

THAMES VENTURES VCT 2 PLC

UNAUDITED HALF-YEARLY
FINANCIAL REPORT

30 SEPTEMBER 2022

Foresight
FOR A SMARTER FUTURE

Downing 

Shareholder Information

Financial Calendar

July 2023

September 2023

Announcement of Annual Results

Annual General Meeting

Selling Shares

Information on how to sell your shares can be found on Foresight's website:

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

If you have any queries, Foresight's Customer Team can be contacted at investorrelations@foresightgroup.eu or on 020 3667 8181.

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

The Company has stated that it will, from time to time, consider making market purchases of its own shares, in accordance with the policy set out in the Chairman's Statement. At present, the Company only operates a share buyback policy in respect of its Ventures, Healthcare and AIM shares, as the other classes are in the process of returning funds to Shareholders through dividends or have not passed their five-year anniversary.

Shareholders who wish to sell their shares should ask their broker to contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure Gordon"). Panmure Gordon can be contacted as follows:

Chris Lloyd
0207 886 2716
chris.lloyd@panmure.com

Paul Nolan
0207 886 2717
paul.nolan@panmure.com

Dividends

Dividends will be paid by the Company's registrar, The City Partnership, on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque posted to their registered address, can update their instructions at the Investor Hub currently at:

downing-vct.cityhub.uk.com

A Dividend Mandate Form is also available from this site that can be completed and emailed to registrars@city.uk.com or sent to The City Partnership (UK) Limited, The Mending Room, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. If you have any queries, The City Partnership can be contacted by the email address above or on 01484 240910.

Share Scam Warning

We are aware that a significant number of shareholders of VCTs managed by both Foresight, Downing and other VCT managers continue to receive unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be a "Boiler Room Scam".
Shareholders are warned to be very suspicious if they receive any similar type of telephone call.

The FCA has published information about such scams at www.fca.org.uk/scamsmart

If you have any concerns, please contact Foresight at investorrelations@foresightgroup.eu on 020 3667 8181.

Other information for Shareholders

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

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

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

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Financial Highlights

	Unaudited 30 September 2022 pence	Audited 31 March 2022 pence	Unaudited 30 September 2021 pence
Ventures Share pool			
Net Asset Value per Ventures Share	68.50	68.20	68.50
Cumulative distributions	8.00	5.25	5.25
Total Return per Ventures Share	76.50	73.45	73.75
Healthcare Share pool			
Net Asset Value per Healthcare Share	71.70	84.40	88.70
Cumulative distributions	8.75	5.25	5.25
Total Return per Healthcare Share	80.45	89.65	93.95
AIM Share pool			
Net Asset Value per AIM Share	99.0	99.9	n/a
Cumulative distributions	-	-	n/a
Total Return per AIM Share	99.0	99.9	n/a
DSO D Share pool			
Net Asset Value per DSO D Share	2.6	2.6	10.2
Cumulative distributions	102.0	102.0	94.5
Adjusted for Performance Incentive estimate ¹	-	-	(0.3)
Total Return per DSO D Share	104.6	104.6	104.4
DP67 Share pool			
Net Asset Value per DP67 Share	24.4	26.8	19.5
Cumulative distributions (since original launch)	67.8	67.8	67.8
Total Return per DP67 Share	92.2	94.6	87.3

¹ Based on Total Return to Shareholders at 30 September 2022, no Performance Incentive is expected to become due to management.

Chairman's Statement

Introduction

I am pleased to present the Company's Half-Yearly Report for the six months ended 30 September 2022.

During the period the Company has seen a change of Investment Manager and a change of name. In terms of investments, macro-economic conditions are increasingly challenging, which have contributed to some mixed results over the period for the existing portfolio companies.

Investment Management Arrangements and Change of name

As set out to you in the Annual Report, Foresight Group LLP ("Foresight") purchased the non-healthcare ventures division of Downing LLP in July 2022, and the Board consented for the investment management agreement to be novated to Foresight.

The management of the Healthcare Share pool remains with Downing LLP, who are also continuing to provide investment management services for the planned exit and AIM share pools alongside the administration services for the VCT as a whole.

On 2 September 2022 the Company changed its name to: -

Thames Ventures VCT 2 plc

to recognise the change in main Investment Manager.

Fundraising

After the period end, in October 2022, the Company launched a new offer for subscription for the Healthcare Share class, closely followed, in early November, by an offer for the Ventures Share class, seeking to raise up to £10 million in each class, with an over-allotment facility of up to £10 million respectively.

The Board believes that the Company offers an attractive proposition for VCT investors, as both the Ventures and Healthcare Share pools are still relatively young, although the earliest investments are now several years old and making progress towards maturing.

Full details of the offer can be found on the Foresight and Downing websites:

Ventures:

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

Healthcare:

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

Evergreen Share pool review

Ventures Share pool

During the period, the Ventures Share pool made a number of new and follow-on investments totalling £3.5 million, as well as completing three full exits generating a total of £4.1 million proceeds. The Ventures Share class Total Return stood at 76.5p as at 30 September 2022. This is an increase of 3.0p or 4.5% in Net Asset Value per share ("NAV") over the period, after adjusting for the dividend of 2.75p per Ventures Share, paid on 30 September 2022.

The NAV increase over the period results from several valuation uplifts within the portfolio, including Hackajob Limited and Cornelis Networks, Inc., which along with the other US Dollar denominated investments, had also benefitted significantly from the US Dollar strengthening against Sterling, although some of those gains have reversed since the period end, as Sterling has recovered some ground.

There was a final redemption from MI Downing UK Micro-Cap Growth Fund during the period, which has now returned all its funds as part of its wind up. The investment in Downing Strategic Micro-Cap Investment Trust plc fell in value during the period, broadly in line with the trend for small cap stocks.

A more detailed review of the Ventures Share pool is included in the Ventures Investment Manager's Report on pages 5 to 8.

Healthcare Share pool

The Healthcare Share pool continues to be managed by Downing LLP, who have a dedicated and enlarged Healthcare investment management team. During the period, the Healthcare Share pool made one follow-on investment of £805,000 in FVRVS Limited (trading as Fundamental VR), including the conversion of a loan note already held in the company. Proceeds of £842,000 were generated on two other exits completed in the period, discussed in more detail in the Investment Manager's Report on pages 9 to 11.

As at 30 September 2022, the Healthcare Share pool Total Return stood at 80.45p. This is a decrease of 9.2p or 10.9% on NAV over the period, after adjusting for the dividend of 3.5p per Healthcare Share, paid on 30 September 2022.

Chairman's Statement (continued)

Healthcare Share pool (continued)

The NAV decrease over the period is largely attributable to the fall in the valuation of the two companies which floated on AIM in 2021: Arecor and GENinCode. Based on their quoted share prices as at 30 September 2022, Arecor and GENinCode showed unrealised valuation losses totalling £1.8 million for the period. Share market liquidity for both businesses is limited, amplifying the AIM market share price falls and volatility as the general economic climate deteriorates. The remaining investments in the Healthcare ventures portfolio showed unrealised losses of £100,000 for the period.

As with the Ventures Share pool, the Healthcare Share pool received a final redemption from MI Downing UK Micro-Cap Growth Fund, which has now wound up.

A more detailed review of the Healthcare Share pool is included in the Investment Manager's Report on pages 9 to 11.

AIM Share pool

As part of the change in management arrangements, Downing has agreed to provide management services in respect of the AIM Share pool for an interim period.

The deal flow for VCT qualifying AIM raises has been disappointing as IPOs have dried up and market sentiment has not supported new fundraises, against a backdrop of deteriorating general economic conditions. However, the Manager continues to see all new qualifying secondary and imminent IPOs and is using this time to do enhanced due diligence on potential investments. Since the period end, funds have been invested in liquidity assets which include a yielding money market fund and a market tracker.

Planned Exit Share pools

As with the AIM Share pool, Downing LLP continues to provide investment management services in respect of the investments held by the planned exit share pools.

DSO D Share pool

The DSO D Share pool continues to hold the two remaining investments. At the period end, NAV stood at 2.6p. Total Return at 30 September 2022 stood at 104.6p per share, unchanged since 31 March 2022.

The Manager is finalising plans to exit from these two businesses with exposure to the hospitality sector, Pearce and Saunders Limited and Pearce and Saunders DevCo Limited. It is expected that these two investments will exit by Q2 2023.

A more detailed review of the DSO D Share pool is included in the Investment Manager's Report on page 12.

DP67 Share pool

The DP67 Share pool continues to hold three remaining investments of value. At the period end, NAV stood at 24.4p. Total Return at 30 September 2022 stood at 92.2p per share, a decrease of 2.4p per share since 31 March 2022.

The DP67 Share pool has significant exposure to the hospitality sector and progress continues to be slow in the aftermath of the pandemic. However, the Manager is hopeful that it will be able to secure the remaining exits in the early months of 2023.

A more detailed review of the DP67 Share pool is included in the Investment Manager's Report on page 14.

Dividends

On 30 September 2022, the Company paid dividends in respect of the year ended 31 March 2022 of 2.75p per Ventures Share and 3.5p per Healthcare Share. This brings the total dividends paid to date on each of the Ventures and Healthcare Share pools, to 8.0p and 8.75p respectively.

Dividends in respect of the Ventures and Healthcare Share classes are paid once a year, typically in September. Both share classes target a dividend level of at least 4% of NAV per annum.

For both the DSO D and DP67 Share pools, the next and final dividends will be declared once further realisations have taken place.

The AIM Share class has no target dividend and is unlikely to pay any dividend in these early years of its life.

Share buybacks

The Company operates a general policy of buying in Shares from its Evergreen Share pools (Ventures, Healthcare and AIM) that become available in the market, subject to regulatory and liquidity factors. Any such purchases are undertaken at a price approximately equal to NAV (i.e. at a nil discount).

As the planned exit share classes are in the process of returning funds to Shareholders, the Company no longer operates a share buyback policy in respect of the DSO D and DP67 Share classes.

During the six-month period ended 30 September 2022, the Company repurchased 757,401 Ventures Shares and 292,637 Healthcare Shares, at average prices of 67.15p and 78.51p per share, respectively.

Chairman's Statement (continued)

Share buybacks (continued)

If you wish to sell or buy shares in the Company, Panmure Gordon can supply details of closed periods etc. Contact details can be found on the Shareholder Information page of this Half-Yearly Report. Shareholders are reminded that any sales of shares before they have been held for five years from allotment will normally result in the loss of the initial income tax relief.

Outlook

The Board is encouraged by the continuing deployment of funds in building the Ventures Share portfolio, now under the management of the team at Foresight. There remains some cash for investment in this, and we hope to see new funds raised under the current offers which will support the existing portfolio, allowing further diversification as the Company takes advantage of new opportunities.

For the planned exit share pools, the ongoing delays in exiting the investments are frustrating, but we are now hopeful that these can be brought to a close in the near future. The Board is satisfied that the Manager's strategy in working towards exits while seeking to achieve optimal values is sensible. We hope to complete the task of returning final funds to these shareholders within the next six months.

Although there are now significant challenges for businesses in most sectors, the Board believes that young growth companies still have the ability to offer attractive rewards to investors. Funds raised under the offers for subscription will allow the Company to take advantage of new such opportunities. The Board hopes to see the ventures investment team leverage the full benefits of the regional office network and other resources of the Foresight Group and will be looking to both Managers to identify suitable new potential investments to further diversify the portfolios, while also closely monitoring and supporting the existing investments.

I look forward to updating all Shareholders in my statement with the Annual Report, which we expect to publish in July 2023.



Sir Aubrey Brocklebank Bt.
Chairman

22 December 2022

Investment Manager's Report - Ventures Share Pool

Introduction

We are pleased to present our first review of the investment portfolio for the Ventures Share pool as Foresight Group LLP, following the acquisition by Foresight of Downing LLP's non-healthcare ventures investment division in the summer.

This Investment Manager's Report is split into two sections comprising this overview and a review of the portfolio. Where the Ventures Share pool has invested alongside the Healthcare Share pool, further valuation commentary can be found within the Investment Manager's Report for the Healthcare Share pool, on pages 9 and 10.

Introduction to the Foresight Group

Foresight is a leading private equity and infrastructure investment manager with its parent company, Foresight Group Holdings Limited, listed on the London Stock Exchange. Established in 1984, Foresight has a track record of over 35 years investing into and growing small companies. The Foresight Group now has more than £12.5 billion of assets under management and a wide and varied investor base of private and institutional investors and has a commitment to attracting and retaining high quality and experienced staff.

We are pleased to report that the team that transferred from Downing is now well settled and is recruiting in line with expansion plans. They are also now starting to benefit from working with other teams within Foresight to generate new deal flow.

Net Asset Value and results

As at 30 September 2022, the NAV of a Ventures Share stood at 68.5p, an increase of 3.0p from 31 March 2022, after adding back the dividend of 2.75p which was paid during the period.

The return on ordinary activities for the Ventures Share pool for the period was £1.7 million, comprising a revenue loss of £228,000 and a capital gain of £1.9 million.

There continues to be further recovery in the NAV since 31 March 2022, with the Total Return to Shareholders as at 30 September 2022 being 76.5p per share.

Portfolio Overview

As at 30 September 2022, the Ventures Share pool held a portfolio of 37 ventures investments and one liquidity investment, with a total carrying value of £32.6 million.

Portfolio Performance

Overall, there were 11 valuation increases in the ventures portfolio, totalling £4.6 million, which more than offset the ten valuation reductions, totalling £2.5 million. The net valuation increase across the ventures portfolio was therefore £2.1 million as at 30 September 2022.

The carrying values of the liquidity investments have been adjusted to reflect their quoted prices as at 30 September 2022. This resulted in a valuation decrease of £618,000 for the half-year period.

Investment activity

During the period, £2.8 million was invested in new companies, as set out below. £676,000 was invested in four existing business in the ventures portfolio, of which one included a conversion of loan notes into equity.

New portfolio companies

Vivacity Labs Limited (£493,000) is a provider of AI-driven traffic congestion monitoring solutions and insights.

Maestro Media Limited (£340,000) have developed an online streaming platform in collaboration with the BBC, offering personal and insightful lessons from leading creative talents.

Glisser Limited (£199,000) is an award-winning platform for hosting both virtual and in-person events.

Follow-on portfolio companies

FVRVS Limited (trading as **Fundamental VR**) provides surgery simulation software for enterprise clients and hospitals. A further £527,000 was invested, including conversion of the loan note already held.

Smaller follow-on investments were also made into **Streethub Limited** (trading as **Trouva**) (£70,000), **Upp Technologies Group Limited** (£59,000) and **Channel Mum Limited** (£20,000).

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

Investment activity (continued)

Exits

There were two full exits in the period, the first being the success story of **E-Fundamentals (Group) Limited**, a Software as a Service (SaaS) analytics company, which has developed and commercialised a SaaS analytics tool, which was sold for total proceeds of £3.6 million at a gain over cost of £2.1 million. £1.7 million of the consideration was in shares in **CommercelQ, Inc** which provides e-commerce management tools for the organisation of retail media, sales and operations.

On a more disappointing note, **Streethub Limited** (trading as **Trouva**), an online marketplace for a curated range of homeware and lifestyle products, exited in full for a loss of £1.1 million against total cost.

As noted above, £125,000 of loan notes held in FVRVS Limited were converted to shares alongside the further investment made in the period.

Portfolio valuation

During the period, the ventures portfolio of the Ventures Share pool increased in value by a total of £2.8 million, following a number of positive developments.

Hackajob Limited, the owner of a marketplace platform for hiring technical talent, has continued to progress well during the period, with recurring revenues continuing to grow and continued strong progress on fundraising. The valuation was uplifted by £1.4 million as a result.

Cornelis Networks, Inc. is a technology provider delivering purpose-built high-performance fabrics for High Performance Computing, Analytics and Artificial Intelligence to leading commercial, scientific, academic, and government organizations. The valuation was uplifted by £1.5 million as at 30 September 2022, as they continue to build-out customer base, drive new product and raise additional funding. £400,000 of the increase is due to the positive impact of USD/Sterling FX movements in the period since the year end.

Virtual Class Limited (trading as **Third Space Learning**) provides online lessons from specialist maths tutors to support school children. They have achieved significant growth in recent years, with revenues tripling since 2020 and the value has been uplifted by £775,000 to reflect this.

Ayar Labs, Inc., the developer of components for high performance computing and data centre applications, was uplifted in valuation by £522,000 as at 30 September 2022, including the impact of foreign exchange.

FundingXchange Limited, an SME funding platform and B2B technology provider which enables online lending, was subject to a further valuation reduction of £510,000 as at 30 September 2022, as revenue performance continues to be behind forecast.

Arecor Therapeutics plc floated in 2021 and so is valued at the quoted bid price. This is down £352,000 since the year end – see page 9 for further commentary.

It is disappointing to report that **Channel Mum Limited**, and **Hummingbird Technologies Limited** are no longer expected to recover, with a total reduction in value of £561,000 to bring the values to nil.

There are a number of smaller valuation movements which offset one another for the half-year period, resulting in a net positive movement of £70,000.

Liquidity investments

The Ventures Share pool holds a non-qualifying investment in Downing Strategic Micro-Cap Investment Trust plc ("DSM"). This decreased in value by £618,000 over the period, broadly in line with market conditions, although has seen some recovery since the period end.

Downing Micro-Cap Growth Fund, in which the share pool also had a small holding, completed the task of returning funds to shareholder as part of its wind up, producing a realised gain of £23,000 in the period.

Outlook

The six months to 30 September 2022, during which we became investment manager, has been against a backdrop of increasingly challenging market conditions, with inflation and global interest rates rising, having an inevitable impact on the portfolio.

Despite this environment, we are continuing to see improved performance from the Ventures Share class, driven by a number of valuation uplifts. Those portfolio companies that survived the current economic turbulence may be better placed than beforehand, due to tighter cost and cash management.

We are now expanding our team to enable us to take full advantage of the opportunities the new fundraising will present. Our role over the remainder of the year will focus on continued support of the existing portfolio companies in the ventures portfolio, as well as looking to add new investments to this portfolio with the remaining proceeds from the last fundraising.

Thames Ventures VCT Team
Foresight Group LLP

22 December 2022

Review of Investments – Ventures Share Pool

The following investments were held at 30 September 2022:

Portfolio of investments	Cost as at 30 September 2022 £'000	Valuation as at 30 September 2022 £'000	Valuation movement in period £'000	% of portfolio
Hackajob Limited	784	2,885	1,362	7.7%
Cornelis Networks, Inc.	1,402	2,850	1,480	7.6%
Virtual Class Limited (Third Space Learning)	1,053	2,591	775	6.9%
Ayar Labs, Inc.	764	2,048	522	5.5%
Rated People Limited	1,382	1,917	22	5.1%
Imagen Limited	1,000	1,763	-	4.7%
CommercelQ, Inc.	1,749	1,749	-	4.7%
Cambridge Touch Technologies Limited	959	1,376	7	3.7%
Trinny London Limited	219	1,374	134	3.7%
Ecstase Limited (t/a ADAY)	1,000	1,182	(75)	3.2%
Upp Technologies Group Limited (previously Volo Commerce)	1,077	1,136	59	3.0%
Firefly Learning Limited	1,047	1,047	-	2.8%
FVRVS Limited (t/a Fundamental VR)	777	904	18	2.4%
Parsable, Inc.	766	839	128	2.2%
Arecor Therapeutics plc^	418	789	(352)	2.1%
Limitless Technology Limited	757	786	(134)	2.1%
Carbice Corporation	656	753	114	2.0%
Masters of Pie Limited	667	667	-	1.8%
Congenica Limited	734	605	(141)	1.6%
Vivacity Labs Limited	493	493	-	1.3%
Maverick Pubs (Holdings) Limited	1,000	490	40	1.3%
Fenkle Street LLP*	301	348	(57)	0.9%
Maestro Media Limited	340	340	-	0.9%
MIP Diagnostics Limited	300	300	-	0.8%
FundingXchange Limited	1,050	276	(510)	0.7%
Distributed Limited	275	275	-	0.7%
Bulbshare Limited	249	249	-	0.7%
Glisser Limited	199	199	-	0.5%
Destiny Pharma plc^	500	108	(45)	0.3%
Channel Mum Limited	757	-	(311)	0.0%
Hummingbird Technologies Limited	750	-	(250)	0.0%
Lignia Wood Company Limited	1,778	-	-	0.0%
Empiribox Holdings Limited	1,563	-	-	0.0%
Live Better With Limited	1,211	-	-	0.0%
Ormsborough Limited	900	-	-	0.0%
Lineten Limited	400	-	-	0.0%
London City Shopping Centre Limited*	30	-	-	0.0%
	29,307	30,339	2,786	80.9%
Liquidity investment				
Downing Strategic Micro-Cap Investment Trust plc**^	4,269	2,257	(618)	6.0%
	33,576	32,596	2,168	86.9%
Cash at bank and in hand		4,910		13.1%
Total investments		37,506		100.0%

*non-qualifying investment

^listed and traded on the London Stock Exchange

Review of Investments – Ventures Share Pool (continued)

Investment movements for the period ended 30 September 2022

	Cost £'000
Additions	
CommercelQ, Inc.	1,749
FVRVS Limited (t/a Fundamental VR)	527
Vivacity Labs Limited	493
Maestro Media Limited	340
Glisser Limited	199
Streethub Limited (t/a Trouva)	70
Upp Technology Group Limited	59
Channel Mum Limited	20
	3,457

	Cost £'000	Valuation at 01/04/22 £'000	Proceeds £'000	Profit/(loss) vs. cost £'000	Realised gain £'000
Disposals					
E- Fundamentals Limited	1,508	3,847	3,607	2,099	(240)
Streethub Limited (t/a Trouva)	1,349	141	242	(1,107)	101
FVRVS Limited (t/a Fundamental VR)	125	125	125	-	-
Liquidity investments					
MI Downing UK Micro-Cap Growth Fund*	123	116	139	16	23
	3,105	4,229	4,113	1,008	(116)

*non-qualifying investment

Investment Manager's Report- Healthcare Share Pool

Introduction

We present a review of the investment portfolio and activity for the Healthcare Share pool over the six month period to 30 September 2022.

As noted earlier in this report, although Foresight Group is now the primary Investment Manager for the Company, Downing LLP continues to be the Investment Manager of the Healthcare Share pool.

Net Asset Value and results

As at 30 September 2022, the NAV of the Healthcare Shares stood at 71.7p, a decrease of 9.2p from 31 March 2022, after adding back the dividend of 3.50p which was paid during the period. The vast majority of this fall was from the quoted investments in the portfolio.

The loss on ordinary activities for the Healthcare Share pool for the period was £2.1 million, comprising a revenue loss of £147,000 and a capital loss of £1.9 million.

The Total Return to Healthcare Shareholders, as at 30 September 2022, was 80.45p.

Portfolio Overview

As at 30 September 2022, the Healthcare Share pool held a portfolio of 14 ventures investments and one liquidity investment, with a combined value of £13.8 million.

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

Portfolio Performance

There were a number of valuation movements in the Healthcare ventures portfolio during the period, resulting in a net valuation decrease of £1.9 million.

The carrying value of the liquidity investment has been adjusted to reflect the quoted prices as at 30 September 2022. This resulted in a valuation decrease of £106,000 for the period.

Investment activity

During the period, £805,000 was invested in **FVRVS Limited** (trading as **Fundamental VR**) an existing portfolio company which provides surgery simulation software for enterprise clients and hospitals. Included in the investment was the conversion of a loan note already held.

Exits

Future Health Works (trading as **MyRecovery**) was exited in full during the period, generating proceeds of £798,000, being a £270,000 gain over cost and a positive result for the portfolio.

As noted above, £250,000 of loan notes held in **FVRVS Limited** were converted to shares alongside the further investment made in the period.

Final proceeds of £44,000 were also received from the wind up of the **MI Downing UK Micro-Cap Growth Fund**.

Portfolio valuation

There were a number of valuation movements within the portfolio over the period.

Arecor plc is quoted on AIM and valued at the bid price at 30 September 2022 of £2.40. The Healthcare Share pool's investment saw a decrease in value of £1.3 million over the period. Despite the fall in its quoted share price, the company is making headway, having completed the acquisition of **Tetris Pharma** which has launched a new diabetes treatment "Ogluo" in Germany. The company itself has also made significant progress with its proprietary portfolio, and clinical trials are accelerating around their product of ultra-concentrated rapid acting insulin. Despite a regular positive news flow, the company's share price has dropped off. This appears to be a combination of less market interest in low liquidity, pre-revenue stocks and early investors selling into this low liquidity market.

Genincode plc is also valued at its quoted bid price of 17p, which has resulted in a reduction in value of £542,000 at 30 September 2022. The business has continued to underperform against its targets; we continue to wait for meaningful US regulatory and market access progress.

Congenica Limited has also underperformed against plan and accordingly, the value has been reduced by £350,000.

On a more positive note, **Open Bionics Limited**, an award-winning designer, manufacturer and supplier of bionic limbs, has been uplifted in value to calibrate to a recent funding round. The company continues to exceed revenue budgets and meet its KPIs. The resulting uplift for the Healthcare Share pool was £251,000 as at 30 September 2022.

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

Portfolio valuation (continued)

DiA Imaging Analysis Limited ("DiA") was increased in value by £139,000 as at 30 September 2022, to reflect an offer to acquire the company, which is being explored further, along with the movement in the exchange rate in the US Dollar/Sterling exchange rate, since the last year end.

The valuation of **FVRVS Limited** (trading as **Fundamental VR**) has been increased as a result of a calibration to the most recent funding round. The valuation uplift for the Healthcare Share pool was £36,000 as at 30 September 2022.

Destiny Pharma plc, which is listed on AIM, was reduced in value by £67,000 as at 30 September 2022. The business continues to progress with its clinical pipeline and trials, however the quoted share price has fallen on the back of limited trading volumes. We continue to believe that there will be long-term appreciation in the share price, as key milestones continue to be achieved.

Liquidity investments

The Ventures Share pool holds a non-qualifying investment in Downing Strategic Micro-Cap Investment Trust plc ("DSM"). This decreased in value by £106,000 over the period, broadly in line with market conditions, although has seen some recovery since the period end.

Downing Micro-Cap Growth Fund, in which the share pool also had a small holding, completed the task of returning funds to shareholders as part of its wind up, producing a realised gain of £7,000 in the period.

Outlook

A significant proportion of the value of the Healthcare portfolio is in companies that have floated after our initial VCT investment. The share price of small, quoted companies can often tend to be disproportionately affected in weaker markets. Whilst Genincode is performing behind plan, we believe the other quoted companies in the Healthcare portfolio are making good progress, which has not been reflected in their share prices.

Over the remainder of the year, we will continue to focus on supporting the existing companies in the Healthcare Portfolio, whilst also looking to further add to this portfolio in deploying existing and new fundraising proceeds. The healthcare sector continues to provide a good level of dealflow, and we hope that new fundraising will allow us to take advantage of some of the best opportunities which present themselves.

Downing LLP

22 December 2022

Review of Investments – Healthcare Share Pool

The following investments were held at 30 September 2022:

Portfolio of investments	Cost as at 30 September 2022 £'000	Valuation as at 30 September 2022 £'000	Valuation movement in period £'000	% of portfolio
Arecor Therapeutics plc [^]	1,533	2,894	(1,292)	17.6%
Adaptix Limited	1,056	1,843	-	11.2%
Open Bionics Limited	1,000	1,630	251	9.9%
FVRVS Limited (t/a Fundamental VR)	1,305	1,559	36	9.5%
GENinCode plc [^]	1,202	1,082	(542)	6.6%
Congenica Limited	1,184	865	(350)	5.3%
Cambridge Respiratory Innovations Limited	800	800	-	4.9%
Closed Loop Medicine Limited	650	650	-	4.0%
DiA Imaging Analysis Limited	415	568	139	3.5%
The Electrospinning Company Limited	478	544	-	3.3%
Invizius Limited	500	500	-	3.1%
MIP Diagnostics Limited	300	300	-	1.8%
Destiny Pharma plc [^]	750	162	(67)	1.0%
Live Better With Limited	1,106	-	-	0.0%
	12,279	13,397	(1,825)	81.7%
Liquidity Investments				
Downing Strategic Micro-Cap Investment Trust plc ^{*^}	729	385	(106)	2.4%
	13,008	13,782	1,931	84.1%
Cash at bank and in hand		2,596		15.9%
Total investments		16,378		100.0%

*non-qualifying investment

[^]listed and traded on the London Stock Exchange

Investment movements for the period ended 30 September 2022

	Cost £'000	Valuation at 01/04/21 £'000	Proceeds £'000	Profit vs. cost £'000	Realised gain £'000
Additions					
FVRVS Limited (t/a Fundamental VR)					805
					805
Disposals					
Future Health Works Limited (t/a MyRecovery)	528	750	798	270	48
FVRVS Limited (t/a Fundamental VR)	250	250	250	-	-
Liquidity investments					
MI Downing UK Micro-Cap Growth Fund*	40	37	44	4	7
	818	1,037	1,092	274	55

*non-qualifying investment

Investment Manager's Report DSO D Share Pool

Introduction

The process of realising the investments and returning funds to Shareholders remains the focus of the DSO D Share pool, although this has continued to be subject to significant delays.

Net Asset Value and results

The Net Asset Value ("NAV") per DSO D Share at 30 September 2022, stood at 2.6p.

Total Return stands at 104.6p per share compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share. We consider this to be a satisfactory performance when compared to the initial NAV of 100p.

The loss on ordinary activities after taxation for the period was £4,000, comprising a revenue gain of £23,000 and a capital loss of £27,000.

We continue to experience delays in exiting from the DSO D Share pool's investments in Pearce and Saunders and Pearce and Saunders DevCo Limited. We are working on plans to extract the remaining values for the companies.

Ventures investments

As at 30 September 2022, the DSO D Share Pool held two ventures investments with a total value of £16,000.

There have been no movements in the portfolio during the period, as we continue to push to exit the final investments at the highest possible proceeds for investors.

Portfolio valuation

During the year, the carrying value of the portfolio of investments held by the DSO D Share pool was decreased by £27,000.

Pearce and Saunders Limited made a final distribution of £24,000 of interest to the Company in the period, and now has no further value to distribute, resulting in a reduction in the investment value of £27,000.

Pearce and Saunders DevCo Limited has a residual balance of £16,000, anticipated to be recovered in the final exit process hoped for next year.

Outlook

The focus for the DSO D Share pool continues to be on realising the remaining investments. A final distribution will be paid once the remaining realisations have taken place.

Foresight Group LLP

22 December 2022

Review of investments - DSO D Share Pool

The following investments were held at 30 September 2022:

	Cost as at 30 September 2022 £'000	Valuation as at 30 September 2022 £'000	Valuation movement in period £'000	% of portfolio
Portfolio of investments				
Pearce and Saunders Limited	255	-	(27)	0.0%
Pearce and Saunders DevCo Limited*	19	16	-	15.5%
	274	16	(27)	15.5%
Cash at bank and in hand		87		84.5%
Total investments		103		100.0%

* non-qualifying investment

There were no investment disposals during the period.

Investment Manager's Report - DP67 Share Pool

Introduction

The process of realising the investments and returning funds to DP67 Shareholders remains the focus for this Share pool, although this continues to be subject to substantial delays, with the remaining assets all in the hospitality sector.

Net Asset Value and results

The Net Asset Value ("NAV") per DP67 Share at 30 September 2022 stood at 24.4p, a decrease of 2.4p over the period. Total Return stands at 92.2p per DP67 Share, compared to initial cost to Shareholders, net of income tax relief, of 70.0p per Share.

The loss on ordinary activities after taxation for the period was £268,000, comprising a revenue loss of £156,000 and a capital loss of £112,000.

We continue to try to work towards achieving optimal proceeds for shareholders from the remnants of the portfolio, in what continues to be a challenging environment in the hospitality sector.

Ventures investments

As at 30 September 2022, the DP67 Share pool held a portfolio of five investments, with a total value of £1.8 million.

Portfolio activity

There were no realisations during the period.

Portfolio valuation

The DP67 portfolio decreased in value by a total of £107,000 during the period. This was wholly attributable to **Fenkle Street LLP**, which has been adjusted to reflect the anticipated proceeds from the pending sale, along with **Gatewales Limited**. As part of the terms agreed, Fenkle Street will make a contribution to the remedial fire stopping improvement works required, which is reflected in the decrease in value.

Cadbury House Holdings is now actively marketing its hotel, and the value reflects the third-party valuation carried out for that process. It remains unchanged since the year end. We hope to achieve an exit by mid-2023.

Outlook

We are hopeful that the current plans will deliver exits from each of the remaining investments in the reasonably near future, now that the impact of the coronavirus pandemic on these assets is mostly behind us. There are now, of course, new challenges, including increasing inflation and spiralling energy costs, so we are keen to see transactions complete without undue delay.

Final dividends will be paid once the remaining realisations have taken place.

Foresight Group LLP

22 December 2022

Review of Investments – DP67 Share Pool

The following investments were held at 30 September 2022:

Portfolio of investments	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Cadbury House Holdings Limited	1,409	791	-	44.1%
Fenkle Street LLP*	405	652	(107)	36.3%
Gatewales Limited**	343	344	-	19.2%
Yamuna Renewables Limited	400	-	-	0.0%
London City Shopping Centre Limited*	99	-	-	0.0%
	2,656	1,787	(107)	99.6%
Cash at bank and in hand		8		0.4%
Total investments		1,795		100.0%

*non-qualifying investment

**partially qualifying investment

There were no investment disposals during the period.

Investment Manager's Report - AIM Share Pool

The AIM Share class raised a total of £2.7 million in its initial fundraising, which closed in May 2022. The NAV stands at 99.0p at 30 September 2022.

Since the original launch, the world has changed significantly with the start of the war in Ukraine, impending recession and poor market sentiment resulting in the current deal flow of VCT qualifying AIM fundraisers being at a low level.

However, the team continue to see all new qualifying secondary and imminent IPOs and are using this time to perform enhanced due diligence on potential investments. In the meantime, since the period end, some of the funds have been invested in liquidity assets, which include a yielding money market fund and a market tracker.

We hope to report an increased level of activity in the Annual Report.

Downing LLP

22 December 2022

Unaudited Income Statement

for the six months ended 30 September 2022

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	158	-	158	43	2	45	1,296
(Losses)/gains on investments	-	(17)	(17)	-	7,244	7,244	6,599
	158	(17)	141	43	7,246	7,289	7,895
Investment management fees	(168)	(168)	(336)	(244)	(244)	(488)	(1,062)
Other expenses	(512)	-	(512)	(209)	-	(209)	(409)
(Loss)/profit on ordinary activities before tax	(522)	(185)	(707)	(410)	7,002	6,592	6,424
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(522)	(185)	(707)	(410)	7,002	6,592	6,424
Basic and diluted return per share:							
Ventures Share	(0.5p)	3.9p	3.4p	(0.5p)	4.6p	4.1p	3.8p
Healthcare Share	(0.7p)	(9.1p)	(9.8p)	(0.7p)	23.7p	23.0p	18.3p
AIM Share	(0.5p)	(0.2p)	(0.7p)	n/a	n/a	n/a	(2.3p)
DSO D Share	0.3p	(0.3p)	-	(0.1p)	0.1p	0.0p	0.0p
DP67 Share	(1.4p)	(1.0p)	(2.4p)	(0.2p)	1.3p	1.1p	8.3p

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2022

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ventures Share pool							
Income	27	-	27	35	1	36	58
Net gain on investments	-	1,993	1,993	-	2,369	2,369	2,641
	27	1,993	2,020	35	2,370	2,405	2,699
Investment management fees	(95)	(95)	(190)	(152)	(152)	(304)	(628)
Other expenses	(160)	-	(160)	(136)	-	(136)	(235)
(Loss)/profit on ordinary activities before tax	(228)	1,898	1,670	(253)	2,218	1,965	1,836
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(228)	1,898	1,670	(253)	2,218	1,965	1,836

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Healthcare Share pool							
Income	-	-	-	8	1	9	21
Net (losses)/gains on investments	-	(1,876)	(1,876)	-	4,727	4,727	4,172
	-	(1,876)	(1,876)	8	4,728	4,736	4,193
Investment management fees	(62)	(62)	(124)	(82)	(82)	(164)	(390)
Other expenses	(85)	-	(85)	(58)	-	(58)	(140)
(Loss)/profit on ordinary activities before tax	(147)	(1,938)	(2,085)	(132)	4,646	4,514	3,663
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(147)	(1,938)	(2,085)	(132)	4,646	4,514	3,663

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2022

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
AIM Share pool							
Income	-	-	-	n/a	n/a	n/a	-
Net gain on investments	-	-	-	n/a	n/a	n/a	-
	-	-	-	n/a	n/a	n/a	-
Investment management fees	(6)	(6)	(12)	n/a	n/a	n/a	(4)
Other expenses	(8)	-	(8)	n/a	n/a	n/a	(2)
Loss on ordinary activities before tax	(14)	(6)	(20)	n/a	n/a	n/a	(6)
Tax on total comprehensive income and ordinary activities	-	-	-	n/a	n/a	n/a	-
Loss attributable to equity Shareholders, being total comprehensive income for the period	(14)	(6)	(20)	n/a	n/a	n/a	(6)

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
DSO D Share pool							
Income	24	-	24	-	-	-	-
Net gain/(loss) on investments	-	(27)	(27)	-	10	10	19
	24	(27)	(3)	-	10	10	19
Investment management fees	-	-	-	(3)	(3)	(6)	(12)
Other expenses	(1)	-	(1)	(5)	-	(5)	(10)
(Loss)/profit on ordinary activities before tax	23	(27)	(4)	(8)	7	(1)	(3)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	23	(27)	(4)	(8)	7	(1)	(3)

Unaudited Income Statement (continued)

Analysed by Share pool

for the six months ended 30 September 2022

	Six months ended 30 Sep 2022			Six months ended 30 Sep 2021			Year ended 31 Mar 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
DP67 Share pool							
Income	107	-	107	10	-	10	1,217
Net (loss) on investments	-	(107)	(107)	-	(27)	(27)	(233)
	107	(107)	-	10	(27)	(17)	984
Investment management fees	(5)	(5)	(10)	(7)	(7)	(14)	(28)
Other expenses	(258)	-	(258)	(8)	-	(8)	(22)
(Loss)/profit on ordinary activities before tax	(156)	(112)	(268)	(5)	(34)	(39)	934
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/profit attributable to equity Shareholders, being total comprehensive income for the period	(156)	(112)	(268)	(5)	(34)	(39)	934

Unaudited Balance Sheet as at 30 September 2022

	Note	As at 30 September 2022 £'000	As at 30 September 2021 £'000	As at 31 March 2022 £'000
Fixed assets				
Investments	10	48,181	48,900	49,141
Current assets				
Debtors		1,729	393	4,317
Cash at bank and in hand		10,290	4,964	8,384
		12,019	5,357	12,701
Creditors: amounts falling due within one year		(679)	(644)	(965)
Net current assets		11,340	4,713	11,736
Net assets		59,521	53,613	60,877
Capital and reserves				
Called up Share capital		120	103	113
Capital redemption reserve		58	58	58
Special reserve		21,904	27,547	24,063
Share premium account		31,726	20,919	29,284
Funds held in respect of Shares not yet allotted		8	194	7
Revaluation reserve		5,696	5,804	6,995
Capital reserve – realised		3,943	3,166	3,769
Revenue reserve		(3,934)	(4,178)	(3,412)
Total equity Shareholders' funds		59,521	53,613	60,877
Basic and diluted Net Asset Value per Share:				
Ventures Share		68.5p	68.5p	68.2p
Healthcare Share		71.7p	88.7p	84.4p
AIM Share		99.0p	n/a	99.9p
DSO D Share		2.6p	10.2p	2.6p
DP67 Share		24.4p	19.5p	26.8p

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2022

	As at 30 September 2022 £'000	As at 30 September 2021 £'000	As at 31 March 2022 £'000
Ventures Share pool			
Fixed assets			
Investments	32,596	30,830	31,259
Current assets			
Debtors	523	198	1,801
Cash at bank and in hand	4,910	2,517	4,321
	5,433	2,715	6,122
Creditors: amounts falling due within one year	(288)	(404)	(490)
Net current assets	5,145	2,311	5,632
Net assets	37,741	33,141	36,891
Capital and reserves			
Called up share capital	69	60	65
Capital redemption reserve	58	58	58
Special reserve	15,012	18,997	16,291
Share premium account	19,901	14,551	18,657
Funds held in respect of shares not yet allotted	1	189	2
Revaluation reserve	4,443	1,237	3,457
Capital reserve – realised	1,552	878	1,428
Revenue reserve	(3,295)	(2,829)	(3,067)
Total equity Shareholders' funds	37,741	33,141	36,891

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2022

	As at 30 September 2022 £'000	As at 30 September 2021 £'000	As at 31 March 2022 £'000
Healthcare Share pool			
Fixed assets			
Investments	13,782	15,350	15,945
Current assets			
Debtors	10	194	633
Cash at bank and in hand	2,596	2,137	2,483
	2,606	2,331	3,116
Creditors: amounts falling due within one year	(212)	(187)	(310)
Net current assets	2,394	2,144	2,806
Net assets	16,176	17,494	18,751
Capital and reserves			
Called up share capital	29	24	27
Special reserve	6,877	7,987	7,752
Share premium account	9,132	6,368	8,594
Funds held in respect of shares not yet allotted	7	5	5
Revaluation reserve	1,881	4,587	4,031
Capital reserve – realised	(18)	(74)	(73)
Revenue reserve	(1,732)	(1,403)	(1,585)
Total equity Shareholders' funds	16,176	17,494	18,751
AIM Share pool			
Fixed assets			
Investments	-	n/a	-
Current assets			
Debtors	2	n/a	604
Cash at bank and in hand	2,689	n/a	1,446
	2,691	n/a	2,050
Creditors: amounts falling due within one year	(21)	n/a	(21)
Net current assets	2,670	n/a	2,029
Net assets	2,670	n/a	2,029
Capital and reserves			
Called up share capital	3	n/a	2
Special reserve	-	n/a	(2)
Share premium account	(8)	n/a	2,033
Funds held in respect of shares not yet allotted	2,693	n/a	-
Revaluation reserve	-	n/a	-
Revenue reserve	(18)	n/a	(4)
Total equity Shareholders' funds	2,670	n/a	2,029

Unaudited Balance Sheet (continued)

Analysed by Share pool

as at 30 September 2022

	As at 30 September 2022 £'000	As at 30 September 2021 £'000	As at 31 March 2022 £'000
DSO D Share pool			
Fixed assets			
Investments	16	455	43
Current assets			
Debtors	112	65	61
Cash at bank and in hand	87	300	124
	199	365	185
Creditors: amounts falling due within one year	(11)	(20)	(20)
Net current assets	188	345	165
Net assets	204	800	208
Capital and reserves			
Called up share capital	8	8	8
Special reserve	423	963	423
Revaluation reserve	(258)	(128)	(231)
Capital reserve – realised	22	(37)	22
Revenue reserve	9	(6)	(14)
Total equity Shareholders' funds	204	800	208
DP67 Share pool			
Fixed assets			
Investments	1,787	2,265	1,894
Current assets			
Debtors	1,082	1	1,218
Cash at bank and in hand	8	10	10
	1,090	11	1,228
Creditors: amounts falling due within one year	(147)	(98)	(124)
Net current assets	943	(87)	1,104
Net assets	2,730	2,178	2,998
Capital and reserves			
Called up share capital	11	11	11
Special reserve	(400)	(400)	(400)
Revaluation reserve	(370)	108	(263)
Capital reserve – realised	2,387	2,399	2,392
Revenue reserve	1,102	60	1,258
Total equity Shareholders' funds	2,730	2,178	2,998

Statement of Changes in Equity for the six months ended 30 September 2022

	Called up Share capital	Capital Redemption reserve	Special reserve	Share premium account	Funds held in respect of Shares not yet allotted	Revaluation Reserve	Capital reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	102	58	29,417	20,010	241	(1,143)	3,132	(3,768)	48,049
Total comprehensive income	-	-	-	-	-	6,335	(267)	356	6,424
Transfer between reserves*	-	-	(5,159)	-	-	1,803	3,356	-	-
Unallotted Shares	-	-	-	-	(234)	-	-	-	(234)
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(2,452)	-	(2,452)
Purchase of own shares	-	-	(195)	-	-	-	-	-	(195)
Issue of shares	11	-	-	9,501	-	-	-	-	9,512
Share issue costs	-	-	-	(227)	-	-	-	-	(227)
At 31 March 2022	113	58	24,063	29,284	7	6,995	3,769	(3,412)	60,877
Total comprehensive income	-	-	-	-	-	44	(229)	(522)	(707)
Transfer between reserves*	-	-	(1,365)	-	-	(1,343)	2,708	-	-
Unallotted Shares	-	-	-	-	1	-	-	-	1
<i>Transactions with owners</i>									
Dividend paid	-	-	-	-	-	-	(2,305)	-	(2,305)
Purchase of own shares	-	-	(794)	-	-	-	-	-	(794)
Issue of shares	7	-	-	2,499	-	-	-	-	2,506
Share issue costs	-	-	-	(57)	-	-	-	-	(57)
At 30 Sept 2022	120	58	21,904	31,726	8	5,696	3,943	(3,934)	59,521

* A transfer of (£1,343,000) (2022: £1,803,000) representing previously recognised realised gains and losses on disposal of investments during the period has been made between the Revaluation Reserve and the Capital reserve - realised. A transfer of £1,365,000 (2022: £5,159,000) representing the total of: realised losses on the disposal of investments, cumulative impairment losses, capital expenses and capital dividends in the period, has been made between the Capital Reserve - realised and the Special reserve.

Unaudited Statement of Cash Flows for the six months ended 30 September 2022

	DSO D Share pool £'000	DP67 Share pool £'000	Ventures Share pool £'000	Healthcare Share pool £'000	AIM Share pool £'000	Total £'000
Cash flows from operating activities						
(Loss)/return on ordinary activities before taxation	(4)	(268)	1,670	(2,085)	(20)	(707)
Losses/(gains) on investments	27	107	(1,993)	1,876	-	17
Increase/(decrease) in creditors	(9)	23	(202)	(98)	-	(286)
(Increase)/decrease in debtors	(51)	136	1,278	623	602	2,588
Net cash (outflow)/inflow from operating activities	(37)	(2)	753	316	582	1,612
Corporation tax paid	-	-	-	-	-	-
Net cash generated from operating activities	(37)	(2)	753	316	582	1,612
Cash flow from investing activities						
Purchase of investments	-	-	(3,457)	(805)	-	(4,262)
Proceeds from disposal of investments	-	-	4,113	1,092	-	5,205
Net cash inflow from investing activities	-	-	656	287	-	943
Net cash (outflow)/inflow before financing	(37)	(2)	1,409	603	582	2,555
Cash flows from financing activities						
Issue of share capital	-	-	(551)	(243)	-	(794)
Issue of share capital	-	-	1,276	552	678	2,506
Cost of issue of share capital	-	-	(28)	(12)	(17)	(57)
Funds held in respect of shares not yet allotted	-	-	(1)	2	-	1
Equity dividends paid	-	-	(1,516)	(789)	-	(2,305)
Net cash outflow/(inflow) from financing activities	-	-	(820)	(490)	661	(649)
Net change in cash	(37)	(2)	589	113	1,243	1,906
Cash and cash equivalents at start of the year	124	10	4,321	2,483	1,446	8,384
Cash and cash equivalents at end of the year	87	8	4,910	2,596	2,689	10,290
Cash and cash equivalents comprise						
Cash at bank and in hand	87	8	4,910	2,596	2,689	10,290
Total cash and cash equivalents	87	8	4,910	2,596	2,689	10,290

Unaudited Statement of Cash Flows for the six months ended 30 September 2021

	DSO D Share pool £'000	DP67 Share pool £'000	Ventures Share pool £'000	Healthcare Share pool £'000	Total £'000
Cash flows from operating activities					
(Loss)/return on ordinary activities before taxation	(1)	114	1,965	4,514	6,592
Gains on investments	(10)	(138)	(2,369)	(4,728)	(7,245)
Increase in creditors	3	24	164	88	279
(Increase)/decrease in debtors	(36)	-	269	59	292
Net cash (outflow)/inflow from operating activities	(44)	-	29	(67)	(82)
Corporation tax paid	-	-	-	-	-
Net cash generated from operating activities	(44)	-	29	(67)	(82)
Cash flow from investing activities					
Purchase of investments	-	-	(547)	(3,614)	(4,161)
Proceeds from disposal of investments	-	-	719	2,529	3,248
Net cash inflow/(outflow) from investing activities	-	-	172	(1,085)	(913)
Net cash (outflow)/inflow before financing	(44)	-	201	(1,152)	(995)
Cash flows from financing activities					
Issue of share capital	-	-	(11)	(14)	(25)
Issue of share capital	-	-	556	378	934
Cost of issue of share capital	-	-	(14)	(10)	(24)
Funds held in respect of shares not yet allotted	-	-	(33)	(14)	(47)
Equity dividends paid	-	-	(1,323)	(542)	(1,865)
Net cash outflow from financing activities	-	-	(825)	(202)	(1,027)
Net change in cash	(44)	-	(624)	(1,354)	(2,022)
Cash and cash equivalents at start of the year	344	10	3,141	3,491	6,986
Cash and cash equivalents at end of the year	300	10	2,517	2,137	4,964
Cash and cash equivalents comprise					
Cash at bank and in hand	300	10	2,517	2,137	4,964

Notes to the Unaudited Financial Statements

1. General Information

Thames Ventures VCT 2 plc (“the Company”) is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2022 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2022, which were prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”) and the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” issued in July 2022 (“SORP”).

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six months ended 30 September 2021 and the year ended 31 March 2022 respectively.
5. Net Asset Value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

Ventures Shares*	55,133,116
Healthcare Shares*	22,547,213
AIM Shares	2,695,803
DSO D Shares	7,867,247
DP67 Shares	11,192,136

**Excludes Management Shares*

6. Return per share for the period has been calculated on the average number of shares in issue in the period as follows:

Ventures Shares*	49,059,630
Healthcare Shares*	21,154,962
AIM Shares	2,640,965
DSO D Shares	7,867,247
DP67 Shares	11,192,136

**Excludes Management Shares*

7. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies.

8. Dividends

	Pence per Share	Six months ended 30 September 2022		
		Revenue £'000	Capital £'000	Total £'000
Ventures Shares				
Paid		-	1,516	1,516
Final (year ended 31 March 2022)	2.75	-	1,516	1,516
Healthcare Shares				
Paid		-	789	789
Final (year ended 31 March 2022)	3.50	-	789	789

Notes to the Unaudited Financial Statements (Continued)

9. Reserves

	30 Sep 2022 £'000	30 Sep 2021 £'000	31 Mar 2022 £'000
Capital redemption reserve	58	58	58
Special reserve	21,904	27,547	24,063
Share premium account	31,726	20,919	29,284
Revaluation reserve	5,696	5,804	6,995
Capital reserve – realised	3,943	3,166	3,769
Revenue reserve	(3,934)	(4,178)	(3,412)
Funds held in respect of shares not yet allotted	8	194	7
	59,401	53,510	60,764

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £9.8 million. Distributable reserves at 30 September 2022 were £13.1 million.

10. Fixed assets – investments

	Liquidity investments £'000	Quoted VC investments £'000	Unquoted VC investments £'000	Total £'000
Opening cost at 1 April 2022	5,161	4,403	40,146	49,710
Unrealised (losses)/gains at 1 April 2022	(1,642)	2,930	5,802	7,090
Unrealised foreign exchange losses at 1 April 2022	-	-	(95)	(95)
Impairment losses at 1 April 2022	-	-	(7,564)	(7,564)
Opening fair value at 1 April 2022	3,519	7,333	38,289	49,141
Movements in the year:				
Purchased at cost	-	-	4,262	4,262
Disposals - proceeds	(183)	-	(5,022)	(5,205)
- realised gains on disposals	30	-	(91)	(61)
Unrealised foreign exchange gains	-	-	1,051	1,051
Unrealised (losses)/gains in the Income Statement	(724)	(2,298)	2,015	(1,007)
Closing value at 30 Sept 2022	2,642	5,035	40,504	48,181
Closing cost at 30 Sept 2022	4,998	4,403	40,648	50,049
Unrealised (losses)/gains at 30 Sept 2022	(2,356)	632	6,464	4,740
Unrealised foreign exchange gains at 30 Sept 2022	-	-	956	956
Impairment losses at 30 Sept 2022	-	-	(7,564)	(7,564)
Closing value at 30 Sept 2022	2,642	5,035	40,504	48,181

The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2022. The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level 1	Reflects financial instruments quoted in an active market (quoted companies, investment funds and fixed interest bonds);
Level 2	Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3	Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

Notes to the Unaudited Financial Statements (Continued)

	Level 1	Level 2	Level 3	30 Sept 2022	Level 1	Level 2	Level 3	31 Mar 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liquidity investments	2,642	-	-	2,642	3,519	-	-	3,519
Quoted equity	5,035	-	-	5,035	7,333	-	-	7,333
Unquoted loan notes	-	-	2,194	2,194	-	-	3,250	3,250
Unquoted equity	-	-	38,310	38,310	-	-	35,039	35,039
	7,677	-	40,504	48,181	10,852	-	38,289	49,141

11. Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-year results to report on the principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) compliance risk of failure to maintain approval as a VCT;
- (ii) market, liquidity and counterparty risk associated with Public Equity investments; and
- (iii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Manager, who reports regularly to the Board on the current position. The Company also retains Philip Hare & Associates LLP ("Philip Hare") to provide regular reviews and advice in this area. Philip Hare has confirmed that all relevant tests have been complied with for the period under review. The Board considers that this approach reduces the risk of a breach of the VCT regulations.

With this approach, the Board believes that these risks are reduced.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. It also has a limited period in which it must invest the majority of its funds into VCT qualifying investments. The Manager follows a rigorous process in vetting and carefully structuring new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business.

12. Going concern

The Directors have reviewed the Company's financial resources at the period end and conclude that the Company is well placed to manage its business risks.

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

13. The Directors confirm that, to the best of their knowledge, the Half-Yearly Report has been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board as well as in accordance with FRS 104 Interim Financial Reporting, and the half-yearly financial report includes a fair review of the information required by:
- a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
14. Copies of the Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or downloaded from <https://www.foresightgroup.eu/products/thames-ventures-vct-2-plc>

Performance Incentive Arrangements

Performance Incentive arrangements are in place for each Share Pool except the DP67 pool. The various schemes are summarised as follows:

DSO D Shares

The Performance Incentive in respect of the DSO D Shares is structured as a simple fee when the hurdle is met. A fee is payable when:

- (i) Shareholders receive total proceeds of at least 100.0p per DSO D Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

If the hurdle is met, the fee will be 3.0p per DSO D Share plus 20% of shareholder proceeds above 100.0p per DSO D Share. The Performance Incentive is restricted to a maximum of 7.0p per DSO D Share.

As at 30 September 2022, the estimated performance fee is nil.

Ventures and Healthcare Share Pools

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

The Performance Incentive arrangements are structured such that the Ventures and Healthcare Management Shares will receive 20% of dividends paid in respect of the Company's Ventures and Healthcare Share pools, only when the Total Return hurdle is met. For the hurdle to be met, the Total Return to Ventures or Healthcare Shareholders must exceed £1.06 per share for the year ended 31 March 2022. For subsequent years, the Total Return hurdle increases by 3.0p per annum such that for the year ended 31 March 2023 the hurdle is £1.09, and for the year ended 31 March 2024 the hurdle is £1.12. The performance incentive arrangements in respect of the Ventures and Healthcare Share pools are assessed on each of the two Share pools individually.

Directors

Sir Aubrey Brocklebank (Chairman)
Christopher Allner
Steven Clarke
Dr Andrew Mackintosh

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Foresight

FOR A SMARTER FUTURE

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