

Draper Esprit VCT plc



Half-Yearly Report for the six months ended 30 September 2021

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

SHAREHOLDER INFORMATION

Recent performance summary

	30 Sept 2021 Pence	31 Mar 2021 Pence	30 Sept 2020 Pence
Net Asset Value (“NAV”) per Share	61.0	50.0	49.9
Cumulative distributions paid per Share	<u>109.0</u>	<u>107.5</u>	<u>105.0</u>
Total Return per Share	<u>170.0</u>	<u>157.5</u>	<u>154.9</u>

Recent/forthcoming dividends

	Amount per Share	Date of payment	Ex-div date	Record date
2021 Final	1.5p	17 Sept 2021	19 Aug 2021	20 Aug 2021
2022 Interim	1.5p	28 Jan 2022	6 Jan 2022	7 Jan 2022

A full dividend history for the Company can be found at www.downing.co.uk

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 to their registered address, can update their instructions at the Draper Esprit VCT plc Investor Hub:

draper-esprit-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

The Company has recently introduced a Dividend Reinvestment Scheme to allow Shareholders to reinvest their dividends in new shares and obtain income tax relief on that new investment. This scheme will commence for dividends paid after 31 March 2022. Shareholders can opt-in to the Dividend Reinvestment Scheme through the Draper Esprit VCT plc Investor Hub using the details shown above.

Share price

The Company’s Share price can be found on various financial websites with the TIDM/EPIC code “DEVV”. A link to the share price is also available on VCT’s website at:

www.draperespritvct.com

and on Downing LLP’s website at:

www.downing.co.uk

Latest share price 10 December 2021: 58.0p per Share

Share scam warning

We are aware that a significant number of shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a “Boiler Room Scam”. **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing’s website. If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report for the Company for the six months ended 30 September 2021.

This has been a period where we have started to see evidence of excellent progress made by a number of portfolio companies. Most of these companies joined the portfolio as part of the investment arrangements with Molten Ventures plc (previously known as Draper Esprit plc) which commenced in 2016. Shareholders will be aware that Molten Ventures plc completed the full acquisition of the Company's investment manager, Elderstreet Investments Limited, earlier this year.

Net Asset Value, results and dividends

At 30 September 2021, the Company's Net Asset Value ("NAV") per share stood at 61.0p, an increase of 12.5p or 25.0% since 31 March 2021 (after adding back the dividend paid in the period).

The profit on ordinary activities after taxation for the period was £17.1 million (period ended 30 September 2020: £5.7 million), comprising a revenue loss of £63,000 (period ended 30 September 2020: £222,000) and a capital profit of £17.2 million (period ended 30 September 2020: £5.9 million).

An interim dividend of 1.5p per Share will be paid on 28 January 2022, to Shareholders on the register as at 7 January 2022.

The Company has recently introduced a Dividend Reinvestment Scheme that will commence for dividends paid after 31 March 2022. Further details about how to opt-in can be found in the "Shareholder Information" section of this report.

Venture capital investments

It was a reasonably quiet period in terms of new investment activity. The Company made two new and two follow-on investments, totalling £1.1 million.

The Company invested £600,000 in **Focal Point Positioning Limited**, a# deeptech company whose technology boosts the performance of GPS chips in smartphones, wearables and vehicles.

£270,000 was also invested in **Guybrush Limited**, trading as Agora, an online shopping mall which offers consumers a digital way to shop and learn about beauty products as if they were in-store.

A follow-on investment of £150,000 was made into **Macranet Limited**, trading as Sentiment Metrics, a social intelligence and engagement platform. Also, a further investment of £100,000 was made into **United Authors Publishing Limited**, trading as Unbound, a digital book publisher.

New investment activity has picked up greatly since the period end and, accordingly, we expect a significant level of funds to be deployed in the second half of the year.

At the period end, the Company held a portfolio of 39 venture capital investments, valued at £62.8 million.

The Board has reviewed the valuations of the unquoted investments as at 30 September 2021 and made a number of adjustments to their carrying values. This has resulted in a net valuation uplift of £17.6 million for the period across the whole portfolio.

The largest valuation increases are highlighted as follows:

Back Office Technology Limited, trading as Form3, a cloud native fintech payments processor, of £5.5 million, driven by a new funding round.

Lyalvale Express Limited, a leading producer of shotgun ammunition, of £2.6 million on the back of improved trading.

CHAIRMAN'S STATEMENT (continued)

Venture capital investments (continued)

IESO Digital Health Limited, a provider of online mental healthcare, of £2.4 million, based on an agreed funding round which completed soon after the period end.

StreetTeam Software Limited, trading as Pollen, the operator of a social ticketing system for travel, festivals and nightlife, of £2.2 million, arising from a strong trading recovery.

Thought Machine Group Limited, a cloud native banking platform, of £1.6 million, based on a new funding round.

Further details on these investments are included in the Investment Manager's Report on pages 4 and 5.

The Company holds two AIM-quoted investments; Access Intelligence plc and Fulcrum Utility Services Limited, which are both valued on their share prices as at 30 September 2021. The investment in **Access Intelligence plc** saw an uplift of £1.3 million over the period

Fundraising

As reported in the last Annual Report, the Company closed a very successful offer for subscription in April 2021, having reached full capacity of £20 million.

In view of the strong demand from investors and the expectation of a continuing stream of good quality dealflow, the Company launched a new offer for subscription in November seeking to raise up to £20 million (with an overallotment facility of £10 million to be used at the Directors' discretion).

Investor interest in this offer is once again proving to be high with over £14 million having been raised at the time of writing.

Shareholders can find full details of the offer including the prospectus at:

www.draperesprtvct.com

Investors are recommended to consult their financial adviser before making any investment decisions.

Board Composition

As announced in the annual report, Michael Jackson, the founder of Elderstreet Investments Limited, retired from the Board and did not stand for re-election as a non-executive director at the AGM, which took place in August. We thank Michael for his considerable contribution as investment manager and director of the Company during the 23 years that he served on the Board, and for facilitating the migration of the management of the Company to Molten Ventures plc. I and my colleagues wish him every happiness and success in his future ventures.

As previously announced, to coincide with Michael's retirement from the board, Richard Marsh, a senior partner at Molten Ventures plc, the parent company of the Investment Manager, was appointed a non-executive director to the Company.

The Board now comprises four non-executive directors, three of whom are independent of the manager. The composition of the board is being reviewed with a view to further changes in due course.

Plans for change of Company name

In line with the recent rebranding of Draper Esprit plc to Molten Ventures plc, the board expects to change the name of the Company next year to:

Molten Ventures VCT plc

We will notify Shareholders of this change nearer the time.

Share buybacks

The Company continues to operate a policy of buying in its shares that become available in the market, at approximately a 5% discount to the latest published NAV, subject to regulatory and liquidity constraints.

CHAIRMAN'S STATEMENT (continued)

Share buybacks (continued)

In line with this policy, during the period the Company purchased 1,383,504 shares for cancellation at an average price of 48.2p per share.

Any Shareholders considering selling their shares will need to use a stockbroker, who you should ask to contact Panmure Gordon (UK) Limited, who acts as the Company's corporate broker and can provide details on closed periods and when the Company is able to buy shares.

Outlook

The Board believes that the strong performance seen over this six-month period is a good indicator of the potential of the portfolio of young technology businesses that the Company now holds. Although we have not yet seen any substantial exits, there is reason to be optimistic that these will follow in time.

Over the past three years, the Molten Ventures Group has developed its platform so as to be able to access some of the best technology dealflow across Europe. With a significant level of funds available for investment and additional funds being raised, the Company can take advantage of the new opportunities and continue to add further young businesses to the portfolio as existing portfolio companies steadily move towards maturity.

I look forward to updating Shareholders in the next Annual Report, which I expect to be published in July 2022.



David Brock
Chairman

13 December 2021

INVESTMENT MANAGER'S REPORT

Since the acquisition of the Investment Manager in February 2021 the co-investment arrangements with Molten Ventures plc (previously named Draper Esprit plc), to share deal flow, management experience and investment opportunities, continues to be positive from both an investment and a fundraising perspective. The past six months have seen a marked improvement in the fortunes of the portfolio.

In the last six months the Net Asset Value ("NAV") has increased from 50.0p to 61.0p an increase of 22% and 25% including the dividend paid in the period. This good news comes on the back of a number of positive fundraisings in the technology portfolio.

Already this new portfolio of technology investments is beginning to show some significant upside including Thought Machine Group Limited, which has recently achieved 'unicorn' status (\$1 billion valuation) on receipt of a new investment announced in November 2021. The round which raised \$200 million was led by Nyca Partners. New institutional investors include ING Ventures, JPMorgan Chase and Standard Chartered Ventures.

In addition, Back Office Technology Limited, which trades as Form3, also received third party investment of \$160m in 2021 led by Goldman Sachs delivering the VCT an unrealised 5.6x multiple on its cost.

We now define the Company as having two portfolios; a new technology portfolio invested alongside other Molten Ventures funds and a legacy portfolio assembled before the Molten Ventures plc arrangement. At the period end, the technology portfolio as a percentage of total net assets accounted for 42%, the legacy portfolio 29%, and cash 29%.

The rate of new deal completions in the period was relatively slow. In the period two new investments were made into the technology portfolio totalling £0.87 million, into Focal Point Positioning and Guybrush. One small follow-on totalling £0.1 million was made into United Authors Publishing.

However, since the period end, the rate of investment has increased substantially and at the time of writing two new investments totalling £2.28 million, and one further follow on into IESO totalling £1.66 million have been completed. In addition, six further deals have either signed term sheets, are in legals, or awaiting HMRC Advance Assurance prior to completing, totalling £8.4 million. These new deals are in the Deeptech, Consumer and Enterprise sectors.

The acceleration in new deals is led by an ever-expanding team of Investment professionals in the Investment Manager's parent Molten Ventures plc. This team now numbers ten executives and six venture partners backed up by ten further deal process and deal origination support staff. The wider headcount of Molten Ventures plc is 58.

Within the legacy portfolio, five companies make up 97% of the carrying value at 30 September 2021. These companies have risen in value by 22% since 31 March and now total £24.8 million (28% of NAV). In the period one small follow on investment of £0.15 million was made into Macranet Limited. There were no divestments.

INVESTMENT MANAGER'S REPORT (continued)

As Investment Manager of the VCT, we previously signalled cautious optimism as we believe the fundamentals of technology investing remain strong. We are pleased to report a continued overall recovery in valuations from the low point of the 'Covid dip' in March 2020, and it is positive that many uplifts in the portfolio have been led by new investors leading very large investment rounds. However, as with the risk profile of technology investing, there have been some valuation drops in four technology portfolio companies totalling £0.7 million.

In 2017 the co-investment agreement with Molten Ventures plc laid the groundwork for a new start for the VCT. Four years later the benefit of this strategy is beginning to show positive upside.

The pace at which new technologies are disrupting, shaping and improving the world around us shows no signs of relenting with developments around machine learning, artificial intelligence, mobility, and blockchain opening up exciting new possibilities across our areas of focus in enterprise, digital health, hardware and deeptech, and consumer technology.

In conclusion, while we cannot be certain about what the future holds in the technology landscape, we are confident in our technology investment strategy and the attributes of strong potential for future value growth.

Elderstreet Investments Limited

13 December 2021

SUMMARY OF INVESTMENT PORTFOLIO

Investment Portfolio as at 30 September 2021	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments				
Access Intelligence plc*	2,586	12,115	1,326	13.6%
Back Office Technology Limited	1,420	7,955	5,546	9.0%
Fords Packaging Topco Limited	2,433	6,878	-	7.7%
Endomagnetics Limited	2,147	5,652	1,008	6.4%
Thought Machine Group Limited	2,400	4,024	1,625	4.5%
Lyalvale Express Limited	1,915	3,999	2,571	4.5%
IESO Digital Health Limited	1,900	3,302	2,352	3.7%
StreetTeam Software Limited	2,820	2,531	2,211	2.9%
Freetrade Limited	600	2,367	-	2.7%
Evonetix Limited	1,485	1,882	-	2.1%
	19,706	50,705	16,639	57.1%
Other venture capital investments	20,948	12,086	936	13.6%
	40,654	62,791	17,575	70.7%
Cash at bank and in hand		26,045		29.3%
Total investments		88,836		100.0%

*Quoted on AIM

All venture capital investments are unquoted unless otherwise stated.

SUMMARY OF INVESTMENT MOVEMENTS

Investment additions

Venture capital investments	£'000
Focal Point Positioning Limited	600
Guybrush Limited	270
Macranet Limited	150
United Authors Publishing Limited	100
	<u>1,120</u>

Investment disposals

	Cost £'000	Value at 1 April 2021 £'000	Proceeds £'000	Profit vs cost £'000	Realised gain £'000
Venture capital investments					
Baldwin & Francis Limited	1,534	-	-	(1,534)	-
IXL PremFina Limited	755	660	660	(95)	-
	<u>2,289</u>	<u>660</u>	<u>660</u>	<u>(1,629)</u>	<u>-</u>

*Quoted on AIM

All venture capital investments are unquoted unless otherwise stated.

UNAUDITED BALANCE SHEET

as at 30 September 2021

		30 Sept 2021 £'000	30 Sept 2020 £'000	31 Mar 2021 £'000
	Note			
Fixed assets				
Investments	9	62,791	37,677	44,756
Current assets				
Debtors		7	51	78
Cash at bank and in hand		26,045	17,806	10,659
		<u>26,052</u>	<u>17,857</u>	<u>10,737</u>
Creditors: amounts falling due within one year		<u>(99)</u>	<u>(220)</u>	<u>(81)</u>
Net current assets		<u>25,953</u>	<u>17,637</u>	<u>10,656</u>
Net assets		<u>88,744</u>	<u>55,314</u>	<u>55,412</u>
Capital and reserves				
Called up Share capital	7	7,275	5,544	5,537
Capital redemption reserve		728	652	659
Share premium account		36,438	18,321	18,321
Merger reserve		1,828	1,828	1,828
Special reserve	8	12,041	17,814	15,463
Capital reserve - unrealised		31,052	10,588	14,159
Capital reserve - realised	8	-	798	-
Revenue reserve	8	<u>(618)</u>	<u>(231)</u>	<u>(555)</u>
Equity Shareholders' funds	6	<u>88,744</u>	<u>55,314</u>	<u>55,412</u>
Basic and diluted Net Asset Value per Share	6	61.0p	49.9p	50.0p

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2021

	Six months ended 30 Sept 2021			Six months ended 30 Sept 2020			Year ended 31 Mar 2021	
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income		295	-	295	48	-	48	104
Gains on investments								
Realised		-	-	-	-	22	22	38
Unrealised		-	17,575	17,575	-	6,171	6,171	9,732
		<u>295</u>	<u>17,575</u>	<u>17,870</u>	<u>48</u>	<u>6,193</u>	<u>6,241</u>	<u>9,874</u>
Investment management fees		(138)	(416)	(554)	(91)	(276)	(367)	(921)
Other expenses		<u>(220)</u>	<u>-</u>	<u>(220)</u>	<u>(179)</u>	<u>-</u>	<u>(179)</u>	<u>(420)</u>
Return on ordinary activities before taxation		(63)	17,159	17,096	(222)	5,917	5,695	8,533
Tax on total comprehensive income and ordinary activities		-	-	-	-	-	-	-
Return attributable to equity Shareholders	4	<u>(63)</u>	<u>17,159</u>	<u>17,096</u>	<u>(222)</u>	<u>5,917</u>	<u>5,695</u>	<u>8,533</u>
Basic and diluted return per Share	4	-	11.7p	11.7p	(0.2p)	5.5p	5.3p	7.9p

All Revenue and Capital items in the above statement are derived from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2021

	Called up Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve- unrealised £'000	Capital reserve- realised £'000	Revenue reserve £'000	Total £'000
At 1 April 2020	3,997	633	6,388	1,828	18,713	4,417	776	(9)	36,743
Total comprehensive income	-	-	-	-	-	9,732	(653)	(546)	8,533
Transfer between reserves	-	-	-	-	(2,565)	10	2,555	-	-
<i>Transactions with owners</i>									
Issue of new Shares	1,566	-	11,933	-	-	-	-	-	13,499
Share issue costs	-	-	-	-	(455)	-	-	-	(455)
Purchase of own Shares	(26)	26	-	-	(230)	-	-	-	(230)
Dividends paid	-	-	-	-	-	-	(2,678)	-	(2,678)
At 31 March 2021	5,537	659	18,321	1,828	15,463	14,159	-	(555)	55,412
Total comprehensive income	-	-	-	-	-	17,575	(416)	(63)	17,096
Transfer between reserves	-	-	-	-	266	(682)	416	-	-
<i>Transactions with owners</i>									
Issue of new Shares	1,807	-	18,117	-	-	-	-	-	19,924
Share issue costs	-	-	-	-	(839)	-	-	-	(839)
Purchase of own Shares	(69)	69	-	-	(667)	-	-	-	(667)
Dividends paid	-	-	-	-	(2,182)	-	-	-	(2,182)
At 30 September 2021	7,275	728	36,438	1,828	12,041	31,052	-	(618)	88,744

A transfer of £416,000 was made from the Special Reserve to the Capital Reserve – realised in respect of capital expenses for the period. A transfer of £682,000 was made from the Capital Reserve – unrealised to the Special Reserve for realised loss on investment disposal and reversal of impairment loss during the year.

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2021

	Six months ended 30 Sept 2021 £'000	Six months ended 30 Sept 2020 £'000	Year ended 31 Mar 2021 £'000
Cash flow from operating activities			
Return on ordinary activities before taxation	17,096	5,695	8,533
(Gains)/losses on investments	(17,575)	(6,193)	(9,770)
Decrease/(increase) in debtors	29	2,365	(16)
Increase in creditors	18	30	(15)
Net cash inflow/(outflow) generated from operating activities	<u>(432)</u>	<u>1,897</u>	<u>(1,268)</u>
Cash flow from investing activities			
Purchase of investments	(1,120)	(5,411)	(9,011)
Sale of investments	660	22	2,520
Net cash outflow from investing activities	<u>(460)</u>	<u>(5,389)</u>	<u>(6,491)</u>
Cash flows from financing activities			
Proceeds from Share issue	19,924	13,499	(2,772)
Share issue costs	(797)	(455)	13,499
Purchase of own Shares	(667)	(168)	(501)
Equity dividends paid	(2,182)	-	(230)
Net cash inflow from financing activities	<u>16,278</u>	<u>12,876</u>	<u>9,996</u>
Increase/(decrease) in cash	<u>15,386</u>	<u>9,384</u>	<u>2,237</u>
Net movement in cash			
Beginning of period	10,659	8,422	8,422
Net cash inflow/(outflow)	<u>15,386</u>	<u>9,384</u>	<u>2,237</u>
End of period	<u>26,045</u>	<u>17,806</u>	<u>10,659</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 September 2021

1. The unaudited Half-Yearly Report covers the six months to 30 September 2021 and has been prepared in accordance with the accounting policies set out in the statutory accounts for the period ended 31 March 2021, 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 April 2021 (“SORP”).
2. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
3. The comparative figures are in respect of the six months ended 30 September 2020 and the year ended 31 March 2021 respectively.

4. Basic and diluted return per Share

	Six months ended 30 Sept 2021	Six months ended 30 Sept 2020	Year ended 31 Mar 2021
Return per Share based on:			
Net revenue (loss)/return (£'000)	<u>(63)</u>	<u>(222)</u>	<u>(546)</u>
Capital return per Share based on:			
Net capital gain/(loss) (£'000)	<u>17,159</u>	<u>5,917</u>	<u>9,079</u>
Weighted average number of Shares	<u>146,059,737</u>	<u>106,544,017</u>	<u>108,677,601</u>

5. Dividends

	Per Share Pence	30 September 2021			31 March 2021
		Revenue £'000	Capital £'000	Total £'000	Total £'000
Payable					
2022 Interim	1.5p	-	2,182	2,182	-
Paid in the period					
2021 Final	1.5p	-	2,182	2,182	-
2021 Interim	1.0p	-	-	-	1,107
2020 Final	1.5p	-	-	-	1,571
		<u>-</u>	<u>2,182</u>	<u>2,182</u>	<u>2,678</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 September 2021

6. Basic and diluted Net Asset Value per Share

	30 Sept 2021	30 Sept 2020	31 Mar 2021
Net asset value per Share based on:			
Net assets (£'000)	<u>88,744</u>	<u>55,314</u>	<u>55,412</u>
Number of Shares in issue at period end	<u>145,501,149</u>	<u>110,874,413</u>	<u>110,738,558</u>
Net Asset Value per Share	<u>61.0p</u>	<u>49.9p</u>	<u>50.0p</u>

7. Called up Share capital

	30 Sept 2021	30 Sept 2020	31 Mar 2021
Ordinary Shares of 5p each			
Number of Shares in issue at period end	<u>145,501,149</u>	<u>110,874,413</u>	<u>110,738,558</u>
Nominal value (£'000)	<u>7,275</u>	<u>5,544</u>	<u>5,537</u>

During the period the Company allotted 36,146,095 Ordinary Shares of 5p each ("Shares") under an Offer for Subscription that launched in February 2021, at an average price of 55.12p per Share. Gross proceeds received thereon were £19.9 million, with issue costs in respect of the Offer amounting to £839,000.

During the period, the Company purchased 1,383,504 Shares for cancellation for an aggregate consideration of £667,000, at an average price of 48.2p per Share (approximately equal to a 5.0% discount to the most recently published NAV at the time of purchase) and representing 1.25% of the Share capital in issue as at 1 April 2021.

8. Reserves

The special reserve is available to the Company to enable the purchase of its own Shares in the market without affecting its ability to pay dividends and allows the Company to write back realised capital losses arising on disposals and impairments.

Distributable reserves are calculated as follows:

	30 Sept 2021	30 Sept 2020	31 Mar 2021
	£'000	£'000	£'000
Special reserve	12,041	17,814	15,463
Capital reserve - realised	-	798	-
Revenue reserve	(618)	(231)	(555)
Merger reserve - distributable element	423	423	423
Unrealised losses - net of unquoted gains	<u>6,283</u>	<u>805</u>	<u>2,244</u>
	<u>18,129</u>	<u>19,609</u>	<u>17,575</u>

In October 2018, the balances on the Share Premium account and the capital redemption reserve were cancelled and added to the special reserve, contributing an additional £26.2 million to distributable reserves. The VCT regulations place some restrictions on the use of these reserves during the first three to four years after the funds on which they arose were raised.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 September 2021

9. Investments

The fair value of investments is determined using the detailed accounting policy as set out in Note 1 of the Annual Report.

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

Level 1 Reflects financial instruments quoted in an active market (fixed interest investments, and investments in shares quoted on either the Main or AIM Markets);

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 (unquoted equity investments and loan note investments).

	Six months ended 30 Sept 2021				Period ended 31 Mar 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AIM quoted								
shares	11,379	1,427	-	12,806	10,609	1,241	-	11,850
Loan notes	-	-	508	508	-	-	508	508
Unquoted shares	-	-	49,477	49,477	-	-	32,398	32,398
	<u>11,379</u>	<u>1,427</u>	<u>49,985</u>	<u>62,791</u>	<u>10,609</u>	<u>1,241</u>	<u>32,906</u>	<u>44,756</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 September 2021

10. Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-yearly results to report on 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:

- investment risk associated with investing in small and immature businesses;
- liquidity risk arising from investing mainly in unquoted businesses; and
- failure to maintain approval as a VCT.

In all cases the Board is satisfied with the Company's approach to these risks. As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a well-diversified portfolio.

With a reasonably illiquid venture capital investment portfolio, the Board ensures that it maintains an appropriate proportion of its assets in cash and liquid instruments.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who regularly reports to the Board on the current position. The Company also retains Philip Hare and Associates LLP to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

The Company has considerable financial resources at the period end and holds a diversified portfolio of investments. As a result, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 September 2021

11. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have 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 current 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.
12. 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. The figures for the period ended 31 March 2021 have been extracted from the financial statements for that period, which have been delivered to the Registrar of Companies; the Auditor’s report on those financial statements was unqualified.
13. Copies of the unaudited Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company’s registered office or downloaded from www.draperespritvct.com and www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Selling Shares

The Company's Shares are listed on the London Stock Exchange and can be bought or sold like any other listed Shares using a stockbroker. If you wish to sell your Shares, you should ask your stockbroker to contact Panmure Gordon (UK) Limited, who act as the Company's Corporate Broker.

The Company will usually buy back shares several times each year. If you have any queries regarding the process, please contact the Administration Manager, Downing LLP on 020 7416 7780. Any Shareholder considering selling some or all of their Shareholding should ensure that they are fully aware of any tax consequences, especially if they purchased shares within the last five years. If you are in any doubt, please contact your financial adviser.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the Share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, The City Partnership, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including financial statements, company announcements and Share price) may be obtained from Downing's website at www.downing.co.uk by clicking on "Invest" and "Existing investor centre". Financial information is also available on the VCT's website at:

www.draperespritvct.com

If you have any queries regarding your Shareholding in Draper Esprit VCT plc, please access the Investor Hub at draper-esprit-vct.cityhub.uk.com or contact the Registrar by email at registrars@city.uk.com or by telephone on 01484 240910.

Directors

David Brock (Chairman)
Hugh Aldous
Nicholas Lewis
Richard Marsh

Company Secretary and Registered Office

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