid dividends to the Company, and the other is a software business. The performance of these investments can be found on page 36.

Dividend policy

Since incorporation, the Company has paid in total dividends of 109p per share. The Board believes that in a generally low global interest rate environment a tax free target dividend return of 5% of prevailing NAV per annum represents a good yield. Further details on the potential returns can be found on pages 24 and 25. Investors should note that the level of dividend is not guaranteed and no profit forecast is to be inferred or is implied from these statements.

New Dividend Reinvestment Scheme (DRIS)

Together with this prospectus the VCT is introducing a new dividend reinvestment scheme (DRIS). Investors will have the option of receiving their dividends directly in cash to their specified bank account or can elect to have their dividend reinvested into the Company for additional Ordinary Shares. By reinvesting dividends, Investors are able to increase the size of their holding without incurring any additional offer costs, and, subject to their personal circumstances, will receive an additional 30% income tax relief on amounts reinvested on their total VCT investments of up to £200,000 per tax year, subject always to the prevailing VCT rules and limits. The full terms and conditions of the Company's dividend reinvestment scheme are set out in Part 10 of this Prospectus.

Early bird

Early investors have the opportunity to further enhance their potential returns by taking advantage of the Early Bird offer. The offer is a discount of 0.25% on the initial Promoters Fee and is applicable for valid applications on the first £10 million of valid subscriptions received.

Key tax benefits

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the New Ordinary Shares are held for at least five years. Further information on the initial tax benefits can be found on pages 46 and 47.
- Tax free dividends and capital gains.

Furthermore, the Company's focus on 'knowledge intensive' technology companies is in line with recent changes to VCT investment rules and the Government's drive to refocus VCT investment on higher growth companies.

Next steps

In order to invest please read this Prospectus (particular attention is drawn to Part 1: Risk Factors) and then complete the Application Form via the Company's website at www.draperespritvct.com. If Investors have any questions regarding this investment, they should contact their own financial advisors. For questions relating to an application, please contact the Receiving Agent as set out on page 77. Advisors and intermediaries should contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Prospective Investors should note that no investment advice can be given by Elderstreet, Molten Ventures plc, RAM Capital or the Company.

Yours sincerely

David Brock

Chairman

PART 3

INFORMATION ABOUT DRAPER ESPRIT VCT PLC

INTRODUCTION

The Company is an established, technology-focused VCT managed by Elderstreet Investments Limited, a subsidiary of Molten Ventures plc. The objective of the Company is to provide good long-term, tax-free returns to Shareholders through a combination of dividends and capital growth. The Company has a track record of providing good returns for its Shareholders. The Board and Investment Management Team, former executives, and their families have invested in excess of £1,000,000 in the Company to date.

The Company now invests in unquoted investments principally in the technology sector. The Manager has particular expertise in growing businesses through a 'hands-on' investment style and, in aggregate with the Molten Ventures funds, prefers to be part of a syndicate which holds a significant stake and a board position in its portfolio companies. Molten Ventures screen thousands of business plans per annum, talk to about 1,000 companies, and make approximately 15 to 30 investments a year, including follow-on investments.

In 2016 the Board and the manager, Elderstreet Investments Limited, reached a significant co-investment agreement with Molten Ventures plc to share deal flow, management experience, and investment opportunities, as the Company transitioned from a generalist VCT to a technology focused fund. Following a successful four year co-investment strategy, earlier this year Molten Ventures plc acquired the Manager's holding company and is now the ultimate parent of the Manager.

INFORMATION ABOUT MOLTEN VENTURES PLC

Prospective Investors are reminded that the Company (LSE:DEVC) is distinct from Molten Ventures plc (formerly Draper Esprit plc) (LSE: GROW) and does not form part of its group. The Board remains independent of Molten Ventures plc.

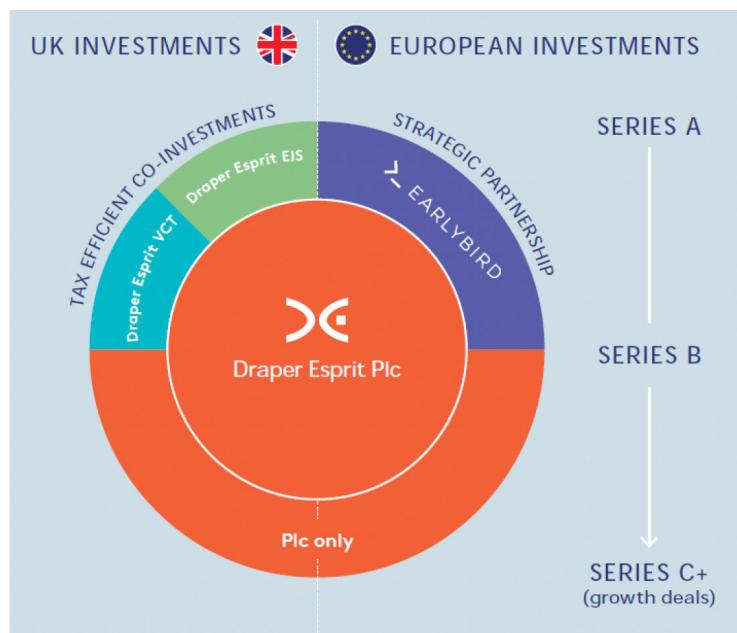
Given that the Company co-invests alongside Molten Ventures plc and the Molten Ventures EIS for VCT Qualifying Investments and the Manager is a wholly owned subsidiary of Molten Ventures plc, the Company has included information relating to Molten Ventures plc for completeness below.

Please note that this information relates to Molten Ventures plc and not the Company which you are subscribing for shares in. Please consult with your independent financial adviser should you wish to acquire shares in Molten Ventures plc (LSE: GROW). This is not to be regarded as an offer or invitation to buy or sell shares in Molten Ventures plc.

Molten Ventures plc is a highly regarded venture capital investor in the UK and European technology sector and a FTSE250 company which, at the time of writing, has a market capitalisation of over £1.4 billion.

Molten Ventures plc is one of the most active venture capital firms in Europe, investing in high growth technology companies with global ambitions. Molten Ventures believe the best entrepreneurs in Europe can build the businesses of the future. Molten Ventures plc undertook an IPO to bring it to the AIM market in June 2016 then moved to a main market listing on the London Stock Exchange earlier this year and is now a constituent of the FTSE250. In the year ending March 2021, Molten Ventures plc have deployed circa £128 million into fast growing technology companies and have realised over £206 million. Molten Ventures is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments.

The following diagram shows how the VCT fits into the Molten Ventures co-investment structure.



Source: Molten Ventures plc

As noted above, the Company along with Molten Ventures EIS and Molten Ventures plc will invest up to Series A and B rounds but, due to the VCT regulations, is unlikely to participate in Series C and beyond. Where it is possible to obtain HMRC qualifying status the VCT will also invest in international companies. The Molten Ventures seed fund strategy is a key differentiator for sourcing Series A and B deal flow.

Technology Sectors

The Company invests in the following technology subsectors:

1. Consumer Technology - companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities.
2. Enterprise Technology - companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.
3. Hardware and Deep Tech - companies developing different technologies that underpin advances in computing, consumer electronics and other industries.
4. Digital Health and Wellness - companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Thesis driven Investment Strategy

Whilst the Company invests across the four sectors above, the Molten Ventures investment team also focuses on thesis-driven investments and is always on the lookout for the next sub-sector or theme to emerge. Molten Ventures invest in sub-sectors like Fintech, where Enterprise and Deeptech overlap with companies like Thought Machine, PrimaryBid and Ravelin, or the space where Deeptech and Healthtech overlaps in companies like Endomag and Evonetix.

The chart below shows the split of the technology companies by sector in which the Company has invested alongside the other Molten Ventures syndicate funds as at 30 September 2021 and is adjusted to include one deal completed in October.

Sector split as % of the Draper technology portfolio			Companies					
	Consumer Technology	24%	VERVE ➤resolver	 				
	Cloud, Enterprise, SaaS	32%	  	 	 			
	AI, Hardware and Deeptech	15%	  	 				
	Digital Health and Wellness	29%	  					

Source: Elderstreet Investments Limited

Deal Origination

Deal sourcing requires excellence in multiple areas - the Molten Ventures brand, people, network, access via seed stage networks, the Molten Ventures fund of funds programme, and utilisation of data. This provides access to a large pipeline of deals across the ecosystem ensuring Molten Ventures can take a market-wide view before investing.

Developing highly coordinated outbound thesis-driven proprietary dealflow is a key role of the deal origination team. Regular thematic deep dives are undertaken by the team based on emerging trends identified in technology, industry verticals, and business models. The utilisation of data and software are key elements at the deal identification stage and management of the investment process. The Molten Ventures pipeline is comprised of new companies as well as success stories from within the Molten Ventures portfolio. These are reviewed by the deal origination team to filter for the next stage of the investment screening process. Leveraging operational expertise across the wider investment team and in-market networks within key geographies further enable access to high-quality dealflow.

In October 2017, Molten Ventures launched its seed fund of funds programme. Three-and-a-half years after launch, they have invested in 35 seed funds globally, committing £67.2 million (converted at year-end exchange rates), which will be invested over approximately five to eight years, with an additional pipeline of further funds identified for future development. Those funds already have over 530 portfolio companies and have raised c.£2.5 billion in total. By seeding the early-stage ecosystem, Molten Ventures can source the best companies for Series A and B, pool expertise from sector specific funds, and benefit from scouts based in every corner of Europe. Whether hunting for a company that is looking to change the eating habits in France, manufacture products in Berlin, or develop novel hardware in Cambridge, the seed funds in which Molten Ventures invest always have one eye on the next trend.

The Investment Process

- Across the Molten Ventures investment platform, thousands of businesses a year are reviewed - searching for the brightest opportunities, and the clearest visions. Molten Ventures do not start from nothing, leveraging deep networks and seed funds to help spot the best ideas to back;
- Molten Ventures talk to the most promising businesses that clear the screening process, getting to know the teams, their ways of thinking and their ambitions;
- Molten Ventures make 15 to 30 investments a year, including follow on investments, bringing the most ambitious tech companies into the portfolio;
- Post-investment, Molten Ventures work with portfolio companies to help them grow in a sustainable way, helping to create companies which are ready to take their place amongst the business leaders in their space;
- At exit Molten Ventures is not confined to five-year cycles. Whether to a strategic buyer or as an IPO, companies exit when they reach maturity or when they have established a strategic position in their ecosystem.

Track Record of Molten Ventures plc

Prior to the pandemic Molten Ventures plc had a historical track record of delivering returns in excess of 20% over 9 years (across its aggregate portfolio return since 2008). In the year ending March 2021, Molten Ventures plc achieved an increase of 51% in gross portfolio fair value growth relative to the targeted 20% gross portfolio returns through the cycle.

Molten Ventures EIS Funds

In 2012, Molten Ventures launched its first EIS fund. This nine year investment period gives Molten Ventures extensive experience and track record in the tax investing space. At the 30 September 2021 valuation and reporting point, Molten Ventures EIS and the prior EIS Funds had made investments in 44 companies. Out of these 44 companies there had been 13 realisations as at that date, comprising nine that were profitable and four that were not. Of the profitable exits two returned over 10x gross cash on cash and there has only been one nil return, and three returns between 0x and 1x.

Molten Ventures EIS funds have been the highest rated EIS by Tax Efficient Review for the past seven years running, with a latest rating of 89/100

MJ Hudson Allenbridge also awarded Molten Ventures EIS their highest score for an EIS fund (87/100) in the last year this was provided

TRACK RECORD OF THE COMPANY

Since its launch in 1998, the Company has paid cash dividends amounting to 109p per Ordinary Share. With an unaudited Net Asset Value of 61.0p per Ordinary Share as at 30 September 2021, the Company has produced a total return since launch (cumulative dividends paid up to 30 September 2021 plus NAV) of 170p per Ordinary Share, a 112.5% tax-free uplift on the net investment (of 80p per share) of Shareholders who invested at inception.

The returns to 30 September 2021 for a Shareholder with Ordinary Shares who invested in the Company at launch are shown below:

Initial net investment per Ordinary Share ¹	Cumulative cash dividends per Ordinary Share	NAV per Ordinary Share (unaudited)	Total return per Ordinary Share (unaudited)	Tax-free uplift on net investment ²
80p	109p	61.0p	170.0p	112.5%

- Assumes an investment of 100p per Ordinary Share by a Qualifying Investor, less income tax relief at 20%, resulting in a net investment of 80p per Ordinary Share.
- The percentage tax-free uplift is the excess of the total return over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. **The tax-free uplift has been set out for illustrative purposes only, is not guaranteed, is not necessarily a guide to future performance and no forecast or projection should be inferred.**

Source: *Elderstreet Investment Limited*

Since 2005 the Company has raised further capital predominantly in the same share class, with the exception of a 2005 offer of C ordinary shares which were subsequently converted into Ordinary Shares. The performance of each of these fund raisings that have satisfied the five year HMRC tax free holding period qualification test are shown below, including initial tax reliefs.

Tax year of Investment ending 5th April	Rate of Initial Tax relief	Initial investment per Ordinary Share after tax relief ***	Cumulative cash dividend per Ordinary Share	NAV per Ordinary Share (30-9-21 unaudited)	Total return per Ordinary Share (30-9-21 unaudited)	Increase on investment without initial tax reliefs	Tax-free % increase on net investment *
1998	20%	80.0	109.0	61.0	170.0	70%	112%
2005 **	40%	60.0	78.0	40.8	118.8	19%	98%
2006	40%	41.3	79.5	61.0	140.5	104%	240%
2008	30%	64.4	72.5	61.0	133.5	45%	107%
2009	30%	52.3	66.0	61.0	127.0	70%	143%
2010	30%	56.3	63.0	61.0	124.0	54%	120%
2011	30%	54.6	59.0	61.0	120.0	54%	120%
2012	30%	49.5	55.0	61.0	116.0	64%	134%
2013	30%	47.3	51.0	61.0	112.0	66%	137%
2015	30%	50.3	28.0	61.0	89.0	24%	77%
2016	30%	49.7	18.0	61.0	79.0	11%	59%

* The percentage tax-free increase is the excess of the total return per Ordinary Share over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free increase figures have been set out for illustrative purposes only, are not guaranteed, are not a guide to future performance and no forecast or projection should be inferred.

** The 2005 numbers and NAV have been adjusted to reflect the merger of the C ordinary share class with the Ordinary Share class at a rate of 0.6691 Ordinary Shares for each C ordinary share.

*** The initial investment per Ordinary Share for the years 2006 to 2016 reflecting the new offers which have 'time qualified' for HMRC purposes reflects the actual offer price at the time of subscription adjusted by the rate of initial tax relief applicable at the time. No offers were made in 2014.

Source: *Elderstreet Investment Limited*

DIVIDENDS

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations and to target an annual dividend return equal to 5% of the Company's prevailing NAV. Further details on the potential returns can be found on pages 24 and 25.

The Company is also launching a Dividend Reinvestment Scheme (DRIS) so Shareholders can elect to have their dividends reinvested into the Company for additional Ordinary Shares. By reinvesting dividends, Investors are able to increase the size of their holding without incurring any additional offer costs, and, subject to their personal circumstances, will receive an additional 30% income tax relief on amounts reinvested on their total VCT investments of up to £200,000 per tax year, subject always to the prevailing VCT rules and limits. The full terms and conditions of the Company's dividend reinvestment scheme are set out in Part 10 of this Prospectus.

The Company currently has distributable reserves of approximately £18 million. Since September 2014, following successful portfolio company exits, special dividends of 20p have been paid per Ordinary Share. In the year to 31 March 2021, dividends of 2.5p per Share were paid, and a final dividend of 1.5p was paid in September 2021. Future dividends are expected to be funded primarily from the Company's distributable reserves, augmented by portfolio exits.

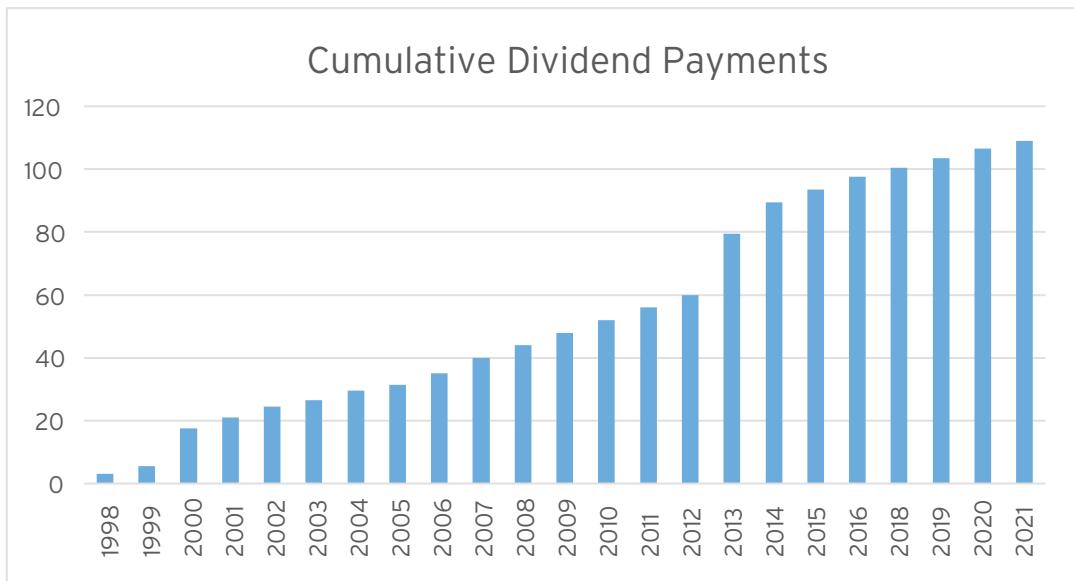
Investors should note that the level of dividend is not guaranteed and no profit forecast should be inferred from these statements.

Regular interim and final dividends have historically been paid in September and March every year although going forward the Board intends to pay dividends in December/January and August/September instead to align with the release of the Company's interim and annual financial statements. It should be noted that payment of dividends, and the exact timing of such payment, cannot be guaranteed. An interim dividend of 1.5p per Ordinary Share was paid on the 17 September 2021 to Shareholders on the register on 20 August 2021. An interim dividend payable in March 2022 is expected to be announced with the interim results although shares issued pursuant to the Offer will not be eligible for this dividend. In addition, special one-off dividends, normally as a result of successful portfolio company exits, have been declared in the past by the Board on an ad-hoc basis.

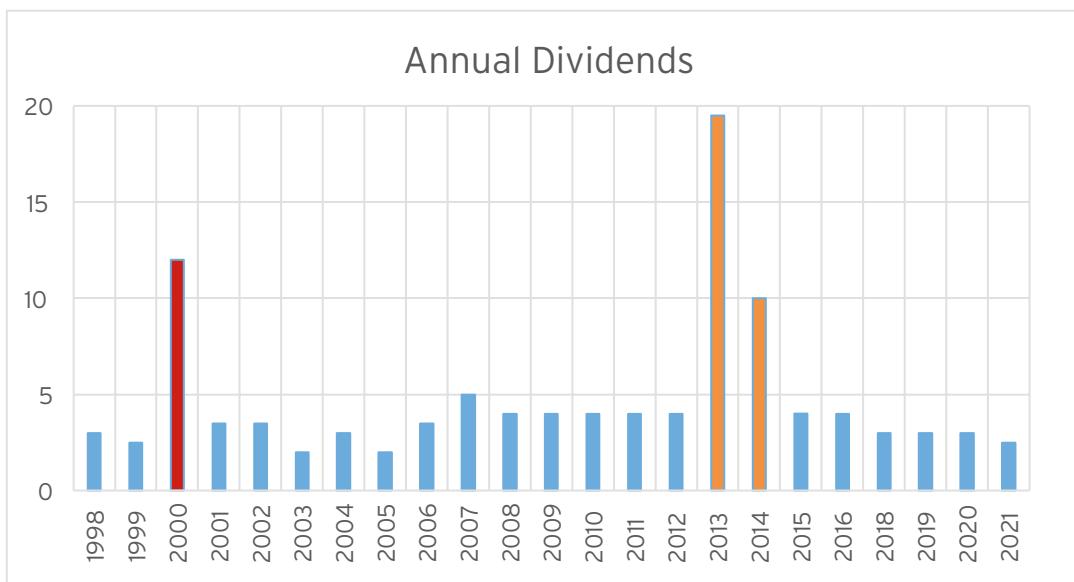
The following table shows the dividends declared per Ordinary Share in respect of each year since inception:

1998	1999	2000	2001	2002	2003	2004
3.0	2.5	12.0	3.5	3.5	2.0	3.0
2005	2006	2007	2008	2009	2010	2011
2.0	3.5	5.0	4.0	4.0	4.0	4.0
2012	2013	2014	2015	2016	2018	2019
4.0	19.5	10.0	4.0	4.0	3.0	3.0
2020	2021				Total Paid to 30 Sep 21	
3.0	2.5				109.0	

Source: Company accounts & Downing LLP



Source: Company accounts & Downing LLP



The special dividend returns in 2000, 2013 and 2014 are the result of strong exits in the portfolio.

Source: Company accounts & Downing LLP

Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2.0p, 3.0p or 4.0p per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 2.5p per Share were paid in the year ended 31 March 2021.

Illustration of potential return per Ordinary Share after 30% tax relief

Estimated Offer Price Pence * (net of tax relief)	Illustrative annual dividend pence	Tax free yield per annum	Grossed up yield to a 40% taxpayer	Grossed up yield to a 45% taxpayer
45.2	2.0	4.4%	7.4%	8.1%
45.2	3.0	6.6%	11.1%	12.1%
45.2	4.0	8.9%	14.8%	16.1%

* Using an Estimated Offer Price of 61.0p being the 30 September 2021 NAV multiplied by 70% to reflect the initial 30% up front income tax relief and adjusted for the maximum issue costs of 5.5%. Note that the NAV will be calculated prior to the allotment and adjusted for any dividend declared and unpaid prior to that allotment. No forecast or projection should be implied or inferred.

Source: Elderstreet Investments Limited

Illustration of potential return per Ordinary Share excluding the initial tax relief

Estimated Offer Price Pence* (gross of tax relief)	Illustrative annual dividend pence	Tax free yield per annum	Grossed up yield to a 40% taxpayer	Grossed up yield to a 45% taxpayer
64.5	2.0	3.1%	5.2%	5.6%
64.5	3.0	4.6%	7.7%	8.5%
64.5	4.0	6.2%	10.3%	11.3%

* Using an Estimated Offer Price of 61.0p being the 30 September 2021 NAV adjusted for the maximum issue costs of 5.5%. Note that the NAV will be calculated prior to the allotment and adjusted for any dividend declared and unpaid prior to that allotment. No forecast or projection should be implied or inferred.

Source: Elderstreet Investments Limited

RECENT AND HISTORICAL EXITS

In February 2020 the Company sold its holding in Pod Point, an electric vehicle charger installation company, realising a profit of £1 million and an IRR of 63%. This is the first exit from the Molten Ventures-managed portfolio. Having backed Pod Point through a critical stage in the company's development and supported it through its journey, their new partnership with EDF Energy is an exciting development for the business and a prime example of how Molten Ventures is able to help portfolio companies secure important backing from strategic partners.

In July 2021 £660k was realised from the sale of IXL Premfina Limited, a specialist software solution platform for the insurance industry. The company was purchased by private equity buyers and rather than hold a de-minimis stake in the resulting business the VCT sold its stake for a 0.87x return on cost.

Both Pod Point and IXL Premfina were companies invested in under the Molten Ventures co-investment agreement.

In July 2018 the Company made a partial realisation of Fulcrum Utilities Group plc, a gas utilities company quoted on AIM, realising a profit of £0.5 million and an IRR of 24%. The Company retained further shares with a value of £0.7 million as at 30 September 2021 on a cost of £0.38 million.

The Company sold Concorde Solutions Limited ('Concorde') in April 2017 realising a small profit over cost. A further escrow payment was received in October 2018 giving a fully realised IRR of 6%. Concorde had made good progress in building its software product but had failed to make any meaningful sales headway. The Board decided it was therefore better for the Company to sell its holding and to recycle the funds into new investments or dividends.

The Company sold its stake in SMART Education Limited ('SMART') in December 2015, realising a profit of £3.6 million. SMART is a teacher supply agency which the Company first invested in in October 2005. This investment backed an existing successful management team that were previously known to the Manager. A further contractual escrow of £1.5 million was paid in December 2016. Taking this into account the investment will have returned an IRR of 19.5%.

In June 2014, the Company sold its stake in Wessex Advanced Switching Products ('WASP'), realising an initial profit of £8.8 million, and further escrow amounts of £0.9 million. WASP is a manufacturer of military and aerospace switches and lighting products. The investment was made in 1999 and has returned an IRR of over 30%. As a result of this very profitable exit the Board declared a special dividend of 15p per Ordinary Share (amounting in total to £4.5 million) paid in September 2014, representing a significant 15% of the Net Asset Value of the Company at the time.

The prior two exits before WASP were the trade sales of Wecomm Limited in March 2011 to OpenText Corporation and Melorio plc in June 2010 to Pearson plc. The Melorio realisation achieved a multiple return of 2.2 times cost. The Wecomm realisation achieved a 1.2 times multiple of cost.

Exits from Molten Ventures-managed portfolio

£'000	Sector	Date of Exit	Profit/Loss	Uplift %	Multiple of Cost
Podpoint	Technology	Feb-20	1,005	117%	2.2
IXL premfina	Technology	Jul-21	(95)	-13%	0.9
Total DE technology portfolio			910	104%	1.6

Source: Elderstreet Investments Limited

Selection of meaningful and successful exits from the legacy portfolio

£'000	Sector	Date of Exit	Profit/Loss	Uplift %	Multiple of Cost
Fulcrum Utilities	Utilities	Aug-18	518	454%	5.5
Concorde Solutions	Technology	Apr-17	258	16%	1.2
SMART Education	Recruitment	Dec-15	3,653	202%	3.0
WASP	Engineering	Apr-14	9,747	17828%	179.3
Wecomm	Software	Mar-11	202	24%	1.2
Melorio	Services	Jun-10	240	120%	2.2
Fords	Engineering	Feb-09	1,150	144%	2.4
Mediasurface	Software	Jul-08	153	23%	1.2
U-Mole	Engineering	Mar-08	1,507	350%	4.5
CSG	Software	Apr-07	2,497	167%	2.7
Ovum	Services	Dec-06	87	58%	1.6
ET&T	Software	Oct-06	210	47%	1.5
Milkround	Recruitment	Mar-06	147	59%	1.6
Henry J Beans	Leisure	Sep-05	343	58%	1.6
Interlink Foods	Food	Jan-00	682	159%	2.6
Systems Union	Software	Jan-00	1,368	574%	6.7
Total Legacy portfolio			22,719	230%	3.3

Note: Uplift % and multiple of cost is calculated after netting off repayment of loan notes during the life of the investment

Source: Elderstreet Investments Limited

INVESTMENT POLICY

The policy below was approved by the FCA and by Shareholders at a general meeting on 27 March 2019 and further material changes to this policy will require Shareholders' and FCA approval in accordance with the Listing Rules.

VCT Qualifying Investments

The Company currently holds a portfolio which is mixed by sector, with new investment activity focused on the technology sector.

The Company will continue to invest in a diversified portfolio of companies predominantly in the technology sector, with a particular emphasis on unquoted companies which will usually have the following characteristics:

1. Companies which meet the VCT criteria with the ability to grow, which are seeking growth capital;
2. A strong, balanced and well-motivated management team;
3. Investments where the Manager can typically be an active investor and have a board or observer position;
4. Companies with products or services which have the potential to sustain a competitive advantage; and
5. Companies with reasonable prospects of achieving a trade sale or stock market flotation.

Future VCT Qualifying Investments will usually be syndicated alongside other Molten Ventures funds with a focus on the following technology sectors:

1. Consumer Technology - companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities.
2. Enterprise Technology - companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.
3. Hardware and Deep Tech - companies developing different technologies that underpin advances in computing, consumer electronics and other industries.
4. Digital Health and Wellness - companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Non-Qualifying Investments

The Company will invest such funds not utilised in VCT Qualifying Investments in cash and other near cash assets, as permitted under VCT regulations. Cash is held in the VCT's own bank account at either Bank of Scotland plc or Royal Bank of Scotland plc.

Risk Diversification

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of technology sectors. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

Venture Capital Trust regulations

The Company will be managed with the intention of maintaining its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007.

Borrowings

It is not the Company's intention to have any borrowings; however, the Company does have the ability to borrow not more than 10% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

SHARE BUYBACKS

The Company has from time to time bought back its Ordinary Shares for cancellation. The Company intends to continue to buy back its Ordinary Shares at a discount of approximately 5.0% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules. The Company intends to acquire its own Ordinary Shares in the market four times each year. The Board will agree the price at which such buybacks are undertaken which will not be more than 95.0% of the last published NAV for the Ordinary Shares although the Board may decide to buy back shares at their discretion at a larger discount subject to VCT regulations, liquidity and the Listing Rules.

The implementation of the buyback policy in relation to Ordinary Shares will be at the Board's discretion and subject to the Company's liquidity, and stock market and other applicable regulations.

DISTRIBUTION OF CAPITAL PROFITS AND DIVIDENDS

It is the Board's target to pay a tax free dividend of approximately 5% of the Company's prevailing NAV per annum going forward. Dividends of 2.5p were paid in the year ended 31 March 2021. Further details on the potential returns can be found on pages 24 and 25. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income after fees and VCT running costs. Following the introduction of the Dividend Reinvestment Scheme Interim dividends on Ordinary Shares are expected to be paid in December/January and final dividends are expected to be paid in August/September each year. Any dividend which becomes payable prior to 31 March 2022 will still be paid, but will not be available for Investors in this Offer.

CO-INVESTOR SUSTAINABILITY AND ESG POLICY

Molten Ventures' mission is to empower Europe to invent the future. The Manager as a subsidiary of Molten Ventures plc shares its vision of the future to be sustainable, fair and accessible to all. Molten Ventures aim to use its platform in VC to encourage and promote its values and ESG considerations in developing best-in-class technology companies and achieving strong returns for its investors. In Molten Ventures' capacity as stewards for our stakeholders, Molten Ventures is committed to investing responsibly, and establishing environmental, social and governance policies that accelerate positive change and inspire the next generation of diverse entrepreneurs. Molten Ventures' ESG Policy, adopted in September 2020, sets out how it aims to achieve this.

The standards Molten Ventures apply

Molten Ventures invests in businesses and entrepreneurs who are committed to changing the world in a positive way and has developed a set of standards for what it believes 'good ESG' looks like. These don't demand businesses demonstrate them all at the point of initial investment, but Molten Ventures do need a commitment from the founders and management teams that they will meet or surpass these targets during the lifetime of Molten Ventures' investment. Molten Ventures strongly believe that doing so will benefit the operations and standing of the portfolio company as well as the broader environment and community.

Broadly summarised, the Molten Ventures standards ask businesses to:

- recognise the importance of protecting the natural environment and reducing or balancing carbon emissions to work towards net zero climate goals
- encourage diversity and inclusion and not tolerate any form of discrimination at any level of the business
- ensure they treat everyone involved in the operation of the business fairly and with access to safe conditions that encourage healthy working
- ensure strong corporate governance and an accountable leadership culture
- act ethically and in line with all laws and standards that apply
- ensure privacy, health and safety, and diversity and inclusion (D&I) within business practices
- commit to including strategic sustainability on the board agenda at least quarterly
- encourage monitoring and reporting of ESG progress

The tools and methods Molten Ventures use to evaluate and monitor its investments are in line with the UN Principles for Responsible Investment.

Due diligence and screening

Using the ESG standards and pre-investment provisions set out in the ESG Policy as a baseline, Molten Ventures screen prospective portfolio companies using an exclusion list before performing wider ESG-related due diligence as part of the deal-execution process. Only when Molten Ventures have made an assessment of a company's ESG credentials can a final investment decision be made. Molten Ventures' exclusion list sets out the sectors, businesses and activities that Molten Ventures, as responsible stewards, will not invest in due to their having an objective or direct impact that does not align with Molten Ventures' ESG objectives. Included within this list are: slavery, forced or child labour; illegal or banned products or activities; activities that compromise endangered or protected wildlife; fossil-fuel mining; production of non-defensive arms or ammunitions; tobacco or alcohol; asbestos; trade in human body parts or organs; or animal testing other than to satisfy medical regulatory requirements. Molten Ventures will, during the course of the due diligence process, assess the ESG opportunities, risks and gaps inherent in a business, employing a risk-scoring system to assess a broad range of the major ESG issues. The outcome of this process is documented alongside the wider investment recommendation materials presented to the Investment Committee, with low scores for specific ESG risks flagged (e.g. climate change). If the ESG risks are within an acceptable range, the terms of investment will typically require a commitment by the company management to meet Molten Ventures' target ESG standards. Molten Ventures aim to help the portfolio company in achieving whatever action is proposed.

Mapping and monitoring

Following completion of a direct investment, Molten Ventures map the assessed ESG status of the company to the UN Sustainable Development Goals (SDGs) and work alongside the management team to support and monitor performance to these criteria. Molten Ventures work with the management team, using its ESG assessment to establish measures and strategies they should monitor. The scope and nature of what is agreed will evolve as the portfolio business grows and matures and as lessons are learned from implementation of the ESG Policy. Monitoring can identify both improvements or areas to be improved, as well as any remedial action necessary, and takes place at least once a year. Finally, so Molten Ventures can continually reflect and improve its broader stewardship, Molten Ventures intend, when exiting from a portfolio company, to document the ESG progress made through the lifetime of the investment. Molten Ventures intended to continually monitor how the implementation of the ESG Policy and evolve it over time as we rise to meet new challenges and continue to improve ESG standards. The full version of the Molten Ventures ESG Policy is available from <https://investors.moltenventures.com/esg-policy>.

THE MANAGER

The Manager has acted as investment manager for the Company since its inception in 1998 (initially, through its wholly owned subsidiary, Elderstreet Private Equity Limited, and since 2009 directly after the Investment Management Agreement in relation to the Company was novated from that subsidiary to itself). The Manager was founded in 1990 and currently has more than £88 million (unaudited) of assets under management. The Manager has expertise in tax efficient investing, including VCTs and EISs, and is a specialist in the smaller, unlisted sector. The Manager has a thesis-driven proprietary deal flow and a "hands on" portfolio management style.

The Manager's holding company, Elderstreet Holdings Limited, is 100% owned by Molten Ventures plc.

The Administration Manager

Downing LLP (and previously its predecessor, Downing Management Services Limited) has been the Company's Administration Manager since the Company's inception in 1998 and performs similar services for a number of other VCTs.

VCT Status Monitoring

The Directors have appointed Philip Hare & Associates LLP to advise the Company on compliance with the taxation legislative requirements relating to VCTs.

Management Fees and Charges

The Manager receives an annual fee (the “**Annual Fee**”) equal to 2.0% of the Net Assets of the Company subject to the expenses cap (see below). The Annual Fee is payable quarterly in advance.

Downing LLP currently receives an annual fee of £85,000 plus 0.1% of further new funds raised (excluding VAT) subject to an annual cap of £100,000 for its role as the Administration Manager.

Expenses Cap

The annual running costs (including VAT) of the Company are capped at 3.5% of its Net Assets with any excess being refunded by way of a reduction in the fees payable to the Manager.

The running costs include, inter alia, fees payable to the Manager and the Administration Manager, Directors’ fees, audit and taxation fees, registrar’s fees and costs of communicating with Shareholders. The expenses cap excludes the performance incentive fee. For the year ended 31 March 2021 the Total Expenses Ratio (TER) was 2.42%, for the year ended 31 March 2020, the TER was 2.84% and for the year ending March 2019 the TER was 2.89%.

Performance Incentive Fees

Under new arrangements, introduced in February 2021, no performance fee is payable unless a realised gain is made on the disposal of an investment where both the hurdles below are met:

- (a) an IRR hurdle requiring the achievement of at least 7% p.a. based on cash flows of additions and disposal proceeds related to all investments within a five-year investment pool, calculated by reference to the audited valuations of all investments within that investment pool held by the Company at the end of each financial period, the first such period starting on 1 April 2021; and
- (b) a NAV per share hurdle requiring the NAV per share at the end of the year in which the gain is made to be higher than the NAV per share at the commencement of the five year pool period in which the investment was made having added back any dividends paid since the date of the relevant NAV Base and having subtracted any performance fee(s) or deferred performance fee(s) to be paid in respect of the financial period to the extent provision has not already been for these made in the NAV.

Where a realised gain is made and both hurdles are met, a performance fee equal to 20% of the realised gain is payable to the Manager.

To the extent a performance fee is not paid due to failure to meet either hurdle, it may be paid at a later date if the hurdles are then achieved.

Arrangement and Monitoring Fees

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross amount invested by the Company. No arrangement fees have been charged by the Manager for any of the Molten Ventures-managed deals completed to date. The Manager may also charge portfolio companies for its monitoring services and non-executive director fees but has not done so in recent years.

Co-Investment and Conflicts Policy

Draper Esprit VCT has a co-investment right alongside the Molten Ventures funds. This is broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the Company, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis. The Directors believe that this co-investment arrangement will provide Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for the Company to participate in larger deals, and, therefore, later stage companies.

Since April 2017, the average investment size committed by the VCT into each new technology investment has been £0.8 million and an allocation of c 10% of the total Molten Ventures group investment. The allocation percentages amongst the entities are reviewed and updated periodically. Since September 2021 the split of new deals between the co-investing entities has been as follows: for new investments under £10 million, provided they are VCT and EIS qualifying, the Company has been allocated 25% of the total Molten Ventures co-investment amount.

Molten Ventures has a comprehensive policy in place to deal with potential conflicts of interest.

In the event of a conflict of interest between the funds (which shall include where an investment is proposed in a company in which another fund already has an interest), or where co-investments are proposed to be made other than on the above basis, such an investment by the Company will require the approval of those members of the Company's board who are independent of the Manager.

The Board is independent of the Manager and Molten Ventures plc and while the Manager may recommend investments on the above basis the Board has the right to challenge or even decline investment opportunities in limited circumstances under the terms of the Investment Management Agreement.

Each of the Manager and Molten Ventures plc has developed effective procedures for the post investment monitoring and support of portfolio companies by way of board representation, monitoring of management accounts and internal reporting practices. The Directors believe that such procedures are an essential element in successful venture capital management.

Net Asset Value Calculation

Investments are designated as "fair value through profit or loss" assets, upon acquisition, 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, with a view to selling after a period of time, in accordance with the Company's investment policy.

Listed fixed income investments and investments quoted on AIM and the Main Market are measured using bid prices in accordance with IPEV (International Private Equity and Venture Capital Valuation) Guidelines. For unquoted instruments, fair value is established using the IPEV. The valuation 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 Company's net asset value is formally calculated every six months by the Manager, approved by the Board and published on an appropriate regulatory information service.

PART 4

INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date of this document is set out below (the valuations being the unaudited valuations and cash balances as at 30 September 2021).

The table also includes new 'Committed' investments where the Company has signed up to a binding investment document but is awaiting HMRC approval prior to formally completing its investment in the relevant company. These 'Committed' investments have been deducted from the actual cash balance in the Company.

Investments	Actual Cost	30 Sep 21 Valuation	Unrealised Gain/Loss	Portfolio by % Value
Draper Esprit Completed Investments	Cost £	Valuation £	Gain/Loss £	%
Back Office Technology Ltd (Form3)	1,419,974	7,955,177	6,535,203	9.0%
Endomagnetics Limited	2,147,141	5,651,919	3,504,778	6.4%
Thought Machine Group Limited	2,399,996	4,024,616	1,624,619	4.5%
IESO Digital Health	1,900,024	3,302,067	1,402,043	3.7%
StreetTeam Software Limited	2,819,852	2,530,966	(288,886)	2.9%
Freetrade Ltd	600,000	2,366,788	1,766,788	2.7%
Eonetix Limited	1,484,960	1,881,963	397,004	2.1%
Ravelin Technology Limited	1,133,329	1,878,873	745,544	2.1%
Roomex UK Ltd	1,081,000	1,104,425	23,425	1.2%
Crowdcube Limited	400,000	1,013,005	613,005	1.1%
PrimaryBid Limited	949,980	949,980	-	1.1%
River Lane Research Limited	900,896	900,896	-	1.0%
United Authors Publishing Ltd (Unbound)	542,002	884,678	342,677	1.0%
Focal Point Positioning Limited	599,996	599,996	-	0.7%
Hadean Supercomputing Limited	399,996	583,328	183,332	0.7%
Sweepr Technologies Limited	514,597	526,000	11,403	0.6%
Draper Esprit Other Investments	4,680,257	1,120,641	(3,559,616)	1.3%
	23,973,998	37,275,316	13,301,318	42%

DE committed Investments post 30 Sep 21 **

Cervest Limited	1,312,230	-	1.5%
IESO Digital Health	1,666,000	-	1.9%
AllPlants Limited	1,800,000	-	2.0%
Global Satellite Vu Ltd	977,367	-	1.1%
	5,755,597	-	6%

DE - total completed and committed investments	43,030,913	13,301,318	48%
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Net cash at bank minus committed investments	20,197,842		23%
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Legacy Elderstreet Investments	Cost £	Valuation £	Gain/Loss £	%
Access Intelligence PLC *	2,586,379	12,114,624	9,528,245	13.7%
Fords Packaging Top Co Ltd	2,432,856	6,877,632	4,444,776	7.7%
Lyalvale Express	1,915,204	3,998,820	2,083,616	4.5%
Macranet Ltd T/A Sentiment Metrics	1,187,169	1,187,171	2	1.3%
Fulcrum Utilities Limited *	385,948	691,430	305,482	0.8%
	8,507,556	24,869,677	16,362,121	28%

Legacy Other Investments	645,413	0.7%
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Net Assets	88,743,845	100%
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* AIM quoted

** Completed and contingent on HMRC advance assurance post 30 September 2021

Quoted investments are valued at bid prices with a liquidity discount, where appropriate, and unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

Company's Molten Ventures-managed Portfolio Holdings

Further information on the top ten holdings of the Molten Ventures technology portfolio company follows:

Company Name	Sector	Description	Equity %
Back Office Technologies (Form3)	Enterprise Technology	Payment processing technology	<5%

Form3 delivers cloud-based connectivity, payment processing, clearing and settlement services. Their clients include a wide range of regulated financial institutions, including leading banks, non-bank financial institutions and fin-techs. Form3 couples their technology with banking partnerships to facilitate agency payment services, accessed through a simple API on a per transaction commercial model, with no big upfront costs. Form3 won the UK Business Angels Association 2018 Best Investment in Fintech Award for demonstrating innovation, and the capability to disrupt the market and the capacity to achieve high growth. Form3 completed a significant new investment round of \$160m led by Goldman Sachs in the summer of 2021. This sets up the company for global scale with the US being the main new launch market.

Endomagnetics	Digital Health & Wellness	Cancer trace and guidance systems	<5%
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Cambridge-based Endomag has developed a suite of medical technologies that use magnetic markers to assist surgeons when they are performing an operation.

Its first use has been in the treatment of breast cancer, and the technology has been used in more than 100,000 cases (up from 25,000 cases when the VCT funds first invested) across 30 countries. Endomag currently has two complementary products. It has developed an approach that uses a fluid with magnetic properties to replace the injection of a radioactive marker. Because of the radiation that is inherent in the existing approach there are very high regulatory barriers to its use and handling, so not every hospital that conducts cancer surgery is able to use it. Endomag overcomes this challenge, as well as its other benefits. In addition, the company has developed a magnetic location marker, smaller than a grain of rice, that radiologists can insert to pinpoint a tumour ahead of an operation which the surgeon can then use to precisely locate that tissue during the operation. This product is a significant improvement over the existing method known as wire-guiding both in terms of resection incidence (i.e. whether a further operation is required later) and operating theatre workflow productivity.

Thought Machine	Enterprise Technology	Cloud core bank systems	<5%
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Thought Machine has developed a cloud-based Core Banking System for banks. This is one of the first bottom-up attempts to build a modern computer system for banks, which can be used out of the box by any bank and tailored as necessary. Each instance has its own private blockchain and cryptographic ledger, hosted by Thought Machine. Thought Machine's core offering provides a next generation core banking platform that enables banks, both traditional established organisations and new so-called 'challenger banks', to compete in an internet-based era. Thought Machine was founded in 2014 by serial entrepreneur and former Google engineer, Paul Taylor. Thought Machine is continuing to build strong commercial momentum. It has announced a major new customer 'win' having been selected by JP Morgan to overhaul its core banking systems across the bank's entire US retail network, Chase.

IESO	Digital Health & Wellness	One-to-one clinically led online therapy	<5%
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ieso provides clinically validated Cognitive Behavioural Therapy (CBT) treatments through its proprietary online platform. Behavioural health patients interact with highly-qualified CBT therapists via a written transcript. The company has demonstrated since 2013 that its approach is not only as good as face to face therapy but has advantages over face-to-face, video and tele-based treatments. The NHS, via contracts with individual authorities, is a significant customer.

The cost of mental health conditions, globally, according to the WHO (World Health Organisation) is currently \$2.4tn and it is expected to more than double by 2030.

The existing provision of treatment reaches only a fraction of those affected, and new methods and more scalable delivery of services is required to serve the needs of patients.

ieso has clinical evidence to validate its approach. It has achieved success in use for the NHS and the opportunity now is to expand in the UK and internationally and establish a position as the market leader in this sector.

StreetTeam Software (Pollen)	Consumer Technology	Peer-to-peer sales and marketing software	<5%
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Pollen's mission is to be the global platform for 16-28 year olds to discover and buy from aspirational brands through their network. This builds on the thesis that 'millennial' consumers favour a more personalised experience beyond traditional marketing approaches and that brands are struggling to stay relevant and engage with their customers.

Pollen leverages a large network of passionate "Ambassadors" who recommend and sell events, experiences and products to their friends and social peer group, in return for rewards related to that experience (e.g. free tickets, VIP perks and backstage passes).

Pollen has now launched a business-to-consumer (B2C) marketplace connecting Ambassadors and Brands. For these brands, Pollen is using technology to enable word of mouth selling at scale.

The company earns a commission on the sales made through the platform. It works alongside global ticketing agencies and partners who facilitate the transaction. The business has grown both organically and via M&A as they have expanded into new verticals (travel) and geographies (USA and Canada). The company has emerged strongly from Covid having accelerated its move into a broader and newly devised area of 'curated travel' where it works alongside artists to curate and own targeted packaged travel experiences for the youth market in multiple sectors.

The company is seeing huge momentum from this business - both from artist partners who are looking to access new revenue streams and new ways of touring and live performing, and from their audience. They have announced partnerships with J Balvin (largest selling Latin American artist), Justin Bieber, and a strong pipeline of other leading artists. The first events kicked off very successfully in September this year across destinations including Las Vegas, Cancun and Palm Beach.

Freetrade	Consumer Technology	Free stock trading platform	<5%
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Freetrade is a "challenger" stock-broker that offers free stock trading within a smartphone app. The business is based on the principle that incumbent brokers are expensive for consumers and have a poor user experience (from account opening to placing a trade).

Freetrade also has a number of technically innovative features that translate into a unique customer proposition, e.g. the ability to buy a fraction of a share, which means that a large number of smaller investors can now access stocks such Amazon which are currently trading at well over \$2,000 per share and would otherwise be too large to acquire for a small portfolio.

Freetrade has now achieved 1m users - a huge rate of growth, and is now the second largest retail broker on the LSE (London stock Exchange) when measured by the number of orders every day. The company is embarking on international growth and has opened offices in Brisbane, Stockholm and Vancouver.

Evonetix Ltd	Digital Health & Wellness	Gene synthesis technology	<5%
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Evonetix is a synthetic biology company which is developing a highly novel and advanced silicon-chip based method of producing synthetic DNA. It is a 'deep tech' investment with high potential upside. The rapidly emerging synthetic biology industry is utilising scientific advances in the field of DNA and protein engineering to revolutionise bioproduction, however one of the current bottlenecks in designing new products and processes is the ability to design and produce high quality, error free DNA on demand. Evonetix is trying to solve this problem using a novel, patented method which is able to synthesise large amounts of DNA on a chip with a built-in error correction algorithm. Evonetix continues to work towards the first release of its technology platform. Two other products are now part of the technology development roadmap. In September, the Company was granted a patent for a DNA data storage and retrieval method. This patent is highly novel and demonstrates the potential application of Evonetix's technology way beyond gene synthesis, in this case via the ability of DNA to encode and store very large amounts of information.

Ravelin	Enterprise Technology	Fraud Payment Processing Technology	<5%
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Ravelin provides an online, cloud-based fraud detection and prevention platform that helps companies stop online payment fraud by examining customer behaviour data and spotting fraudsters while there is still time to block the transaction.

Ravelin utilises machine learning and graph network technologies to help online businesses reduce losses to fraud and improve acceptance rates of orders. Ravelin's fraud prevention platform has broad applicability across many market sectors, including areas that have accelerated strongly under Covid and lockdown(s). The rapid, real time response of Ravelin's solution for payments enables transactions to be verified immediately. The company's reference customers include food delivery companies such as Deliveroo and Just Eat where detecting fraud after a delivery has been made has limited impact, so fraud assessment is needed straight away as the order is placed.

Similarly, travel and ticket businesses such as Booking.com and Trainline are using Ravelin. And Covid has also accelerated the uptake of subscription based services where there are constant and ongoing areas that fraudsters target.

Roomex	Enterprise Technology	Global business hotel booking platform	<5%
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Roomex is a business to business (B2B) software company that operates in the travel market and sells to businesses in the small and mid-market segments. The company offers an internet-based platform that allows business to book, manage and control their work-related travel expenditure. It has had a specific focus to date on hotel booking, payment and management.

Companies can book hotels for their employees on the platform at guaranteed best rates and within company policies and limits, and can manage all global employee bookings centrally with one single monthly invoice. Example customers include Allianz, AIB, David Lloyd Leisure, Travis Perkins, Selfridges and Flight Centre. Roomex has been one of the most exposed companies in the fund's portfolio during the Covid period owing to the impact of lockdown(s) but has weathered the global pandemic well over the last 18 months. The company has a highly experienced management team and responded quickly to the early Covid indications with a substantial re-budgeting and adjusted cost base. With its focus on customers that represent many essential sectors (utilities, construction, engineering, manufacturing), Roomex has been at the leading edge of the overall market recovery and has now returned to pre-Covid revenue levels and is showing strong growth.

Crowdcube	Consumer Technology	Crowd funding platform	<5%
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Crowdfunding is a growing phenomenon that encompasses several different funding models for businesses, products, and philanthropic projects. Because of its legal framework, Europe, and the UK in particular, has been at the forefront of equity crowdfunding.

Crowdcube operates via its website and raises funding for businesses from “the crowd” via a multitude of small investment pledges which are aggregated together if the overall fund raising target is met. Over £500m has been pledged to company pitches on Crowdube to date. As well as start-ups, established businesses have elected to raise funds through crowdfunding rather than from banks or other sources of capital. For example, Crowdube ran a very successful campaign for “Mr and Mrs Smith”, the boutique travel business, and FinTech ‘unicorn’ Monzo raised £20m in just over 2 days through Crowdube as part of a fund raising. Crowdube’s momentum of 2020 continued into 2021. Q2-21 was the company’s strongest quarter for revenue to date and its 4th profitable quarter in a row.

Over £100m was raised on the platform in Q2-21, with over 20 raises of £1million or more including Curve (almost £10million), Citymapper (£6million), and Cornish Lithium, a highly innovative eco-tech company exploring for battery metals in Cornwall, raised nearly £6 million.

Source: Elderstreet Investments Limited

Legacy Portfolio Holdings

Unless stated to the contrary the figures for each of the portfolio companies below have been extracted from their annual accounts filed at Companies House. Where information has been sourced from the management accounts of the portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. The total Legacy Portfolio companies account for 28.8% of the Company’s NAV as at 30 September 2021. Five of these companies account for 97.5% of that Legacy Portfolio:

The current carrying value and historical investment performance of these five legacy portfolio companies is shown in the table below. Taking into account the repayment of loan stock, loan stock interest and dividends paid, four of these companies have all returned over 3.0x.

Legacy Elderstreet Investments	Total Cost	Total Realised	Carrying Value Sep 21	Total Return	Multiple of Cost
Access Intelligence plc	2,586,379	910,483	12,114,624	13,025,107	5.04
Fords Packaging Top Co Ltd	2,432,856	2,245,674	6,877,632	9,123,306	3.75
Lyalvale Express Ltd	1,915,204	2,609,157	3,998,820	6,607,977	3.45
Macranet Ltd	1,187,169	-	1,187,171	1,187,171	1.00
T/A Sentiment Metrics					
Fulcrum Utility Ltd	500,074	929,319	691,430	1,620,749	3.24
Total	8,621,682	6,694,633	24,869,677	31,564,310	3.66

Source: Elderstreet Investments Limited

Information on the top four of the top five legacy portfolio companies follows:

Lyalvale Express Limited

<i>First Investment</i>	May-98	<i>Year ended</i>	31-Mar-18	31-Mar-19	31-Mar-20
<i>Cost</i>	1,915,204	<i>Turnover (£m)</i>	7.2	6.9	6.3
<i>Value</i>	3,998,820	<i>EBITDA (£m)</i>	1.0	0.7	0.7
<i>% held</i>	44.2%	<i>Net assets (£m)</i>	9.4	9.6	10.0

Lyalvale Express is a leading producer of shotgun ammunition in the UK. It has developed a range of more than 30 different models of cartridge suitable for both game and clay shooting. Its products range from premium products such as that used by Richard Faulds to win an Olympic Gold Medal in Sydney, to popular everyday products. It occupies a freehold site in Staffordshire and is dividend paying. The Manager has a seat on the board of directors.

Fulcrum Utilities Services Limited

<i>First Investment</i>	Jul-03	<i>Year ended</i>	31-Mar-19	31-Mar-20	31-Mar-21
<i>Cost</i>	385,948	<i>Turnover (£m)</i>	48.9	46.1	47.1
<i>Value</i>	691,430	<i>Adjusted EBITDA</i>	10.9	4.5	0.1
<i>% held</i>	1.5%	<i>Net assets (£m)</i>	45.3	46.3	35.4

Fulcrum is an AIM listed leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management, consultancy and audit services across all sectors nationally. Fulcrum's combination of expertise, accreditation, nationwide coverage and heritage as part of the Gas Board, Transco and National Grid, ensures a streamlined and compliant utilities infrastructure solution is delivered for its customers.

Access Intelligence plc

<i>First Investment</i>	Oct-08	<i>Year ended *</i>	30-Nov-18	30-Nov-19	30-Nov-20
<i>Cost</i>	2,586,379	<i>Turnover (£m)</i>	8.9	13.4	19.0
<i>Value</i>	12,114,624	<i>Adjusted EBITDA</i>	0.0	0.8	0.7
<i>% held</i>	9.9%	<i>Net assets (£m)</i>	10.7	14.0	9.1

Access Intelligence is an AIM listed leading supplier of Software-as-a-Service (SaaS) PR, marketing and communications software and services. During 2020 the Company ACV grew organically by 21% to £21.9 million

Fords Packaging Topco Limited

<i>First Investment</i>	Dec-13	<i>Year ended</i>	30-Jun-18	30-Jun-19	31-Dec-20
<i>Cost</i>	2,432,856	<i>Turnover (£m)</i>	7.7	9.3	10.4
<i>Value</i>	6,877,632	<i>Profit before tax (£m)</i>	1.1	1.1	1.2
<i>% held</i>	48.7%	<i>Net assets (£m)</i>	3.6	4.2	5.5

Based in Bedford, Fords Packaging is a leading supplier of capping presses and also manufactures rotary sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required. Fords products are mainly for use in the food and dairy industries and the company has global clients. In 2018 Fords won the award for Best Closure for their Fords foil caps at the World Beverage Innovation Awards, held in Germany. Winning this award is a recognition of the innovative solutions Fords are developing to bring a unique range of benefits to brand owners and consumers, in sustainability, consumption experience and packaging innovation. With the single serve water bottle their innovative foil seal delivers bottle weight reduction by removing threads from the neck finish. Combined with elimination of the need for a plastic screw cap and tamper evident band, it delivers the lowest package weight in the market. The Manager has a seat on the board of directors. Note 2020 is an 18 month period.

Source: Elderstreet Investments Limited and Company's unaudited half yearly accounts to 30 September 2021

PART 5

MANAGEMENT TEAM

Molten Ventures plc Investment Team

Molten Ventures plc is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Molten Ventures plc undertook an IPO to bring it to the AIM market in 2016 and then moved to a main market listing on the London Stock Exchange earlier this year and is now a FTSE250 company. Molten Ventures plc is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments. Molten Ventures plc has added 14 individuals in the last year and at its current headcount is 58. The Investment Team consists of ten executives and six Venture Partners, backed up by ten further deal process and deal origination support staff. As a group, the Molten Ventures team bring nearly a century of combined experience, global firepower and a long-term view.

A selection of the key investment executives at Molten Ventures plc follow.

Martin Davis is the CEO of Molten Ventures plc. He has more than 20 years' experience in financial services and joined Draper from Aegon Asset Management where he was the Head of Europe, Aegon Asset Management & CEO Kames Capital. Prior to Aegon Asset Management, Martin served as CEO at Cofunds, spent 8 years at Zurich Insurance Group, and was also CEO of Zurich's joint venture, Openwork, the largest network of financial advice firms in the UK. Prior to this, Martin held senior management roles at Misys and Reuters. He also worked as Executive Vice President International for high growth start up, Corillian, an internet banking software company. Martin also served for 11yrs in the British Army. Martin has an MBA from London City Business School (CASS) and Diplomas from the Institute of Marketing and the Market Research Society.

Stuart Chapman is the co-founder of Molten Ventures plc. Prior to establishing the Draper Esprit group (now Molten Ventures), with Simon Cook in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Conversocial (sold to Verint Systems), Lagan Technology (sold to KANA), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Riverlane, Resolver, Realeyes and an observer with Graphcore and Crate. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.

William Horlick (Head of VCT) has worked at Elderstreet Investments Limited since 1998. He has worked on over 70 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.

Richard Marsh (Senior Partner) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Draper Esprit group's investments in Apperio, Bright Computing, Garlik (acquired by Experian), Green Park Content, GreenPeak Technologies (acquired by Qorvo), Polatis (acquired by Huber and Suhner), Psytechnics (acquired by NetScout), and SportPursuit (majority investment by BD Capital). Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.

Jonathan Sibilia (Partner) joined Draper Esprit (now Molten Ventures) in 2009. Prior to joining the company, he was a senior associate in the technology group at Jefferies International advising on high-profile cross-border M&A, debt & equity offerings. Previously he worked at Rothschild & CIE in Paris. He also worked at Apax Partners Corporate Finance in France. Jonathan holds a MA in Management from EM-Lyon and the University of St Gallen in Switzerland and a MA in Advanced Corporate Finance from the University of Paris IX Dauphine.

Nicola McClafferty (Partner) joined in 2017 and focuses on investments in consumer and SaaS. In addition, Nicola serves as a Board Director for NDRC, Irelands largest technology accelerator. Prior to joining Draper Esprit (now Molten Ventures) Nicola was co-founder and CEO of online fashion marketplace, Covetique. Nicola spent 5 years as a venture capital investor with Balderton Capital and media-consultancy Ravensbeck, focussing on early stage technology and digital media investments. Nicola started her career as an investment banking analyst in the technology team of Jefferies International in London. She graduated from University College Dublin with a BComm in International Business & French.

Vinoth Jayakumar (Partner) joined the team in 2016. Prior to that he worked at a boutique management consulting firm in London and was an angel investor in various startups. He leads Fintech investing at Molten Ventures, leading investments into companies like Thought Machine, Form3, PrimaryBid, Revolut, Freetrade and Ravelin. He is focussed on investing against a thesis that is built around the future of financial services covering how people interact with money, all the way through to the infrastructure software behind the architecture of banks.

Christoph Hornung (Investment Director) joined Draper Esprit (now Molten Ventures) in 2020 and focuses on consumer internet, financial services and online marketplaces. Prior to Molten Ventures, Christoph was with Rocket Internet in Asia and Australia, where he helped build The Iconic and Lazada. Previously, Christoph worked as Investment manager at Seven Ventures, where he focused on consumer and e-commerce investments. Christoph is also the founder of a data company in the Sports and Entertainment industry. Christoph is from Germany and graduated from CASS Business School in London.

Dr Inga Deakin (Principal) recently joined Molten Ventures to build and support the healthtech investment portfolio. Her experience includes 6 years at VC Touchstone/Imperial Innovations investing in life science and digital health companies emerging from top UK universities. She led investments, bringing in new and diverse syndicate investors, and was on the board of 5 companies, resulting in 2 acquisitions and bringing medical and life science products from research stage to the market. She then spent 3 years in the USA, gaining international industry and healthcare experience, as Chief of Staff in a commercial stage genetic molecular diagnostics company, and most recently as Entrepreneur in Residence at Duke University. Her scientific training includes a DPhil and MSc in Neuroscience from the University of Oxford, and a BA from the University of Cambridge.

The Board

The Company has four Directors, all of whom are non-executive and the majority of whom, including the chairman, are independent of the Manager.

David Brock BSc (Chairman) is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group Plc. He is currently Chairman of Episys Group Plc, Honest Brew Ltd, Hargreave Hale AIM VCT plc and a non-executive director of Puma 12 VCT Plc.

Hugh Aldous is chairman of Downing Strategic Micro-Cap Investment Trust plc and of SPL Guernsey ICC Ltd. He has chaired venture capital backed companies since 2000 including two of this Company's more successful investments. He was previously a partner in Grant Thornton UK LLP, a DTI Company Inspector, a director of Polar Capital Holdings plc and a director of Innospec Inc. (NASDAQ). He was a Member of the Competition Commission.

Nicholas Lewis MA is a partner of Downing LLP, a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administrating tax-based investments and has over £1 billion of funds under management. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

Richard Marsh is a senior partner of Molten Ventures. Richard's brief resume is set out above.

The Board is currently responsible for leading the Company, approving the Net Asset Value, approving certain investments proposed by the Manager and for the determination of the Company's investment policy.

PART 6

INFORMATION RELATING TO THE OFFER

The Offer

The Offer is for New Ordinary Shares. The maximum number of New Ordinary Shares to be issued pursuant to the Offer is 60,000,000 Ordinary Shares, which would represent approximately 29% of the enlarged issued Ordinary Shares of the Company.

A raise of £20 million (assuming the Maximum Subscription but no use of the over-allotment facility), equates to an approximate net amount to be raised of £18,900,000 based on Offer costs of 5.5%. The Offer is cost-neutral as regards the NAV of the Company as the up-front costs of the Offer are borne entirely by subscribers through the application of the Pricing Formula. There is no minimum subscription required for the Offer to proceed.

The unaudited net asset value per Ordinary Share as at 30 September 2021 was 61.0p (this being the most recent NAV per Ordinary Share published by the Company prior to the publication of this document). The Estimated Offer Price of 64.6p is the adjusted NAV of 61.0p grossed up for estimated Offer costs of 5.5%. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted. The Pricing Formula will be adjusted for any declared dividends where the shares are to be allotted after the record date but before the dividend payment date.

Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2021/22 and 2022/23 to fund another phase of investment. The Company considers that its co-investment agreement with Molten Ventures will continue to provide a flow of attractive investment opportunities for which new capital will be required.

The Directors believe that the proposed fundraising under the new Offer will benefit Existing Shareholders in the following ways:

- Shareholders will suffer no NAV dilution as a result of the Offer as New Ordinary Shares will be issued at a price equal to NAV plus offer costs.
- The New Ordinary Shares issued will increase the capital available to the Company which may be invested alongside existing capital. This affords existing Shareholders investment opportunities they might not otherwise have.
- The fixed running costs of the Company will be spread over a larger combined asset base as a result of the issue of New Ordinary Shares, thereby reducing the level of the running costs attributable to each existing holder of Ordinary Shares and, therefore, providing the potential for enhanced returns to existing Shareholders.
- The Board believes the co-investment agreement with Molten Ventures will bring new technology focused investment opportunities to the Company and benefit both existing and prospective new Investors and the ability to join a funding syndicate of Molten Ventures funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale more quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

Benefits for new Shareholders

The Directors believe that the proposed fundraising through the Offer may benefit new Shareholders in the following ways:

- The issue of the New Ordinary Shares provides new Shareholders with immediate exposure to the Company's existing portfolio, including a number of mature companies.
- The issue of the New Ordinary Shares also gives new Shareholders exposure to companies within the Company's existing portfolio which may no longer be able to receive VCT investment as they may not be Qualifying Investments under the amended legislation.

Use of proceeds

The Board intends to invest the net proceeds from the Offer in accordance with the Company's existing investment policy as set out on page 27.

The Company intends to invest at least 80% of funds raised for the year ending 31 March 2022 in Qualifying Investments. The net proceeds of the Offer will be approximately £18.9 million with expenses of approximately £1.1 million (assuming Maximum Subscription, no utilisation of the over-allotment facility and total costs of 5.5% on all Applications).

Key Terms of the Offer - Promotion Fees and Commission

Applications through intermediaries (commission payable*)

Promotion Fee	3.0% of the Application Amount
Initial commission to intermediaries	2.5% of the Application Amount
Trail commission	0.25% of the gross subscription per annum for five years (subject to a cumulative maximum trail commission of 1.25%)

* Commission will only be payable in accordance with prevailing FCA rules on inducements.

Applications through intermediaries (no commission payable)

Promotion Fee	3.0% of the Application Amount
Adviser Charges - Such initial charges that are agreed between each Investor and their financial intermediary	Variable

Direct Investors

Promotion Fee	3.0% of the Application Amount
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Early Investment Incentive

0.25% Promotion Fee discount for valid applications received and accepted up to the first £10 million of gross subscriptions
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Pricing of the Offer

Investors are invited to subscribe an amount in pounds sterling rather than apply for a particular number of New Ordinary Shares. The fees payable to the Promoter and to the Investor's financial intermediary will be taken into account in calculating the number of New Ordinary Shares the Investor will receive.

The number of New Ordinary Shares to be issued to each Applicant in the Company will be calculated based on the following Pricing Formula and rounding down to the nearest whole Share:

$$\text{Number of New Ordinary Shares} = \frac{\text{Amount subscribed less} \\ \text{(i) initial Promotion Fee and} \\ \text{(ii) Initial Adviser Charge or} \\ \text{commission (if any) and} \\ \text{plus (iii) early investment} \\ \text{discount (if any)}}{\text{Latest published} \\ \text{NAV per New} \\ \text{Ordinary Share}}$$

If an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the price and the number of New Ordinary Shares to be issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV by announcement on a Regulation Information Service. The NAV used in the Pricing Formula will be adjusted, as required, to account for dividends payable to existing Shareholders where these are not yet reflected in the NAV. The Company will announce the number of New Ordinary Shares issued and the range of Offer Prices by way of a Regulatory Information Service announcement following allotment.

Example 1

If an Investor (paying a combined Promotion Fee and Adviser Charge to their intermediary of 5.5%) were to subscribe £10,000, with the Company's adjusted Net Asset Value standing at **61.0p**, they would receive a total of **15,503** New Ordinary Shares (rounded down to the nearest whole Share), equating to an Offer Price of **64.5p** per New Ordinary Share (rounded to the nearest 0.1p).

If that Investor's application was accepted and they would be entitled to the early investment incentive discount of 0.25% of the Promotion Fee this would increase the number of New Ordinary Shares they would receive for their £10,000 investment to **15,532**, equating to a lower Offer Price of **64.4p**.

Example 2

An Investor who had agreed a smaller Adviser Charge of 1.0% with their financial intermediary would pay a combined fee of 4.0%. This would mean the Investor would receive **15,737** New Ordinary Shares for their £10,000 subscription, equating to an Offer Price of **63.5p** per New Ordinary Share.

In each case, the Company shall settle fees to the Promoter and to Investors' financial intermediaries from the gross subscriptions received from Investors.

Example 3 (Waived commission)

If an Investor submits their Application Form and their intermediary is eligible for commission but chooses to waive this entirely in lieu of additional shares, the Investor's costs will be 3.0% (the Promotion Fee) and the Investor would receive **15,901** New Ordinary Shares for a £10,000, equating to an Offer Price of **62.9p** per Share.

In each case, Investors can then claim VCT income tax relief of 30% on their gross subscription (the Application Amount) rather than the net amount after the payment of fees, subject to their personal circumstances. This would equate to £3,000 of relief in respect of the £10,000 subscription noted in each of the above examples.

Some further information about when Adviser Charges are applicable and when Commission is applicable is set out below. The Manager may also agree (at its discretion) to reduce fees further (in whole or part) in respect of any specific Investor or group of Investors for the benefit of such Investors.

Adviser Charges and Commission

In accordance with the FCA's Conduct of Business Sourcebook, commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide independent advice or personal recommendations to UK clients in respect of their investments in VCTs.

Instead of commission being paid by the VCT, an Adviser Charge will usually be agreed between the intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company. Ongoing fees to Intermediaries will not be facilitated by the Company. If the payment of the Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge in Section 6 of the relevant Application Form. The Investor will be issued fewer New Ordinary Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable. Adviser charge facilitation payments will be made on behalf of Investors from the Company's share premium account (or reserves created therefrom) in respect of share capital issued prior to 6 April 2014 or which was created pursuant to shares issued more than three years prior to the payment.

Commission may be payable in respect of applications by an "execution only" Investor who has received no advice in respect of the investment and, as such, the Company will only pay commission to firms:

- (a) which do not provide personal recommendations or investment advice (save where this is restricted advice given to professional clients of the advisor);
- (b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the Investor;
- (c) where the intermediary has confirmed that they will clearly disclose to the Investor the existence, nature and amount of such commission prior to the provision of the service; and

(d) in the case of on-going payments (trail commission) where such criteria are fulfilled on an on-going basis.

Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.5% of the amount invested by their clients under the Offer unless waived by the intermediary. Additionally, provided that the intermediary continues to act for the Investor and meet the criteria above and the Investor continues to be the beneficial owner of the New Ordinary Shares, and subject to applicable laws and regulations, the intermediary will usually be paid an annual trail commission of 0.25% of their client Investors' gross subscriptions for a maximum of five years. Trail commission will be paid annually in October (commencing in October 2022).

Minimum Subscription

The minimum subscription amount for an Applicant in relation to the New Ordinary Share is £6,000 and, provided this condition is met, Applications under the Offer may be for any amount. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2021/22 and 2022/23 tax years (£200,000 per spouse).

The Offer will not be revoked in respect of New Ordinary Shares that have been admitted to the Official List and to trading on the London Stock Exchange.

Capital Raising Fees

The Company shall meet certain costs of the Offer including printing and distributing this Prospectus, the registrar's costs in issuing the applicable share certificates and Promotion Fees. Promotion Fees and Adviser Charges payable in relation to Applications are facilitated through the Pricing Formula.

Timetable

The Offer will remain open until the earlier of 4.00 p.m. on 30 June 2022 (unless previously extended, or closed early, by the Directors) and the date on which the relevant Maximum Subscription is reached. Please note Application Forms specifying that some or all Shares are to be allotted in the tax year 2021/22 must be returned by 10.00 a.m. on 5 April 2022. The results of the Offer and any exercise of the Directors' right to extend the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority. It is expected that dealings will commence within three Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 15 Business Days following the date of allotment.

Application procedure

The Directors in their absolute discretion will determine the basis of allocation of the New Ordinary Shares but expect to allocate on a first come/first served basis. To the extent that any Application is not accepted, any excess payment will be returned without interest by returning the Applicant's payment through the post at the risk of the person entitled thereto. The Receiving Agent will not acknowledge receipt of Applications unless an email address is provided in which case an email acknowledgement will be sent. An Application Form together with notes on its completion is set out at the end of this document.

Provided that Applications are for the minimum subscription amount of £6,000, they can be for any amount. Application Forms should be sent or delivered, together with the full amount payable in respect of the Application, in accordance with the procedures set out on page 77. Your attention is drawn to the statements concerning the Money Laundering Regulations in the terms and conditions of application. A person may make multiple Applications, each of which will be treated as a separate Application by the Company.

Admission to trading and dealing arrangements

Application will be made for Admission in respect of the New Ordinary Shares. Following Admission, announcements of allotments pursuant to the Offer will be made as required by the Listing Rules. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence within three Business Days after their allotment. Definitive share certificates are expected to be despatched to successful Applicants by post within 15 Business Days of their allotment, and successful Applicants will be notified of the total number of New Ordinary Shares issued to them by

receipt of such share certificates. Temporary documents of title will not be used in connection with the allotment of New Ordinary Shares. Dealings prior to receipt of share certificates will be at the risk of the Applicants.

New Ordinary Shares will be in registered form capable of being transferred by means of the CREST system. Those Applicants who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to hold their New Ordinary Shares in dematerialised form. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Shares held in CREST.

PART 7

BENEFITS OF VENTURE CAPITAL TRUSTS

Venture Capital Trusts provide private investors with an attractive and tax-efficient method of investing in a portfolio of small to medium-size trading companies in the UK. It is often difficult for private investors to have access to such investment opportunities, and few have the time or means to identify, assemble and monitor a portfolio of companies with such potential. VCTs also offer substantial tax benefits to private investors.

The principal benefits offered by VCTs to private investors are:

Income tax relief Private investors subscribing for new shares in a VCT in the 2021/22 or 2022/23 tax years should receive income tax relief at 30% of the amount subscribed against their income tax liability in the year of subscription, provided that such shares are held for at least five years.

Tax-free dividends Private investors should be exempt from income tax on dividends received from a VCT.

Capital gains tax exemption There should be no capital gains tax on disposal of shares in a VCT; conversely there is no relief for losses.

Personal taxation benefits All the reliefs described above are available to individual investors, provided certain conditions are met and the shares are acquired within the permitted maximum of £200,000 in any one tax year. Relief from income tax on investment only applies to subscriptions for new shares.

Professional investment team VCTs are advised by professional advisers with specific experience and proven track records. Prior to the launching of a VCT the investment manager(s) must meet certain criteria laid down by the FCA Rules and the VCT must have obtained approval (provisional or full) by HMRC.

Corporate governance VCTs must appoint a board of directors who are majority independent of the investment manager(s) and led by an independent Chairman.

Spread of investments VCTs spread their investments across a range of companies (either within the same sector or across several sectors), with a view to creating a more balanced portfolio than could be achieved by individuals investing in separate companies.

Tax-free realisations Capital gains realised by a VCT should be exempt from corporation tax within the VCT thereby potentially allowing increased distributions to shareholders.

Admission to the Official List The shares of a VCT must be listed on a European regulated market providing investors with a potential market to trade their shares and a means of assessing their value.

The above is only an outline of the tax reliefs associated with VCTs and should be read in conjunction with the detailed provisions of the current legislation, a summary of which appears in Parts 8 and 9 of this Prospectus.

Prospective Investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 8

TAX POSITION OF INVESTORS

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Tax treatment depends on the individual circumstances of each Investor and may be subject to change in the future.

Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

(a) Income Tax

(i) Relief from income tax on investment

A private investor subscribing for New Ordinary Shares will be entitled to claim income tax relief on amounts subscribed (along with any other VCT shares subscribed for) up to a maximum of £200,000 in any tax year. For the 2021/22 and 2022/23 tax years the relief is given at 30% of the amount subscribed although the relief cannot exceed the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances. Tax relief is restricted on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which is known to be seeking a merger that VCT).

(ii) Dividend relief

An Investor who acquires in any tax year New Ordinary Shares having a value (along with any other VCT shares acquired by him in that tax year) of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

The return to Investors from the Company will depend on the type of profit received by it. Capital gains realised by a VCT are tax-free. No tax is payable by a VCT on distributing these gains by way of dividend and such dividends are received tax-free by shareholders who benefit from dividend relief. However, income received by a VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). Such income as is reduced by the payment of tax (if applicable) can be distributed tax-free to shareholders who benefit from dividend relief. It is expected, however, that the bulk of the returns generated by the Company will derive from the realisation of capital gains from its portfolio (on which the VCT would not usually be subject to tax).

(iii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on the purchase price.

(iv) Withdrawal of relief

Relief from income tax on a subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period (see below). Relief also ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending at a time when VCT status has been lost.

(b) Capital Gains Tax

(i) Relief on the disposal of New Ordinary Shares

A disposal by an Investor of New Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of New Ordinary Shares acquired within the limit of £200,000 for any tax year, determined as for dividend relief.

(ii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim relief on disposal (as described in paragraph (i) above).

(iii) Withdrawal of relief

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. The exemption from corporation tax on capital gains will not apply to any gain realised by the VCT after this time. If VCT approval is withdrawn, any gains on the New Ordinary Shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable.

Obtaining tax reliefs

A VCT will provide to each investor a certificate which the investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax code under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT, as they may be subject to tax in other jurisdictions as well as in the UK.

The above is only a summary of the law as at the date of this document concerning the tax position of UK Investors in VCTs. The tax rates and reliefs shown are those currently in use and could alter in future years. Prospective Investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 9

TAX POSITION OF THE COMPANY

1. Qualification as a VCT

The legislation relating to VCTs sets out tests which a company has to satisfy in order to be treated as a VCT and attract tax benefits for itself and its shareholders. The legislation summarised below is that in force as at the date of this document.

To qualify as a VCT, a company must be approved as such by HMRC. To obtain approval:

- (a) it must not be a close company;
- (b) it must have each class of its ordinary share capital listed on a European regulated market throughout the accounting period following that in which the application for approval is made;
- (c) it must derive its income wholly or mainly from shares or securities;
- (d) at least 80% by value of its investments must be represented by shares and securities comprising Qualifying Investments; and
- (e) at least 30% of new monies raised must be invested in qualifying holdings within 12 months of the end of accounting period in which the relevant VCT shares are issued;
- (f) at least 70% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. Eligible shares are shares which carry no present or future preferential rights to a portfolio company's assets on its winding-up, and no present or future right to be redeemed, but which may have certain preferential rights to dividends (investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement);
- (g) at least 10% of its total investment in any Qualifying Company must consist of eligible shares;
- (h) loan investments made by the Company after 14 March 2018 must be made on an unsecured basis at a commercial rate of interest;
- (i) not more than 15% by value of its investments may be in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (j) not more than 15% of its income derived from shares and securities in any accounting period may be retained;
- (k) the VCT must only make Qualifying Investments, or certain non-qualifying investments permitted by section 274 ITA 2007;
- (l) no investment by a VCT can cause a company to receive more than a total of £5 million in any period of twelve months (£10 million for "knowledge intensive" companies), nor more than £12 million (£20 million for "knowledge intensive" companies) over its lifetime;
- (m) a VCT cannot invest in a company whose first commercial sale was more than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or it is seeking to break into a new product or geographic market and a turnover test is met. In the case of "knowledge intensive" companies, the company may elect for the 10 year period to commence from the end of the accounting period in which its annual turnover exceeds £200,000; and
- (n) an investment by a VCT cannot be used by an investee to acquire a trade, business or shares in a company.

For the purpose of conditions (j) above, permitted investments include ordinary shares or securities listed on a regulated market (such as the London Stock Exchange) and shares or units in alternative investment funds and UCITS which may be repurchased or redeemed on seven days' notice.

2. Qualifying Investments

To be a Qualifying Investment, an investment must consist of shares or securities first issued to the VCT (and held by it ever since) by an unquoted company satisfying certain conditions. The conditions are complex but include conditions that any investment must be in a qualifying company which must:

- (a) meet a principles-based "risk to capital" gateway test requiring the company to have genuine plans to grow and develop over the long term and for there to be a significant risk to the VCT that invested capital of an amount greater than its net investment return will be lost;
- (b) have gross assets not exceeding £15 million immediately before and £16 million immediately after the VCT's investment (these tests are applied on a group basis if applicable);
- (c) have fewer than 250 full-time employees (or their equivalents) at the date on which the VCT investment is made (this test is applied on a group basis if applicable) (fewer than 500 for a "knowledge intensive" company);
- (d) not have raised more than £5 million in the 12 month period ending on the date of the VCT's investment (£10 million for a "knowledge intensive" company), nor more than a lifetime total of £12 million (£20 million for a "knowledge intensive" company), from State aid sources including from VCTs and under the Enterprise Investment Scheme;
- (e) have made its first commercial sale less than seven years ago (ten years for a "knowledge intensive" company which can also elect to start this ten year period from the last day of the accounting period in which it first reaches a turnover of £200,000) unless one or more of the exemptions set out at paragraph 1(l) above applies;
- (f) apply the money raised for the purposes of a qualifying trade carried on by the company or its qualifying 90% subsidiary within certain time periods and more generally for the purpose of growth and development of its business;
- (g) must at all times have a permanent establishment in the United Kingdom; and
- (h) not be controlled by another company nor control another company save where this is a qualifying 51% subsidiary.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of eligibility as a Qualifying Investment. Unquoted company shares that subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met.

3. Qualifying Companies

A qualifying company must exist wholly or mainly for the purpose of carrying on a qualifying trade or be the parent company of a qualifying trading group. For this purpose, certain activities are prohibited such as dealing in land or shares or providing financial, legal or accountancy services, managing nursing homes or hotels (where the manager is in occupation or owns an interest in the land), property development, leasing or farming, shipbuilding, and coal and steel production. The trade must either be carried on by, or be intended to be carried on by, the qualifying company or by a qualifying subsidiary at the time of the issue of its shares or securities to the VCT (and by such company or its qualifying subsidiary at all times thereafter). A qualifying subsidiary for these purposes is at least 90% directly owned by the qualifying company, or is a 100% subsidiary of at least a 90% subsidiary of the qualifying company, or is at least a 90% subsidiary of a 100% subsidiary of the qualifying company.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT.

A qualifying company can be the parent company of a trading group. If this is the case, the group, when taken together as one business, must carry on activities which constitute a qualifying trade. Any subsidiary must be more than 50% owned. However, if a subsidiary is one which carries on the trade by reference to which the investment is to qualify as a Qualifying Investment, that subsidiary must be a 90% qualifying subsidiary as described above.

4. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may provisionally approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided that HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at 1(d) and (f) above, approval may be given if HMRC is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date when approval takes effect.

5. Withholding Tax at Source

There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for withholding tax at source on dividends.

6. Definition of "Knowledge Intensive" Company

In order to meet the definition of a knowledge intensive company, a company must meet one or both of the two "operating costs conditions" set out below and one or both of the "innovation condition" and the "skilled employee condition".

The first "operating costs condition" is that in at least one of the relevant three preceding years at least 15% of the relevant operating costs constituted expenditure on research and development or innovation.

The second "operating costs condition" is that in each of the relevant three preceding years at least 10% of the relevant operating costs constituted such expenditure.

The "innovation condition" is met where the relevant company is engaged in intellectual property creation and it is reasonable to assume that, within 10 years of the date of investment, one or a combination of the exploitation of relevant intellectual property held by the company and business which results from new or improved products, processes or services utilising relevant intellectual property held by the company will form the greater part of its business.

The "skilled employee condition" is met if at least 20% of a company's full time employees hold a relevant higher education qualification and are engaged directly in research and development.

PART 10

DIVIDEND REINVESTMENT SCHEME

PART I: INTRODUCTION

The Board are pleased to offer all Shareholders in the Company the opportunity to participate in a Dividend Reinvestment Scheme (the "**Scheme**") administered by The City Partnership (UK) Limited ("**Scheme Administrator**").

The Company has a stated objective of paying annual dividends equal to 5% of the prevailing NAV of the Ordinary Shares per annum, subject to investment performance, availability of distributable reserves and the need to retain cash for investment purposes and annual running costs. Whilst the maintenance of dividend payments in the future cannot be guaranteed, dividends of this level have been paid in each of the last three years.

With the introduction of the Scheme, Shareholders may elect, instead of receiving dividends in cash, to receive New Shares, credited as fully paid, of the equivalent value. This is a simple, cost-effective method for Shareholders to increase the size of their holding in the Company and to benefit from additional VCT income tax relief.

There are no costs applied to subscriptions for New Shares pursuant to the Scheme. Costs of subscribing under a public offer are often 5% or more and so the Board consider participation in the Scheme to be the most cost-effective way of increasing exposure to the Company's shares and obtaining further VCT tax reliefs.

VCT Tax Reliefs

Participants will be eligible for the income and capital gains tax advantages available to shareholders in VCTs, in respect of the New Ordinary Shares subscribed under the Scheme, subject to their personal circumstances. In particular, Investors who participate in the Scheme will be entitled to income tax relief at the rate of 30% on the amount reinvested for New Shares, so long as their total investment in VCTs, including these New Shares, does not exceed £200,000 the relevant tax year.

Legislation introduced by the Government in its 2014 Budget restricts income tax relief on the subscription of new VCT shares where an Investor has sold shares in the same VCT within the period of six months before to six months after the subscription. **Please note that this restriction does not apply to Shares subscribed for through dividend reinvestment schemes and so will not apply to New Shares subscribed for under the Scheme**

Shareholders wishing to participate

The Scheme is being made available to all registered Shareholders in respect of their entire holdings. Beneficial Shareholders can elect to participate through their nominees. The Scheme is available to UK Shareholders only.

If you wish to participate in the Scheme, you can make an election using the election form or through The City Hub (in accordance with the procedures available at <https://draper-esprit-vct.cityhub.uk.com/>).

Nominees may make a partial election in respect of some of the Shares held in an account holding. A cash dividend will be paid in respect of the balance of Shares not included in the election. Partial elections can be made using the election form and shall only apply to the relevant dividend for which the election has been received. A separate election must be made to participate in the Scheme for each dividend.

Shareholders who hold their shares in CREST can elect to participate in respect of a particular dividend by completing and returning an election form. A separate election must be made to participate in the Scheme for each dividend.

Completed election forms should be returned to the Scheme Administrator at The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH

If you have any queries, please contact The City Partnership (UK) Limited on 01484 240 910 (9am - 5.30pm, Monday to Friday excluding English public holidays) or by email at draperespritvct@city.uk.com. Neither the Company nor the Scheme Administrator is able to provide you with any financial, tax or investment advice.

PART II: RISK FACTORS

- The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value, and that Shareholders will be able to realise their shareholding or that dividends will be paid.
- The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time.
- VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams and may ultimately negatively impact Shareholder returns if there are portfolio losses. Although the existing Ordinary Shares issued by the Company have been (and it is anticipated that the Ordinary Shares to be issued pursuant to the Scheme will be) admitted to the Official List of the FCA and traded on the London Stock Exchange's main market for listed securities, it is unlikely that there will be a liquid market as there is a limited secondary market for VCT shares and Investors may find it difficult to realise their investments. The market price of the Ordinary Shares may not fully reflect, and will tend to be at a discount to, their underlying net asset value.
- The Company is required to operate within the constraints of the VCT legislation and there can be no guarantee that the Company will retain its status as a VCT, the loss of which could lead to adverse tax consequences for Investors, including a requirement to repay the 30% income tax relief. The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively which could affect tax reliefs obtained by Shareholders and the VCT status of the Company.
- Although the Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares. It may, therefore, prove difficult for Shareholders to sell their Shares and there is no guarantee that the market price of the Shares will fully reflect their underlying NAV.
- Shareholders should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.

PART III: TERMS AND CONDITIONS

1. Elections to participate in the Scheme should be addressed to the Scheme Administrator, in accordance with condition 20, and will only be effective for dividends to be paid ten Business Days (or thereafter) following receipt of the election by the Scheme Administrator. 'Business Day' means any day excluding Saturdays, Sundays and bank holidays in the UK.
2. Election to participate may be through an election form made available by the Scheme Administrator ("**Election Form**"), through an election contained in an offer for subscription application form, through an election using The City Hub (in accordance with the procedures available at <https://draper-esprit-vct.cityhub.uk.com/>) or as may otherwise be agreed with the Scheme Administrator (on behalf of itself and the Company). In respect of CREST Participants, notwithstanding the provisions of conditions 3 - 11, elections to participate in the Scheme must be given in respect of each dividend in accordance with condition 21.

3. The Company, acting through the Scheme Administrator, shall have absolute discretion to accept, reject or cancel elections. An applicant shall become a member of the Scheme upon acceptance of his or her election by the Scheme Administrator on the Company's behalf (Participants). The Scheme Administrator will provide written notification if an election is rejected. Only registered shareholders of the Company may join the Scheme ("Shareholders").
4. Participants may only participate in the Scheme if all Ordinary Shares of 5p each in the capital of the Company ("Shares") registered in their name are mandated to the Scheme in relation to the specific account holding for which an election has been made unless condition 5 applies. By joining the Scheme in relation to a specific account holding, Participants hereby instruct the Scheme Administrator that the election shall apply to the full number of Shares held by them in relation to that account as entered onto the share register of the Company from time to time. A separate election must be made in relation to each account holding where multiple account holdings are held.
5. Shareholders who hold their shares as nominees ("Nominee Participants") may make a partial election under the Scheme in respect of some of the Shares held in a specific account. A cash dividend will be paid in respect of the balance of Shares not included in the election. A partial election shall only apply to the relevant dividend for which the election has been received and will not apply to future dividends in accordance with condition 22.
6. The Company shall use dividends on Shares to be paid to Participants in the subscription of further Shares of behalf of the Participants. The Scheme Administrator shall not have the discretion, and Participants may not instruct the Scheme Administrator, to apply those dividends ("Funds") towards any investments other than investment in Shares as set out in this condition 6.
7. New Shares under the Scheme will only be allotted to the registered Shareholder and added to the specific account holding for which the election has been received and not any ultimate beneficial holder. Nominee Participants shall not be entitled to instruct the Scheme Administrator to allot shares to a beneficial holder (and Participants are advised to read condition 26 in respect of the consequences for VCT tax reliefs).
8. On or as soon as practicable after a day on which any dividend on the Shares is due to be paid to Shareholders or, if such day is not a dealing day on the London Stock Exchange, the dealing day thereafter ("Payment Date"), a Participant's Funds held by the Company shall, subject to conditions 17, 19 and 32 below, the Company having the requisite authorities to allot Shares and any other statutory or regulatory restrictions, be applied on behalf of that Participant to subscribe for the maximum number of whole new Shares which can be allotted with such Funds pursuant to condition 9.
9. The number of Shares to be allotted to a Participant pursuant to condition 8 above shall be calculated by dividing the amount of Participant's Funds held by the last published net asset value per existing Share immediately prior to allotment (adjusted to take into account the relevant dividend to be paid unless the latest published net asset value already reflects such dividend to be paid). Shares will not be allotted at less than their nominal value.
10. Fractional entitlements will not be allotted and any cash balance will be retained by the Company and carried forward and included in the Participant's Funds available in calculating the number of Shares to be issued to the Participant on the next Payment Date. No interest shall accrue or be payable in respect of any such cash balances carried forward.
11. The Company shall not be obliged to allot Shares under the Scheme to the extent that the total number of Shares allotted by the Company pursuant to the Scheme in any rolling 12 month period would exceed 10% of the aggregate number of Shares at the beginning of that period. In such circumstances, the Company may allocate the availability of the Scheme as it sees fit.
12. The Scheme Administrator shall as soon as practicable after the allotment of Shares in accordance with condition 8 procure that the Participants are entered onto the share register of the Company as the registered holders of such Shares and that Share certificates (unless such Shares are to be uncertificated) and, where applicable, income tax relief certificates (Tax Certificates) are sent, at the Participant's own risk, to Participants to the address set out in the register of members for the relevant Participant. Where the Shares within the specific account holding are held in CREST, the relevant CREST account will be credited with the Shares issued to the relevant Participant.

13. The Scheme Administrator will also, as soon as practicable after the allotment of Shares in accordance with condition 8, send to Participants a statement detailing:
 - 13.1 the total number of Shares held at the record date for which a valid election was made;
 - 13.2 the number of Shares allotted;
 - 13.3 the price per Share allotted;
 - 13.4 the cash equivalent of the Shares allotted;
 - 13.5 the date of allotment of the Shares;
 - 13.6 any funds to be carried forward for investment on the next Payment Date.
14. Each Participant warrants to the Company and the Scheme Administrator that all information set out in any Election Form (or equivalent, including any electronic election) on which the election to participate in the Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator (on behalf of itself and the Company) and that during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 15 below.
15. The right to participate in the Scheme will not be available to any person who has a registered address in any jurisdiction outside the UK. No such person receiving a copy of the Scheme Terms and Conditions or any other Scheme related documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s). By providing an election to participate in the Scheme, the Participant declares that he, she or it is not resident in any foreign jurisdiction that requires the Company to comply with any governmental or regulatory procedures arising out of this mandate and nor does the Participant hold the shares to which this mandate relates as nominee or trustee for any beneficial owner who is so resident. The Participant undertakes to notify the Scheme Administrator (on behalf of itself and the Company) should there be a change in this declaration.
16. Participants acknowledge that neither the Company nor the Scheme Administrator is providing a discretionary management service. Neither the Company nor the Scheme Administrator shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Company or the Scheme Administrator or either of their respective employees and agents.
17. Participants may at any time by notice to the Scheme Administrator terminate their participation in the Scheme (in respect of all or some of their account holdings where multiple accounts are held). Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the Scheme Administrator at least ten Business Days prior to such Payment Date. Such notice will be deemed to have been served where, in respect of any specific account holding, the shareholding of the Participant reduces to nil. Upon receipt of notice of termination (or deemed termination), any Funds in excess of £5 held by the Company shall be returned to the Participant as soon as reasonably practical by means of a crossed cheque sent, at the risk of the Participant, to the address set out in the register of members for the relevant Participant, subject to any deductions which the Company may be entitled or bound to make hereunder.
18. Cash balances of less than £5 held by the Company on behalf of Participants who have withdrawn from the Scheme (or on deemed termination) will be retained by the Company and used for its own purposes.
19. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
 - 19.1 suspend the operation of the Scheme;
 - 19.2 terminate the Scheme without notice to the Participants; and/or
 - 19.3 resolve to pay dividends to Participants partly by way of cash and partly by way of new Shares pursuant to the Scheme.

20. All Election Forms (or equivalent) and notices and instructions in connection with this Scheme shall be given to the Scheme Administrator and delivered by hand or posted to The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. Notices and instructions must be in writing.
21. If a Participant's shareholding is in uncertificated form in CREST (including a CREST sponsored member) and was in uncertificated form as at the record date for the relevant dividend, the Participant can elect to participate in the Scheme in respect of the relevant dividend. The election can be made using an Election Form. A separate election must be made to participate in the Scheme for each dividend.
22. Partial elections by Nominee Participants can be made using an Election Form. A separate election must be made to participate in the Scheme for each dividend.
23. An election other than those falling under condition 21 and/or 22 will remain valid for all dividends paid to the Participant by the Company in respect of all Shares held within the relevant account holding (including new Shares added to that account whether pursuant to the Scheme or otherwise) until such time as the Participant gives notice in writing to the Scheme Administrator that the Participant no longer wishes to participate in the Scheme.
24. The Company shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all Participants. Amendments arising as a result of any change in statutory or other regulatory requirements may be effected without notice unless in the Company's opinion the change materially affects the interests of Participants. Amendments to these Scheme Terms and Conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may also be effected without notice.
25. By completing and delivering the Election Form (or equivalent, including any electronic election), the Participant:
 - 25.1 agrees to provide the Company with any information which it may request in connection with such election and participation in the Scheme and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - 25.2 declares that a loan has not been made to the Participant or, in the case of any Nominee Participant, the beneficial owner on whose behalf the Shares are held (or any associate of either of them), which would not have been made, or not have been made on the same terms, but for the Participant electing to receive new Shares and that the Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
26. Elections by individuals for Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of a particular individual) for the tax year in which the Shares are allotted. Shares allotted to Nominee Participants may attract tax relief for their beneficial owners (where HM Revenue & Customs accepts that the beneficiary is the underlying participant of the Scheme and, therefore, the applicant for such Shares). Participants and beneficial owners are, however, responsible for ascertaining their own tax status and liabilities and should obtain tax advice in relation to their own particular circumstances. Neither the Company nor the Scheme Administrator provides any guarantee that VCT tax reliefs will be available or accepts any liability in the event that VCT tax reliefs are not obtained.
27. The Tax Certificate can be used to claim any relevant income tax relief either by obtaining from HM Revenue & Customs an adjustment to a Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self-Assessment Tax Return. Nominee Participants may need to provide supporting evidence as to the beneficial holder and that participation in the Scheme is at the request, and on behalf, of the beneficial owner.
28. Participants should be aware of the following (which is based on VCT legislation in place as at 31 July 2021 and is subject to change):
 - 28.1 Up-front income tax relief of up to 30% will only be available on amounts subscribed in VCT shares up to an aggregate amount of £200,000 in any one tax year (subject to the Participant's income tax liability being reduced to nil).

- 28.2 A disposal of VCT shares will be subject to clawback by HM Revenue & Customs of any income tax relief originally obtained if such shares are sold within five years of issue. HM Revenue & Customs operate a first in, first out policy to shares disposed of.
- 28.3 Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained.
- 29. The Company will, save as otherwise provided in these Scheme Terms and Conditions, issue Shares in respect of the whole of any dividend payable (for the avoidance of doubt irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the Scheme Administrator has been notified to the contrary in writing at least ten Business Days before a Payment Date.
- 30. Shareholders electing to receive Shares rather than a cash dividend will be treated as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on Shares allotted in respect of dividends from qualifying VCT shares.
- 31. For capital gains tax purposes, Shareholders who elect to receive Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Shares. The new Shares will be treated as a separate asset for capital gains purposes.
- 32. The Company shall not be obliged to accept any application or issue Shares hereunder if the Board so decides in its absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Board, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the Scheme Administrator.
- 33. The amount of any claim or claims a Participant has against the Company or the Scheme Administrator shall not exceed the value of such Participant's Shares in the Scheme. Nothing in these Scheme Terms and Conditions shall exclude the Company or the Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the Scheme Administrator will be responsible for:
 - 33.1 acting or failing to act in accordance with a court order of which the Company and/or the Scheme Administrator has not been notified (whatever jurisdiction may govern the court order); or
 - 33.2 forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from a Shareholder (or, where relevant, a nominee) are genuine; or
 - 33.3 losses, costs, damages or expenses sustained or incurred by a Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
 - 33.4 any indirect or consequential loss.
- 34. The Company reserves the right to interpret these Scheme Terms and Conditions and apply them (and instruct the Scheme Administrator to apply them) as modified from time to time to be able to operate, and to achieve the intended principles of, the Scheme.
- 35. The Company respects the privacy of its Shareholders and Participants in the Scheme and is committed to protecting their personal information. To find out more about how the Company uses and looks after personal information, please refer to the Molten Ventures privacy notice, adopted by the Company, which can be found at <https://investors.moltenventures.com/privacy-policy>.
- 36. Shareholders and Participants have certain rights in relation to their personal information, including the right to receive a copy of the information that is held about them. For more details, please see the privacy notice referred to above.
- 37. Certain information may be shared with the Scheme Administrator, the Company's registrars and/or other delegates for the purposes of processing elections, participation in the Scheme and in relation to a Shareholder's ongoing investment in the Company. Information may also be

shared with regulatory bodies to the extent any of the above entities are required, or consider themselves obliged, to do so in accordance with any statute, or regulation or if governmental, judicial and law enforcement bodies require.

38. Each Participant authorises the Company and its delegates (including the Scheme Administrator) to provide any information provided by or to the Participant in connection with that Participant's participation in the Scheme to any authorised financial intermediary of the Participant notified to the Company (or on its behalf) from time to time.
39. These Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
40. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
41. These Scheme Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders in any doubt about their tax position should consult their independent professional adviser.

PART 11

GENERAL INFORMATION

1. The Company

- 1.1 Draper Esprit VCT plc was incorporated in England and Wales on 26 August 1997 with the name Downing Street VCT plc. The Company's name was changed to Elderstreet Downing VCT plc on 20 October 1997, to Elderstreet VCT plc on 26 January 2005 and to Elderstreet Draper Esprit VCT plc on 7 December 2017 before changing to its current name on 10 January 2019. The Company's legal entity identifier is 2138003I9Q1QPDSQ9Z97.
- 1.2 The Company is incorporated and operates under the Act as a public company limited by shares, with registered number 03424984. The Company is not part of a group.
- 1.3 The registered office of the Company is 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD. Its principal place of business is at 20 Garrick Street, London WC2E 9BT and its telephone contact number 020 7416 7780.
- 1.4 HMRC provisional approval was granted to the Company to trade as a VCT under the Income and Corporation Taxes Act 1988 (as amended) on 28 January 1998 and since that date the Company has carried on its business in accordance with that act and the ITA. The Company intends to continue to carry on its business such that its VCT status will be maintained. The various requirements are now contained within the ITA. The Company is not otherwise regulated.
- 1.5 The Company's auditors are BDO LLP of 55 Baker Street, London W1U 7EU.
- 1.6 Current share capital:
 - 1.6.1 As at 11 November 2021, being the latest practicable date prior to the publication of this document, the issued share capital of the Company was 145,393,302 fully paid up Ordinary Shares with a nominal value of 5p each. The ISIN of the Ordinary Shares is GB0002867140. Ordinary Shares to be issued pursuant to the Offer will rank *pari passu* in all respects with the existing Ordinary Shares.
 - 1.6.2 At close of the Offer, assuming the Maximum Subscription is raised and the full over-allotment facility is utilised, Existing Shareholders will hold approximately 76% of the enlarged Ordinary Share capital of the Company.
 - 1.6.3 No single Shareholder currently holds more than 3.0% of the Company's Ordinary Shares nor is the Company directly or indirectly under the control of any person nor, to the Company's knowledge, are there any arrangements in place the operation of which may result in a change of control of the Company.
 - 1.6.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. No shares of the Company represent anything other than capital. No shares of the Company are held by or on behalf of the Company itself. There are no convertible securities, exchangeable securities or securities with warrants attached to them currently in issue by the Company.
- 1.7 The Company has not made any disclosures under the Market Abuse Regulation in the 12 months prior to the date of this Prospectus.

2. The Investment Manager

- 2.1 Elderstreet Investments Limited (the "**Manager**") was incorporated in England and Wales on 18 June 1984 and operates under the Act as a private company limited by shares, with registered number 01825358. It is domiciled in the United Kingdom.
- 2.2 The registered office and principal place of business of the Manager is 20 Garrick Street, London WC2E 9BT and its telephone contact number is 020 7831 5088. The Manager is authorised and regulated by the FCA with registered number 148527 and, as a small authorised UK AIFM, has permission to manage alternative investment funds within the meaning of the Alternative Investment Fund Managers Regulations 2013 (as amended).

2.3 The Manager is a venture capital fund management company. Funds managed by the Manager include the Company. The Manager is a wholly owned subsidiary of Elderstreet Holdings Limited which is itself a wholly owned subsidiary of Molten Ventures plc.

2.4 The Administrator provides custody services to the Company by holding securities in certificated form on behalf of the Company. Investec Wealth and Investment Limited hold the quoted securities in their CREST account on behalf of the Company. The Company has no other third party custodian.

3. The Directors

3.1 Each of the Directors is also a shareholder in the Company as set out in the table below:

Director	Shares	Shareholding %
Richard Marsh	378,787	0.2%
Nicholas Lewis	48,498	0.03%
David Brock	174,333	0.09%
Hugh Aldous	49,827	0.03%
Total	651,445	0.34%

3.2 No New Ordinary Shares under the Offer are being reserved for allocation to existing shareholders, directors or employees of the Company or the Manager. Hugh Aldous has confirmed his intention to invest £12,000 for New Ordinary Shares pursuant to the Offer.

3.3 Each of the Directors has a consultancy agreement with the Company; the current fees, term and notice periods of the Directors as follows:

Director	Agreement Date	Fees per Annum	Term	Notice Period
David Brock	30 January 1998	£30,000	rolling	3 months
Hugh Aldous	1 March 2007	£26,500	rolling	3 months
Richard Marsh**	11 August 2021	Nil	rolling	3 months
Nicholas Lewis***	30 January 1998	£24,000	rolling	3 months

* Details of the performance incentive fees to which the Manager is, or may be entitled, are set out in paragraphs 5.1 below.

** Richard Marsh is an employee of Molten Ventures plc, the ultimate parent company of the Manager

*** Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company.

3.4 Save as disclosed in this document, the Directors do not have any other commission or profit-sharing arrangements with the Company. The agreements do not contain any provision for compensation payable upon early termination of the agreements.

3.5 The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors outside the Company where these are significant with respect to the Company:

David Brock	Current	Past 5 Years
	ECS Global Group Ltd	Park Regis Birmingham LLP*
	Hargreave Hale AIM VCT plc	Primrose Group Limited
	Leeson Limited	
	Honest Brew Ltd	
	Puma 12 VCT plc	

Hugh Aldous	Current	Past 5 Years
	DKP Consultants Limited Downing Strategic Micro-Cap Investment Trust plc KCSB Properties Ltd Savile AD9 Limited SPL Guernsey ICC Ltd	Fundamentum Supported Housing REIT plc Link Alternative Fund Administrators Limited Polar Capital Holdings plc Financial Ventures Limited Savile AD4 Limited* Savile AD7 Limited* Savile AD8 Limited* Savile Durham 1 Limited* Savile Exeter 1 Limited* Savile ML1 Limited Schroder Asian Total Return Investment Company plc The Peoples Investment Trust plc* Innospec Inc
Richard Marsh	Current	Past 5 Years
	Apperio Limited Bright Computing B.V. Elderstreet Holdings Limited Elderstreet Investments Limited	Sportpursuit Limited Ardo Medical Limited
Nicholas Lewis	Current	Past 5 Years
	Baron House Hotel Limited Blakes Partnership LLP BOV LLP Broad Street Commercial Limited Broad Street Unit A Limited Broad Street Unit B Limited Cumberland House Hotel Birmingham Limited Cumberland House Properties Limited Downing Corporate Finance Limited Downing LLP Downing Members Limited Ebury Corporate Services Limited Fenkle Street BPRA Property Fund LLP Fenkle Street Hotel Limited Frame Wiesbaden LLP Harrogate Street BRPA LLP Horseferry Associates Limited Horseferry Developments LLP London Luton Hotel 2010 Limited London Luton BPRA Property Fund LLP Ludorum Plc (in liquidation) Moor House Hotel Liverpool Limited NW (Blakes) Limited Snow Hill BPRA LLP Snow Hill Hotel Limited St Chad's (Birmingham) Holdings Limited St Chad's (Birmingham) Hotel Limited The Downing Foundation West Bar Hotel Limited	Cheers Dumbarton Limited City Falkirk Limited Downing Planned Exit VCT 8 plc* Downing Planned Exit VCT 9 plc* Fubar Stirling Limited

*Company has been dissolved

3.6 None of the Directors nor any director of the Manager has for at least the previous five years: (i) had any convictions in relation to fraudulent offences; or (ii) been associated with bankruptcies, receiverships or liquidations (save for members' voluntary liquidations) in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or senior management who was relevant to establishing that the entity had the appropriate expertise and experience for the management of its business; or (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a Court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issue.

3.7 The Company complies with the provisions of the UK Corporate Governance Code, with the exception of the following, for the reasons set out below:

- (i) new Directors do not receive a full, formal and tailored induction on joining the Board and such matters are addressed on an individual basis as they arise. In addition, as the Company does not have any major shareholders, shareholders are not given an opportunity to meet any new nonexecutive directors at specific meetings other than at the general meetings of the Company;
- (ii) due to the size of the Board, there are no formal performance evaluations of the Board, their committees, the individual Directors or the Chairman. Specific performance issues are dealt with as they arise; and
- (iii) the Directors do not have service contracts but do have consultancy agreements, further details of which are set out at 3.3 above, whereas the recommendation in the UK Corporate Governance Code is for fixed term renewable contracts.

The Board comprises four members, all of whom are non-executive Directors, three of whom (including the Chairman) are considered to be independent of the Manager. Richard Marsh, as an employee of Molten Ventures plc, is not considered to be independent of the Manager.

The Board meets regularly throughout the year (normally at least quarterly) and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for controlling the Company. The Board is responsible for the determination and calculation of the Company's Net Asset Value, which will be undertaken in accordance with the Company's accounting policies (the Company's current accounting policies are set out on pages 40 to 42 of its report and accounts for the year ended 31 March 2021) and published on an appropriate regulatory information service (including in the announcement of annual and half yearly results of the Company). In the unlikely event that valuation was suspended, where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained, such suspension would be communicated to shareholders in a similar manner.

3.8 As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee. David Brock is the Chairman of both Committees. David Brock and Hugh Aldous sit on the Audit Committee. Hugh Aldous is Chairman of the Audit Committee and Senior Independent Director. Committee meetings are held in conjunction with the Board meetings. The Audit Committee is responsible for

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

The Remuneration Committee meets, as required, to discuss the existing levels of remuneration for the non-executive Directors and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels.

4. General Information

4.1 There have not been any governmental, legal or arbitration proceedings in the 12 months prior to the publication of this document which may have or have had in the recent past a significant

effect on the financial position or profitability of the Company, nor are there any such proceedings pending or threatened of which the Company is aware.

- 4.2 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares.
- 4.3 Shareholders' authority to create, allot and issue new Ordinary Shares up to an aggregate maximum nominal value of £3,000,000, with pre-emption rights dis-applied in respect of such issues, was obtained at the annual general meeting of the Company held on 11 August 2021. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but would experience dilution in terms of their voting power. The New Ordinary Shares are ordinary shares of five pence each (ISIN: GB0002867140) created under the CA 2006 and are freely transferable.
- 4.4 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US Person.
- 4.5 All information regarding Molten Ventures in this document has been sourced by the Company from Molten Ventures and has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 4.6 Where other information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

5. Material Contracts

- 5.1 Under an agreement (the "**Investment Management Agreement**") dated 9 February 2021 between the Company and the Manager, the Manager provides transaction and portfolio management services to the Company. In consideration for these services, the Manager receives a fee of 2.0% of net assets of the Company payable quarterly in advance. The Manager is also entitled to a performance incentive fee equal to 20% of any realised gains achieved during a financial period, subject to the achievement of NAV and IRR hurdles (described in more detail on page 30).

Further, under the Investment Management Agreement, the annual running costs of the Company (including VAT) are restricted to 3.5% of its net asset value (as defined in the agreement) with any excess being refunded by way of a reduction in the fees payable to the Manager and to the Administration Manager *pro rata*.

The Manager is also entitled to certain non-executive directors' fees, arrangement fees and expenses in respect of any investee company.

- 5.2 Under an agreement dated 30 January 1998 originally between the Company and Downing Management Services Limited and novated by a deed of novation dated 25 August 2011 such that since 1 June 2011 the parties thereto are the Company and Downing LLP, and as amended by a deed of variations dated 3 October 2019 and 10 February 2021 (the "**Administration Agreement**"), Downing will provide or procure the provision of certain administration services to the Company for a fee of £65,000 plus 0.1% of new funds raised per annum (excluding VAT), subject to an annual cap of £100,000.
- 5.3 A promoter agreement dated 12 November 2021 ("**Promoter Agreement**") between the Company (1), the Directors (2) the Promoter (3) and SPARK (4) whereby the Promoter has agreed to act as promoter in connection with the Offer. The agreement contains warranties given by the Company and the Directors to the Promoter and to SPARK. The Company will pay to the Promoter a fee of 3.0% of funds raised under the Offer and is also responsible for paying initial and trail commission in respect of the Offer where applicable. All others incidental costs

of the Offer will be borne by the Promoter from its fee save for the costs of written Shareholder communications which shall be borne by the Company.

- 5.4 A letter of engagement dated 16 September 2021 from SPARK Advisory Partners Limited ("SPARK") pursuant to which SPARK have been appointed as sponsor to the Company in connection with the Offer. The Company has agreed to indemnify SPARK for any loss suffered in respect of its role as sponsor to the Offer (save for when such loss has arisen out of SPARK's breach, wilful default, misconduct or gross negligence). The Company's liability under this indemnity is unlimited.
- 5.5 Richard Marsh is an employee of Molten Ventures plc, the parent company of the Manager which is entitled to performance incentive fees and investment management fees from the Company, as well as Promotion Fees in relation to the Offer described in paragraphs 5.1 and 5.3 above.
- 5.6 Nicholas Lewis, a director of the Company, and Grant Whitehouse, the company secretary, are each members of Downing LLP, which provides administration services to the Company in relation to the agreement described in paragraph 5.2 above.
- 5.7 Other than as disclosed in paragraphs 5.5 and 5.6 of this section there are no potential conflicts of interests between the duties of the Directors to the Company and their private interests or other duties.
- 5.8 There are no material potential conflicts of interest as between the duties of Elderstreet Investments Limited or Downing LLP, the Company's investment adviser and administration provider respectively, to the Company and duties owed by those service providers to third parties or their other interests.
- 5.9 The typical Investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is a UK tax payer.

6. Historical Financial Information

Audited statutory accounts for the Company for the years ended 31 March 2021, 31 March 2020 and 31 March 2019, on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 2006) have been given by the auditors BDO LLP have been filed with the Registrar of Companies. BDO LLP is registered with the Institute of Chartered Accountants of England and Wales to carry out audit work.

Copies of the audited annual accounts and the unaudited half year accounts referred to above are also available at the following websites: www.draperespritvct.com and www.downing.co.uk and from the registered office of the Company and the Manager.

These financial statements also contain a description of the Company's financial condition, changes in financial condition and results of operations for each financial period.

	Audited year end to 31 March 2021	Audited year end to 31 March 2020	Report and Accounts for Period Ended 31 March 2019
Income Statement	page 36	page 35	page 36
Dividends per share	page 2	page 2	page 2
Balance sheet	page 38	page 37	page 38
Cash flow statement	page 39	page 38	page 39
Notes to financial statements	page 40	page 39	page 40
Accounting policies	page 40	page 40	page 40
Independent auditors' report	page 30	page 30	page 31

Operating and Financial Review

A description of the changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Adviser's Report" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated.

	Report and Accounts for Year Ended 31 March 2021	Report and Accounts for Year Ended 31 March 2020	Report and Accounts for Year Ended 31 March 2019
Chairman's Statement	page 4	page 4	page 4
Manager's Report	page 7	page 7	page 7
Investment Portfolio	Page 9	page 9	page 9

Significant change

Save for the increase in the net asset value per Ordinary Share from 50.0p (audited) to 61.0p as at 30 September 2021 (unaudited), there has been no significant change in the financial position of the Company since the end of the last financial period for which financial information has been published (being the audited financial information to 31 March 2021) prior to the date of this Prospectus.

Incorporation by Reference

The audited statutory accounts for the Company, for the years ended 31 March 2021, 31 March 2020 and 31 March 2019 are being incorporated by reference in this Prospectus and are available at the registered offices of the Company and the Manager set out on page 69. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this Prospectus by reference are either not relevant for Investors or are covered elsewhere in this Prospectus.

Document	Website
Annual Report - 31 March 2021	https://www.draperespritvct.com/investors/
Annual Report - 31 March 2020	https://www.draperespritvct.com/investors/
Annual Report - 31 March 2019	https://www.draperespritvct.com/investors/

7. Working capital

The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

8. Capitalisation and Indebtedness

The table below shows the capitalisation of the Company as at 30 September 2021.

	£'000
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Shareholders' equity	
Share capital	7,275
Other reserves	81,469
TOTAL	88,744

The following table shows the Company's net indebtedness as at 30 September 2021.

	£'000
A Cash	26,045
B Cash equivalent	-
C Trading securities	-
D Liquidity (A+B+C)	26,045
E Current financial debt (including debt instruments, but excluding current portion of noncurrent financial debt)	99
F Current portion of non-current financial debt	-
G Current financial indebtedness (E-F)	99
H Net current financial indebtedness (G-D)	(25,946)
I Non-current financial debt (excluding current portion and debt instruments)	-
J Debt instruments	-
K Non-current trade and other payables	-
L Non-current financial indebtedness (I+J+K)	-
M Total financial indebtedness (H+L)	(25,946)

The Company does not have any contingent or indirect indebtedness.

Save for the payment of the interim dividend for year ending 31 March 2021 in October 2020, there has been no material change in the capitalisation, indebtedness or shareholders' equity of the Company since 31 March 2021, being the date to which the Company has last published audited financial information.

9. Articles

9.1 The Company's principal object is to carry on business as an investment company and a venture capital trust. The Memorandum of Association and Articles of Association are available for inspection at the address specific in paragraph 12 below.

9.2 Set out below is a summary of certain key provisions of the Company's Articles of Association which were adopted on 17 March 2021:

A. Voting rights

Every Shareholder present in person at a general meeting shall upon a show of hands have one vote and every Shareholder present in person or by proxy shall upon a poll have one vote for every share held by him.

The share capital of the Company is made up of Ordinary Share each with a nominal value of 5p per share.

B. Dividends

The Company in general meeting may declare a dividend to be paid to the Shareholders according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the Directors.

C. Distribution of assets on liquidation

On a winding up the capital and assets of the Company shall be divided amongst the holders of the Ordinary Shares pro rata according to their holding of Ordinary Shares.

D. Transfer of Shares

Shares may be transferred by means of the CREST system.

The Directors may, in their absolute discretion and without assigning any further reason therefore, refuse to register any share transfer unless

- it is in respect of a fully paid share;
- it is in respect of a share on which the Company does not have a lien;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint holders as transferees; and
- the conditions referred to in the next succeeding Article have been satisfied in respect thereof.

If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal and return to him the instrument of transfer. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine and either generally or in respect of any class of shares provided that the register shall not be closed for more than thirty days in any year.

E. Variation of rights

If at any time the capital is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied or abrogated (a) in such manner (if any) as may be provided by such rights, or (b) in the absence of any such provision either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last mentioned shares as a class) be deemed to be a variation of the rights of such shares.

F. Increase or reduction of capital

The Company may, from time to time, by Ordinary Resolution, increase the capital of the Company by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution may prescribe.

The Company may from time to time by Special Resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner authorised by law. The Company may also by Ordinary Resolution cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.

G. Directors

Unless and until otherwise determined by the Company in General Meeting the number of Directors shall not be less than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be less than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment. If there is no Director or are no Directors able or willing to act then any two holders may summon a general meeting for the purpose of appointing Directors.

At the next Annual General Meeting following a Director's first appointment such Director shall retire from office and may stand for re-election.

The Directors shall be paid out of the funds of the Company by way of fees for their services and 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.

H. Meetings of Directors

The Directors may meet together in person or by for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall constitute

a quorum. Questions arising at any meeting shall be determined by a majority of votes. In case of any equality of votes the Chairman shall have a second or casting vote.

I. Directors' Interests

The Board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. Where the Board gives authority in relation to such a conflict, it may impose terms upon the Director concerned including, without limitation, the exclusion of that Director from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict and the Director concerned and any other Director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time.

J. General Meetings

Annual general meetings shall be held at such time and place as may be determined by the Directors and within a period of six months beginning on the day following the Company's accounting reference date. The Directors may determine that a general meeting may be held entirely or partly through one or more electronic facilities, including via satellite meetings at any other place in the world, and may permit any person entitled to attend and participate in a general meeting to do so by simultaneous attendance and participation by means of one or more electronic facilities or such satellite meetings.

An annual general meeting called for the passing of a special resolution and/or ordinary resolution shall be called by not less than twenty-one days' notice in writing, and all other general meetings of the Company shall be called by not less than fourteen days' notice in writing unless it is proposed to pass a resolution of which special notice is required by law, in which case 28 days' notice is required.

The quorum for a general meeting shall not be less than two Shareholders present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days and not more than twenty eight days hence) and at such place as the Chairman shall appoint. At any such adjourned meeting the Shareholder or Shareholders present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

K. Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking property and uncalled capital, or any part thereof and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company that the aggregate amount at any one time owing by the Company shall not at any time without the previous sanction of the Company in general meeting exceed the greater of the sum of ten per cent of the aggregate of the paid up share capital of the Company and amount standing to the credit of the consolidated reserves of the Company and its subsidiaries whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and profit and loss account.

10. Consent to use prospectus

The Company and the Directors consent to the use of this Prospectus and accept responsibility for its content also with respect to the subsequent resale or final placement of securities by any financial intermediary which was given consent to use this prospectus. The period for which consent to use this prospectus is given and the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made commences 12 November 2021 and closes on 30 June 2022 (subject to the extension or early closure of the Offer at the discretion of the Directors). All financial intermediaries may use this Prospectus for subsequent resale of final placement of the securities in the UK. There are no conditions attaching to this consent.

In the event of an offer being made by a financial intermediary, the financial intermediary will provide information to Investors on the terms and conditions of the offer at the time the offer is made.

Any financial intermediary using this prospectus has to state on its website that it uses the prospectus in accordance with the consent and the conditions attached thereto.

11. Consents

The Sponsor and the Manager have given and have not withdrawn their written consents to the issue of this document with the references to them in the form and context in which they appear.

12. Documents on display

Copies of this document are available for download at www.downing.co.uk/existing-investor/draper-esprit-vct and may be obtained free of charge at the Company's registered office, where they are also on display, at 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD, and at its principal place of business at 20 Garrick Street, London WC2E 9BT during the period in which the Offer remains open. Also available from www.downing.co.uk/existing-investor/draper-esprit-vct are copies the Company's annual report and accounts for the periods ended 31 March 2021, 31 March 2020, and 31 March 2019 and the Company's half yearly reports and accounts for the periods ended 30 September 2021 and 30 September 2020.

The Company's Memorandum and Articles of Association are available for download for no charge from <https://find-and-update.company-information.service.gov.uk/company/03424984/filing-history>.

DIRECTORY

Directors

David Brock (Non-executive Chairman)
Hugh Aldous (Non-executive Director)
Richard Marsh (Non-executive Director)
Nicholas Lewis (Non-executive Director)

Company Secretary

Grant Whitehouse

Sponsor

SPARK Advisory Partners Limited
5 St John's Lane
London EC1M 4BH

VCT Status Monitor

Philip Hare & Associates LLP
4-6 Staple Inn
High Holborn
London WC1V 7QH

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Registrar

The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills, Meltham Road
Huddersfield HD4 7BH

Investment Manager

Elderstreet Investments Limited
20 Garrick Street
London WC2E 9BT

Administration Manager

Downing LLP
St Magnus House
3 Lower Thames Street
London EC3R 6HD

Solicitors

RW Blears LLP
70 Colombo Street
London SE1 8PB

Receiving Agent

The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills, Meltham Road
Huddersfield HD4 7BH

Marketing Adviser

RAM Capital Partners LLP
4 Staple Inn
London WC1V 7QH

For intermediary enquiries:

Telephone: 0203 006 7530
Email: taxsolutions@ramcapital.co.uk

DEFINITIONS

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

"Act"	the Companies Act 2006 (as amended)
"Administration Manager"	the administration manager of the Company, Downing LLP
"Admission"	admission of the New Ordinary Shares to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities
"Adviser Charge"	a fee, payable to a financial intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in New Ordinary Shares, and detailed on the Application Form
"AIM"	AIM, a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
"Applicant"	an investor whose name appears in an Application Form
"Application"	an application for New Ordinary Shares under the Offer
"Application Amount"	amount (in pounds sterling) due from an Applicant in respect of his Application or such part (if any) of his Application as is accepted
"Application Form(s)"	a validly complete application form in the form available at www.draperespritvct.com
"Articles"	the articles of association of the Company from time to time
"Business Days"	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
"Company"	Draper Esprit VCT plc (company number 03424984)
"Commission"	commission paid to the financial intermediaries of limited classes of eligible Investors
"CREST"	the computerised settlement system to facilitate the transfer of the title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
"Direct Investor"	an Investor who applies under the Offer directly without any financial intermediary (whether advisory or non-advisory)
"Directors" or "Board"	directors of the Company as at the date of this document, whose names are set out on page 69 of this document
"Estimated Offer Price"	the amount of 64.5p per New Ordinary Share, calculated on the basis of the assumptions referred to on page 10 of this document
"EUWA"	the European Union (Withdrawal) Act 2018
"Existing Shareholder"	a Shareholder who holds shares in the Company subscribed for prior to the launch of the Offer
"FCA"	Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000 (as amended)

"Gross Proceeds"	the amount of monies subscribed by Applicants for New Ordinary Shares under the Offer (disregarding any Adviser Charges or Commission)
"HMRC"	Her Majesty's Revenue & Customs
"Investment Management Agreement" or "IMA"	the investment management agreement entered into between the Company and the Manager on 9 February 2021, as varied or replaced from time to time
"Investment Management Team"	those people whose details are set out in Part 5 of this document
"Investment Manager" or "Manager" or "Promoter" or "Elderstreet"	Elderstreet Investments Limited
"Investor"	an individual investor, who is aged 18 or over, investing no more than £200,000 in VCTs in any one tax year
"ITA"	Income Tax Act 2007 (as amended)
"Listed"	admitted to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	the listing rules issued by the FCA
"London Stock Exchange"	London Stock Exchange plc
"Market Abuse Regulation"	Regulation (EU) No 596/2014 (as amended) as it forms part of domestic law by virtue of the EUWA
"Maximum Subscription"	approximately 31 million New Ordinary Shares in the event that the Offer is fully subscribed with no use of the over-allotment facility or approximately 47 million New Ordinary Shares in the event of full use of the over-allotment facility (save that a maximum of 60 million New Ordinary Shares may be issued pursuant to the Offer)
"Molten Ventures"	Molten Ventures plc and/or its subsidiary and affiliated undertakings
"Money Laundering Regulations"	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, (as amended)
"Net Asset Value" or "NAV"	net asset value per Ordinary Share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"New Ordinary Shares"	the Ordinary Shares available for subscription pursuant to the Offer
"Offer"	the offer for subscription for New Ordinary Shares contained in the Prospectus
"Offer Price"	the price at which New Shares will be issued to be determined by dividing the Application Amount by the number of New Ordinary Shares to be issued as calculated pursuant to the Pricing Formula
"Official List"	official list of the FCA
"Ordinary Shares"	ordinary shares of 5p (sterling) each in the capital of the Company with ISIN GB0002867140

"Pricing Formula"	the mechanism by which the Offer Price may be adjusted by the Board according to the latest announced NAV, the level of the Promotion Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on page 41 of this document and in the Terms and Conditions of Application
"Promoter Agreement"	the sponsor and promoter agreement dated 12 November 2021 between the Company (1), the Directors (2) the Promoter (3) and the Sponsor (4) whereby the Promoter has agreed to act as promoter in connection with the Offer
"Promotion Fee"	the fees payable by the Company to, or as directed by, the Manager (as promoter of the Offer), calculated as a percentage of each Applicant's gross subscription in the Offer in the amounts set out on page 41 of this document
"Prospectus"	this document and any supplemental prospectus which relates to this prospectus issued from time to time by the Company
"Prospectus Regulation"	Regulation (EU) 2017/1129 (as amended) as it forms part of domestic law by virtue of the EUWA
"Qualifying Company"	an unquoted (or AIM quoted) company which satisfies the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investment"	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investor"	an individual who subscribes for or acquires shares in a VCT and satisfies the conditions of eligibility for tax relief available to investors in a VCT
"Receiving Agent"	The City Partnership (UK) Ltd
"Registrar"	The City Partnership (UK) Ltd
"Shareholders"	holders of Shares
"Shares"	Ordinary Shares of 5p (sterling) each issued in the capital of the Company from time to time
"Sponsor"	SPARK Advisory Partners Limited
"Terms and Conditions"	terms and conditions of Application as set out at the end of this document
"US Person"	as defined in the United States Securities Act of 1933 (as amended)
"Venture Capital Trust" or "VCT"	a venture capital trust as defined in Section 259 of ITA

TERMS & CONDITIONS OF APPLICATION

1. Applications for New Ordinary Shares under the Offer should be made online by navigating to www.draperespritvct.com and completing the online Application Form.
2. The right is reserved to reject any Application in whole or in part or to accept any Application in whole or in part and to allot New Ordinary Shares notwithstanding that the Offer is not subscribed in full. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted for a lesser amount than was applied for, the application monies or the balance of the amount paid on Application will be returned without interest by Bacs at the risk of the Applicant.
3. By completing and delivering an Application Form, you:
 - (a) irrevocably offer to subscribe the amount of money specified in your Application Form or such lesser amount as is accepted (in each case such amount being referred to as the "**Application Amount**") which shall be applied to purchase New Ordinary Shares on the basis of the Pricing Formula set out on page 41 of this Prospectus and subject to the provisions of the Prospectus including these Terms and Conditions and the Articles.
 - (b) accept that the Net Asset Value used will be the most recently announced net asset value per Ordinary Share, updated at the discretion of the Board should there be a material movement in Net Asset Value, and adjusted where necessary for the subsequent payment of dividends, expressed in pence (sterling) prior to the date of allotment of the relevant New Ordinary Shares (and will ordinarily be unaudited);
 - (c) authorise your financial adviser, or whoever they may direct, the Registrar or the Company to send a document of title for the number of New Ordinary Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable in the event that these cannot be returned by electronic bank transfer, by post at your risk to your address as set out on your Application Form;
 - (d) agree that in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any New Ordinary Shares to any persons other than by means of the procedures set out or referred to in this Prospectus, agree that your Application may not be revoked prior to the Offer closing and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or delivery of your Application Form duly completed to the Company or to your financial adviser;
 - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Ordinary Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Ordinary Shares as void and may allot such New Ordinary Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Ordinary Shares (other than return of such late payment);
 - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations and that such monies will not bear interest;
 - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Manager) to ensure compliance with the Money Laundering Regulations;

- (h) agree that, in respect of those New Ordinary Shares for which your Application has been received and processed and not rejected, acceptance of your Application shall be constituted by the Company instructing the Registrar to enter your name on the share register of the Company;
- (i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to the bank account or the postal address as set out in the Application Form;
- (j) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein including the risk factors contained on pages 12 to 14;
- (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information or representation other than those contained in this document and you accordingly agree that no person responsible solely or jointly for this document will have any liability for any such other information or representation;
- (l) agree that all Applications, acceptances of Applications and contracts resulting there from under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (m) authorise the Company, the Registrar or the Manager or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by you into your name and authorise any representatives of the Company, the Registrar or the Manager to execute any document required therefor and to enter your name on the register of members of the Company;
- (n) agree to provide the Company, the Registrar or the Manager with any information which they may request in connection with your Application or to comply with the VCT regulations or other relevant legislation (as the same may be amended from time to time);
- (o) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company or the Manager acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your Application;
- (p) confirm that you have read and complied with paragraph 3 below;
- (q) confirm that you have reviewed the restrictions contained in paragraph 4 below;
- (r) warrant that you are not under the age of 18 years;
- (s) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your Application, warrant that you have complied with all such laws and none of the Company or the Manager or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your Application;
- (t) agree that your Application Form is addressed to the Company;
- (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (v) warrant that you are not subscribing for the New Ordinary Shares using a loan which would not have been given to you, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Ordinary Shares;

- (w) warrant that the New Ordinary Shares are allotted to you for bona fide investment purposes and not as part of a scheme or arrangement, the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- (x) warrant that you are not a US Person or resident of Canada and that you are not applying on behalf of or with a view to the offer, sale or delivery, directly or indirectly, to or for the benefit of any US Person or resident of Canada; and
- (y) warrant that the information contained in the Application Form is accurate.

4. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

5. The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.

6. This Application is addressed to the Company. The rights and remedies of the Company and the Manager under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.

7. The dates and times referred to in these Terms and Conditions may be altered by the Company. In particular, the Directors may close the Offer early at their sole discretion and may allot New Ordinary Shares pursuant to the Offer notwithstanding that the Offer is not fully subscribed.

8. Authorised financial intermediaries who, acting on behalf of their clients, submit valid Application Forms bearing their FCA number following the provision of restricted advice to their professional clients or in respect of execution-only transactions where they can demonstrate and confirm to the Company that their duty to act honestly, fairly and professionally in the best interest of the client is not impaired and that they provide an enhanced value service in accordance with COBS 2.3A.6 to 2.3A.9, will be entitled to commission on the amount payable in respect of the New Ordinary Shares allocated for each such Application Form at the rates specified in the paragraph "Terms of the Offer" in Part 6 (Information relating to the Offer) of this document. The Company reserves the right to amend its policy on the payment of commission at any time. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an Application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission. No commission is payable on reinvested commission. In addition, provided they continue to act for their client and the client continues to hold such New Ordinary Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscription for a maximum of five years. Annual trail commissions will be paid in October (commencing in October 2022) by the Company.

9. In respect of Applications received where commission is payable in accordance with applicable rules and guidance, such commission (but not annual trail commission) will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are to be issued on the basis of the Pricing Formula.

10. Where Application Forms are submitted on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your application, the Company will facilitate the payment of any up-front Adviser Charge agreed between you and your intermediary,

as validated by completion of Section 9 on the Application Form. The amount of the agreed Adviser Charge will be facilitated by the Company making a payment on your behalf equal to the agreed up-front Adviser Charge to the intermediary from the Company's share premium account (or reserves created therefrom) in respect of share capital issued prior to 6 April 2014 and this will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are issued to you on the basis of the Pricing Formula. The Applicant will be issued fewer New Ordinary Shares to the equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.

11. If you have agreed to pay on-going charges to an intermediary in respect of services related to your investment, for example, for conducting associated administrative tasks or managing your relationship with the Company, then the Company will not facilitate the payment of any such on-going adviser charge.
12. The section headed Application Procedure below forms part of these Terms and Conditions.
13. It is a condition of the Offer that compliance with the Money Laundering Regulations is ensured. The City Partnership (UK) Ltd is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership (UK) Ltd to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership (UK) Ltd as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership (UK) Ltd may, in its absolute discretion, retain an Application Form submitted by an Applicant and/or the cheque or other remittance relating thereto and/or The City Partnership (UK) Ltd may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or The City Partnership (UK) Ltd to reject any Application in respect of which The City Partnership (UK) Ltd considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership (UK) Ltd such information as may be specified by it as being required for the purpose of the Money Laundering Regulations.
14. The right is also reserved to treat as valid any Application not complying fully with these Terms and Conditions for the Offer or not in all respects complying with the Application Procedure. In particular, but without limitation, the Company may accept Applications made otherwise than by the submission of an electronic Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions. The Company reserves the right to make non-material amendments to these Terms and Conditions without notice to any person.

APPLICATION PROCEDURES

Lodging of Application Forms and dealing arrangements

The Offer opens on 12 November 2021 and will close for Applications at 4.00 p.m. on 30 June 2022, subject to the discretion of the Directors to extend the Offer or close it early.

Applications may be made in respect of the tax year 2021/22 and/or the tax year 2022/23.

How to Apply

Both direct and intermediary-introduced Application Forms can be submitted online using the Company's secure online receiving agent service, ORA, at <https://www.draperespritvct.com/>.

Applicants and financial intermediaries should follow all on-screen instructions about how to complete the Application. Financial intermediaries may complete and submit online Application Forms on behalf of their clients, where they have the authority to do so.

The Application details will be validated as part of that online process to prevent incomplete or illogical submissions.

For any questions concerning the Application process, please contact the Receiving Agent by email at draperespritvct@city.uk.com or by telephone on 01484 240 910 (Mon-Fri, 9am - 5.30pm, excluding English public holidays).

Acknowledgement of Receipt of Application

The Receiving Agent will send an email acknowledging receipt of the Application (including a PDF copy of the Application) to the Applicant and the Applicant's financial intermediary, if applicable.

Payment

Payments can be made by bank transfer or cheque/banker's draft. Unless alternative arrangements have been pre-agreed with the Receiving Agent, the Applicant should remit Application monies from a sterling-denominated account held at a UK-regulated credit institution in their sole or joint name.

For payment by bank transfer, the bank account to which you should remit the total Application Amount (including any Adviser Charge for facilitation) is as follows:

Bank name: The Bank of Scotland plc

Account name: **City Partnership - Draper Esprit VCT**

Account number: **18606664**

Sort Code: **80-22-60**

For payment by cheque/banker's draft, the cheque/banker's draft should be posted to the Receiving Agent at the following address:

Draper Esprit VCT Offer
The City Partnership (UK) Ltd
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

The cheque should be made payable to '**City Partnership - Draper Esprit VCT**' and crossed "A/C Payee only". Cheques will be presented for payment on receipt - Application Forms accompanied by a post-dated cheque will not be accepted.

Payment, whether via bank transfer or cheque, must also include a reference comprising the Applicant's initials (all forenames provided) and telephone number provided in Section 1 of the Application Form. Applicants should enter this reference in the payment reference field on the bank transfer payment instruction or on the back of the cheque.

Acknowledgement of Receipt of Payment

The Receiving Agent will send an email acknowledging receipt of payment to the Applicant and the Applicant's financial intermediary, if applicable, once the payment has been matched to the Application.

MONEY LAUNDERING NOTICE - IMPORTANT

In accordance with the Money Laundering Regulations, the identity of all Applicants must be verified before New Ordinary Shares can be allotted. This is a routine step associated with the Application process and ensures that (i) Applicants are who they say they are; and (ii) Application monies have not been acquired illegally and there is no attempt to use the Company and the Receiving Agent as part of criminal activity.

Please note that New Ordinary Shares cannot be allotted if the Receiving Agent is unable to verify the Applicant's identity, and the Application may ultimately be treated as invalid, and funds returned.

For Applications made via a financial intermediary, the intermediary will complete verification of the Applicant. By signing the Application Form, the financial intermediary confirms that they have applied customer due diligence measures on a risk sensitive basis in respect of the Application to the standard required by the Money Laundering Regulations within the guidance for the UK financial sector issued by the Joint Money Laundering Steering Group. If the Company, Investment Manager and/or the Receiving Agent request additional information in connection with the intermediary's due diligence, they will provide it within two Business Days of receiving the request.

The Receiving Agent will use the Applicant's personal information from the Application Form to verify their identity through Veriphy, a specialist AML compliance solution provider. Veriphy's AML checks include identity and UK address validation as well as integral mortality, departure, sanction, and politically exposed person searches. Veriphy's checks have no impact on an Applicant's credit score or their ability to obtain credit.

In the small number of cases where Veriphy is unable to verify the Applicant's identity sufficiently, the Receiving Agent will need the Applicant to supply evidence of their identity and will contact the Applicant (or their financial intermediary if applicable) to request copies of the relevant documents (typically, an original or certified copy of a passport or driving licence, as well as a recent bank statement or utility bill) and explain how those should be provided. Please note that failure to provide satisfactory evidence following such a request may result in a delay in processing an Application or, at the point of the Offer closing to Applications, the Application being treated as invalid and funds returned.

Note: The Company and the Receiving Agent may, in their absolute discretion, and regardless of the Application Amount and/or the involvement of a financial intermediary, require identity verification.

NP1121-3466





Contact details for IFA enquiries
RAM Capital
T : +44 (0)20 3006 7530
E : taxsolutions@ramcapital.co.uk
Website : www.ramcapital.co.uk