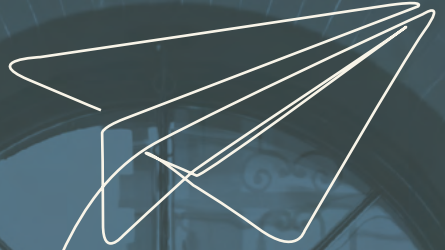


Your guide to

Venture Capital Trusts



Pembroke
INVESTMENT MANAGERS

PEMBROKEVCT.COM

VCTs

○ **1994**

VCT scheme announced

○ **1995**

The first tax year after the legislation was introduced, 12 VCTs raised £160 million

○ **2000**

Funds raised by VCTs since inception pass €1bn

○ **2005**

The maximum investment allowing for tax relief increased from £100k to £200k

○ **2022**

VCTs achieve record year for deployment investing £705m

○ **2024**

VCTs mark 30th anniversary having raised and invested a total of £12.5 billion since inception

Venture Capital Trusts (VCTs) are investment companies listed on the London Stock Exchange and are designed to invest in early-stage, entrepreneur-led businesses across a wide range of sectors. This includes everything from deep technology to consumer brands, and even life sciences. VCTs are government sponsored investment vehicles.

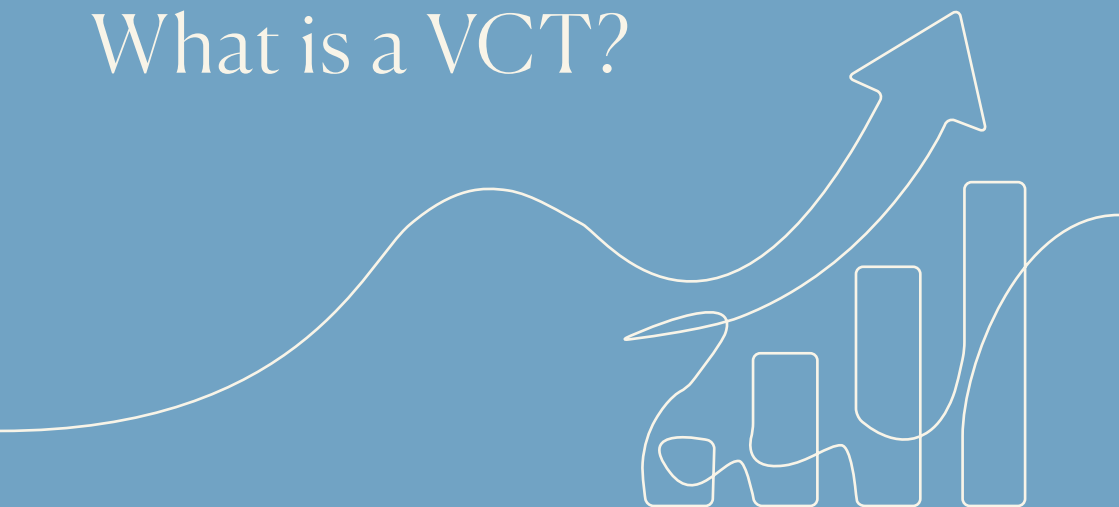
Growth companies play a fundamental role in the UK's economic success. These businesses work to advance technology, boost employment and increase productivity.



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How can VCT shares be bought or sold?	5
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What is a VCT?



VCTs pool investor capital to invest in qualifying growth companies

VCTs are investment companies, listed on the London Stock Exchange, that invest in both listed and unquoted growth companies across a broad range of sectors. Today, there are 48 VCTs* in existence, most of which will fundraise annually.

According to the Association of Investment Companies (AIC), VCTs raised a total of £882 million in the 2023/24 tax year, marking the third highest fundraising on record.*

When opening for fundraise, a VCT will publish a Prospectus, a legal document that provides the terms of the Offer. Investors should only subscribe to new VCT shares on the basis of this.

Capital raised by a VCT during this period will be used to make investments in new companies, in order to further diversify

the portfolio. It will also be used to make secondary investments in existing portfolio companies, allowing the VCT to continue to back businesses over the longer term.

Number of investors claiming VCT relief via Self Assessment, 2004/05 to 2022/23



**HMRC statistics from May 2024, citing the total number of VCTs in 2022/23:*

www.gov.uk/government/statistics/venture-capital-trusts-2024/venture-capital-trusts-statistics-2024

How can VCT shares be bought or sold?

You can invest in a VCT via three routes:



Through your financial adviser following their recommendation



Direct with the VCT manager



Using an execution only platform

What happens when you invest?

When investing in a VCT, we always recommend you take financial advice.

Once an investment has been made and shares are allotted, two separate certificates will be received – a tax certificate and a share certificate.

The tax certificate is needed when filing a tax return as it evidences the income tax relief potentially available on your investment.

The share certificate serves as proof of the number of shares purchased at the point of investment. It should be kept for future records. Should the VCT manager have an online portal, all certificates will be stored there.

It is important to consider the costs and charges associated with your investment as these will differ depending on the route to investment.

Selling shares in a VCT

Typically, VCTs will look to buy back investor shares twice a year through the form of a share buy-back by the company, which will be offered at a discount to the Net-Asset-Value (NAV) of the shares. The timing of a share buyback will differ depending on the VCT and whether they are offered.

VCTs are listed on the London Stock Exchange, and therefore second-hand shares can also be sold on the open market. However, as second-hand shares do not attract upfront tax relief, there may be limited demand and therefore they are likely to trade at a larger discount to the NAV.

It is recommended that where possible, investors wait for the VCT to offer a share buy-back in order to sell their shares.

Risks of investing in a VCT



As with any investment, there are a number of key risks that you must consider:



Importantly, the value of shares and income derived from them may go down as well as up and you may not get back the full amount you originally invested.



Government legislation guides the VCT rules and therefore they could be subject to change in the future.



Whilst there is the opportunity to benefit from high returns, smaller companies also carry greater risk than those that are larger or have longer trading track records.



To retain the upfront tax relief on a VCT investment, shares must be held for a minimum of five years, with many investors often holding shares for longer. As a result, VCTs should be thought of as long-term investments.

Tax Reliefs

Investing in early-stage or growth businesses carries investment risk. As a result, the government grants investors three generous tax reliefs:



30% income tax relief on the amount invested in VCTs up to £200,000 per tax year.



All investment growth is free from Capital Gains Tax



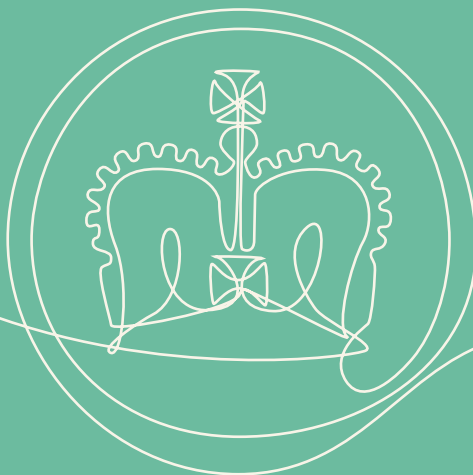
Tax-free dividends throughout the investment-hold period*

**which can be reinvested back into the VCT for further tax relief, or paid out as tax free income*

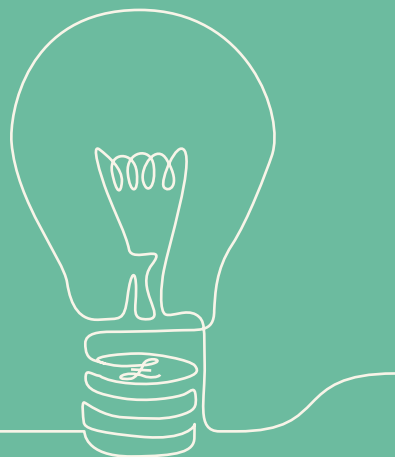
It is important to remember that the availability of tax reliefs and tax treatments are subject to individual circumstances and may be subject to change by the UK government.

Income tax relief is not repayable to HMRC if the investor passes away during the minimum five-year holding period.

The minimum investment amount into a VCT is typically between £3,000 - £5,000.



Background to VCTs



The origin of VCTs

Venture Capital Trusts were created in 1995; introduced by Lord Kenneth Clarke, then Chancellor of the Exchequer and Conservative MP, to help secure funding for early stage business that want to achieve the next stage of growth.

VCTs have three key objectives:



1.

To deploy patient capital in high-growth companies to help unlock their potential



2.

To drive growth and productivity within some of the UK's most promising scale-up businesses



3.

To boost UK PLC through bolstering innovation and growth nationwide

As a result, over the last 30-years VCTs have raised more than £12.5 billion from investors to support the growth of UK enterprise.

Today, the VCT industry is valued at £6.5bn, with more than half of this raised since 2016. VCTs have made positive contributions to creating regional economic growth throughout the UK, helping to provide access to funding for early-stage businesses, and in turn, creating more than 100,000 new jobs*.

*www.vcta.org.uk/our-industry

Types of VCT on the market



VCTs have evolved significantly over the last thirty years, demonstrating their ability to adapt. Today, the industry is fostering a new generation of talent and technology, future-proofing the UK's status as a hub for venture capital.

There are a number of VCTs on the market, so choosing the right one may not always be simple.

VCTs invest in a portfolio of unquoted companies or those whose shares are traded on Alternative Investment Market (AIM) or the Aquis Stock Exchange, with the objective of generating significant returns, whilst enabling investors to benefit from substantial tax advantages.



Generalist VCTs

invest in both unquoted companies and those listed on AIM. These companies will vary in size, age and sector.



Specialist VCTs

take a targeted approach to investing and will only invest in companies that fit within a specific sector, for example: technology. These companies may be unquoted or listed on AIM.



AIM VCTs

will invest in growth companies that are quoted on AIM.

Unquoted businesses are by their very nature, less liquid than those traded on public markets. Whilst trading is more frequent, it is important to recognise that the AIM market may also, at times, experience liquidity constraints.

What companies will you find in a VCT's portfolio?

Not all companies will qualify for VCT investment, those that do must meet certain criteria at the point of first investment. Some companies may be defined as 'knowledge intensive companies' (KICs).

Very broadly, to qualify as 'knowledge intensive', a company must be carrying out higher levels of research, development or innovation at the time shares are issued.

KICs hold special status under the VCT rules, allowing them to be older, have more employees and raise more investment.

The criteria for a qualifying VCT investee company includes:



Have less than 250 employees (500 for KICs)



Raise no more than £5m per year (£10m for KICs), with a lifetime limit of £12m raised in total (£20m for KICs).



Have no more than £15 million of gross assets before investment or £16 million immediately afterward



Less than seven years old from the date of the businesses first commercial sale (10 years for KICs)

“

Venture capital has become a driving force behind innovation and entrepreneurial growth, providing the financial resources and expertise needed to propel start-ups and early-stage businesses to success. At Pembroke, we aim to support individuals who demonstrate a profound understanding of the problems they seek to solve. ”

Andrew Wolfson

CEO, Pembroke Investment Managers



An example of a company you may find within a VCT



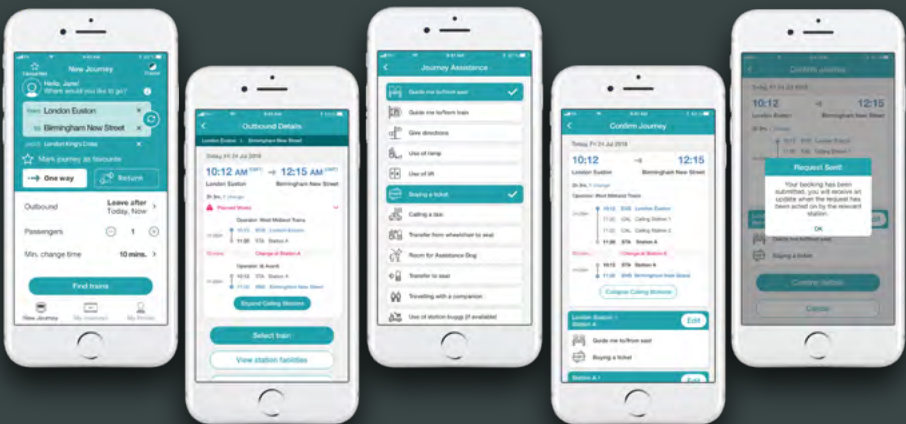
Scan this QR code to watch a video from Transreport's founder, Jay Chen



Transreport is a software (SaaS) platform and mobile app which provides a comprehensive solution for booking and managing travel assistance for mobility-impaired individuals. The platform aims to simplify the process of arranging travel assistance for these passengers, saving time, and ensuring compliance for transport operators.

What makes Transreport an attractive investment?

- A business that has long-term, high-value contracts in place with other companies
- Has been running for eight years
- Classified as a 'knowledge-intensive' company in respect of Pembroke VCT's last investment in December 2023
- Generates between £3-4 million in annual recurring revenue
- Employed a team of seven people.



Transreport is a Pembroke VCT portfolio company.

The VCT investment opportunity

Venture Capital Trusts are a cornerstone for providing growth capital to early-stage businesses. They help brilliant founders develop innovative businesses that create economic impact and employment opportunities throughout the UK.

Legislation has evolved over the last few years, creating a higher tax environment for many people. The October 2024 Budget froze income tax bands at their current rates until April 2028, at which point they will increase in line with inflation. As a result, many people may find that over time they are pushed into higher or additional rate tax bands.

At a time where the political and economic environment is ever changing, the need for financial advice is increasing for many people.

VCTs offer a unique opportunity to invest in UK PLC and support the growth of early-stage businesses, whilst also offsetting income tax liabilities in the given tax year.



Chris Lewis
CFO & COO Pembroke
Investment Managers
& Chair of the VCT Association



Client scenarios

In this section, you will find a few case studies that highlight scenarios in which VCTs could be an appropriate investment.

These case studies have been designed for illustrative purposes only and do not constitute tax or financial advice. Investors should seek independent financial advice.

The case studies are also based on the current tax rules and personal allowances as at February 2025, which could be subject to change in the future. The availability of tax reliefs for investors will also depend on their personal circumstances.



Ed
High earner



Claudia
Pensioner in
draw down



Pablo
Business owner who
takes dividends



Remi
Doctor with
NHS pension



Kai
Landlord with
buy-to-let properties

Venture Capital Trusts are complex investment products with performance and liquidity risks. Your capital is at risk and you may lose some or all of the money invested.



High earner

Ed

Ed is a 40-year-old Hedge Fund Manager with an annual salary of £375,000. He lives in London with his wife and two young children.

Ed is keen to ensure that he is saving as tax efficiently as possible and would like to build long-term savings to support his income requirements when he eventually reaches retirement.

As he is a high-earner, Ed's pension contributions are affected by the tapered annual allowance and therefore capped at £10,000 per annum.

He has a diversified investment portfolio, a high attitude for risk, and would like to gain exposure to the Venture Capital asset class.

To offset some of the income tax he's paid, Ed looks to make a £50,000 investment into a VCT.

Ed's VCT investment benefits from 30% income tax relief and any growth or dividends received from his VCT investment are also tax free.

Ed has no requirement for dividends and therefore chooses to reinvest them in the VCT using the Dividend Reinvestment Scheme (DRIS).

This allows Ed to also benefit from further income tax relief on the reinvested dividends.

If the VCT reaches its target dividend of 5p per share, Ed will benefit from £2,500 in tax free dividends and if reinvested, £750 of additional tax relief in the first year of investment. If Ed continues to reinvest dividends on an annual basis, both the dividends and the tax relief available will increase.

Using surplus income to invest in a VCT

£50,000
invested in VCT

£15,000
tax relief

£2,500
dividend (5p per share*)

£750
additional tax relief in the first year.**

* assuming shares are valued at £1 per share.

** Reinvesting dividends allows clients to add to their original investment, increasing their shareholding and therefore providing the opportunity to receive larger dividends over time, when compared with the original investment.



Pensioner in draw down

Claudia

Claudia is in retirement and has both a final salary pension and the state pension scheme in payment. As a result, she is a higher rate taxpayer.

Until recently, Claudia was intending to leave her personal pension to her children when she passed away. However, recent government guidance states that as of April 2027, all pensions will be subject to inheritance tax. Claudia's planning is therefore no longer inheritance tax efficient, and she is now looking at other routes for estate planning such as gifting.

Claudia has previously taken her Pension Commencement Lump Sum (PCLS), therefore any remaining withdrawals will be subject to her highest marginal rate of tax, which is 40%.

Claudia wants to make use of her pension savings as tax efficiently as possible.

Claudia decides to make an annual withdrawal from her pension of £10,000 which is subject to higher rate tax of 40%.

£10,000 will be taxed at 40%, providing Claudia with a net income of £6,000.

Should Claudia invest her £10,000 pension withdrawal in a VCT, she will benefit from £3,000 of upfront tax relief. This will reduce the tax due on the pension withdrawal to £1,000.

Claudia may benefit from tax-free dividends throughout the life of the investment as well as tax-free growth.

At the end of the 5-year minimum hold period, Claudia can gift the VCT shares to her children. Provided she survives a further seven years, the gift will be outside of her estate and no longer subject to inheritance tax.

Reducing income tax with a VCT investment

£10,000
extracted from pension

Option 1

pay income tax

£4,000
Higher rate tax paid

£6,000
pension income net of
higher rate tax

Option 2

offset income tax using a VCT

£10,000
VCT investment

£3,000
30% tax relief

£1,000
Effective tax paid
after VCT tax relief

£10,000
VCT Investment



Business owner who takes dividends

Pablo

Pablo runs a small consultancy business that is set up as a limited company.

Over the last few years Pablo has been successful; obtaining new clients and growing his business. This has resulted in increased cash levels within the company.

Pablo is looking to take an income and wants to do so as tax efficiently as possible.

Pablo decides to make use of the lower dividend tax rates by paying himself in a combination of salary and dividends.

Dividend Tax Rates (2024/25 & 2025/26)

Basic rate (up to £37,700)	8.75%
Higher rate (£37,701 to £125,140)	33.75%
Additional rate (£125,141 and above)	39.35%

Pablo will also benefit from a tax-free allowance of £500 on any dividends received.

Pablo pays himself a salary of £12,570 in order to keep within the tax-free allowance and the threshold for National Insurance contributions.

He extracts a dividend of £67,430, on which £13,288 tax is due.

This leaves Pablo with a net income of £66,712.

Pablo decides to extract a further £20,000 dividend from his business to invest in a VCT.

This dividend will be subject to higher rate dividend tax of £6,750.

By investing the dividend in a VCT, it will benefit from 30% income tax relief, equivalent to £6,000.

Over the next five years, Pablo may also benefit from tax-free dividends and tax-free growth on his investment.

* Tax rates apply after the personal allowance has been accounted for.

Using a VCT to offset dividend tax

Option 1

pay income tax

£12,570
salary

£67,430
dividend

£13,288
tax due

£20,000
dividend

£6,750
higher rate dividend tax due

£20,038
total tax due

£79,962
cash available

Option 2

offset income tax using a VCT

£12,570
salary

£67,430
dividend

£13,288
tax due

£20,000
dividend invested in VCT

£6,000
tax relief

£750
net dividend tax due

£14,038
total tax due

£65,962
cash available

£20,000
VCT investment



Doctor with an NHS pension

Remi

Remi is a successful doctor who works in both the NHS and the private sector. As a result, she has a NHS pension scheme and is currently a higher rate taxpayer.

Remi is starting to think about planning for retirement and wants to ensure she considers all investment routes that are available to her.

Remi is restricted on how much she can contribute to her pension, and would like to fund additional investments that can be accessed when she retires in around five years' time.

Remi receives a salary from the NHS as well as additional income for her private work.

Remi earns £100,000 a year, making her a higher rate tax payer. She has surplus income that she is looking to invest tax efficiently.

Remi decides to invest £10,000 in a VCT this year and aims to do the same every year for the next six years.

In doing so, she will benefit from £3,000 tax relief on each investment.

By year five, Remi will have £50,000 invested in VCTs.

In year six, Remi could sell the investment made in the first year and use the proceeds to help fund her retirement.

Alternatively, Remi could reinvest the proceeds in the same VCT or another VCT, and benefit from an additional round of income tax relief on the same capital.

Please note that, following the sale of shares in a VCT, tax relief cannot be claimed on new shares bought in the same VCT within the previous or subsequent six months.

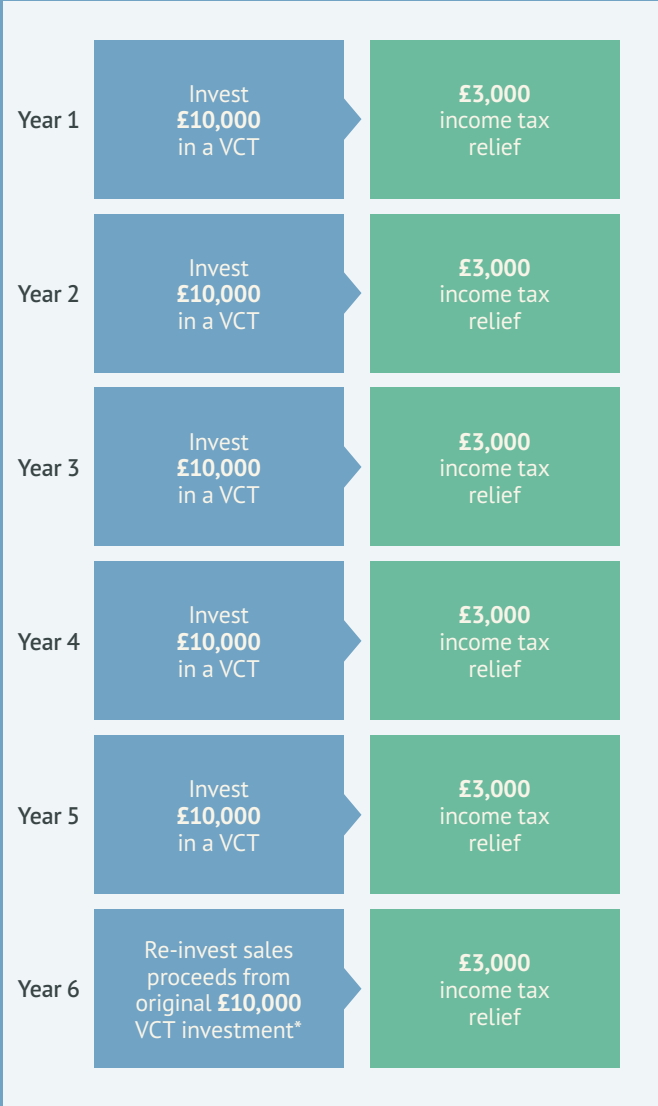
Throughout the investment hold period, Remi may benefit from tax free growth on her investment and tax-free dividends. Any dividends can be paid out to contribute toward her ongoing income requirements, or reinvested. Reinvested dividends will also qualify for further tax relief.

Planning for retirement with a VCT

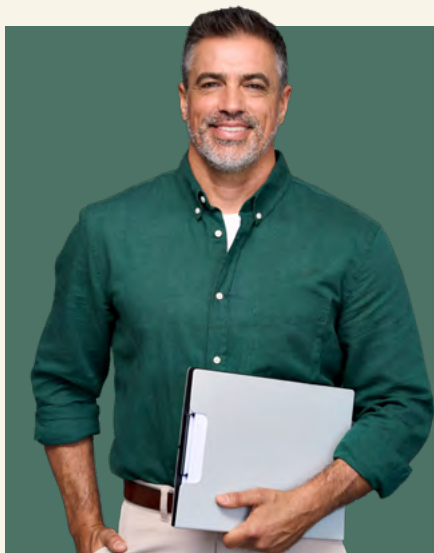
Remi invests **£10,000** in one year which allows her to claim **£3,000** in tax relief

She continues to invest a total of: **£10,000** in a VCT in years two, three, four and five, claiming income tax relief of **£3,000** in each tax year.

In year six, Remi can choose to reinvest the sale proceeds from her first year's VCT investment.



*On the sale of shares in a VCT, tax relief cannot be claimed on new shares bought in the same VCT within the previous or subsequent six-months.



Landlord with buy-to-let properties

Kai

Kai works at a large retailer and earns a salary of £130,000 per annum. He also has a portfolio of buy-to-let properties that generate additional annual income of £60,000 per annum after other property costs have been offset.

Since April 2020 landlords are required to pay income tax on the rental income earned from investment properties, and can no longer offset the mortgage interest.

As a result, Kai's property income is now subject to higher tax than it had been previously. He is now looking to make this income stream more tax efficient.

Given Kai is also in full time employment, any income from his property portfolio earned over and above his annual salary of £130,000, is therefore taxed at the additional rate of 45%.

- Annual salary: £130,000
- Annual property rental income: £60,000
- Total income tax paid: £71,703

Kai does not need immediate access to the rental income.

Kai looks to make an investment in a VCT of £60,000 to offset part of his income tax liability.

This investment benefits from £18,000 income tax relief.

This means that the net amount of tax paid by Kai reduces to £53,703.

Kai is then left with £76,297 of cash and a VCT investment of £60,000.

Over the next five years, Kai may benefit from tax free growth on his investment and tax-free dividends.

Investing rental income in a VCT

Option 1

pay income tax

£130,000
annual salary

£60,000
annual net rental income

£71,703
tax due

£71,703
net tax paid

£118,297
cash available

Option 2

offset income tax using a VCT

£130,000
annual salary

£60,000
annual rental income

£71,703
tax due

£60,000
invested in VCT

£18,000
30% tax relief

£53,703
net tax paid

£76,297
cash
available

£60,000
VCT
investment

Pembroke VCT plc

Led by entrepreneurs for entrepreneurs, Pembroke provides strategic investment, mentorship and resources to visionary entrepreneurs. Our aim is to empower founders to enhance their growth, innovation and long-term success in the ever-evolving landscape of consumer, technology and business services.

About Pembroke VCT

£40m

share offer with a £20 million over-allotment facility

5.0p

target annual dividend per share

£220m+

assets under management

40+

companies in the portfolio

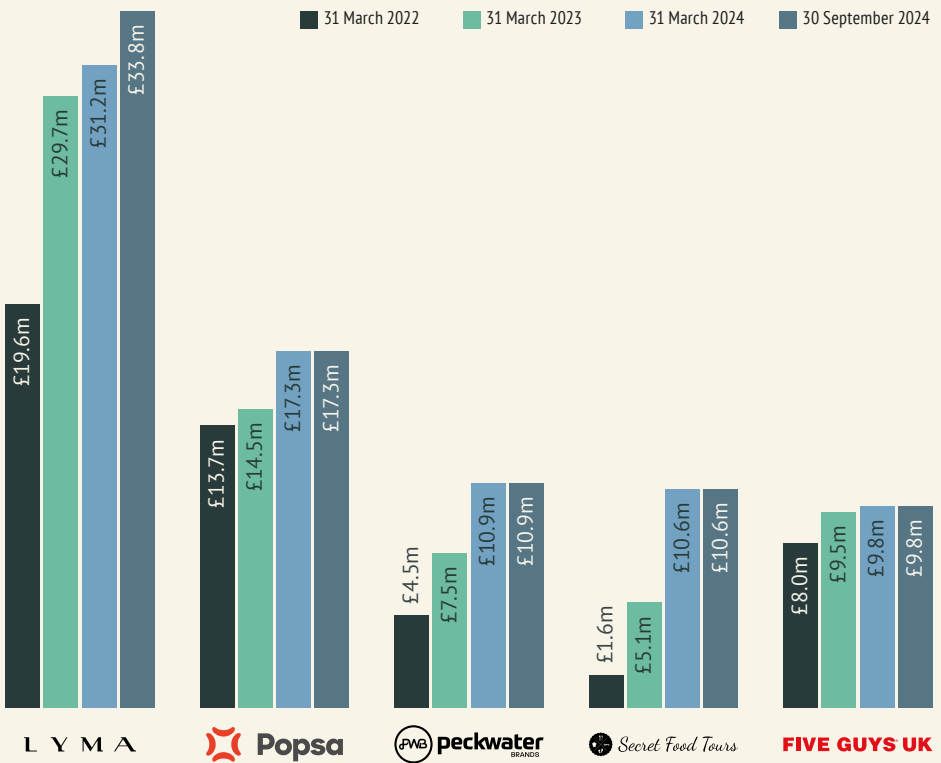


flexible dividend re-investment scheme and share buy-back



£5,000

minimum investment (£200,000 maximum per tax year)

Top 5 companies by valuation



Exits

 <i>Secret Food Tours</i>	BOAT	ME+EM	PLENISH+	 PASTA EVANGELISTS
5.3x	1.4x	16.1x	2.3x	2.3x
return	return	return	return	return after one year
2025	2024	2022	2021	2021

Charges

Cost at Subscription

5% Initial charge for direct clients	OR	3% Initial charge for advised clients
---	----	--

Cost to Fund

2% Annual Management Charge	Performance Fee*
	Arrangement & Support Fees

*only payable on net realised investment gains

Key Information

Share class	Date launched	Start price	Current NAV**	Dividends paid**	Total Return per share**
B Ordinary Shares	1 April 2015	100.0p	100.3p	39.0p	139.3p

**as at 31st December 2024

The value of an investment in Pembroke VCT may go down as well as up, in which case an investor may not get back the amount invested. Past performance and forecasts are not a reliable guide to future results.

TROUBADOUR

KX

KXU



FIVE GUYS UK

BELLA FREUD

VIEVE

Heist

UNITED FITNESS BRANDS

my expert
midwife.

RUBIES RUBLE

bloobloom

T / A L A

Ro&Zo

Just™
Wears

Secret Food Tours

WNU
London's Original

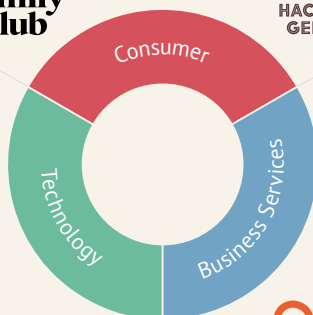
CHUCS

ANNIE MA'S

HACKNEY
GELATO

CYDAR MEDICAL

SMARTIFY

n.
family
club

HOTELMAP

AUDDY

COAT

WISHI EAVE

LYMA

FLOOM



thriva

dropless

ROTO



OnePlan

creentially

rated people

Unbolted

peckwater
BRANDS

smartr.365™

STILLKING

Transreport

Popsa

SEATFROG

toucantech



For more information or to request a prospectus
and application form, please call **020 7766 2836**
or email **info@pembrokevct.com**

This document has been approved by Pembroke Investment Managers LLP ("Pembroke"), which is authorised and regulated by the Financial Conduct Authority, ref. 604924, as a financial promotion for the purposes of s21 Financial Services and Markets Act 2000 only in relation to Pembroke VCT plc (the "Company"), to which Pembroke is the investment manager. This document should be read in conjunction with the full Prospectus published by the Company dated 9th September 2024.

This document is an advertisement for the purposes of the Prospectus Regulation Rules and is not the Prospectus. A copy of the Prospectus is available at www.pembrokevct.com and upon request from the telephone number stated above. An investment in shares in the Company should be made solely on the basis of information set out in the Prospectus and not in reliance on this document. This document, and information contained herein, does not constitute a prospectus, but is an advertisement, and this document does not form part of any sale, solicitation or any offer or invitation to buy or subscribe for securities in the Company. Investors' attention is drawn to the Risk Factors set out in the Prospectus, and no reliance is to be placed on the information contained in this document in making an application. The contents of this document are not tax, business, investment or other advice. This document and the information contained herein are subject to correction, completion and/or amendment by Pembroke. This document, including without limitation all text, graphics and images, is protected by copyright or other applicable intellectual property rights.

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INVESTMENT MANAGERS