

Molten
EIS

Molten Ventures EIS Information Memorandum

Issued April 2024
Valid until 5 July 2025

Molten Ventures EIS is an unauthorised Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive as implemented into UK law. Molten Ventures EIS is a collection of parallel discretionary managed portfolios. Each is managed by Encore Ventures LLP, a Limited Liability Partnership registered in England and Wales No. OC347590. Encore Ventures LLP is authorised and regulated by the Financial Conduct Authority (FRN: 510101).

**Don't invest unless you're prepared to lose all the money you invest.
This is a high-risk investment. [Take two mins to learn more.](#)**

This Memorandum constitutes a non-direct offer financial promotion pursuant to section 21 of FSMA and is issued and approved by the Fund Manager, Encore Ventures LLP. Encore Ventures LLP is authorised and regulated by the Financial Conduct Authority and its registered offices are at 20 Garrick Street, London, WC2E 9BT.

This document is intended to be communicated only to:

- clients of FCA authorised firms that will provide advice on the suitability of this Fund; or
- those requesting information on behalf of an FCA authorised firm, accountant or tax adviser, and who will only communicate this information to certified sophisticated, high net worth or restricted investors; or
- prospective Investors who have already completed the necessary onboarding checks and paperwork and made a declaration to the Fund Manager that they meet the FCA's definition of one of the following:
 - a certified high net worth investor;
 - a self-certified sophisticated investor;
 - a certified sophisticated investor;
 - a restricted investor.

Molten Ventures Group

Molten Ventures plc is a leading venture capital firm which invests in and develops high-growth digital technology businesses. All references to Molten Ventures are references to Molten Ventures plc and the group of companies and partnerships in which it is a shareholder or member, and where the context requires, to the funds that they manage.

Prospective Investors are reminded that Molten Ventures EIS is distinct from Molten Ventures plc and Molten Ventures VCT plc. Please consult with your independent financial adviser should you wish to acquire shares in Molten Ventures plc (LSE: GROW) or Molten Ventures VCT plc (LSE: MVCT). This is not to be regarded as an offer or invitation to buy or sell shares in Molten Ventures plc or Molten Ventures VCT plc.

Purpose of Memorandum

This Memorandum is issued for the purpose of providing information to potential Investors about an investment in the alternative investment fund known as Molten Ventures EIS (the 'Fund'). **Defined terms used in this Memorandum and not listed in the glossary on page 30 are as defined in the Investment Management Agreement and shall have the same meaning in this Memorandum.**

The Fund, which is not a separate legal entity, exists to facilitate investment in companies which qualify for EIS Relief. The Fund is a Complying Fund and is not a collective investment scheme. It is an unauthorised alternative investment fund for the purposes of the AIFMD as implemented into UK law. The Fund Manager is a Small Authorised UK Alternative Investment Fund Manager for the purposes of the FCA Rules and the Fund shall be its client and not the Investor. The Fund is a Restricted Mass Market Investment and will invest in Non-Readily Realisable Securities, both as defined in the FCA rules. Such investments are often more risky than investments in quoted securities or shares and less liquid as there is typically no ready market in them.

Unquoted securities may be subject to transfer restrictions and may be difficult to sell. It may be difficult to obtain information as to how much an Investment is worth or how risky it is at any given time. Investing in private companies may expose you to a significant risk of losing all the money invested. Before investing, you are strongly recommended to consult an authorised person specialising in advising on investments of the kind described in this Memorandum.

Investing in the Fund is speculative and involves a significant degree of risk. The attention of prospective Investors is specifically drawn

to this Risk Warning: <https://investors.moltenventures.com/investor-relations/eis/eis-portfolio-risk-summary> and the contents of the section in this document entitled 'Risk Factors'.

You should not invest in the Fund unless you have taken appropriate independent advice. The Fund Manager, its members and employees do not accept any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any information or opinions contained herein or in any other communication in connection with an Investment in the Fund except where, and only to the extent that, such liability arises under FSMA, regulations made under FSMA or the FCA rules and may not be excluded.

Any Application to invest in the Fund may only be made and will only be accepted subject to the terms and conditions of the Investment Management Agreement. Your rights in this respect are more fully set out in the Investment Management Agreement.

Contents of Memorandum

The Fund Manager has taken all reasonable care to ensure that the facts stated in this Memorandum, at the date of publication, are true and accurate in all material respects and that there are no other material facts whose omission would make any statement of fact or opinion in this Memorandum materially misleading. All statements of opinion or belief contained in this Memorandum, all views expressed and statements made regarding future events represent the Fund Manager's own assessment and interpretation of information available to it as at the date of this Memorandum.

No representation is made or assurance given that such statement or view is correct or that the objectives of the Fund will be achieved. You, as a prospective Investor, must determine for yourself what reliance (if any) you should place on such statements, views or forecasts, and no responsibility is accepted by the Fund Manager in respect of any of such statements, views or forecasts.

Where information has been obtained from third party sources, the Fund Manager cannot accept responsibility for the completeness or accuracy of that information and potential Investors must form their own opinion as to the reliance they place on that information. You will need and be expected to make your own independent assessment of the Fund and to rely on your own judgement (or that of your independent financial adviser) in respect of any investment you may make in the Fund and the legal, regulatory, tax and investment consequences and risks of doing so.

Prospective Investors having enquiries may direct such enquiries to: eis@molten.vc

April 2024.

About Molten Ventures

Molten Ventures invests in disruptive, high growth technology companies.

We believe it is our role to support the visionary entrepreneurs who aspire to invent the future. We fuel their growth with capital, access to our networks and decades of experience building businesses.

For more information please visit:

www.moltenventures.com

Molten Ventures plc is the ultimate parent of Encore Ventures LLP which is the fund manager of the Molten Ventures EIS funds (and the prior Molten Ventures EIS funds), and of Elderstreet Investments Limited which is the fund manager of Molten Ventures VCT plc. The Fund Manager leverages the platform of the Molten Ventures group as it relates to the sourcing, investing, managing and exiting all investments across all the investment funds.

The Fund benefits from being part of the Molten Ventures group, and from the access to deal flow and operational support this offers. Nonetheless it is important to note that any information relating to Molten Ventures plc is specific to Molten Ventures plc and not the Fund to which this Memorandum relates.

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Molten Ventures has a solid track record of investing in some of the best and most promising technology companies across Europe. Our tax advantaged EIS and VCT products broaden our investor base and give access for the UK Wealth Management sector to high quality qualifying investments. We are committed to growing this side of our business and continuing to deploy more capital from this sector as our business scales.

MARTIN DAVIS
CEO, MOLTEN VENTURES PLC

Molten

Molten Ventures plc

- Listed on London Stock Exchange
- Ticker symbol: GROW

At 30 September 2023 –
interim reporting date:

- Net assets:

£1.12bn

Molten Ventures plc
is the 100% beneficial owner of:

- **Encore Ventures LLP**
Authorised and regulated by the
Financial Conduct Authority
FCA 510101

Fund manager of:

Molten Ventures EIS

EIS AUM

at 30 September 2023:

£256m

- **Elderstreet Investments Limited**
Authorised and regulated by the
Financial Conduct Authority
FCA 148527

Fund manager of:

Molten Ventures VCT plc

VCT AUM

at 30 September 2023:

£121m

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So, how has this strategy performed for investors?

The EIS funds have achieved 18 exits to date, of which 11 have been profitable outcomes ranging from 1.3x-10x gross return vs cost.

Set against these 11 profitable exits, only 7 investments have returned less than their cost, with 3 of these achieving a partial recovery of capital of 0.2x-0.9x (with EIS reliefs in addition to this).

This profile with its high proportion of profitable outcomes is worth noting and comparing against earlier stage investment strategies where a higher failure rate for investments is expected.

TAX EFFICIENT REVIEW

INDEPENDENT COMMENTATOR ON THE EIS MARKET.
AUGUST 2023.

Molten's Journey

BY STUART CHAPMAN
DIRECTOR MOLTEN VENTURES PLC



From the days when we originally founded the business in 2006, to where we are now, the group has grown and evolved into something much larger, more powerful and an established part of Europe's technology sector.

Molten Ventures plc is no longer the small firm that I helped co-found and build. It is a business which is listed on the London Stock Exchange, and growing through the talents of a much wider team.

We now have an investment team of 26 professionals comprising Partners, Principals, Venture Partners, and Associates who are responsible for sourcing, reviewing and selecting Investments and then working with our portfolio companies as they grow and build value towards their exits, typically via IPO or M&A. In addition they are supported by a transaction execution and portfolio team.

We have a dedicated team working across our EIS and VCT products who are responsible for the fundraising and operational side of the funds.

Our group finance team are in charge of valuations and audits, working with PwC, our auditor, and most recently we have created an in-house function dedicated to ESG to reflect the group's focus in this area both for the business and to co-ordinate ESG activities and assistance across the investment portfolio.

Additionally, we have a dedicated compliance team and our PLC board has five non-executive members who share their significant experience and provide a strong level of governance that is an essential part of being an FCA regulated, FTSE-listed group.

It's a great team.



Overview

Molten Ventures EIS' objective is to deliver tax free capital growth from EIS qualifying venture capital investments.

Three things to know about Molten Ventures EIS:

WE ARE INVESTMENT-LED

Our investment strategy came first and EIS followed. Molten Ventures (then under its previous name) was an established venture capital firm that already managed funds for professional institutional investors. EIS was added when the Budget in 2012 expanded the head-count limits for firms raising EIS/VCT funds. The Government's expansion of the schemes meant a large number of investments made within the existing strategy could now qualify for EIS/VCT.

OUR CO-INVESTMENT STRATEGY ALLOWS US TO PARTICIPATE IN LARGER DEALS

Molten Ventures' investments, where EIS invests alongside the VCT and plc funds, are significantly larger on average than deals that can be considered by other EIS managers.

This equates to differentiated deal flow and a focus on larger and/or later stage investment rounds than investors had previously had access to with EIS.²

10-YEAR TRACK RECORD WITH EIS

Over £200m has been raised and over 100 investments made into more than 50 portfolio companies to date. There is substantial R&D, innovation and job creation within the portfolio, with thousands of employees in aggregate.

Tens of millions of pounds of PAYE/NI/VAT have been paid back into HMT through this economic activity, with the potential that this becomes hundreds of millions of pounds as the portfolio companies continue to grow.

Capacity

The Fund has an evergreen fundraising strategy and accepts rolling subscriptions throughout the year. Subscriptions have been running at a level of £20m-£40m per annum and as at the date of this Memorandum the Fund Manager intends to maintain a broadly similar level of fundraising.

Key Information

- Molten Ventures EIS (the 'Fund') is a collection of parallel discretionary managed portfolios.
- The Fund is a growth EIS fund and will deploy its capital into multiple Investments over a period of time, each with its own electronic EIS3 certificate.
- The target is to invest subscriptions within 12-18 months of each Close, although this timing is not guaranteed.
- Each subscription is intended to be invested in a portfolio of 8-12 EIS Qualifying Companies.
- It is intended that the Fund will co-invest alongside funds managed by the Manager, Molten Ventures plc, and Molten Ventures VCT plc and with other funds and managers. Allocation splits and the designated lead investor vary from time to time.
- Funds raised in each Close will be invested alongside those subscribed in prior Closes and in subsequent Closes.
- Electronic EIS3 certificates will be issued for each individual Investment, typically around 8-12 weeks of the investment, depending on the turnaround time of HMRC.
- Our target holding period is 3-5 years for each Investment. Exit timeframes are always expected to be a spread – in each portfolio Investors should be prepared that the final assets are likely to be held longer than this and some may be realised earlier during the 3-year qualifying period which would result in the associated loss of tax reliefs.
- The exit route for successful Investments is most likely to be via trade sale (M&A), sale to a Private Equity buyer, or an initial public offering (IPO) and sale of shares.
- Investors will receive distributions from the proceeds of successful realisations as they are made.

Fundraising Close dates each year

The Fund accepts subscriptions every quarter on an ongoing basis with fundraising tranches that close on:



² The co-investment strategy enables the Fund to participate in larger, later stage growth investments and leverage off the recognition of the Molten Ventures brand. However, conflicts could arise between other funds managed by the Manager, the Fund, Molten Ventures plc, and Molten Ventures VCT plc with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits.

Sector Focus & Investment Criteria

We seek highly scalable businesses that strive to command large and strategic valuations on exit.

Molten Ventures is an experienced, established venture capital ("VC") investor, and one of the largest VCs in Europe.

Venture capital investing is investing in the businesses of the future. Our VC investments are focused on technology and technology-enabled companies because they are capable of rapid growth by creating new technologies, transforming and redefining existing industries and becoming leaders in entirely new markets.

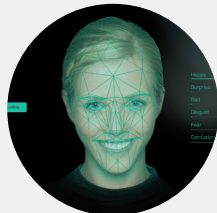
For Silicon Valley over the past 50 years, and Europe over the past 20-30 years, the consistent driver of returns in venture capital have been generated through technology investing.

We have a broad sectoral approach, however we believe that most venture capital investment opportunities in Europe with the requisite characteristics for the Fund will fall into the following core sectors:



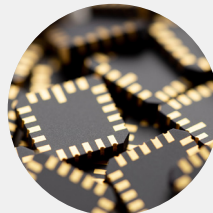
CONSUMER TECHNOLOGY

New consumer-facing products, innovative business models, and proven execution capabilities that bring exceptional growth opportunities.



ENTERPRISE TECHNOLOGY

The software infrastructure, applications and services that make enterprises more productive, cost-effective and smoother to run.



HARDWARE AND DEEP TECH

Companies developing differentiated technologies that will underpin advances in computing, consumer electronics and other industries.



DIGITAL HEALTH AND WELLNESS

Companies leveraging digital and other technologies to create new products and services for the health and wellness markets.

Our goal is to seek out high growth companies that in our team's assessment meet the following criteria:

- operate in new markets with the potential for strong cross-border or global expansion;
- demonstrate suitable Environmental, Social and Governance (ESG) credentials in alignment with the Molten Ventures group-wide Responsible Investment & Sustainability Policy;
- have the potential to address large new markets or disrupt major existing ones;
- have competitive barriers to entry to encourage strong margins, and have capital efficient business models;
- have the potential to be global sector leaders;
- are run by impressive entrepreneurs who have the ability to build world-class management teams;
- are backed by strong syndicates of investors to reduce financing risk in future rounds;
- will be attractive candidates for acquisition by large corporations or public ownership by institutions by way of an IPO, and have the potential to generate returns that are multiples of the invested capital for investors.

Capital is at risk. The Fund makes investments as co-investments, including alongside Molten Ventures Approved KI EIS 23/24 and the other funds managed by the group.

Our Co-Investment Approach

Our co-investment approach allows a focus on larger and/or later stage investments, and for EIS Investors to benefit from the investment experience and platform of the Molten Ventures group.

The trigger that led to our first EIS fund was a change announced in Budget 2012 that raised the headcount limit for firms raising capital through EIS/VCT from 50 employees to a new limit of 250 employees (now 499 for Knowledge Intensive Companies).

Overnight, and without changing our existing investment strategy and dealflow, a large number of our opportunities became EIS/VCT qualifying because of the new headcount limit, whereas previously the companies which we focus on had been too big.

We launched our first EIS fund in 2012 with a clear strategy to focus on later stage investments with larger investment rounds into companies that had previously been out of reach to private investors through EIS.

This was enabled by the ability to co-invest alongside the institutional funds being managed by the Molten Ventures group. This allowed participation in deal sizes an order of magnitude greater than typically found in the EIS market at the time.

Today the EIS funds intend to participate in investment rounds where Molten Ventures as a syndicate will normally commit £5m+. These are expected to comprise later stage deals and also larger scale earlier stage deals.³

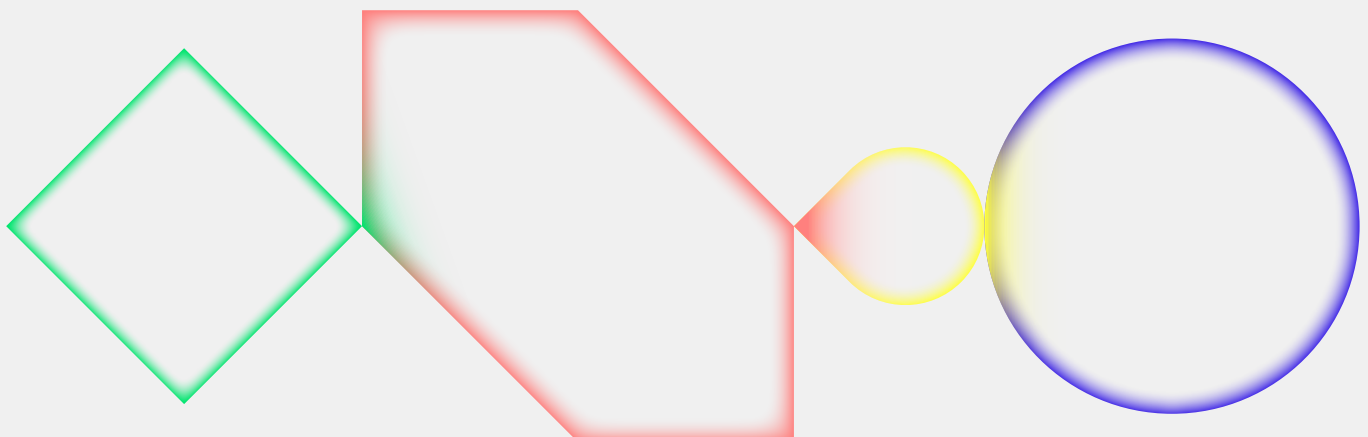
ESG Integration

Embedded Processes

The Fund Manager's parent, Molten Ventures plc is committed to a policy of responsible investment through the life cycle of our group's investments, from pre-screening to exit.

External benchmarking

Molten Ventures plc is a signatory of the UN Principles for Responsible Investment and the Investing in Women Code. It reports against Task Force on Climate Related Financial Disclosures (TCFD), and Streamlined Energy and Carbon Reporting (SECR). It maps to UN Sustainable Development Goals, and reports against the global carbon disclosure system (CDP) to monitor environmental impacts.



³ Note: Conflicts could arise between the Fund Manager, the Fund, the Prior Molten Ventures EIS Funds, Molten Ventures plc, and Molten Ventures VCT plc with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits.

Example Investee Companies

These examples all come from our current EIS portfolios and are intended to give an illustration of the potential scale, growth rate, impact and ambition of the companies we back.

The common theme within our deals is that the companies aspire to be highly valuable businesses, often the market leaders, in large and typically international markets.

In addition to investing capital, we work hands-on with the entrepreneurs and teams that we back. The Molten Ventures group often take an active role in building the businesses and typically have board representation as a director or an observer.



FORM3 FINANCIAL CLOUD

Form3 is a software company. It provides infrastructure for banks to make payments. Its software is built using modern technologies and software approaches that transform what is possible when compared with historic approaches.

It is implemented as a hosted 'cloud-native' software solution that delivers a real-time (24/7/365) bank-grade payment platform for account to account payments. This allows established financial institutions to supplement their existing proprietary IT and payment systems with a flexible software architecture that can support new online customer apps and new payment options, e.g. showing the real time status and completion of payments.

Form3's clients and partners include Barclays, Lloyds, Goldman Sachs, Nationwide and Mastercard.



Thought Machine

Thought Machine is a software business that is developing internet-based, next generation core banking system software. This is complex, large scale software.

The company is working with a number of Tier 1 banks including Lloyds Banking Group, Standard Chartered, SEB and JPMorgan Chase amongst others.

Today, most banks still run on old IT systems, some dating back to the 1970s. Often there are multiple systems that are disjointed, so another layer of software or even sometimes manual input is needed to translate what's happening in one place to another. In short, it's slow, costly, and unreliable. Thought Machine is changing this.

Molten Ventures EIS first invested in 2020. The company has since raised over \$200m in further investment.



endomag⁺

Endomag is a healthcare company that has developed minimally-invasive surgical guidance technology that is applicable across much of surgical oncology. Its first use has been in the treatment of breast cancer and the technology has been used in over 485,000 procedures across 45 countries, and Endomag's products now are used in an operation somewhere in the world every five minutes.

Endomag won a Queen's Award for Innovation in 2018 and in 2021 it won a second Queen's Award for International Trade.

This is an investment where the commercial success of the business will go hand in hand with improving the treatment and outcomes for many patients and families.

Molten Ventures EIS first invested in 2018, and then again in 2020 when Molten Ventures led a further investment round to accelerate international expansion.

Warning: Past performance is not necessarily an indicator of future results. Your capital is at risk. Examples provided are illustrative only and may vary from the companies which the Fund may invest into.










Exit Highlights

The examples below show several of the highest profile EIS exits to date.




Some of our portfolio companies are very recognisable household names and you may well be a customer of theirs. But many are not because they may be developing products that are sold to businesses not consumers, or creating new core technologies that are not yet available in the general market.

Whether or not you know each of the portfolio companies below, one feature of our high profile successful exits is that the acquirers tend to be very recognisable. There is a strong implied statement of quality here – Oracle, Nvidia, Nestle, EDF Energy and others are acquiring technologies and strengthening their market position or entering new markets through our portfolio companies.







When we select Investments, we are not looking for niche or lifestyle businesses. The exit outcomes, and identity of the acquirers, reflect the calibre of companies within the portfolio.

				
ACQUIRED BY	ACQUIRED BY	ACQUIRED BY	ACQUIRED BY	ACQUIRED BY
 \$ UNDISCLOSED	 \$ UNDISCLOSED	 \$ UNDISCLOSED	Majority investment BD CAPITAL \$ UNDISCLOSED	 \$ UNDISCLOSED
GROSS RETURNS ON EXIT	GROSS RETURNS ON EXIT	GROSS RETURNS ON EXIT	GROSS RETURNS ON EXIT	GROSS RETURNS ON EXIT
April 2018	April 2018	February 2020	June 2021	January 2022
Investment made: December 2013 10.3x	Investment made: December 2015 9.8x	Investment made: April 2017 2.7x	Investment made: October 2013 4.7x	Investment made: April 2018 5.0x
Investment made: November 2015 4.7x	Investment made: April 2017 4.8x	Investment made: July 2018 2.2x	Investment made: March 2015 2.8x	Investment made: October 2016 2.6x
				Investment made: July 2015 2.0x

All Exits to Date












PARTIAL RECOVERY		
		
0.2x	0.4x	0.9x

Expanding on the examples above, we also show the full set of all exits. The Molten Ventures EIS funds have had 20 realisations up to 31 March 2024 which illustrate the range of outcomes that have been achieved.

LOSS					
					
0x	0x	0x	0x	0x	0x

We believe that the high proportion of positive outcomes, and the partial recoveries on <1x outcomes all differentiate this profile of returns from other EIS strategies in the market that primarily make earlier stage, seed stage or technology transfer spin-out investments.

Returns are expressed as gross multiples versus investment cost (including, where relevant, escrow and expected earn out amounts), and are subject to a performance fee (described in the 'Fees' section) of 20% plus VAT of proceeds above a hurdle rate of return that has a maximum of 1.25x the investment cost.

PROFITABLE EXITS										
										
1.5x	1.8x	1.9x	2.1x	2.5x	2.7x	2.9x	4.7x	5.0x	9.8x	10.3x

In each case the multiple shown above is the highest achieved for that portfolio company and for some there are lower multiples for either later or earlier Investments in the same business.

Warning: Past performance is not necessarily an indicator of future results. Your capital is at risk.

Examples provided are illustrative only and will vary from the companies in which an Investment made today would achieve.

Performance

Our prior EIS Funds are showing valuation progression and a distribution of cash proceeds.

The first five EIS Funds, spanning 2012-2016, have all now distributed more to Investors than was subscribed to the Funds or are reaching that point.

Whilst there was certainly a pause in exit processes as the Covid pandemic struck, which extended some holding periods, we saw a recovery in exit activity in 2021-2022 including our own exits from SportPursuit, Conversocial, Roomex, and Bright Computing.

Following the downturn in the macroeconomic environment, the IPO market is largely closed as an exit route in the near term however exits via Merger & Acquisition (M&A) remains a viable option and we expect to see transactions over the near and mid term. At the time of writing we have signed two share purchase agreements for profitable sales. Both of these are subject to

regulatory approval currently but should enable us to return a significant amount of capital to investors.

The valuations for the Fund and the Prior Molten Ventures EIS Funds below include the valuation of shares held by the funds, cash balances held by the Custodian, the valuation of any deferred proceeds held in escrow and where relevant, cash proceeds that have been distributed to Investors.

Valuations are produced in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) that are endorsed by the British Venture Capital Association (BVCA).

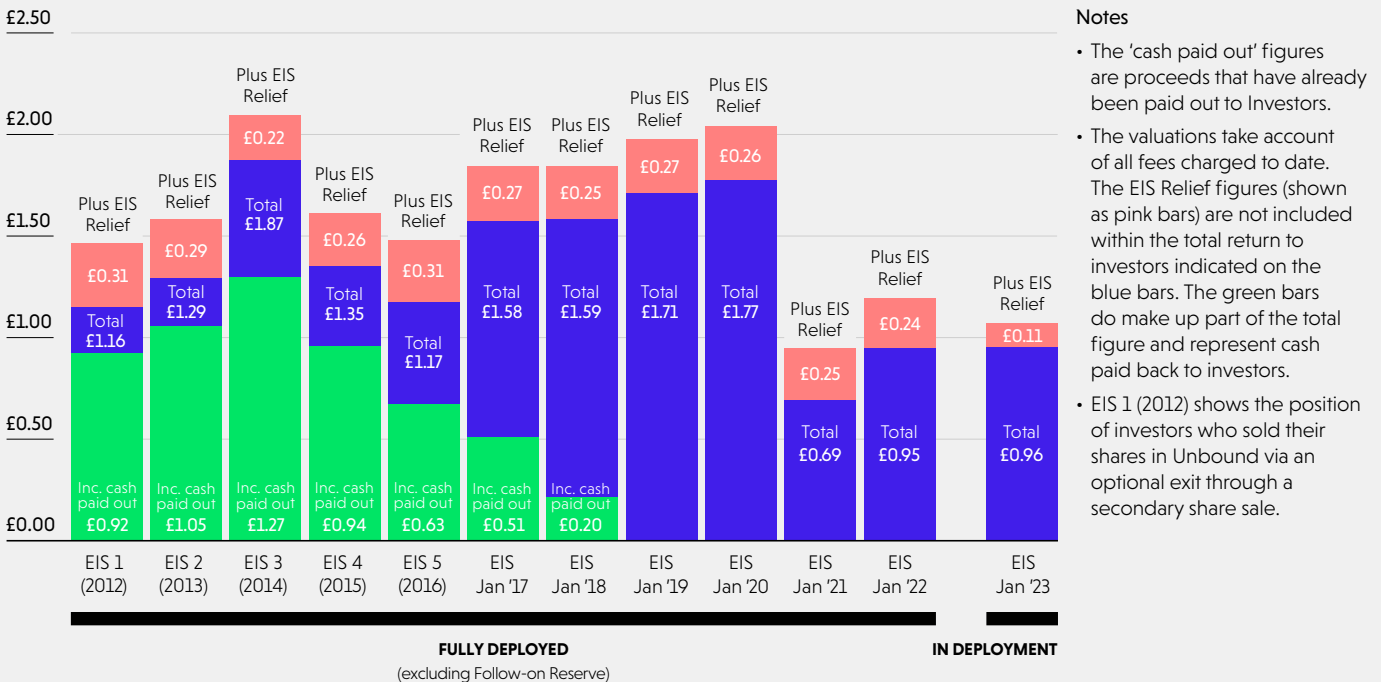
Please see the Risk Factors section for further information on valuation.

Where a fund had more than one fundraising Close, the data presented is for the first Close, and data is presented in all cases for Investors who have participated in the Follow-on Reserve in each Fund.⁴

The impact of EIS Relief is based on an assumption of an additional rate (45%) income taxpayer.

EIS Funds managed by Encore Ventures LLP – at 5 October 2023

Summary valuations per £1 Net Subscription (Net Subscription is the amount subscribed to the Fund less any adviser fee, where relevant).



Source: Encore Ventures LLP internal records; reports distributed to Investors.

Disclosure of the impact of fees: The cash balances shown above are net of the initial and annual management fees (+VAT where applicable) which have been charged. The 'Cash paid out' reflects actual proceeds paid out to Investors. The cash balance at the Custodian includes cash awaiting deployment, amounts set aside for management fees and any amounts set aside for performance fees (+VAT) which have not yet been crystallised and paid.

Warning: Past performance is not necessarily an indicator of future results. Your capital is at risk.

⁴ Described in the later section 'Dealing with Underperformance: Follow-on Reserve'.

Tax Advantaged Options – Comparison of Tax Reliefs

Molten Ventures EIS has an investment-led strategy, with EIS Relief providing additional incentives that enhance the underlying returns and offer substantial protection via loss relief.

The table below shows a high level comparison of different tax advantaged options for investing with Molten Ventures. It shows a summary only and is intended to guide further considerations. The specific details can be complex and may depend on personal circumstances. Tax reliefs may depend on how long an asset has been held and the amounts on which reliefs are available. The impact fees have on the amounts on which reliefs are available varies across the cases below. This table does not constitute investment advice.

	EIS Product	VCT Product	FTSE Listed VC Fund held in a S&S ISA
Tax Relief	EIS	VCT	Possible for private individuals to hold in an ISA
Amount Per Annum	£2,000,000 Amounts above £1m must be in Knowledge Intensive Company investments	£200,000	£20,000
Income Tax Relief	30%* On amount invested into portfolio	30% On entire subscription	–
Tax Free Capital Gains	✓	✓	✓
Tax Free Dividends	–	✓	Maybe
Minimum Holding Period	3 years**	5 years	–
Investment Type	Discretionary portfolio of future investments	Pooled balance sheet, including existing holdings	Pooled balance sheet
Carry Back	✓	–	–
Loss Relief	✓	–	–
CGT Deferral Relief	✓	–	–
BPR Relief (IHT)	✓	–	–
Liquidity	Low Realisation of portfolio companies	Share buyback	Liquid stock
Paperwork	Multiple EIS forms Multiple referable dates for tax relief	Single transaction Single referable date for tax relief	Single transaction

*For EIS, the Molten Ventures EIS fund sets aside 10% of each subscription for fees in the early years of the Fund. EIS Relief is not available on this portion of the investment. So 90p in each £1 invested is expected to be eligible for EIS Reliefs.

**The referable date for tax relief for EIS is the date on which shares are issued by each individual Investee Company. The target deployment is to invest in a portfolio of 8-12 companies over a period of 12-18 months – so the EIS Reliefs will span several Investments over a period of time.

Portfolio Construction and Outcomes

We are experienced venture capital investors. We invest into high growth early stage tech companies which is very different to investing in listed companies on a stock exchange.

As an asset class, venture capital investing is risk equity, and it demands specific strategies to manage this.

Venture capital is most commonly managed as a fund. Each fund is typically described as having a vintage, which is when it was raised and commenced investing. Different vintages from the same fund manager, and different vintages across the industry will show variances in their returns over time. Venture capital funds typically build a portfolio of 20-30 companies and take 3-5 years to do this.

EIS Differs Through Portfolio Sizes

EIS generally differs because each investor's portfolio contains fewer companies than a non-EIS venture capital fund model as it is invested over a shorter period. In essence they are an annual vintage sample from a much larger portfolio.

We target a portfolio size of 8-12 for each vintage, which is at the larger end for the EIS market and allows for greater diversification.

Having more companies in each portfolio takes longer to invest, so we will most likely be at the higher end of deployment timescales to invest each fund close in order to create our larger portfolios.

The Fund is designed to work for both standalone subscriptions into a single vintage, or as a rolling programme for Investors who choose to create a blended return across vintages by making several subscriptions over time.

Portfolio Building

Each subscription to the fund is allocated to its relevant fund Close – every Investor in that Close will have the same portfolio. We can then internally manage and track the specific performance of the discrete Close – not all EIS managers do this.

Every Investment will be selected using the established processes, criteria, due diligence and experience that has served Molten since its foundation. But not all companies will succeed and not all Investments will succeed – this is the nature of risk within venture capital.

We categorise outcomes for each Investment as:

- **WINNERS**

Returning proceeds that are a multiple of their investment cost many times over.

- **RETURNERS**

Returning their investment cost (or slightly more).

- **LOSS**

Returning either nil or a partial recovery of their cost.

The returns of the portfolio, and therefore the return for an Investor's subscription to the fund are determined by how many Winners, Returners and Loss outcomes there are in the portfolio and how big the Winners are.

To generate an overall portfolio return, the successful Investments must produce outcomes that cover the investment cost of the whole portfolio and generate profits on top.

Large returns are possible, because successful outcomes are potentially uncapped, but these are not guaranteed. This is a feature of venture capital and why professional long term asset managers will consider it within an overall portfolio as a small percentage of the portfolio that is considered a risk investment but with potentially high returns.⁵

A particular advantage of EIS is that proceeds are exempt from CGT (assuming that EIS Relief has been claimed and the shares have been held for at least 3 years). In our view this is potentially the largest tax relief on offer with EIS but is often overlooked.

In addition Investors can claim the income tax relief and also have the possibility of deferring capital gains, while potentially mitigating some of their downside via loss relief.

Worked Examples

We have modelled several scenarios (see page 15). This is in order to illustrate the potential for downside as well as upside.

The worked examples show a Net Subscription to the Fund of £100,000 from which £10,000 is held back (as described further in the section Fees) and £90,000 is invested in a portfolio of eight companies, each with an equal sized Investment, and without any hold back for the Follow-on Reserve (as described in the section Dealing with Underperformance: the Follow-on Reserve).

⁵ Capital is at risk. Investors should therefore be prepared to lose part or all of their invested capital.

Portfolio Construction and Outcomes (CONTINUED)

NET SUBSCRIPTION	£100,000
Held Back for Fees	£10,000

	COMPANY	1	2	3	4	5	6	7	8
INVESTED	£90,000	£11,250	£11,250	£11,250	£11,250	£11,250	£11,250	£11,250	£11,250
Income Tax Relief	£27,000	£3,375	£3,375	£3,375	£3,375	£3,375	£3,375	£3,375	£3,375

INVESTMENT SCENARIO 1 – This models a downside outcome where there are no Winners, and an equal split of Loss (assumed 0x full loss) and Returner (capped at 1x return) outcomes.

OUTCOME		LOSS	LOSS	LOSS	LOSS	RETURNER	RETURNER	RETURNER	RETURNER
		0x	0x	0x	0x	1x	1x	1x	1x
GROSS PROCEEDS	£45,000	-	-	-	-	£11,250	£11,250	£11,250	£11,250
Loss Relief (@45%)	£14,176	£3,544	£3,544	£3,544	£3,544	-	-	-	-
Less Accrued Fees	-£5,070	Assumption that all exits occur within 5 years							
Income Tax Relief	£27,000	Assumption that all Investments are held for 3yrs or more (or have nil proceeds) so no ITR is withdrawn on exit							
NET	£81,106								

INVESTMENT SCENARIO 2 – This model adds two Winners, each with a 5x outcome. Examples of ~5x outcomes can be seen in the exit multiples achieved to date.

OUTCOME		LOSS	LOSS	RETURNER	RETURNER	RETURNER	RETURNER	WINNER	WINNER
		0x	0x	1x	1x	1x	1x	5x	5x
GROSS PROCEEDS	£157,500	-	-	£11,250	£11,250	£11,250	£11,250	£56,250	£56,250
Loss Relief (@45%)	£7,088	£3,544	£3,544	-	-	-	-	-	-
Performance Fees (inc VAT)	-£20,250	-	-	-	-	-	-	£10,125	£10,125
Less Accrued Fees	-£5,295	If all non-Winners are realised within 5 years but the Winners takes longer, each additional year will add up to £680 (inc VAT) in fees which will reduce the Net return accordingly							
Income Tax Relief	£27,000	Assumption that all investments are held for 3yrs or more (or have nil proceeds) so no ITR is withdrawn on exit							
NET	£166,043								

INVESTMENT SCENARIO 3 – This models higher success, with one of the Winners increased to a 10x return.

Examples of ~10x outcomes can be seen in the exit multiples achieved to date. There are different routes to a portfolio outcome around this level which could also be achieved, for example, by achieving three 5x Winners, or a single larger 15x Winner.

OUTCOME		LOSS	LOSS	RETURNER	RETURNER	RETURNER	RETURNER	WINNER	WINNER
		0x	0x	1x	1x	1x	1x	5x	10x
GROSS PROCEEDS	£213,750	-	-	£11,250	£11,250	£11,250	£11,250	56,250	£112,500
Loss Relief (@45%)	£7,088	£3,544	£3,544	-	-	-	-	-	-
Performance Fees (inc VAT)	-£33,750	-	-	-	-	-	-	£10,125	£23,625
Less Accrued Fees	-£5,408	If all non-Winners are realised within 5 years but the Winners takes longer, each additional year will add up to £680 (inc VAT) in fees which will reduce the Net return accordingly							
Income Tax Relief	£27,000	Assumption that all Investments are held for 3yrs or more (or have nil proceeds) so no ITR is withdrawn on exit							
NET	£208,680								

Past performance is not a reliable indicator of future results. Where the prior EIS Funds have achieved outcomes at the levels of 5x or 10x these relate to past Investments made in December 2013 (Tails – 10.3x), December 2015 (Grapeshot – 9.8x), October 2017 (Sport Pursuit – 4.7x), and April 2018 (Bright Computing – 5.0x). See also the Performance section on page 12 for the actual performance of the Funds to date.

Team & Governance

Meet our dedicated investor relations team via the Molten Ventures website:
<https://investors.moltenventures.com/investor-relations/eis>

Wider team bios can be found at:
www.moltenventures.com/people

Investor and Adviser Relations

As an adviser or Investor in the Fund you are supported by our dedicated EIS/VCT team that manages the operational aspects of our EIS and VCT funds.

Our contact email address is:
eis@molten.vc

The Custodian and Nominee for the Fund are provided by Apex Unitas Limited (formerly Mainspring Nominees Limited) and they will be involved with applications, account opening and in distributions of proceeds from exits.

The primary contact point for all information including EIS3 certificates, contract notes for Investments, exit letters and proceeds schedules, reports and valuations is the online portal, where up to date portfolio information and valuations can be seen at any time (subject to our bi-annual valuation process):
molten.mainspringfs.com

Investment Management

At the investment level, Molten Ventures operates with one investment team across the whole business that is responsible for sourcing, investing and managing all Investments.

We find opportunities that meet our criteria as a group, through established processes and experience. This is consistent across all deals, irrespective of which fund(s) will participate.

Once approved, if an opportunity is EIS/VCT qualifying then those funds participate as co-investors, and if not, then the EIS funds will not participate.

Governance

The FCA authorised fund manager of, Molten Ventures EIS and the Prior Molten Ventures EIS Funds is Encore Ventures LLP (FCA: 510101) which is 100% owned within the Molten Ventures plc group structure.

Investment Committee of Encore Ventures



Richard Marsh

Chief Portfolio Officer, Molten Ventures plc

Richard has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist, and founder of the Molten EIS practice.

He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle.

Sector focus: Software, hardware, mobile and cleantech.

Boards: Apperio, IESO, Bright Computing (exit to Nvidia, 2022), SportPurstuit (exit to BD Capital, 2021).

Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.



Stuart Chapman

Director, Molten Ventures plc

Stuart is the co-founder and executive director of Molten Ventures plc.

Prior to establishing Molten Ventures, he was a founding partner of 3i US 1999 until 2003, and a Director of 3i Ventures in London. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank.

Stuart was responsible for Molten's Investments in Conversocial (sold to Verint Systems), Lagan Technology (sold to KANA), Redkite (sold to Nice) and Kiadis (IPO).

Boards: Riverlane, Realeyes, and an observer with Graphcore and Crate.

Stuart is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.



Ben Wilkinson

Chief Financial Officer, Molten Ventures plc

Ben has over 10 years of experience as a public company CFO, and has been CFO of Molten Ventures plc since 2016.

At Molten, Ben has been responsible for building out the balance sheet, through equity and debt financing and broadening the shareholder register. He has developed the finance function and led on Molten's move to the main market.

Prior to Molten, Ben served for five years as CFO of AIM-quoted President Energy plc.

Ben is a Chartered Accountant, FCA, with a background in M&A investment banking from ABN Amro/RBS where he was involved with multiple cross-border transactions and corporate financings.

Ben is a graduate of Royal Holloway, University of London with a BSc in Economics.

Molten Ventures Investment Team

The Manager's Investment Committee is assisted in its selection process by Molten Ventures plc's wider executive and investment team:



Martin Davis – CEO

Martin has more than 20 years' experience in financial services and joined Molten Ventures from Aegon Asset Management where he was the Head of Europe, Aegon Asset Management & CEO Kames Capital.

Previously, Martin served as CEO at Cofunds, spent eight years at Zurich Insurance Group, and was also CEO of Zurich's joint venture, Openwork, the largest network of financial advice firms in the UK. Martin has held senior management roles at Misys and Reuters. He has worked as Executive Vice President International for high growth start up, Corillian, an internet banking software company, and served for 11 years in the British Army. Martin has an MBA from London City Business School (CASS) and Diplomas from the Institute of Marketing and the Market Research Society.



Jonathan Sibilia – Partner,
Head of Fund of Funds and Secondaries

Jonathan joined Molten Ventures in 2009, prior to which he was a senior associate in the technology group at Jefferies International advising on high-profile cross-border M&A, debt & equity offerings. Previously he worked at Rothschild & CIE in Paris. He also worked at Apax Partners Corporate Finance in France.

Jonathan holds a MA in Management from EM-Lyon and the University of St Gallen in Switzerland, and a MA in Advanced Corporate Finance from the University of Paris IX Dauphine.



Nicola McClaferty – Partner

Nicola joined Molten Ventures in 2017 and focuses on investments in consumer and Saas.

Nicola serves as a Board Director for NDRC, Ireland's largest technology accelerator and previously was chairperson of the Irish Venture Capital Association.

Prior to joining Molten Ventures, Nicola was co-founder and CEO of online fashion marketplace, Covetique. Nicola spent five years as a venture capital investor with Balderton Capital and media-consultancy Ravensbeck, focussing on early stage technology and digital media investments. She started her career as an investment banking analyst in the technology team of Jefferies International in London.

Nicola graduated from University College Dublin with a BComm in International Business & French.



Vinoth Jayakumar – Partner

Vinoth joined Molten Ventures in 2016.

Prior to joining Molten Ventures, he worked at a boutique management consulting firm in London and was an angel investor in various startups.

Vinoth leads Fintech investing at Molten Ventures, leading Investments into companies like Thought Machine, Form3, and Ravelin.

He is focussed on investing against a thesis that is built around the future of financial services covering how people interact with money, all the way through to the infrastructure software behind the architecture of banks.



Christoph Hornung – Partner

Christoph joined Molten Ventures in 2020 and focuses on consumer internet, financial services and online marketplaces.

Prior to Molten Ventures, Christoph was with Rocket Internet in Asia and Australia, where he helped build The Iconic and Lazada. Previously, Christoph worked as investment manager at Seven Ventures, where he focused on consumer and e-commerce investments. Christoph is also the founder of a data company in the Sports and Entertainment industry.

Christoph is from Germany and graduated from CASS Business School in London.



Dr Inga Deakin – Principal

Inga joined Molten Ventures in 2021 to build and support the healthtech investment portfolio.

Her experience includes six years at VC Touchstone/Imperial Innovations investing in life science and digital health companies emerging from top UK universities. Inga led investments, bringing in new and diverse syndicate investors, and was on the board of five companies, resulting in two acquisitions and bringing medical and life science products from research stage to the market. She then spent three years in the USA, gaining international industry and healthcare experience, as Chief of Staff in a commercial stage genetic molecular diagnostics company, and more recently as Entrepreneur in Residence at Duke University.

Her scientific training includes a DPhil and MSc in Neuroscience from the University of Oxford, and a BA from the University of Cambridge.

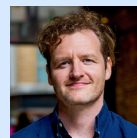


Edel Coen – Principal

Edel started her career in Silicon Valley where she spent five years working with Irish enterprise software companies on all aspects of their US market entry strategy.

Prior to Molten, she invested in early-stage sustainability and digital health ventures with BVP.

Edel is Head of Dealflow and manages Molten's Deal Origination team. Her investment focus areas are Enterprise, Deeptech, and Digital Health and she acts on the Boards of Gardin, Aktiia, MostlyAI, Clue, and Automation Hero.



George Chalmers – Head of Climate

Before joining Molten Ventures, George was a founder of an energy-tech start-up.

Prior to being an entrepreneur George worked in public market equities at Credit Suisse for 6 years and is a Chartered Financial Analyst.

Within Molten Ventures, George works both within our Fund of Funds programme and on direct investments where his primary focus is on climate-tech.

What to Expect

APPLICATION



ONLINE



EMAIL



POST



Welcome Letter

Uploaded to the portal when your application is accepted.

Portal Activation Email

Sent when your application is accepted.

Fundraising Close Dates – each year

05

JANUARY

05

APRIL

05

JULY

05

OCTOBER



MOLTEN VENTURES' INVESTOR PORTAL
molten.mainspringfs.com

REPORTING

Fund Reports & Valuations twice yearly:

- 5th April holdings (based on 31 March values) – Distribution est. June via our investor portal (following audit)
- 5th October holdings (based on 30 September values) – Distribution est. November via our investor portal
- Annual statements showing interest earned in the tax year.
- Distribution estimated: July via the portal

INVESTMENTS

For each Investment:

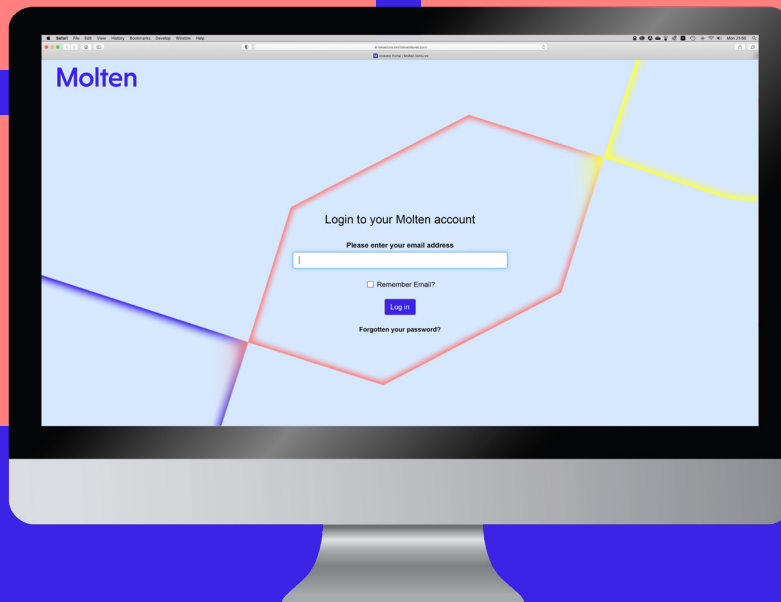
- Deal note – available on the portal
- Share purchase contract note – available on the portal

EXITS

- Following each exit a notification will be available on the portal which includes:
 - Proceeds calculation for tax returns
 - Bank details verification
- Funds are distributed

EIS3s

- Available on the portal approximately 8-12 weeks after each Investment



Dealing with Underperformance: Follow-on Reserve

We hold back a ~10% Follow-on Reserve – if you would rather not participate in this you need to let us know via the Application Form.

It is in the nature of venture capital investing that not all companies will progress smoothly to plan.

An attractive aspect of EIS Reliefs is that investments benefit from downside protection in the form of loss relief, but we also have a proactive strategy that is intended to protect value in underperforming situations.

Loss Relief

Investors can claim Loss Relief against income tax or capital gains tax for any losses arising from EIS qualifying investments, subject to individual tax circumstances.⁶

Loss Relief is available on an investment-by-investment basis and can be claimed on an individual Investment that resulted in a loss, even if all other Investments are profitable.

Risk Mitigation

Our risk mitigation includes portfolio diversification and the inclusion within our investment strategy of later stage investments, which we believe are more developed and de-risked *in relative terms* when compared with seed/earlier stage investments. Also, larger investments provide greater financial resources to the portfolio companies to deliver their business plan. Molten Ventures also typically applies active management in order that from the outset of each Investment:

- Molten Ventures has board level representation as a director or board observer in most cases;
- each company is tracked against key performance indicators (KPIs);
- we perform a full strategic review of every portfolio company twice per year;
- we are hands-on investors with strong exit experience and work hard to find outcomes that maximise exit potential for the successful outcomes and recover value from underperforming assets via M&A where possible.

Dealing with Underperformance

Despite the risk mitigations we put in place, some Investee Companies will encounter problems, or require more funding to reach their milestones.

We have an active approach to managing underperformance which means that we give Investors the ability to hold back approximately 10% of their Net Subscription as a Follow-on Reserve. We use this to fund and support these Investee Companies and to protect their holdings from excessive dilution or diminution of value.

The Follow-on Reserve is likely to be invested in later tax years and it is possible that it will not all be invested. In each case, the decision to use the Follow-on Reserve is evaluated on the risk/return merits of participating in the investment.

Whilst we believe that having this reserve can improve the outcome of underperforming Investments and may enhance Investors' returns overall, we are aware that some Investors and advisers may prefer to prioritise the timing of the initial EIS Relief above the overall investment returns and consider the protection of EIS Loss Relief adequate in the downside cases.

Investors may elect not to participate in the Follow-on Reserve, in which case we aim to deploy their entire Net Subscription (excluding amounts reserved for fees) during the initial 12-18 month period of deployment.

Investors may elect to accelerate the investment of their funds and choose not to participate in the Follow-on Reserve. There is a checkbox to do this in the Application Form.

⁶ Information from HMRC regarding loss relief can be found at: <https://www.gov.uk/hmrc-internal-manuals/venture-capital-schemes-manual/vcm70110>

Fees

For each £1 subscribed, approximately 90p will be invested (net of our fees) and create 27p of potential Income Tax Relief.

We are transparent in setting out our fees and do not charge fees to Investee Companies. We operate in an investment-led segment of the venture capital market and our priority is to seek out the best opportunities. Applying fees to Investee Companies would be against market practice in these investments.

Deferral of Fees

- In order to maximise the amount invested into EIS Qualifying companies the Fund will settle a proportion of the management fees in the early years from cash and will accrue the balance of fees that will then be paid out of, and subject to the receipt of, exit proceeds.
- We intend to set aside 7.5% (plus applicable VAT) of each Investor's Net Subscription to pay Fund Manager fees in the early years, and after this amount is used fees are taken from proceeds.
- The goal is that a minimum of 90p out of each £1 of Net Subscription is invested in EIS Qualifying Companies for Net Subscriptions of £50,000 and above.

Fee schedule (subject to VAT where applicable)

- **Initial Fee**
2% of the Net Subscription
 - **Annual Management Fee (Years 1-5)**
2% p.a. of the Net Subscription
 - **Ongoing Management Fee (Year 6 onwards)**
From year 6 onwards, a reducing management fee is charged pro rata to the invested capital that is still under management. This fee is 2% p.a. of the cost price of Investments, including any deferred proceeds, remaining in the Investor's portfolio at the beginning of each annual period, subject to a minimum of 0.5% p.a. of the Investor's Net Subscription to the Fund.
- Fees from the Custodian that holds the cash and shares on behalf of Investors are:
- **Custodian Fee**
£80 per annum
An amount of £480 will be set aside from the Net Subscription to cover the first 6 years, and subsequent annual fees will be payable out of exit proceeds.
 - **Dealing Commission**
0.2% of transaction value, per purchase or sale transaction.

Performance Fee

Subject to Investors receiving back 100% or more of their Net Subscription to the Fund then the Fund Manager will be entitled to performance fees (described in Schedule 2, to the Investment Management Agreement). The performance fees are calculated for each successful Investment as 20% (plus VAT where applicable) of the amount above the 'hurdle' return, where the hurdle is a 6% per annum return with a maximum hurdle of 125% of the original Investment amount.

As described in Schedule 2 to the Investment Management Agreement, all reasonable endeavours will be used to ensure that Non-Recoverable Deal Costs borne by the Fund and allocated pro rata amongst Investors will not exceed 0.5% of an Investor's Net Subscription. To date no Non-recoverable Deal Costs have been charged to the Fund or any prior Molten Ventures EIS Funds

Minimum Investment

The minimum subscription to the Fund is £25,000.

A further subscription to the Fund that occurs in a different fundraising close will be treated as a separate account.

Worked examples

Net Subscription	£25k	£50k	£100k	£250k
Amount set aside to partially pay Initial Fee and Annual Fees in the early years (7.5%) with the balance of fees being accrued	£1,875	£3,750	£7,500	£18,750
Amount set aside to pay Custodian Fee in the early years @ £80 p.a.	£480	£480	£480	£480
0.2% Dealing Fee (approx)	£45	£90	£180	£455
VAT (20%) up to	£375	£750	£1,500	£3,750
Amount to be invested	£22,225	£44,930	£90,340	£226,565
As a percentage of Net Subscription	89%	90%	90%	91%
Initial investment within 12-18 months:				
With Follow-on Reserve	79%	80%	80%	81%
Without Follow-on Reserve	89%	90%	90%	91%
Optional:				
Follow-on Reserve, which may be invested in later tax years	10%	10%	10%	10%

Warning: Past performance is not necessarily an indicator of future results. Your capital is at risk.

Fund Operation and Timing

Applications and Fund Closes

The Fund operates with quarterly fundraising Closes:

5th January • 5th April • 5th July • 5th October

or as otherwise notified by the Fund Manager.

Applications accepted after the April 5th Close but on or prior to the July 5th Close shall be attributed to the July 5th Close.

And the same principle shall apply for all Closes thereafter.

Application Process

Investors should complete and sign the Application Form in the Application Pack and send it to the Fund Custodian, or use the online application form accessible from:

<https://investors.moltenventures.com/investor-relations/eis>

A cheque may be sent with the Application Form or funds can be transferred electronically once an application has been sent to the Fund Custodian.

By signing the Application Form, Investors are confirming that they will have a direct contractual relationship with Apex Unitas Limited (formerly Mainspring Nominees Limited) (if the application is accepted) for the purposes of providing custody and nominee services, including the administration of subscriptions in accordance with the Custodian Agreement as described more fully in Schedule 3 of the Investment Management Agreement.

Once successful Applications have been reviewed and accepted by the Fund Manager, the Custodian will set up an account and notify the Investor. Following the transfer of funds, Investors' subscriptions will be held in a client bank account by the Custodian, pending investment, with each Investor's subscription clearly identified.

Any fee which the Fund Manager is requested to pay to an Investor's financial adviser in relation to advice which such Investor has received regarding an investment in the Fund will be set aside for this purpose from the subscription received from that Investor, leaving a Net Subscription amount to be invested in the Fund. Investors will not obtain EIS Relief in respect of any such amounts set aside. The Application Form provides further information on Financial Adviser's Facilitation Fees.

There is a 14-day cancellation period as described in the Application Pack.

Investor Portal

Our primary method of reporting to Investors and their advisers will be through a secure, online investor portal. Documents will be uploaded to the portal and Investors and any of their nominated contacts will receive an email notification when a new document is added.

An activation link to set up access to the portal will be provided following acceptance of your Application to invest in the Fund. This will come from eis@molten.vc

Fees

A portion of each subscription will be set aside to meet fees as set out in the 'Fees' section of this document found on page 20. This amount will not be eligible for EIS Relief.

Commencement of Investments

The Fund makes Investments on an ongoing basis.

Investors will not participate in Investments that have already taken place before the date of the Close that they participate in, or, where at the date of their Close, the allocations have already been made for an Investment which is in process.

The funds subscribed in each Close are very likely to be invested alongside funds subscribed in earlier and later Closes.

The allocation of Investments amongst Investors will be made according to the Fund Manager's Allocation Policy (a copy of which is available on request).

In accordance with the Fund Manager's Allocation Policy, an Investment may be allocated to Investors in certain Fund Closes and not others (generally prioritising earlier Fund Closes over newer ones) in order to avoid Investors ending up with small percentage allocations of their Net Subscription to an Investee Company.

All Investors in the same fundraising Close will invest in the same portfolio of Investee Companies in the same proportions (with minor variations to allow for the issue of whole shares), save as applicable in relation to the Follow-on Reserve.

Deployment of Capital and Follow-on Reserve Contingency

The deployment target is to invest in a portfolio of 8-12 companies over a period of 12-18 months commencing from each Close. It is possible that in certain circumstances the portfolio size and range of investment dates could vary from these numbers, which are targets not guarantees.

The initial deployment of funds will exclude amounts set aside for Fees, and where relevant the amount set aside for the Follow-on Reserve.

Investors can elect to reserve to reserve approximately 10% of their Net Subscription in a Follow-on Reserve as a contingency for further financing requirements of Investee Companies. Investors may opt out of the Follow-on Reserve in which case the entirety of their Net Subscription excluding the amount set aside for fees will be deployed within the initial deployment and they will not participate in any investment made using the Follow-on Reserve (see page 19 for further details).

Fund Operation and Timing (CONTINUED)

Investment Decisions

The Investment Committee will be responsible for making investment decisions for the Fund. Its decisions are final. The Investment Committee is appointed by the Fund Manager. The Fund Manager will select Investee Companies on the basis of the Investment Objectives and Investment Restrictions.

Environmental Social and Governance (ESG) considerations are embedded within the investment process from pre-investment to ownership and exit, through the operation of an exclusion policy to screen companies in certain sectors, ESG-focused due diligence and ongoing portfolio engagement and monitoring.

Appropriate exits will be sought for each Investment and may include: an initial public offering (IPO); a sale to third parties or a trade sale; a buy-out by management, other shareholders or by the company itself; or a sale to another investment fund. In less favourable circumstances an exit could consist of a distressed sale or administration which would likely result in investors wholly or at least substantially losing invested capital.

The Fund Manager is aware that new shares in EIS Qualifying Companies should be held for a minimum of three years to obtain all the benefits of EIS Relief. However, the Fund Manager may exit an Investment prior to the expiry of this three year qualifying period (an 'Early Exit') if the Fund Manager reasonably believes that to do so will be in the interests of the Investors or there may be a company level event which creates an Early Exit which is out of the Fund Manager's control.

The Fund Manager may similarly participate in Follow-on Reserve Investments where an Investee Company has ceased to be an EIS Qualifying Company but the Fund Manager considers that to do so will be in the interests of Investors.

In both situations the Fund Manager will automatically increase the Performance Fee hurdle to its maximum amount for such Investment and in so doing will reduce the Exit Performance Fee (see Schedule 2 to the Investment Management Agreement).

Reporting and Basis of Valuation

Each Investor (and their adviser and any other nominated contact if applicable) will receive through the investor portal:

- a deal note and a share purchase contract note for each Investment when it is made;
- Electronic EIS3 certificates, to follow, for each Investment;
- half-yearly reports, valuations and cash statements based on 5th April and 5th October holdings.

All Investments will be valued by Molten Ventures in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

The overriding principle of these valuation guidelines is to show a fair valuation of the Investment to the Investors, based on what would be a fair transaction between informed parties at arm's length.

EIS3 Forms

The Fund will hold its shares via one or more nominees. However, each Investor will be the beneficial owner of their own shares in each Investment.

Each Investment is treated separately by HMRC and there will be a separate electronic EIS3 form for each one.

EIS3 forms will be uploaded to the portal as soon as practicable following each Investment. We are dependent on the turnaround time of HMRC in doing this and our experience at the date of this Memorandum is that it takes around 8-12 weeks on average to receive the EIS3s, although it may take longer in some cases

Exits

The Fund Manager will notify you if an Investment in your portfolio is realised and will arrange for the distribution of proceeds to be made as soon as practicable in each case.

Proceeds will be paid out to Investors subject to payment of any outstanding or accrued fees.

In order to receive proceeds Investors need to provide their bank account details on the application form. Investors may need to re-authenticate these details from time to time.

Legal Form

The Fund is not a collective investment scheme for the purposes of FSMA.

The Fund is not a separate legal entity. Instead, the Fund is a collection of parallel discretionary managed portfolios operated by the Fund Manager, which Investors will enter into on the basis of the Investment Management Agreement. The Fund is an Alternative Investment Fund (AIF) for the purposes of the AIFMD.

The Fund Manager does not hold Investors' cash or shares. The Custodian, which is FCA authorised and is covered by the Financial Services Compensation Scheme (FSCS) for those eligible to claim, holds cash on behalf of Investors and holds shares on behalf of Investors in the name of its Nominee.

All Investments made on behalf of Investors will be held on behalf of each Investor (but subject to instructions from the Fund Manager under the Investment Management Agreement) by the Custodian's Nominee under arrangements that enable each Investor's entitlements to be separately identified.

Investors at all times remain the beneficial owners of their proportion of the shares held by the Nominee in each portfolio company.

Investors will have the option to withdraw monies at any time that have not been applied in making Investments, or which have not been earmarked for paying fees in accordance with the terms of the Investment Management Agreement.

Fund Operation and Timing (CONTINUED)

The Fund Manager shall be entitled to enter into different terms and arrangements, including different custodian and nominee arrangements, with different types of investor, or other fund managers or intermediaries which may or may not invest in parallel to the Fund.

Investment Term / Life of the Fund

Whilst it is the Fund Manager's intention to secure an orderly disposal of Investments within a three to five year period from investment into the relevant Investee Company, some Investments may take longer to realise and you should only invest if you are able to leave your investment intact for five years or more from the Close that your Application is attributed to.

The Fund will continue from year to year at the option of the Fund Manager although the arrangements with Investors for each Close will continue for seven years from the date of the Close, subject to the Fund Manager's discretion to extend the life of such arrangements in accordance with the terms of the Investment Management Agreement and subject always to the right of each Investor to terminate their arrangements earlier.

On termination of your arrangements, you can decide whether you wish the Fund Manager:

- to direct the Custodian to transfer your portion of any remaining Investments into your name, and pay any cash held in your portfolio to you; or
- to seek to sell your portion of any remaining Investments and pay the proceeds of sale to you, together with any cash held in your portfolio.

However, please note that it is unlikely that the Fund Manager will be able to sell portions of the remaining Investments, as there is likely to be no market for such shares (in the absence of a sale of a controlling interest). This is described in more detail in the Investment Management Agreement.

Conflicts Policy

The Fund Manager, in accordance with FCA rules, operates its business in such a way as to minimise the occurrence of conflicts of interest and to enable it to resolve such conflicts in a fair manner if they arise.

Molten Ventures EIS operates a co-investment strategy and may participate alongside Molten Ventures plc and Molten Ventures VCT plc where investments qualify for EIS Relief.

Consequently, Molten Ventures EIS may invest in connection with a transaction in which Molten Ventures plc and/or Molten Ventures VCT plc have already invested or are expected to participate. Investment allocation splits between Molten Ventures EIS, Molten Ventures plc and Molten Ventures VCT plc are determined periodically by the Management Board of Esprit Capital Partners LLP (the fund manager of Molten Ventures plc) in consultation with Encore Ventures LLP, and Elderstreet Investments Limited and based on a number of factors including (but not limited to) tax, legal and regulatory considerations,

capital available for deployment, quantum of the investment opportunity, forecast investment pipeline, applicable investment objectives and restrictions, investor base, and appetite for risk.

The group strategy enables Molten Ventures EIS to participate in larger and/or later stage growth investments and leverage off the recognition of the Molten Ventures brand, however conflicts could arise between Molten Ventures EIS, Molten Ventures plc, and Molten Ventures VCT plc with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits. For example, the co-investment syndicate may receive an acquisition offer for a portfolio company and exit an investment earlier than the 3-year termination date stipulated by the EIS legislation. Investors must therefore be prepared to lose EIS Relief and repay any income tax relief claimed.

The Fund Manager maintains and adheres to a conflicts policy which has been prepared in accordance with the FCA rules.

FCA Classification

The Fund is a Restricted Mass Market Investment and makes investments into Non Readily Realisable Securities. As a result, there is a restricted market for such Investments and it may therefore be difficult to sell the investments or to obtain reliable information about their value. Investors should consider the suitability and appropriateness of an investment carefully and note the risk warnings set out in this Memorandum.

Complaints

Should an Investor have a complaint about any aspect of our service they should contact the Fund Manager (see contact details on the back cover of this Memorandum).

We will investigate your complaint and provide you with a written response. In the event that you are not satisfied with the resolution of any complaint that you raise with us, then you may have a right to refer your complaint to the Financial Ombudsman Service at:

The Financial Ombudsman Service,
Exchange Tower, London, E14 9SR

Telephone: 0300 123 9 123 (UK) or +44 20 7964 0500 (International)

Email: complaint.info@financial-ombudsman.org.uk

Further information is available from the website of the Financial Ombudsman Service:

www.financial-ombudsman.org.uk

Fund Operation and Timing (CONTINUED)

Financial Services Compensation Scheme (FSCS)

Financial loss may arise in the event of default of the Manager or the Custodian. As a result, investors may be entitled to compensation from the Financial Services Compensation Scheme if the Manager or the Custodian cannot meet their obligations. The Financial Services Compensation Scheme is only available to certain types of claim. Payments under the protected investment business scheme are limited to a maximum of £85,000 of any claim.

Further information about compensation arrangements is available directly from the FSCS at:

Financial Services Compensation Scheme,
PO Box 300 Mitcheldean, GL17 1DY.

Telephone: 0800 678 1100 / 020 7741 4100.

Further information is available from the website of the Financial Services Compensation Scheme:

www.fscs.org.uk

Custodian and Nominee

This section broadly summarises the role of the Custodian. Investors should refer to the Custodian Agreement which is available from:

<https://systems.mainspringfs.com/documents/molten/custody-agreement-new-investors/ml1>

or on request from the Fund Manager, for a more detailed explanation of the Custodian's role, obligations and powers. Where there is any inconsistency between the Fund Documents and the Custodian Agreement, the Custodian Agreement will prevail.

Please note that at the date of issue of this Memorandum the Custodian is Apex Unitas Limited (formerly Mainspring Nominees Limited), however the Fund Manager reserves the right to appoint an alternative or additional custodian (subject to providing details of such appointment to affected Investors (including the new terms of custody) should this circumstance arise).

The Custodian will act (either in its own name or the name of its 'pooled' nominee company) as the Investor's nominee and the Investor will at all times remain the beneficial owner of cash and Investments held by such Nominee for such Investor on the terms of the Custodian Agreement.

Investor subscriptions will be held by the Custodian in one or more customer trust accounts with an authorised banking institution. The Custodian will create internal individual accounts for each Investor on their system and will be responsible for the administration of each Investor's account on an ongoing basis.

As part of its duties, the Custodian will perform the requisite anti-money laundering checks on each Investor and credit the Investor's account with the initial subscription.

The Custodian will hold the Investor's cash and securities and provide six-monthly account valuations. Cash and securities will be held by and registered in the name of the Custodian acting as nominee, but the beneficial ownership shall, at all times, be with the Investor.

The Custodian will have the right to deduct any stamp duty or other taxes and charges (including fees and expenses payable under the Investment Management Agreement) payable upon the transfer of Investments from the Investors' accounts.

By completing the Application Form contained in the Application Pack, prospective Investors will, among other things, be deemed to have irrevocably agreed to the Custodian being appointed on the terms of the Custodian Agreement.

Custodian's Specific Obligations and Powers

- i) All securities will be registered in the name of the Nominee and will be entrusted to the Custodian for safekeeping.
- ii) The Custodian will hold physical securities in its safe or in the vault of an FCA/PRA authorised UK bank, or deposit uncertificated electronic securities with a reputable dematerialised commercial settlement system, electronic signature platform, or book entry system. In all instances securities shall be held to the order of the Nominee.
- iii) The Custodian will be authorised, on the instruction of the Fund Manager, to exercise pre-emption or similar rights in relation to the shares in accordance with the Articles of Association of the Investee Company or any agreement entered into in connection with the subscription for the shares, and to deal with any rights relating to any share issue made or proposed by an Investee Company.
- iv) The Custodian will be authorised, on the instruction of the Fund Manager or Investor as the case may be, to exercise voting rights in relation to the shares held on behalf of that Investor in accordance with the Articles of Association of the Investee Companies or any agreement entered into in connection with the subscription for the shares.

Investment Objectives and Investment Restrictions

Investment Objectives

The Fund Manager's aim is to manage the funds subscribed by Investors to produce capital gains whilst managing risk.

The Fund will invest in a portfolio of companies with a target that each Investment can be realised within 3-5 years, although some Investments will take longer (or shorter) than this to realise.

Please see the risk factors section on page 27 for further details regarding this.

Investments will be focused on sectors that have the potential for rapid, scalable growth and support defensible competitive advantage.

Companies in which the Fund invests may be loss-making or profitable, are expected to be private unlisted entities (although the investment in a listed vehicle will not constitute a restriction to investment), and are not generally expected to pay dividends.

Investment Restrictions

In carrying out its duties under the Investment Management Agreement in respect of the Fund, regard shall be had, and all reasonable steps shall be taken, to comply with such policies or restrictions as are required in order to attract the EIS Relief as may be prescribed by HMRC from time to time.

In particular, but without prejudice to the generality of the above statements, the criteria for the Fund are as follows:

- a) it shall be a Complying Fund;
- b) so far as practicable, each Investment shall be in shares of an EIS Qualifying Company. Where relevant, Advance Assurance will be obtained in respect of each Investment, however in exceptional cases the Fund Manager may invest without obtaining Advance Assurance if it has obtained appropriate professional advice that confirms that the Investment should qualify for EIS Relief;
- c) generally, the Fund Manager reserves the right to return any surplus of cash if it concludes that it cannot be properly invested or considers it to be in the interests of the Investor, and at its discretion, any returns on Investments which have been realised may be returned;
- d) the Fund Manager shall not invest in excess of 20% of an Investor's Net Subscription in any one round of funding in any one Investee Company;
- e) the Fund intends to co-invest alongside other Molten Ventures funds however this shall not be a restriction on the Fund and it may invest otherwise and without this co-investment; and
- f) the Fund Manager may, with the approval of Investors having together made at least 75% of the Net Subscriptions to the Fund, and who would be included in the Investment concerned, make an investment outside these criteria, save that it may not derogate from the criteria at paragraphs (a) and (b) above.

The Fund Manager expects that the majority of the Fund's Investee Companies will meet the criteria which define a Knowledge Intensive Company, however this will not be a restriction on the Fund and it may invest where the criteria are not met, and also in circumstances where HMRC have not provided confirmation during Advance Assurance whether the criteria are met or not.

Investors should be aware that the Fund portfolio will include Non-Readily Realisable Securities. There is a restricted market for such Investments and it may therefore be difficult to deal in the Investments or to obtain reliable information about their value.

The intention of the Fund Manager is to divest Investments related to each Close prior to the applicable Long Stop Date, subject to appropriate opportunities to do so. The Fund Manager may extend the fund life beyond the Long Stop date if it considers it to be in the best interests of Investors, specifically if there are Investments that take longer to realise than the target holding period. In the event of a gradual realisation of Investments prior to such date, the cash proceeds of realised Investments may be placed on deposit, or used to pay fees properly accruing to the Investor, or otherwise be returned to Investors.

Tax Matters – EIS Technical Information⁷

EIS3 Certificates

The Fund Manager will, following each investment in shares made through the Fund in EIS Qualifying Companies, work with the investee company to apply on each Investor's behalf to HMRC for an EIS3 certificate. A copy of this certificate or details from it will need to be submitted to HMRC in order to claim the income tax relief and/or capital gains tax deferral.

The entitlement to EIS Relief is referable to the date of the investment in shares of each company, rather than when the application to subscribe to the Fund is made.

The issue of EIS3 certificates is an administrative matter and may take several weeks and does not impact the date of investment in shares of the company. For example, an Investment where the shares are issued on 3rd April 2025 is applicable to the 2024/25 UK tax year, notwithstanding the fact that corresponding EIS3 certificates are likely to be issued in the next tax year.

Date for Claiming 30% Income Tax Relief

The time limit for claiming EIS income tax relief runs from the date of each investment in shares in EIS Qualifying Companies made through the Fund. For each investment in shares made on your behalf through the Fund, the latest date on which you can file a claim for EIS income tax relief is five years after 31st January following the end of the tax year in which the shares were issued (or four years after 31st January following the end of the tax year in which the shares were issued if you are using 'carry back' to the prior tax year).

Dates Relating to Capital Gains Tax Deferral

Capital gains tax deferral relief is available to Investors where shares in an EIS Qualifying Company are issued to the Investor in the period that begins twelve months before, and ends three years after, the disposal giving rise to the capital gain.

Knowledge Intensive Company

Knowledge intensive company expanded limits and requirements:

The UK government introduced the knowledge intensive company criteria in order to encourage investment in R&D focused businesses, and to give additional support where older businesses might have struggled to meet the EIS criteria in the past. For companies that meet the conditions, the total EIS and VCT lifetime investment limit along with other risk finance State aid investment, increases to £20 million.

The 3-Year Holding Period

Income tax relief and tax free capital gains are linked to a minimum three year period of ownership.

For income tax relief the qualifying criteria must be met for the three year period starting on the date of the investment in shares in an EIS Qualifying Company.

Thereafter there are no on-going EIS qualifying criteria and income tax relief cannot be withdrawn by reference to events occurring after the expiry of this three year period.

For tax free capital gains the relief is only available if the shares in an EIS Qualifying Company are disposed of at least three years after the investment through which they were issued, and income tax relief has been claimed and not withdrawn on those shares.

Unapproved EIS Fund Status

The Fund is not classified by HMRC under section 251 of the Taxes Act as what is termed as an Approved Fund.

This means that entitlements to any of the tax reliefs is referable to the date each investment is made through the Fund in shares in EIS Qualifying Companies, and not the date on which the Investor puts his money into the Fund.

Withdrawal of EIS Relief

Investors should be aware that there are circumstances in which the EIS Relief on an investment in shares in EIS Qualifying Companies made through the Fund may be withdrawn. The rules in this area are complex, and Investors must seek their own personal tax advice from an appropriately qualified professional adviser. However in broad terms the current rules provide that EIS Relief may be withdrawn in the following circumstances:

- The company that issued the shares to the Investor ceases to be an EIS Qualifying Company within the three year period following the date the shares were issued; or
- The shares issued to the Investor cease to be 'eligible shares' within the three year period following the date the shares were issued; or
- The shares are disposed of within the three year period following the date the shares were issued which given the nature of unlisted investments and prospective exit opportunities, could happen from time to time; or
- The Investor ceases to be eligible to claim relief in respect of that Investment.

⁷ <https://www.gov.uk/guidance/venture-capital-schemes-tax-relief-for-investors>

Please note that that tax information is correct as at the date of this document, but may change in future. The provision of this information does not constitute personal tax advice. EIS relief is subject to individual circumstances. Taxation levels, bases and reliefs may change if the law changes and the tax benefits of products will vary according to your personal circumstances; independent advice should therefore be sought.

Risk Factors

An investment in the Fund entails a significant degree of risk and, therefore, should be undertaken only by Investors capable of evaluating the risks of the Fund and bearing the risks it represents.

Prospective Investors in the Fund should carefully consider the following factors in connection with an investment in the Fund.

The following list is not a complete list of all risks involved in connection with an investment in the Fund.

General Risk Factors

1. Capital at Risk

There can be no assurance that the Fund's Investment Objectives will be achieved or that there will be any return of capital. Therefore, an Investor should only invest in the Fund if the Investor can withstand a total loss of their Subscription.

2. Appropriateness and Suitability

EIS investments are only intended for individuals who are professionally advised or highly knowledgeable and who understand and are capable of evaluating the merits and risks of an investment in the Fund. All Investors are encouraged to seek independent financial advice with respect to the appropriateness and/ or suitability considerations of the Fund.

3. Past Performance

There can be no assurance that Investments by the Fund will perform as well as any previous investments made by the Fund Manager and/or the wider Molten Ventures group.

4. Dependence on Key Personnel

The success of the Fund will be highly dependent on the expertise and performance of certain key personnel. There can be no assurance that these persons will continue to be associated with the Molten Ventures EIS throughout the life of the Fund. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the Fund.

Whilst such key persons will devote adequate time to the management of the Fund, they are under no specific obligations to devote a particular portion of their time to such management.

5. Illiquidity of Investments

An investment in the Fund is an investment in Non-Readily Realisable Securities and requires a long-term commitment with no certainty of return. Many of the Fund's Investments will be illiquid, and there can be no assurance that the Fund will be able to realise such Investments at attractive prices or otherwise be able to effect a successful realisation or exit strategy.

6. Nature of the Fund's Investments

A substantial portion of the Fund's Investments will be in equity or equity-related Investments that, by their nature, involve business, financial, technical, market and legal risks. While such Investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses.

The value of Investments may be affected by events that are inherently difficult to predict, such as domestic or international economic and political developments.

Risk Factors (CONTINUED)

7. Unlisted Early Stage Companies

While Investments in these companies may present greater opportunities for growth, such Investments may also entail larger risks than are customarily associated with investments in large companies and, in particular, a lack of liquidity in their securities. Commensurate with the nature of venture capital investing it should be expected that some companies, and the Investments in those companies, may fail.

Start-up and growth stage companies will be dependent on the skills of a small group of key executives, the loss of which may be particularly detrimental to those companies. Products and technologies developed by Investee Companies may prove not to be commercially or technically successful.

8. Difficulty of Locating Suitable Investments

There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Fund to invest all Net Subscriptions in opportunities that satisfy the Fund's Investment Objectives and Investment Restrictions, or that such investment opportunities will lead to completed Investments by the Fund.

Whilst the Fund intends to co-invest with other Molten Ventures funds, Molten Ventures funds may be unsuccessful in identifying a pipeline of suitable investments, or investments which qualify for EIS Relief (given that the other Molten Ventures funds are not EIS funds and are not therefore obliged under their constitution to invest only in transactions that qualify for EIS Relief).

There can be no assurance that the other Molten Ventures funds will have capital available to invest.

9. Valuations

Valuations will be provided to Investors in accordance with the valuation principles set out in this Memorandum. However, investments in start-up and growth stage companies are inherently difficult to value and valuations may go up or go down and may not be achieved when the Fund sells its Investments.

No warranty is given that any such valuation is capable of being attained on a disposal, flotation or other realisation.

Where comparable peer groups are used as a benchmark to determine valuations based on, for example, revenue multiples, the performance of the peer group will impact portfolio valuations.

Higher valuations in competitive deals may result in larger investments for smaller equity stakes relative to other market conditions.

10. Foreign Investments

The Fund may from time to time invest in non-UK headquartered companies, or UK headquartered companies with operations or subsidiaries elsewhere. Investing outside the UK may involve greater risks than in the UK.

In particular, the value of the Fund's Investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile.

Additional risks include:

- risks of economic dislocations in the host country;
- less publicly available information;
- less well developed regulatory institutions; and
- greater difficulty of enforcing legal rights in a foreign jurisdiction.

Moreover, non-UK companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to UK companies.

11. Portfolio Concentration

The Fund's portfolio of Investee Companies may include a small number of large positions. If the Fund Investments are concentrated in a few companies or industries, any adverse change in one or more of such companies or industries could have a material adverse effect on the Fund's Investments.

12. Conflicts and Co-investment

Molten Ventures EIS may invest in connection with a transaction in which Molten Ventures plc and/or Molten Ventures VCT plc, have already invested or are expected to participate.

Conflicts could arise between Molten Ventures EIS, Molten Ventures plc, and Molten Ventures VCT plc with respect to differing investment strategies, deployment and realisation needs, and the contemplated manner and timing of potential exits.

For example, the co-investment syndicate may receive an acquisition offer for a portfolio company and exit an Investment earlier than the 3-year termination date stipulated by the EIS legislation. Investors must therefore be prepared to lose EIS Relief and repay any income tax relief claimed.

13. Competition

A number of factors, including high profile successes from European venture capital investments, have resulted in increased awareness and inflows of capital to the European venture capital asset class. Increased capital availability is reflected in more start up companies receiving funding, in larger investments being made into companies, and in competition for deals.

The Fund may lose investment opportunities in the future because of increased competition or if it is unwilling to match investment pricing and terms offered by competitors. Similarly, attractive investment opportunities are likely to be competitive and those companies may raise larger investment rounds at higher pricing, which reinforces the importance of deal access and selection, coupled with strong execution and value creation post-investment to generate favourable investment returns.

Risk Factors (CONTINUED)

14. General Tax Considerations

An investment in the Fund may involve complex tax considerations that will differ for each Investor depending on individual circumstances and may be subject to change in the future. In addition, the availability of tax reliefs in respect of an investment in an Investee Company will depend on that company maintaining its status as an EIS Qualifying Company.

In addition, the Fund may invest in securities of corporations and other entities organized outside the United Kingdom. Income or profits from such Investments may be subject to non-UK withholding taxes, which may or may not be reduced or eliminated by an income tax treaty.

Tax Risk Factors

14. Reliefs Under EIS

Prospective Investors who wish to receive the benefit of EIS Relief should understand and accept each of the following:

- Representations in this document with respect to EIS Relief relate to the generic position of a UK-resident individual tax payer and do not amount to tax advice to any person.
- Tax legislation and HMRC practice are subject to change at any time and the EIS Relief may be amended or withdrawn. The levels and bases of reliefs from taxation may change in the future or such reliefs may be withdrawn. The EIS Reliefs referred to in this document are those currently available in accordance with current legislation and practice and their value depends on the individual circumstances of Investors.
- Investors must follow certain simple steps to receive the EIS Relief. It is possible for Investors to lose their entitlement to EIS Relief by not taking these steps.
- Whilst it is the intention of the Fund Manager to invest in companies which are EIS Qualifying Companies, the Fund Manager cannot guarantee that all Investments will qualify for EIS Relief. Equally, following an investment in an EIS Qualifying Company, the Fund Manager cannot guarantee the continued availability of EIS Relief relating to that Investment because this depends on the continuing compliance with the requirements of EIS by the Investee Company.
- Advance Assurance will be sought from HMRC or advisers that each Investee Company is an EIS Qualifying Company, and that the EIS Relief will be available in respect of that Investment. However, there is no guarantee that the claims for EIS relief will be agreed or that such agreement may not be subsequently withdrawn. In those circumstances subscription monies will not be returned to Investors and they will remain invested in the Investee Company.
- Following the admission of an Investee Company to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's market for listed securities (but not a quotation on the Alternative Investment Market operated by London Stock Exchange plc), Business Property Relief for Inheritance Tax purposes will cease.
- If an Investee Company ceases to be an EIS Qualifying Company or there is a change in the Investor's personal circumstances, it may lead to the loss of the Investor's EIS Relief (in relation to a specific portfolio Investment or generally).
- The tax year for which an EIS Relief is available may be later than originally envisaged if the timing of investments is delayed.
- Neither the Fund nor the Fund Manager shall be liable for any loss incurred by an Investor in relation to value received (as defined in s226(1) Income Tax Act 2007) by any person from any Investee Company or as a result of a change in circumstances of an Investee Company at any time.
- The Fund Manager retains complete discretion to realise an Investment at any time (including within the three year period from the date of the acquisition of the Investment) that it considers appropriate. In such case, some or all of the EIS Relief relating to that particular Investment will be lost. In making such a disposal, the Fund Manager is not obliged to take into account the tax position of Investors (individually or generally).
- Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Fund and/or its ability to achieve or maintain Investments which qualify for EIS Relief.
- A sunset clause for EIS income tax relief currently exists. This ensures that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is renewed by Treasury Order. The Government have announced they will extend the scheme but the legislation has not been enacted yet.

Glossary of Terms

"Advance Assurance"

The non-statutory confirmation issued by HMRC in advance of a share issue that a company raising funds meets the EIS requirements in Part 5 ITA 2007, and that the shares to be issued are eligible shares.

"AIFMD"

The Alternative Investment Fund Managers Directive (2011/61/EU).

"Application"

An application by an Investor pursuant to a duly signed and executed Application Form.

"Application Pack and Application Form"

The application pack relating to the Fund containing the Investment Management Agreement and the Application Form which together with this Memorandum comprises the Fund Documents.

"Business Day"

A day (other than a Saturday, Sunday or a public holiday in England) on which clearing banks in the City of London are open for the transaction of normal sterling banking business.

"Close"

The date of the relevant closing of a quarterly fund raise of the Fund which shall fall on the 5th January, 5th April, 5th July and 5th October in each year (or such other date as the Fund Manager determines). If any such date shall fall on a non-Business Day then the relevant Close shall be the next Business Day.

"Complying Fund"

Arrangements complying with the conditions of Paragraph 2 (2) (b) of the Schedule of FSMA (Collective Investment Schemes) Order 2001.

"Custodian"

Apex Unitas Limited (formerly Mainspring Nominees Limited) as custodian or its nominee (or such other or additional custodian and nominee as appointed by the Fund Manager from time to time).

"Custodian Agreement"

The Custodian's agreement (as amended from time to time), the current version of which is available from or on request from the Fund Manager.

"EIS"

The Enterprise Investment Scheme.

"EIS Qualifying Company"

A company which qualifies for the purposes of the Enterprise Investment Scheme, as set out in Part 5 of the Taxes Act.

"EIS Relief"

Relief from taxation under EIS.

"ESG"

Environmental, Social and Governance.

"FCA"

The Financial Conduct Authority.

"FCA Rules"

The rules contained in the FCA's Handbook of Rules and Guidance.

"Financial Adviser's Facilitation Fees"

The amount deducted from an Investor's Subscription (if any) and paid at the request of the Investor to a financial adviser, as defined in Application Form, Section 1, 'Financial Adviser's Facilitation Fees'.

"Follow-on Reserve"

In respect of those Investors that choose to participate in the Follow-on Reserve an amount equal to approximately 10% of such Investor's Net Subscription to be retained in an Investor's Cash Account (established by the Custodian in accordance with the Custodian Agreement) following the initial investment period and applied at the discretion of the Fund Manager for the purpose of investing in existing Investee Companies requiring further funding.

"FSMA"

The Financial Services and Markets Act 2000 (as amended).

"Fund"

The Molten Ventures EIS Fund, previously known as the Draper Esprit EIS from October 2016 until April 2022.

"Fund Documents"

This Memorandum and the Application Pack, containing the Investment Management Agreement and the Application Form.

"Fund Manager"

Encore Ventures LLP.

"Government"

His Majesty's government, the central government of the United Kingdom.

"HMRC"

His Majesty's Revenue and Customs.

"Investee Company"

A company or companies in whose securities the Fund has made an investment.

Glossary of Terms (CONTINUED)

"Investment"

An investment acquired by the Fund Manager on behalf of Investors through the Fund.

"Investment Management Agreement"

The investment management agreement set out in the Application Pack (as amended from time to time).

"Investment Objectives"

The investment objectives set out in Schedule 1 of the Investment Management Agreement, and summarised in this Memorandum.

"Investment Restrictions"

The investment restrictions set out in Schedule 1 of the Investment Management Agreement, and summarised in this Memorandum.

"Investor"

An actual or potential investor in the Fund, as the context requires.

"Knowledge Intensive Company"

A company that meets the criteria set out in s.252A of the Taxes Act.

"Long Stop Date"

In respect of each Close, the date falling on the seventh anniversary of that Close, subject to extension at the discretion of the Fund Manager. The Fund Manager may extend the fund life beyond the Long Stop date if it considers it to be in the best interests of Investors, specifically if there are Investments that take longer to realise than the target holding period.

"Management Fee"

The management fee payable to the Fund Manager in accordance with paragraph 2 of Schedule 2 of the Investment Management Agreement.

"Memorandum"

This investment memorandum for the Fund.

"Net Subscription"

In respect of each Investor the aggregate amount paid by such Investor to the Custodian pursuant to the Subscription indicated in Section 2 of the Application Form, less any amount deducted and paid (if any) as Financial Adviser's Facilitation Fees.

"Non-Readily Realisable Securities"

As defined in the FCA Glossary.

"Non-Recoverable Deal Costs"

Costs, evidenced by a properly issued invoice, which are: i) incurred in the preparation and execution of an Investment or sale transaction and that are not reimbursed by the Investee Company as transaction expenses, or (ii) costs incurred in respect of any Investment that does not conclude or in relation to any professional advice obtained on behalf of the Investors (including without limitation to enforce the Investors rights in an Investment).

"Prior Molten Ventures EIS Funds"

The earlier EIS funds established by the Fund Manager being DFJ Esprit Angels' EIS Co-Investment Fund, DFJ Esprit Angels' EIS Co-Investment II, DFJ Esprit EIS III, DFJ Esprit EIS IV, Draper Esprit EIS 5 and the Molten Ventures Approved KI EIS 23/24.

"Subscription"

In respect of each Investor the aggregate amount paid by such Investor to the Custodian pursuant to the Subscription indicated in Section 2 of the Application Form.

"Taxes Act"

The Income Tax Act 2007.

Molten

FUND MANAGER

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