

VCTs' role in supporting UK scale-up business

Tax support for entrepreneurs: call for evidence



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1 Executive summary

HM Treasury's (HMT) decision to cut initial tax relief for Venture Capital Trust (VCT) investors from 30% to 20% must be reversed as soon as possible, ideally before it is implemented. VCTs are an essential part of the UK's funding ecosystem for scale-up companies. The [call for evidence](#) states:

"The UK faces a particular short-fall in domestic scale-up capital, creating an 'incubator' economy, where some of our most innovative ideas, companies and founders feel compelled to move abroad. This issue is more pronounced for the most high-growth R&D-intensive firms, which require more capital and more time to develop and grow into established and successful companies." (Tax support for entrepreneurs: [call for evidence](#). HM Treasury. Page 12.)

Cutting the income tax relief will drastically reduce the ability of VCTs to raise capital to support scale-up businesses. Once the new rate applies, investor feedback and precedent indicate a possible fall of 30% - 50% in capital raising. The cut in income tax relief is short-sighted. It does not recognise the distinct role of VCTs compared with the Enterprise Investment Scheme (EIS). Reducing the relief will widen the gap in UK scale-up capital as VCT investors are unlikely to migrate to EIS. Even if a few VCT investors do migrate to using the EIS, this will not increase investment in UK scale-up companies as the EIS is not as well suited to supporting small and medium-sized enterprises (SMEs) through the scale-up phase.

The decision to reduce the income tax relief received by VCT investors is also counterproductive because it will reduce benefits arising from the impending changes to the VCT investment limits (the annual investment limit, lifetime limit, and gross asset test). These changes will give VCTs more opportunities to provide SMEs with scale-up capital but the cut in income tax relief will reduce the funds they have to make these investments.

The change to the income tax relief for VCT investors has been decided without justification. The decision ignores [research](#) published by HM Revenue and Customs (HMRC) in 2022, which concluded that the VCT tax reliefs were proportionate and that cutting the rate of income tax relief would have a significant, negative impact on VCT fundraising. The research said:

"The incentives appear to be set at the right levels. If they were to reduce the number of investors that make VCS [Venture Capital Schemes] qualifying investments would likely decrease. The potential for fewer investors was much more associated with a change to income tax relief rather than CGT or loss relief." (Venture capital scheme (Enterprise Investment Scheme, Venture Capital Trust) Evaluation. Kantar Public. HMRC [research report number: 737](#). Page 35.)

The AIC **recommends** that the Finance Bill be amended to stop the proposed cut in income tax relief rate from 30% to 20%, which will otherwise apply in the 2026/27 tax year.

HMT should also amend the VCT rules to make them less complicated to operate and remove technical barriers to investment. The AIC **recommends** increasing the time allowed to reinvest realised profits, abolishing or reforming the 'income from shares and securities' test, replacing the 'undertaking in difficulty' test with a 'going concern' test and replacing the restriction on investing more than 15% in a single holding with a spread of investment test.

2 VCTs' role in financing SMEs

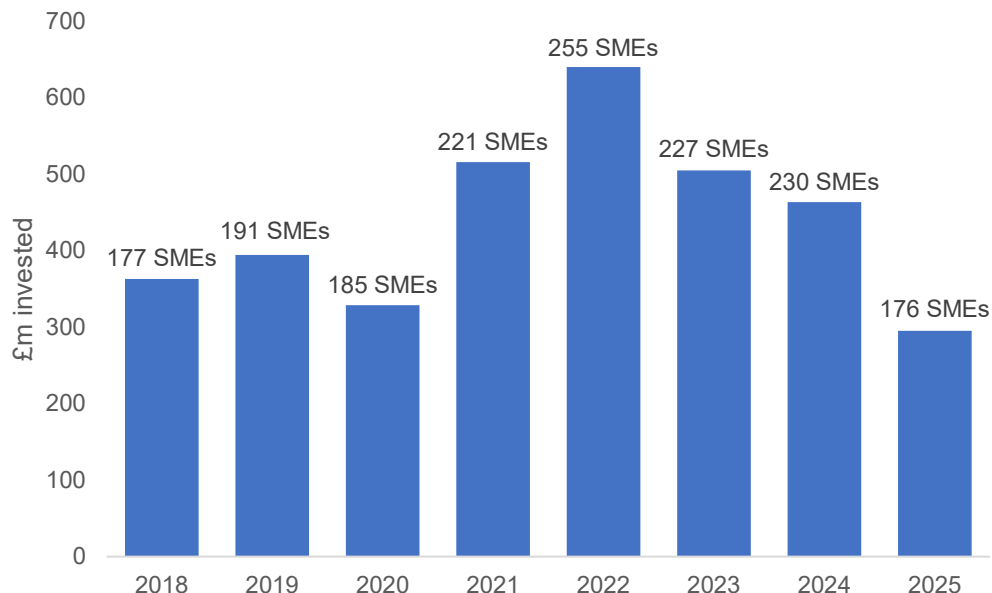
The government's ambition to make the UK a global leader in starting and growing small businesses requires a supportive tax environment. Creating such an environment is not an easy task given the government's tight fiscal position. Setting the right policy is also made more difficult because of the time it takes for tax policy to feed into increased economic activity, employment creation, and greater tax revenues. Effective policy must offer stability and certainty to create investor confidence. This will achieve the maximum benefit while minimising the risk that taxpayer funds are wasted on supporting businesses with no realistic chance of success.

VCTs are a highly effective way to mobilise capital to support growth of early-stage SMEs. They have robust and effective controls in place to ensure that taxpayer support is deployed to target growth and minimise waste. In recent years they have benefited from a stable approach to tax incentives, which has supported investor confidence and high levels of fundraising. This has helped VCTs become an important source of scale-up capital to UK SMEs.

VCTs have characteristics that make them well-suited to providing scale-up funding. Their structure allows them to:

- **Enrich the SME financing ecosystem:** VCTs complement and enhance other SME funding mechanisms. EIS tends to support earlier stage investment, including start-ups. The EIS is well-placed to help at the start of the growth process, but VCTs, which typically make larger investments, are critical in taking SMEs further on their scale-up path.

Fig 1: Substantial VCT investment into UK scale-up businesses



Source: VCTA survey data.

to end
Q3

The UK is now the third largest venture capital market in the world, behind the US and China. The UK strengthened its international position and increased its share of global

venture capital investment from 3.4% to 5.8% over the past decade. This is the largest increase of any of the top 12 global venture capital markets and VCTs have supported this success.

The level of investment by VCTs in SMEs has been substantial. Since 2018 (when the rules were retargeted to reflect the government's latest investment preferences) VCTs have invested £3.5 billion.

In each year over the period, investment has been over £300 million (see Fig 1). Investment data for the first 3 quarters of 2025 indicate that annual funding will again exceed that amount. The average invested in each full calendar year from 2018 is £440 million.

VCT investment was sustained, even surged, during the Covid pandemic. In a high-risk, and uncertain environment, VCTs provided support to SMEs facing exceptionally difficult trading conditions on top of normal challenges facing scale-up businesses.

- **Unlock untapped capital:** The VCT tax reliefs encourage ordinary retail investors to subscribe for VCT shares. These individuals are likely to have satisfied their basic financial needs but may not be very high earners. They are prepared to make higher risk investments but do not have the knowledge or appetite to invest directly in SMEs. VCTs are also attractive to these investors because they give exposure to a diversified portfolio, which helps manage their risk. Other factors (such as changes to the pension allowances) have also increased interest in the sector. These factors, and a stable and attractive set of tax incentives, have helped VCTs steadily increase their level of fundraising in what would otherwise be an unattractive and inaccessible asset class. VCTs now manage £6.5 billion in assets.

The initial tax relief (set at 30% since 2007) has been central to mobilising retail capital. It allows VCTs to secure 70 pence of additional funding for SMEs for every 30 pence contributed by the income tax relief. Investors also receive capital gains tax and dividend tax relief, but these benefits accrue to shareholders following investment success, which is not guaranteed. This makes the income tax relief the primary incentive to invest in VCTs. That said, the dividend and capital gains tax reliefs are also very important. They act as incentives for shareholders to retain their investment beyond the minimum holding period.

VCT investors are different from those using the EIS. EIS investors will often invest in businesses which they know or have a personal link with. These individuals have the expertise and risk appetite to fund SMEs directly. VCT investors do not have this knowledge or experience.

VCT and EIS investors are not interchangeable. This makes the government's decision to reduce the income tax relief for VCT investors a major own goal. It will significantly reduce the capacity of VCTs to raise new funds. There is no evidence that VCT investors will migrate to EIS. This will reduce the stock of capital available to fund UK SMEs.

- **Provide expert investment management:** VCTs employ specialist managers to seek out and assess opportunities, and to make investments. They draw upon various professional disciplines, including asset management, accountancy, and legal skills, as well as sector specific expertise (for example, software and health technology leveraging Artificial Intelligence (AI), or biosciences specialists).

These resources make VCTs well placed to deliver positive investment returns, which helps them attract and retain retail investors. This capacity is an important part of what has made VCTs a sustainable source of scale-up funds.

VCTs are also attractive from a tax policy perspective as the use of professional managers reduces waste. Investment proposals that have no chance of success are less likely to absorb scarce taxpayer support. VCT investments are made in businesses with the strongest potential for long-term and significant growth. This delivers the fundamental objectives of the government's policy.

As VCTs are fund structures, they can recycle capital over several rounds of investment. They can also deliver finance to several businesses, over a sustained period at the same time. They can develop efficient processes and concentrated expertise in legal and financial due diligence. Lessons learnt in one transaction can be applied to subsequent deals. This benefits investors and SMEs as it facilitates a smooth and professional investment process, without unnecessary delays.

The fact that qualifying SMEs might not be able to secure VCT investment is not a flaw in the system. It is a benefit. Professional asset management helps allocate scarce funds, secure value for money and enhance the growth achieved. This is invaluable in an environment where the provision of taxpayer resources is constrained.

VCTs operate within a wider ecosystem of advisers and investors (including business angels). They have links with serial entrepreneurs and academic institutions. These networks have been developed since the scheme's inception in 1995 and give VCTs a market presence which is not easily replaceable.

VCTs also support scale-up SMEs as they transition to traditional, non-State aided, investors. There is no distinct boundary between these stages. The boundary will depend on the prevailing economic environment and the sector which SMEs are operating in. Whatever the specific situation affecting an SME, a VCT's involvement can soften any 'cliff-edges' that have traditionally caused problems for SMEs seeking later stage investment.

Throughout an SME's path to growth, VCTs can act as cornerstone investors, encouraging the provision of capital by other parties throughout the process. In early stages this will include other state-aided investors. Where VCTs invest together they can help SMEs attract more capital (within the limits set by legislation) to deliver funding goals and drive growth. Later, their role as cornerstone investors helps SMEs transition to non-State aided venture capital providers.

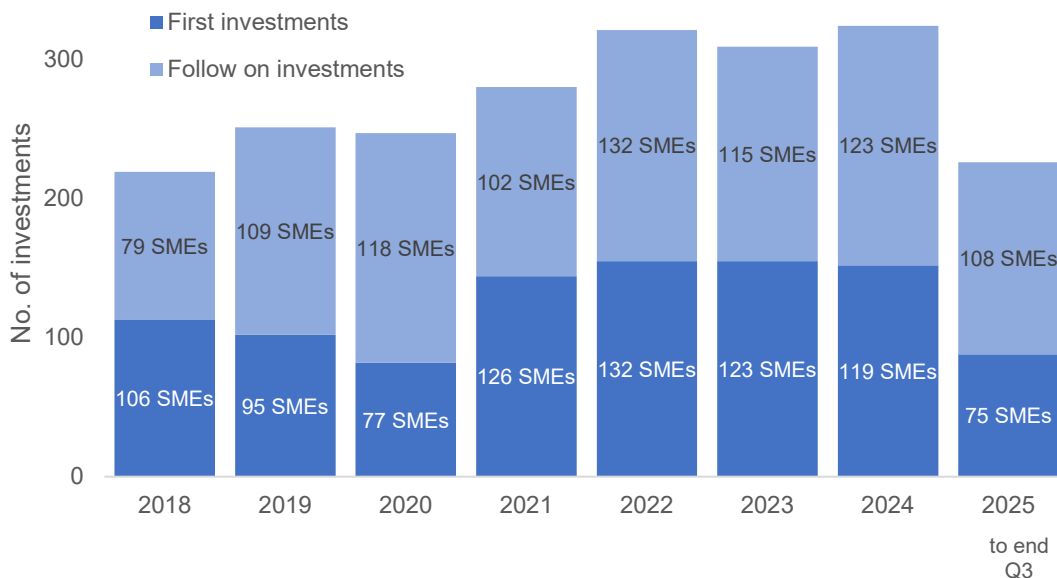
These qualities make VCTs a vital component of the UK's unique inter-connected funding ecosystem.

- **Drive forward successful scale-ups:** VCTs' portfolio-based approach and ability to regularly raise funds for future deployment enables them to plan for, and make, follow-on investments. VCT shareholders benefit as making further investments means that successful deals can be reinforced to deliver further investment growth. This compensates investors in VCTs for the negative impact of transactions that do not work out so well, which is an inevitable part of the process.

The provision of follow-on funding is also effective from a tax policy perspective as it helps drive the scale-up process. VCTs agree business objectives as a condition for investing further capital. Milestones are agreed at the time of investment. The SME, often with VCT assistance, then implements the processes required to deliver, monitor and measure how the business is performing in relation to these targets. This creates a virtuous feedback loop that drives business growth. It ensures that growth capital is allocated effectively.

Follow-on investment helps SMEs transition from the State-aided scale-up phase to the traditional investment market. VCT involvement signals to prospective investors that the SME is investable and will have an attractive record with professional systems and a deliverable commercial plan. This will help the SME attract other sources of external investment. Meeting milestones agreed with the VCT helps prepare the SME for the demands of these other types of investors.

Fig 2: Providing continuing support: driving growth forward



Source: VCTA survey data.

The provision of first time and follow-on investments made by VCTs shows a healthy balance between identifying SMEs that would benefit from scale-up capital and providing further support to those SMEs that have productively used earlier funding and will benefit from a further capital investment.

The changes announced to the annual investment limit and lifetime investment limit will support further follow-on investment. The increase in the annual limit gives more flexibility for a VCT to increase the pace of follow-on investments. Changes to the lifetime limit and the gross assets test will allow more capital to be invested to continue an SME's scale-up journey. The provision of greater levels of capital will also support investors' confidence later in the process. VCTs are less likely to be forced out of investment rounds earlier than is appropriate because of low investment limits. This will help SMEs reach a level of commercial maturity that helps them attract investments from non-State aided sources as the capacity for VCT capital is exhausted.

It is difficult to estimate with certainty how many SMEs will benefit from the increased investment capacity the new limits will provide. It is clear that the change will enable further investment in SMEs with valuable growth potential.

For example, YFM Equity Partners (YFM) manages two VCTs. It has identified seven existing portfolio companies (which are categorised as Knowledge Intensive Companies (KICs)), where there are likely to be opportunities to provide follow-on funding at a higher level than would have been possible prior to the changes to the VCT investment limits. These KICs have already received a significant amount of capital from the VCTs managed by YFM. They will be able to continue to receive support in a way that would not have been possible without the change. This investment will help attract capital from other later stage investors in due course. It will also help these SMEs attract UK investment; with the benefits this brings.

Albion Capital Group (Albion) manages three VCTs. It has analysed 59 SMEs held in the VCT portfolios it manages. It estimates that 38 (64%) of them would have had investment restricted were the limits not to increase. Three SMEs had reached the lifetime limit, meaning that Albion's VCTs would not be able to support them with further follow-on capital. 35 companies were 'likely' or 'potentially' identified as having VCT funding curtailed over the next three years. These SMEs include KICs, which have inherently higher capital requirements, and UK growth potential.

Where Albion assessed SMEs as not being affected by the current limits, this was for a variety of reasons. Some were being exited, or a sale was planned. Others had simply outgrown the scheme entirely. Nonetheless, for many SMEs higher limits will provide the potential for continued VCT investment, priming them for further progress in their scale-up journey.

Higher limits for VCT investments are long-overdue as they have not been increased for 10 years. Over this period inflation had eroded the real-term value of investments that VCTs can make. The quantity of capital needed by SME scale-ups, particularly in knowledge intensive sectors such as AI, healthcare and biosciences, has significantly increased in the last decade. Reform is essential to allow VCTs to provide the support SMEs require.

It also helps address the risk that an SME graduating to non-State aided investment will attract a foreign (customarily US) buyer, which means the benefits of its future growth go abroad. This problem arises as foreign investors may have a higher risk appetite, and more available capital, than their UK counterparts. They still benefit from the commercial impact of a VCT's earlier investment, but the VCT is unable to anchor further funding in the UK. It becomes easier for the SME to look overseas than to attract further UK capital. Allowing VCTs to offer additional follow-on investment will help address this dynamic and bring more UK investment to UK SMEs. This will also help keep the benefits of future, non-State aided growth, in the UK.

It is therefore astonishing that the government has chosen to make changes that will reduce levels of VCT fundraising at the same time as increasing their opportunities to make a positive impact on SMEs seeking scale-up capital. VCTs want to support the government's ambition to support SMEs throughout their growth journey. This includes early stage to scale-up and through to later stage, non-State aided investors. The impending change to the income tax relief will reduce fundraising and reduce capital across the growth journey

of ambitious SMEs. It is a textbook example of a policy which gives with one hand and takes away with the other, undermining the benefits of positive reforms.

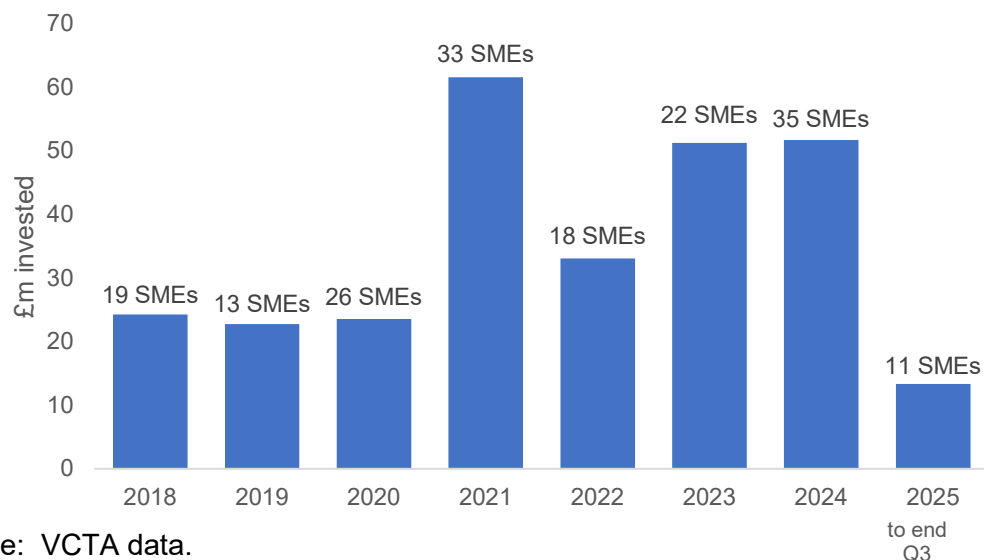
- **Recycling investment proceeds:** VCTs can realise investment gains and reinvest the proceeds. This reinvestment does not attract a further income tax relief to the underlying VCT investors.

In contrast, an EIS investor selling a holding and then reinvesting the proceeds into a new EIS holding would receive another round of income tax relief. As a result, the EIS investor receives a higher amount of income tax relief across the two transactions than a VCT investor would assuming both invested the same amount of initial capital.

The capacity of VCTs to recycle proceeds, so that the initial tax relief pays for more than one round of investment, makes them very attractive from a taxpayer perspective.

- **Enable access to public markets:** Access to UK stock markets provides SMEs with additional options to continue their growth journey. VCTs help open the door to public markets in two important ways.
 - **Subscription for AIM traded shares:** The UK benefits from having several public stock markets operating under different regulatory standards. Shares can be admitted to a full listing on the London Stock Exchange. This offers the highest level of regulation, including the application of UK governance standards. This market tends to attract the widest range of retail, institutional and international investors but is not for all developing companies.

Fig 3: VCTs making cornerstone investments in AIM companies



Source: VCTA data.

It is a strength of the UK that it also offers self-regulated growth markets, notably the Alternative Investment Market (AIM). AIM is an important option for companies with less established trading histories, but which still want to benefit from a public share issue.

The ability of VCTs to subscribe for shares in AIM-traded companies supports individual SMEs and AIM as a growth market. Their support can be critical to the success of AIM initial public offerings (IPOs). VCTs are often among the earliest prospective investors. They function as cornerstone investors: undertaking due diligence and making capital commitments that build investor confidence. This helps SMEs attract other investors and achieve their fundraising targets (making the IPO viable).

Since 2018, there have been 179 IPOs on AIM. VCTs have supported 38 (21%) of them.

- **Achieving scale before an IPO:** Whether an SME is considering AIM or a full market listing, it needs to achieve a certain scale to make the public move worthwhile. VCTs help SMEs achieve the scale required by making follow-on investments and helping founders develop the internal systems needed to successfully deliver their commercial ambitions. VCTs support investor confidence as they demonstrate that an SME has been able to satisfy the needs of an external investor with a focus on growth.

The impending changes to VCT investment limits will enhance VCTs' capacity to help SMEs graduate to UK public markets.

- **Meet the needs of entrepreneurs:** Successful scale-up investment depends on reaching an agreement that meets the needs of the business owners as well as the external investors. If this is not achieved, then capital will not be provided. Reaching mutually agreed terms is integral to the VCT investment process.

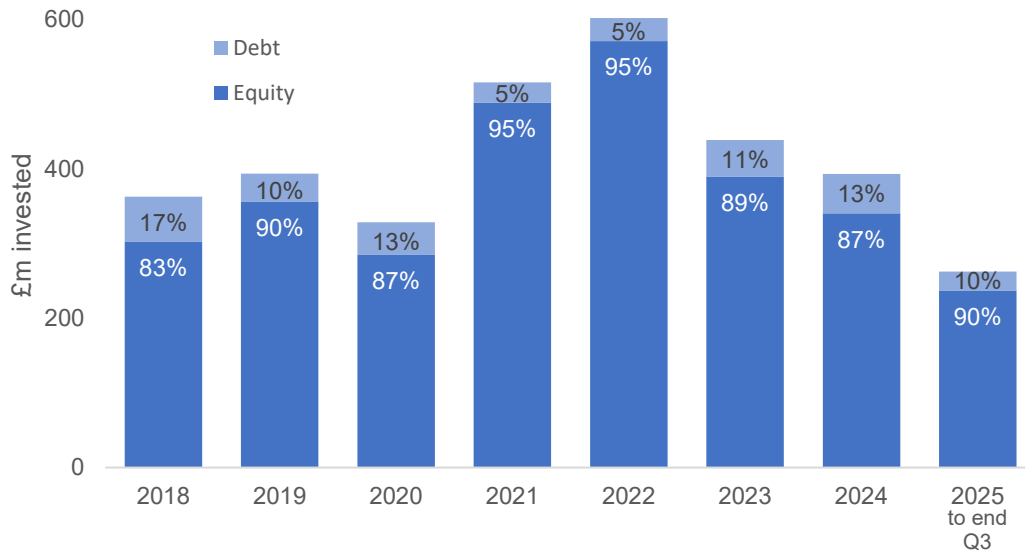
VCTs overwhelmingly hold equity in the SMEs they support. There is clear risk to capital in all VCT investments. Investing equity is therefore a natural route to follow, reflecting the nature of the investment risk and providing the opportunity to benefit from future upside.

VCTs can also invest by providing debt. Debt is a feature of a minority of transactions but can provide important benefits for the SME. Debt can be attractive to entrepreneurs who are unwilling to give up significant amounts of equity. Reaching mutually agreeable terms can include offering Convertible Loan Notes (CLNs). CLNs can be priced without a valuation being agreed, with a view to the CLNs converting to equity at the next funding round, with a discount to reflect the time value of money.

This flexibility can be highly valued by founders and can help the VCT and SME reach mutually agreeable terms. Offering a mixture of equity and debt may be most relevant where VCTs are providing later stage scale-up investment and the owner has previously received equity investment from other sources, such as business angels and other EIS investors as well as from the VCT itself.

VCTs can design a 'package' of investment, with tailored interest rates, covenants, and other commercial terms, based on a combination of loan and equity provision. Some of these terms are regulated by the VCT rules. For example, loans must be made at a commercial rate, to ensure that their terms are not unduly onerous and do not act as an impediment to growth. This flexibility allows the investment needs of VCTs to be matched with a broad range of SMEs with different commercial prospects and at various stages of their development.

Fig 4: Tailoring deals to meet entrepreneurs' needs



Source: VCTA data.

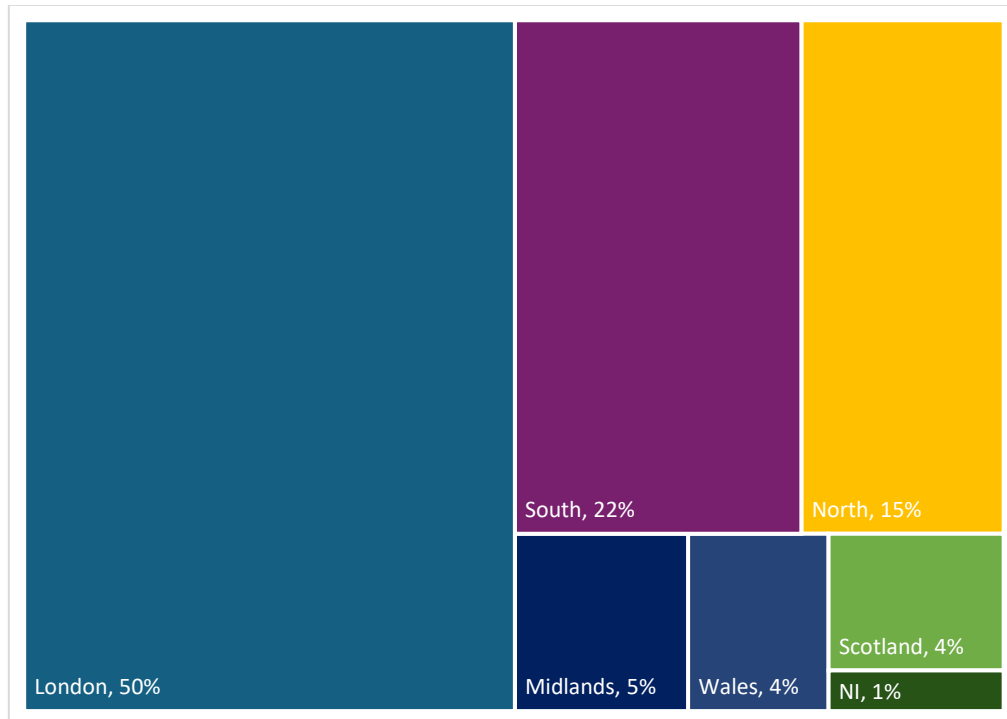
This does not mean that an agreement will always be reached. Sometimes views do not align. Differences of perspective may arise in relation to the commercial prospects of the SME, valuations, or other deal terms. This is inevitable. However, VCTs have a strong incentive to make deals work where an SME has strong growth potential.

- **Geographic reach:** The VCT sector has built a national network of investment managers and advisers, which enables them to invest in SMEs across the UK.

For example, Maven Capital Partners has a strong emphasis on regional investments with a significant presence in the North of England, Scotland, and the Midlands. Mercia Ventures' presence across the UK includes a focus on the North of England, the Midlands, and the Southwest. Foresight Group has a substantial investment footprint in the Northwest, Yorkshire, the Midlands, and Scotland. YFM, originally Yorkshire Fund Managers, has a regional investment model, operating from offices in Leeds, Manchester, London, Birmingham and Reading.

VCTs and their managers recognise that great business ideas can emerge anywhere and that rent and other costs may be lower in other parts of the country, which can provide commercial benefits to building businesses outside London and the Southeast.

Fig 5: Supporting SMEs across the UK



Source: VCTA data. Number of transactions (%), by region, from Jan 2018. Location identified by postcode of head office.

- **Governance and transparency:** VCTs have independent boards with legal duties to operate the VCT in the long-term interests of its shareholders. Directors oversee the effective delivery by professional fund managers of the investment mandate. VCTs must disclose market sensitive information. They publish annual report and accounts and make timely disclosures of information likely to inform the VCT's own share price (for example, if investments or divestments are made).

These mechanisms give VCT investors valuable information and support efficient investment practices. They provide accountability to the shareholder and wider public interest. They are part of what makes VCTs investable from an advisory perspective, which helps mobilise a significant amount of capital for investment into UK SMEs.

In summary, the benefits of investment by VCTs have been felt by SMEs seeking growth capital across the UK. They operate in many sectors and have seen significant growth, job creation and developed a range of technologies.

Case studies bringing these outcomes to life are set out in [Annex 1 of this paper](#). They illustrate the huge value which VCTs have brought to individual companies and, in turn, how they have supported the UK's economic growth.

3 Call for evidence questions and responses

3.1 Respondent details

Questions 1 - 6

Guy Rainbird, Public Affairs Director. The Association of Investment Companies (AIC).

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The AIC is a trade body representing investment companies (closed-ended collective investment funds with their shares traded on UK stock markets). This includes VCTs.

This response is not confidential.

The AIC has 39 VCTs as members. This represents 90% of the sector by assets under management.

The AIC sought views from VCT directors and other stakeholders (VCT management groups, professional advisers, founders etc.) when developing this response.

3.2 Building a tax system to unlock growth

Question 7. Which types of investors are incentivised by each scheme? What pools of capital do these schemes attract?

3.3 Characteristics of VCT and EIS investors

VCTs attract different investors to EIS. The schemes are not interchangeable from an investor's perspective. HMRC [published research by Kantar Public in 2022](#), which provides a good overview of the characteristics of VCT and EIS investors. The research found:

"VCS [Venture Capital Scheme] investors were predominantly male (90% of EIS investors, 85% of VCT investors) and most held at least a degree level qualification (88% of EIS investors, 86% of VCT investors). Around one in five investors (22% of both EIS and VCT investors) had a tax or accounting qualification from a recognised professional body. A small number of investors acted as financial advisors for others either on a paid or an unpaid basis (4% among both EIS and VCT investors).

"Almost half of EIS investors were employed (45%) and around one in five (22%) were company owners or self-employed. The working status profile of VCT investors was slightly different. A third (34%) were employed and 16% were company owners or self-employed. Three in ten (30%) EIS investors and 46% of VCT investors were retired.

"Most VCS investors met the income threshold that qualified them to be either an additional rate or higher rate taxpayer. Around a third had income of £150,000 or more (34% of EIS investors, 31% of VCT investors), and four in ten had income of between £50,000 and £150,000 (41% EIS investors, 37% VCT investors).

“The total amounts invested by individual investors through each of the schemes will depend on a number of factors, such as wealth, age and their broader financial circumstances. In general, EIS investors reported lesser total investment amounts compared with VCT investors. Four in ten EIS investors (42%) and three in ten VCT investors (29%) had invested up to £50,000 through the respective schemes in total. At the other end of the spectrum, 11% of EIS investors and 9% of VCT investors had invested more than £500,000.”

(Venture Capital Scheme (Enterprise Investment Scheme, Venture Capital Trust) Evaluation. Summary of findings. HMRC [research report number: 737](#). Kantar Public. Page 11.)

We do not expect the profile of VCT investors to have changed materially since this research was published.

3.4 Role of financial advisers in supporting VCT fundraising

The Kantar Public research finds that financial advisers play a bigger role in the market for VCT investment than for EIS investors. Just under one in five (18%) VCT investors said that advice was an important reason they invested (page 16). Fewer EIS investors relied on financial advisers (7%) (page 15).

Retail investors uncertain about whether or not to invest in VCTs can be assisted by financial advisers in a way which is less possible for EIS investment. Advisers can use the published information and investment record to undertake due diligence and make suitability assessments. VCTs are also amenable to market analysis. VCTs can accept lower investment sizes than EIS. This allows an adviser to recommend several options to meet clients' diversification requirements. This strategy is routinely adopted to facilitate retail investment in VCTs.

The AIC [canvassed prominent advisers for their views](#) on the impact of the changes to the initial income tax relief on fundraising. All those we spoke to said that they expected to see significantly lower levels of investment. This is unsurprising.

Advisers must judge whether an investment option is suitable for their client. This is a regulatory obligation. Changing the balance of risk and return (which is an inevitable consequence of the impending cut to the income tax relief) will mean that they are less likely to recommend a VCT. Where they have been recommending VCTs in the past, they are almost certainly not going to recommend an EIS as an alternative. It would be very difficult, from a suitability perspective, to replace a diversified investment with a far more concentrated one. Even recommending several EIS investments would not offer the same diversification as a single VCT. In any event, this approach would not be available to most investors given the average size of VCT investments being lower than the minimum requirement for most EIS options. In addition to these issues, advisers will also face a scenario where they are far less certain that the remaining tax incentives will not be subject to material change in the future.

VCTs are accessible via financial advisers. This helps democratise venture/entrepreneurial investment. Insofar as they are accessible via financial advisers at all, EIS will be accessed by high-net-worth or sophisticated investors. Given the government's objective to create an investment culture, as well as its ambition to support growth and scale-up businesses, reducing the capacity of advisers to recommend VCTs is a large, retrograde step.

3.5 Differences between VCT and EIS investors

The Kantar Public research described key differences between EIS and VCT investors and indicates why VCT investors are unlikely to migrate to the EIS.

More VCT investors are retired (46%) (page 11). The report says that “*investors nearing or at retirement, described a reluctance to make a lot of high-risk investments as they felt that would not have time to recover if it lost value*” (page 12). These factors explain why current VCT investors are attracted to the portfolio approach provided by VCTs, the benefits of expert management, and the ability to secure income from a mature VCT portfolio etc. Investors in or nearing retirement are likely to be attracted by dividends as a source of income.

It also finds that EIS investors are more open to risk (page 12).

“While all VCS qualifying investments were perceived to be high-risk, there was a tendency for investors and financial advisors to see VCT investments as having lower risk compared with EIS. In part this was because the risk was spread over multiple companies, all of which had been vetted and selected by a fund with expertise in selecting businesses likely to succeed. The fact that the VCT provided support to businesses in their fund was also believed to somewhat mitigate the risk.”

“While investors knew that EIS investments could also be diversified across multiple businesses, less confident investors felt they did not have the skills nor the time to dedicate to selecting multiple EIS businesses. As a result, less experienced investors sometimes felt VCTs were more suited to their level of expertise and appetite for risk.”

(Venture Capital Scheme (Enterprise Investment Scheme, Venture Capital Trust) Evaluation. Summary of findings. HMRC [research report number: 737](#). Kantar Public. Page 15.)

Investors in EIS and VCTs also evaluate and make investment decisions differently.

“Knowledge of, and involvement in, the investee company tended to vary by investor, but on the whole EIS investors had at least some information about the companies they had invested in (84%). The qualitative depth interviews revealed that EIS investors tended to research the opportunity by looking at anything available on the business’s accounts, track record and the experience of the founders. Investors sought to mitigate their risk by investing in sectors where they had some expertise or inside knowledge and avoiding very early-stage businesses. ...

“VCT investors’ largest investment was most commonly in a generalist VCT (59%). Two-thirds of VCT investors (66%) had knowledge of the companies financed by the VCT they had invested in. That knowledge tended to be relatively shallow, and participants in the qualitative interviews were usually unable to name individual companies. VCT investors tended to research the track record of different fund managers to mitigate the risk of their investment.”

(Venture Capital Scheme (Enterprise Investment Scheme, Venture Capital Trust) Evaluation. Summary of findings. HM Revenue and Customs (HMRC) [research report number: 737](#). Kantar Public. Page 15.)

Market experience shows that VCT investors are unlikely to migrate to EIS. [Wealth Club](#), a major non-advised distributor of VCTs, which specialises in tax-efficient investments, says that only 19% of its clients invest in both VCT and EIS. (Government must reconsider VCT relief Changes or risk £550 million Funding Shortfall for UK start-ups. Wealth Club. Press release. 12 January 2026.)

Albion reviewed 15 years of shareholder views in January 2025. This included survey data from over 1,000 investors and more than 50 interviews. It found that only 24% of VCT shareholders also invested via EIS or Seed EIS (SEIS). It concluded that VCT-only investors sought the protection of a company structure, diversified portfolio and professional asset management. An EIS, which is concentrated and involves a direct investment, is seen as too risky. VCT investors also valued other benefits of the structure. 90% cited the potential for the portfolio to generate tax-free dividends. This was particularly significant for those in, or planning for, retirement. There was also significant support for VCTs as a structure. 50% of those surveyed invested in more than one VCT. This reflects the benefits offered by VCTs in terms of subscription amount, diversification, access to professional management, governance etc.

In line with the Kantar research previously cited, Albion also identified the initial income tax relief as the single most important tax incentive. It concluded that VCT investors would be particularly sensitive to a reduction in the initial income tax relief. Many would reallocate their investments to lower risk opportunities and would not migrate to EIS.

Another leading VCT manager has provided the AIC with details of an investor survey conducted in January 2026, which received over 1,200 responses from their existing VCT shareholders. The survey was designed to understand shareholder views on the impact of the impending change to the initial income tax relief. It found that:

- 68% of survey respondents expect to invest less in VCTs in 2026/27.
- 58% of survey respondents expect to make no investments into VCTs in 2026/27.
- Where respondents reported they expected to invest less, 88% cited the tax relief reduction as the reason.

There was no evidence that there would be a material move to re-allocate capital to EIS.

- 13% of respondents expect to invest more into EIS funds / investments in 2026/27.
- 78% of respondents expect to invest nothing into EIS funds / investments in 2026/27.

Comments from respondents reinforced these statistics. Examples of feedback received included:

“This measure significantly reduces the incentive to take the risk on early-stage companies, which is the very opposite of what the government should be doing if it wants to grow the economy.

“Shifts the balance in risk return. And will lead to a reduction in investment with a corresponding reduction in capital deployment into early-stage UK companies. Not a good move for the UK economy.

“The changes in tax on VCT investments will simply reduce the public support for all forms of VCT investment. If there was some expectation or desire on the government’s part to drive more investments into EIS or SEIS, then it is delusional from my perspective - and I suspect many others.”

3.6 Reducing VCT income tax relief will reduce availability of scale-up capital

The Kantar Public [research report](#) found that reducing the income tax relief from 30% to 10% would result in 81% of VCT investors being “a lot less likely” to invest (page 28). The impending cut in income tax relief is not as drastic as the assumption used in the evaluation. Nonetheless, the research findings support the conclusion that the cut will result in a substantial fall in VCT fundraising and therefore the scale-up capital available for UK SMEs.

The report says, “Based on reactions during the follow-up depth interviews, a reduction in income tax relief is likely to have the biggest impact on behaviour.” It also said that “some investors were clear that they would no longer use the schemes if the amount of income tax relief they received were to reduce” (page 28).

Historical precedent also supports the view that cutting the income tax relief on VCT shares will result in far lower levels of fund raising for investment into UK SMEs.

The rate of VCT income tax relief was cut from 40% to 30% in April 2006. VCT fundraising fell by 65% in the subsequent tax year. VCT fund raising fell further in the two subsequent years. By 2008/9 VCT fundraising was down 80% from its previous peak in 2005/6 tax year.

It took 16 years, until 2021/22, for levels of VCT fundraising to grow beyond the amount raised in 2005/06, when the rate cut from 40% to 30% was implemented.

Cutting the income tax relief for VCTs in April 2026 from 30% to 20% is expected to have a similarly dramatic and negative effect on fundraising. This makes it essential that urgent action is taken by the government to stop the cut being implemented.

Surveys of investor opinion support this conclusion. [Wealth Club](#), a major non-advised distributor of VCTs, which specialises in tax-efficient investments surveyed over 500 of its clients, including 474 VCT investors in December 2025. It found that:

- 41.6% will stop investing in VCTs after the changes are introduced.
- 43.5% will invest less.

In total 85% of investors in VCTs may stop investing or invest less once the changes are introduced (85% will invest less or nothing in VCTs next year. Wealth Club. Press release. 10 December 2025).

Wealth Club calculates that this will mean a funding shortfall for UK SMEs of £550 million in the first year. Commenting on these findings, Alex Davies, founder and CEO of Wealth Club said, “The assumption that EIS would naturally replace lost VCT funding is not supported by any evidence and does not reflect investor behaviour.” (Government must reconsider VCT relief Changes or risk £550 million Funding Shortfall for UK start-ups. Wealth Club. Press release. 12 January 2026).

The negative impact of lower fundraising for UK SMEs may be softened in the first year because VCTs may raise higher levels of funds in the 2025/26 tax year due to higher investor demand for VCTs while the 30% rate still applies. This will be a one-off mitigation. Once the new rate applies the fall will be substantial and sustained. The overall result will be a severe and prolonged fall in the availability of funds for scale-up SMEs. It will be a major blow to the government’s plans to support UK growth.

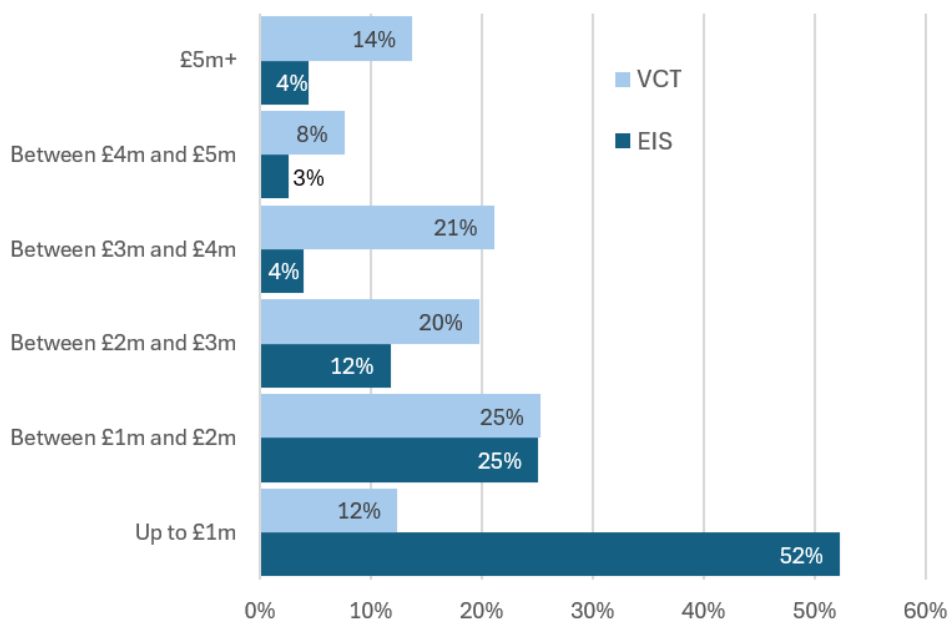
The decision to cut the income tax relief is particularly surprising and disappointing as Kantar Public’s [research paper](#) concluded that the level of relief provided for VCTs was proportionate. It said “*The incentives appear to be set at the right levels. If they were to reduce the number of investors would likely decrease. The potential for fewer investors was much more associated with a change to income tax relief rather than CGT or loss relief.*” (Page 36.)

The government should have known the impact of cutting the income tax relief for VCTs. Nonetheless, it still decided to take this route, at the expense of UK SMEs seeking scale-up financing.

3.7 EIS investment is not a substitute for VCT capital

Cutting the amount of VCT funds raised (by cutting the income tax relief) will disproportionately reduce SME scale-up funding because the targeting of EIS investment is very different to VCTs.

Fig 6: Total capital invested, by size of transaction



Source: HMRC and VCTA data. Investments made during 2023/24 tax year.

HMRC [data on EIS investment](#), published in May 2025, includes information on EIS transactions in 2023/24. It shows that, in total, EIS supported a higher level of investment in that period than VCTs. EIS fundraising amounted to just over £1.5 billion. VCT investment was just under £470 million.

However, half of EIS investment was less than £1 million. 75% was less than £2 million. Just over 35% of VCT investments were of that size. This is not a surprise. EIS typically acts as a capital source at an earlier stage than VCTs. That said, VCTs still seek to make investments at lower amounts. This allows them to benefit for a longer period of the scale-up journey, where SMEs demonstrate the right commercial criteria for VCT investment, including a potential for transformative growth. (VCT appetite for earlier stage investment is discussed in response to [Question 10](#), including Fig 11).

Where individual investments are over £2 million, VCTs tend to allocate a higher proportion of their total capital invested. This reflects the capacity offered by VCTs, as funds with professional asset managers. EIS has seen greater involvement of fund managers since 2010. However, as discussed, there is no reason to believe that VCT investors will make a significant move into EIS funds.

EIS funds raise capital from high-net-worth and sophisticated retail investors. Most VCT investors will not meet these criteria. EIS funds are less suitable for those seeking diversification as they tend to give exposure to a far more concentrated portfolio. Advisers, who would recommend VCTs to their clients who are not high-net-worth or sophisticated, will not recommend EIS funds to them.

The expected fall in VCT fundraising will result in a substantial decline in the level of fundraising the further along the scale-up journey an SME goes. Again, this cuts directly against the government's intention to provide more sustained support for growth businesses (as exemplified by the decision to increase VCT and EIS investment limits) and its recognition that the UK has a gap in the provision of scale-up capital to SMEs.

3.8 Do not 'wait and see': immediate action is required

The government may be taking a 'wait and see' approach. That is, to cut the relief and then assess the impact on supply of capital to scale-up SMEs changes. This would be an error. The expected fall in fundraising will have an immediate impact on investment. SMEs seeking scale up capital will have fewer potential sources. This will affect their immediate growth prospects. Companies that fail to find investment often have a short window for success. They may stumble or fail if they cannot develop their plans. They may lose out to foreign competition. The government should not assume that growth potential can be put on ice – suspended – until it changes its approach and is then resumed. It will not. These opportunities will be lost.

There will also be an impact on the long-term success of the VCT sector itself. VCTs and their managers will plan for much lower fundraising in future years. This will affect their assessment of how many new investments they can make, given their need to husband their resources to fund follow-on investment in SMEs already held in the portfolio. This will reduce their investment in new opportunities, reducing the potential for growing the UK economy. It will affect investor returns, as the VCT model thrives on its capacity to make several investments to diversify risk and return. Fewer investments means less chance of making investments that grow significantly to compensate for risky, but less successful investments. This cycle may lead to scaling back of dividends needed to attract the (already lower) levels of investment expected when the 20% income tax relief applies. These factors risk making VCTs less attractive and less reliable as a source of long-term financing for UK scale-up SMEs.

Even if the income tax relief were restored after only a year or so of a lower rate applying, it will take time for fundraising to recover. Investor and advisor confidence in VCTs has been built over many years. This has relied upon a stable tax environment and clarity in the government's support for the scheme. This cut will undermine that position. It creates uncertainty. This will be particularly the case as the government will be contradicting other positive actions, including its resolution of the 'sunset clause' and its response to industry calls to update the investment limits. These are both highly welcome. Implementing the cut will reverse these positive steps. Investors and their advisers will be cautious about making future commitments for fear that there is a material political risk other positive aspects of the tax regime will be compromised.

The likelihood that investors and advisers will be fearful is understandable given the reasoning cited for cutting the income tax relief. The Call for Evidence says the reduction in the income tax relief is designed to *better balance the amount of upfront tax relief compared to EIS, which does not offer dividend relief, and incentivising funds to seek out higher returns, to ensure they are targeting the highest growth companies.*" This explanation is confusing.

Whether a VCT investor receives their investment return via a dividend or when they sell their shares to receive a capital gain is irrelevant. The VCT must have made an investment gain to make a distribution. If an investor receives their return as income this does not provide a tax advantage because returns, whether capital or income, are tax free. Where an EIS has achieved the same return, they will also receive this amount without paying tax.

Also, the level of the income tax relief has no impact on the type of investment being made by VCTs. VCT and EIS investments are governed by the qualifying holdings rules. The level of the income tax relief is immaterial to the investment strategy or individual investment decisions.

If the government follows through on its proposal to cut the initial tax relief from 2026/7 it is likely investors will view VCTs with additional caution. This risk is increased as the rationale for the government's decision is weak. It is not supported by a clear explanation for the change. The decision also contradicts the broader policy ambition to support growth, particularly for UK SMEs. These considerations will damage VCTs' fundraising capacity for longer than the period that the cut remains in place.

3.9 Reducing the impact of VCT's as tax revenue multipliers

Given the current pressure on government finances, the impending cut in the income tax relief may be driven partly by cost considerations. The budget papers suggest savings of £125m in 2027/28 and a further £95 million in each of the two subsequent tax years. The AIC is sceptical about these figures. As levels of investment in VCTs are expected to fall and there will not be a compensating rise in EIS investment, then these figures may be understated.

However, to consider the revenue impact of VCTs simply based on the direct cost of the scheme is the wrong approach. It does not appreciate the substantial tax raising potential that will be forgone because SMEs will be denied scale-up capital and not deliver their full growth potential. Many VCT-backed companies achieve growth in turnover and employment. Some of these gains are very substantial (see response to [Question 9](#)). This growth creates tax revenues from the payment of payroll taxes, VAT and corporation taxes etc. When SMEs reach sufficient scale they will be sold on, with founders and other investors making significant capital gains, which can also generate significant tax revenues.

Many of these revenues, associated with the continued operation of growing and larger businesses, will be sustained over the longer term. Additional tax revenues catalysed by VCT investment are expected to be significant multiples of the amounts 'saved' by cutting the VCT reliefs. These savings are a false economy. The true impact of the impending cut to VCT income tax relief will be lower tax revenues over the longer term because of lost growth.

3.10 Primary AIC recommendation

The analysis presented makes a clear case to adopt the AIC's primary **recommendation** for the government to reverse its decision to cut the VCT income tax relief and maintain the 30% rate. This should be done by amending the Finance Bill so that the planned cut is not implemented. The consequence of not reversing this decision will be a significant and sustained reduction in the provision of scale-up capital for UK SMEs.

Question 8. What has been the experience of founders in working with EIS investors and EIS funds? In what ways have the scheme supported businesses to scale?

It is disappointing that the call for evidence does not seek experience of founders in working with VCTs. Many report extremely positive experiences. We have used this question as an opportunity to highlight this experience.

3.11 Kantar findings

The Kantar Public **research** focusses on EIS rather than VCTs when discussing the investee company experience. It is unclear why VCTs were not given more attention. One factor may be the higher number of EIS investments and the availability of non-State aided comparators. Where VCTs are mentioned, the report reflects the positive impact of VCT investment.

The **research** notes (page 22) that VCT investment can help 'formalise the business', with one source quoted as saying "*The fact that we were VCT compliant increased our credibility, as it insists that governance practices are applied. We started filing accounts, previously we would just do the bare minimum on a balance sheet. We had a third party looking at our accounts.*"

Another who had received both VCT and EIS investment said "*It enabled the progression of the company, took company to next level of professionalism with a manufacturing set up, with a proper sales infrastructure, with higher level of board expertise.*" (Page 22.)

Other benefits associated with the venture capital schemes (although not limited to VCTs) are introductions to other investors, improving confidence of new investors, encouraging other UK investment and exposure to the venture capital market (page 22).

The **research** also noted "*EIS and VCT fund managers interviewed as part of the qualitative strand routinely reviewed around a thousand business plans for every three or four businesses funded.*" (page 32). This shows the effort that goes into making investments. It also confirms that most SMEs engaged with VCTs will be unsuccessful in their fundraising efforts. This failure may be because they do not meet the formal conditions for being a qualifying investment. They may not meet the investment criteria set by managers. They might not offer realistic and attractive growth projections. The SME might not be at a stage of development where additional capital has the potential to significantly scale a business. It may be that another SME offers a better opportunity in the same commercial area.

The high failure rate is one reason VCTs secure value for money for the taxpayer. Only proposals with a sufficient chance of success receive investment.

There may be tensions between investors and founders once an investment has been made. It would be surprising if such instances did not arise given the challenges of building businesses and meeting the needs of different stakeholders. However, one interviewee commenting on their feelings on these challenges concluded “*But it’s the price you pay for taking on a big investment*” (page 32).

Occasional differences of view are inevitable, but ultimately, both investors and founders have a strong common interest in achieving a mutual success. For this reason, the general experience of founders of working with VCTs is very positive.

3.12 Founder testimony

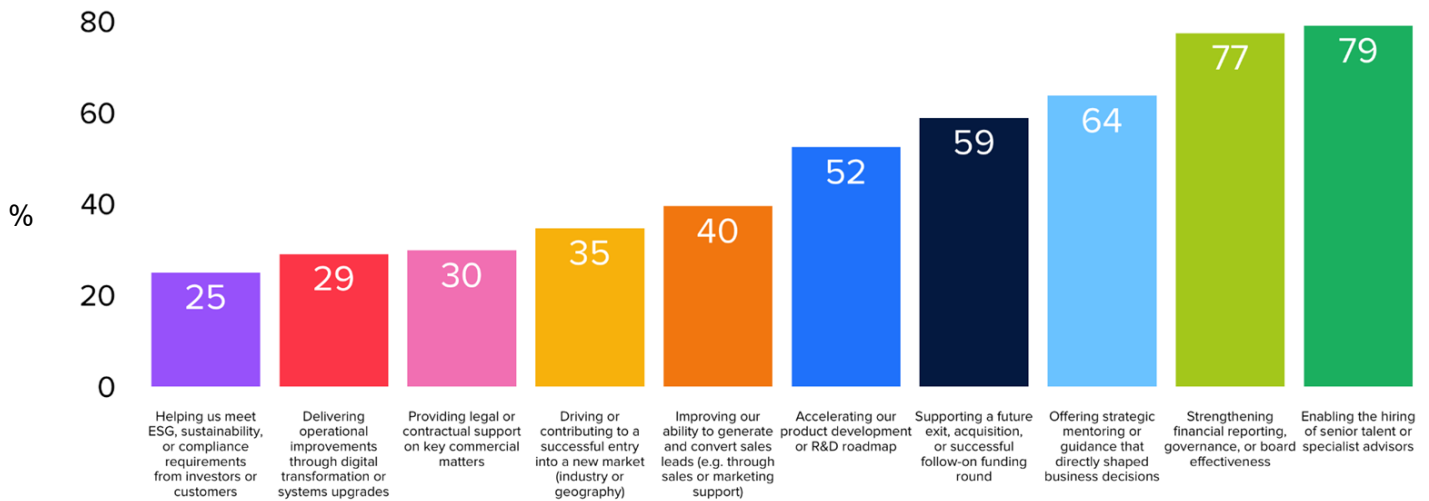
Many founders who have worked with VCTs have had positive experiences. Some testimony from these individuals is included in [Annex 2](#).

Since the Call for evidence was issued, the Venture Capital Trust Association (VCTA) commissioned Focaldata to survey founders of VCT-backed SMEs (approaching 500 and receiving responses from 124). Responses demonstrated strong support for the role of VCTs in supporting their business growth.

- When asked “how important has VCT funding been to your company’s growth and success” 68% responded “extremely important” with a further 22% replying “very important”.
- Among firms that have exited VCT funding, 79% said that VCTs were extremely important to their growth, with a further 10% saying very important.
- When asked about how their business would have been affected were VCT funding not available, 82% of respondents replied that it would have had a negative impact on its growth.

Founders reported that VCTs helped their business development in a wide variety of ways.

Fig 7: How has VCT-backing helped your company?



Source: VCTA Focaldata.

This reflects the broad range of assistance provided by VCTs alongside capital investment. Given the questions raised in the Call for evidence, it is particularly notable that 59% reported that VCT investment supported future exit, acquisition or follow-on funding. Of course, other support, including strengthening reporting/governance/board effectiveness (77%), accelerating product development and R&D (52%) and enabling the hiring of senior talent and specialist advisors (79%) would also increase the attractiveness of the company to future investors.

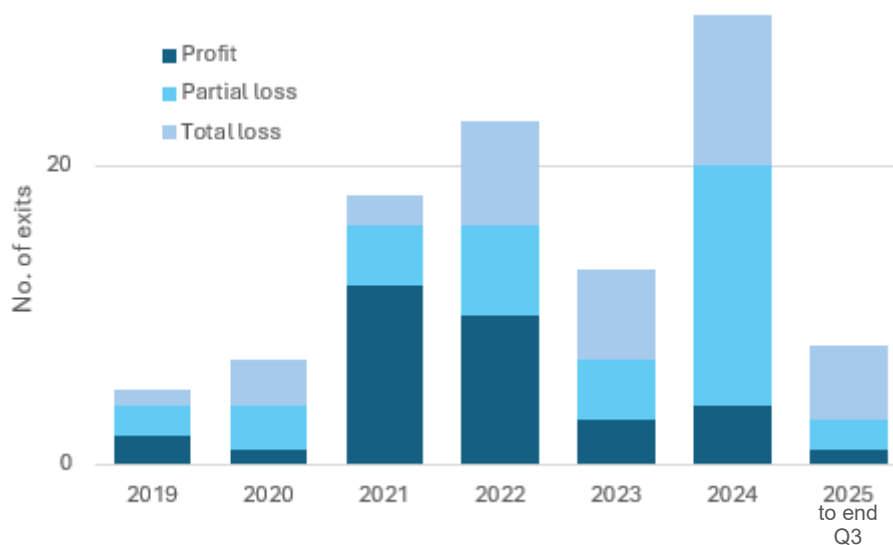
Question 9. Does the design of the VCT scheme, and investment decisions of VCTs using it, align with the original objectives of the scheme to support investment in the most high-risk, high growth scaling companies?

The implication of this question seems to be that VCTs are not taking sufficient investment risk or may not be backing companies with an ambition to achieve transformative growth. This perspective fundamentally misunderstands the goals of VCTs and their ambitions for the SMEs they invest in.

VCTs actively seek out SMEs that have the potential for high growth, and support them through their commercial development, with all the risks that entails. Any perception that this is not the case may arise from legacy concerns raised by policymakers which were addressed by rule changes in 2017 to refine the targeting of VCT and EIS investment.

Prior to 2017, HMRC advised the AIC that it was aware of examples of investment by VCT and EIS that it considered not to be sufficiently growth orientated. Since the introduction of various investment conditions, including the new 'capital at risk' requirement in 2017, we are confident that these concerns have been addressed. Since these changes, our discussions with HMT and HMRC have consistently confirmed that investment practice no longer includes the minority of investment activity which may not have fully delivered government expectations.

Fig 8: Not all investments go as planned



Source: VCTA data.

This is confirmed by data on exits. Fig 8 includes details of VCT exits where the first investment was made after the capital at risk requirement was introduced. It shows that a significant number of exits were made at a loss. This is to be expected given the risks of SME scale-up investment. The ambition of the VCT and its manager is that exits at a profit will provide substantial gains that compensate for the investments which do not go as planned.

Many of the investments made in this period are still maturing. The business ambitions of the SME are developing and many of these will have the prospect of a profitable exit. Some will offer significant returns. This will provide VCTs with capital for recycling into further investment, as well as to make distributions to investors to reward them for the risks of investing into this high-risk sector.

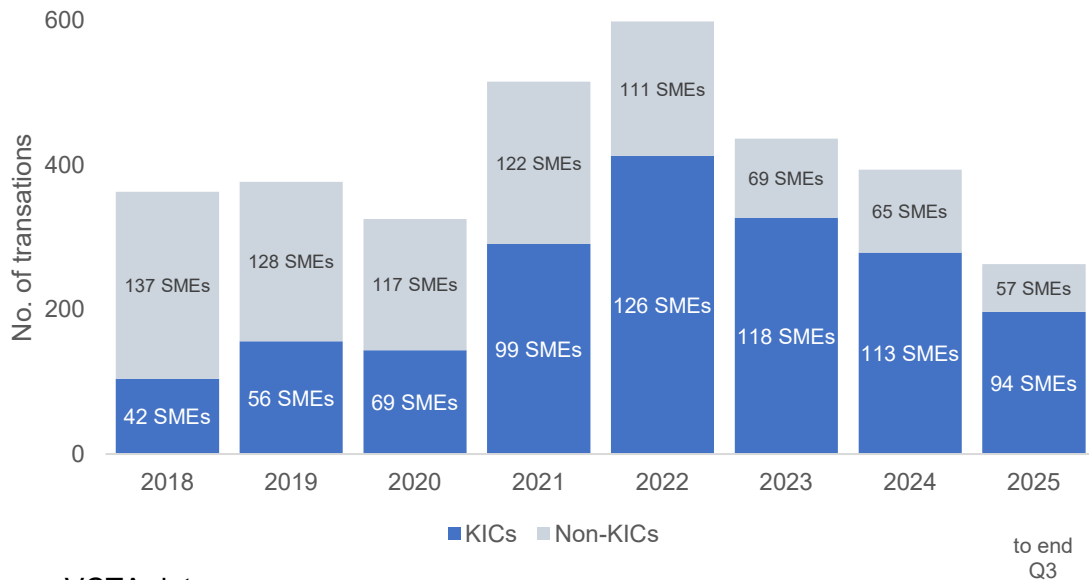
3.13 Increased focus on Knowledge Intensive Companies (KICs)

The trend for VCTs taking increased investment risk has also been boosted by the introduction of higher investment amounts for KICs in 2015. These rules allow greater levels of investment in companies focussed on creating value by developing intellectual capital. KICs are identified by specified characteristics, such as having a high proportion of highly skilled employees.

The decision to allow VCTs to provide higher amounts of capital to KICs will further increase their ability to make a sustained impact on the scale-up plans of these higher risk businesses. SMEs striving for innovation, as a prerequisite for their success, are inherently higher-risk and require more capital to commercialise their products and services.

VCT's investment record (Fig 9) shows how the sector is increasingly investing in KICs:

Fig 9: Investing in innovation

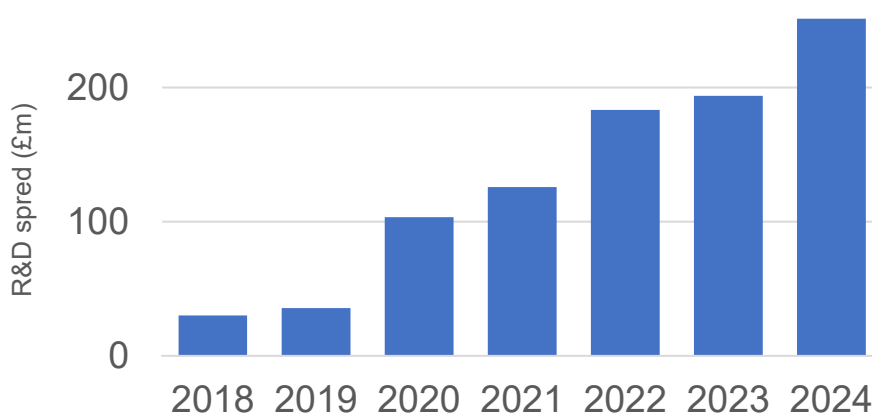


Source: VCTA data.

Another indication of VCTs' appetite for investment in high-risk, high-growth companies is shown in their growing exposure to businesses developing AI, virtual reality, bioscience, or other high-tech sectors. These are increasingly competitive commercial areas with high capital requirements during the scale-up phase.

The trend for VCTs to invest in higher technology and knowledge-based sectors has been reflected in how much SMEs in their portfolios spend on research and development (R&D).

Fig 10: R&D spend by VCT-backed SMEs



Source: VCTA data.

Between 2018 and 2024 VCT-backed companies have spent £920 million on R&D. The trend towards higher R&D spending is expected to continue as VCT-backed SMEs seek to consolidate growth in sectors reliant on the development of intellectual assets and advanced technology.

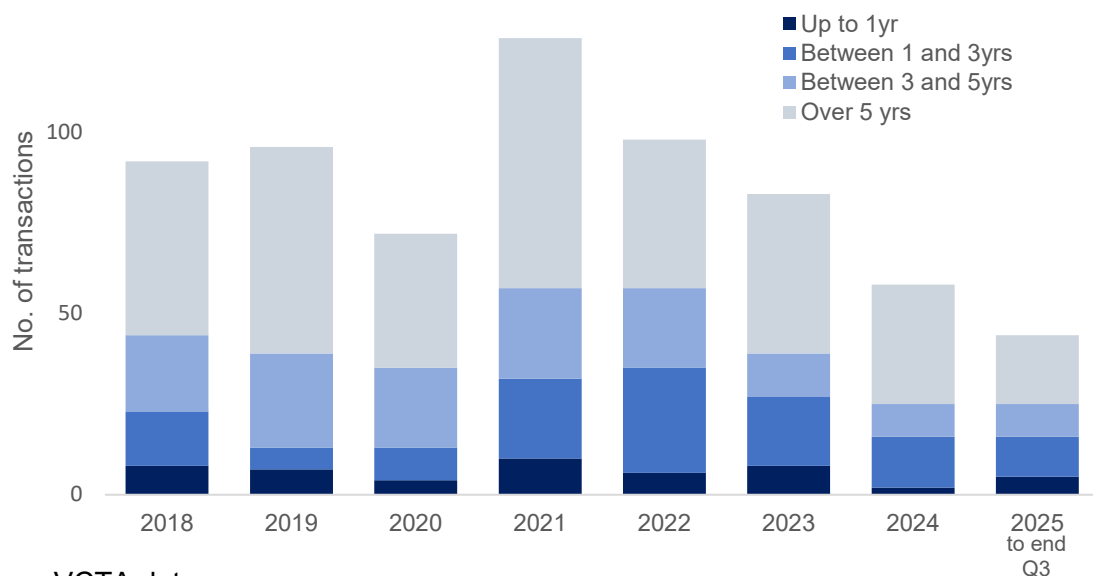
3.14 Early-stage investment

VCTs' continued exposure to higher risk investments is shown by their investments in early-stage opportunities.

Since 2018, 48% of VCT first time investments have been in companies under five years old. 26% have been in SMEs under three years old (see Fig 11 for breakdown of age of investee company by year.)

These earlier stage investments (SMEs three years old or younger) received significant levels of capital. 25% of them received first time investments of more than £3 million. 9% of them received over £5 million (see Fig 12).

Fig 11: Younger companies receiving support

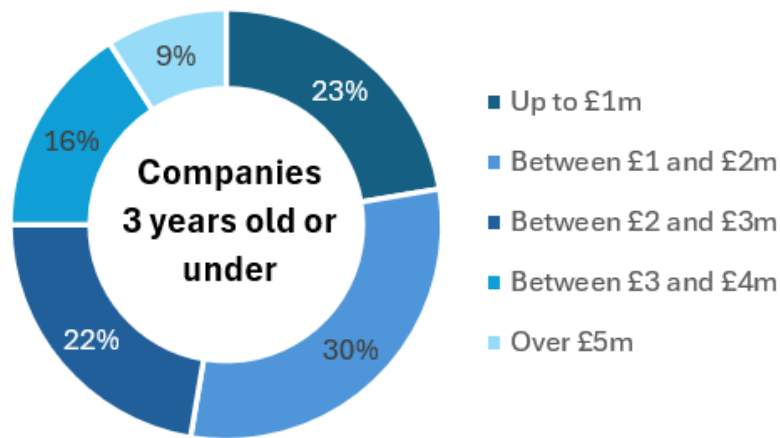


Source: VCTA data.

Larger investments in younger companies are inherently risky. They have a shorter commercial history to base a decision on and a less established market presence.

VCTs making these investments are particularly incentivised to work with the business to develop its commercial model and to take it forward to position it for further investment. By making an early commitment, the VCT can maximise its opportunity to drive, and benefit from, the scale-up potential of the SME. That said, if the income tax relief is cut and VCT fundraising reduces, the risk is that VCTs will have fewer opportunities to make earlier stage investment as they will have to target their more limited resources on making successive investments into existing portfolio companies.

Fig 12: Making a significant commitment to younger SMEs



Source: VCTA data. Proportion of first investments, into SMEs under 3 years old, grouped by deal size, since 2018

Early-stage investment will continue. It is in the DNA of VCTs. The risk is that the ratio of these earlier stage investments across the industry as a whole will reduce as capital becomes more scarce.

3.15 High-risk, uncertain outcomes

VCTs depend on diversification to attract investors. VCT shareholders are prepared to make an allocation to higher-risk, unproven SMEs because they understand that less successful investments will be compensated for by stronger returns in others.

Data on 418 SMEs that received VCT investment since 2018, to 2024, shows a wide range of investment outcomes to date.

Turnover growth

- 16 of these SMEs show no turnover growth. They are in a pre-sale stage.
- 56 of these SMEs have a lower turnover than when the VCT investment was made. Together these businesses are reporting losses of over £144 million when compared with the date of investment.
- 346 SMEs have increased their sales since a VCT investment, achieving a total increase of £1.3 billion. The average increase for SMEs reporting an increase in turnover was £2.9 million. The reason the average increase is relatively modest is explained by the more substantial success of a smaller proportion of the sample.
- The top 20 SMEs (5%) achieving increased sales achieved £577 million, or 42%, of the total turnover growth.

Job creation

The same variability in scale-up outcomes can be seen in changes in the number of staff employed by VCT-backed SMEs.

- Data on 401 SMEs that received VCT investment from 2018 to 2024, shows that, in aggregate, they created 7,513 jobs.
- 22 have seen no change in staff numbers. 113 have seen jobs lost (1,360 in total, an average of 12 per SME).
- 266 have created jobs, an average of 28 per SME. However, as with turnover growth, a few companies have been disproportionately successful in creating employment.
- The top 20 employment creators (8%) created a total of 3,507 new jobs, or 47% of the total.

These outcomes further illustrate the risk inherent in VCT investments, and the range of outcomes achieved.

Question 10. What are founders' experiences with the fees charged by VCTs/EIS funds to investor companies? What are founders' experiences of the investment terms offered by VCTs/EIS funds to investee companies?

3.16 Investment terms and fees in context

The call for evidence notes 'suggestions' that certain fees and terms applied to investee companies may be problematic. It says these fees and terms may make it "*difficult for investee companies to grow and attract further investment from other sources*" (paragraph 4.13).

Unfortunately, the call for evidence provides no further detail on the nature of these issues. The AIC has followed up with HMT and has not been able to elicit any further detail. This makes fully responding to these issues difficult. The AIC would welcome further information from HMT on these points to allow the AIC to make a fuller response.

There is a fundamental problem with discussing individual terms in isolation. The terms agreed between a VCT or EIS investor and an SME should be considered as a whole. The aim in a negotiation is to achieve a balance between the interests of all parties involved. There is an interaction between valuations, control, and, more generally, protecting the interests of all parties involved. Highlighting one provision, without considering the wider context is not always appropriate. What is a reasonable clause in one situation may not be appropriate in a different context. The overall balance of the investment terms is important. This makes it problematic to single out one provision from a transaction and automatically identify it as inappropriate. Context is critical.

VCTs want investee companies to succeed. Success provides the basis for securing an economic return. VCTs want to see SMEs grow to make them attractive to later stage investors. This allows the VCT to exit their investment and realise a profit, enabling it to make further investments. If a VCT and SME agree terms that do not meet the needs of later stage investors, we would expect that there would be a negotiation between the parties. This is accepted practice. In this situation the VCT would want to be flexible and would consider aligning to revised investment terms to help the subsequent funding round to proceed. It is

not in its interest to insist that provisions are honoured exactly in their original form if this prevents later capital provision and/or a potential exit.

It is important that investors (be they VCTs or EIS) make sure that founders understand the terms they are agreeing to, to avoid issues and misunderstanding during the investment holding. Founders will typically take legal advice as part of the VCT investment process to ensure that they understand the terms being presented, so they can make an informed decision on whether to proceed or not. It is the responsibility of all parties, and in their interests, to consider all aspects of a proposed investment and how they interact.

VCT and EIS investors will require certain terms to ensure their interests are reasonably protected for the risk being taken. They are minority shareholders and therefore have limited capacity to dictate how the SME may evolve. Imposing reasonable conditions on an SME is commonplace. Properly negotiated, these should not be seen as unreasonable by the investee business. Similar terms would be required by other, non-State aided, investors.

This does not mean that transactions will never include terms that founders later find problematic. Views and circumstances may change. However, a positive approach to initial negotiations should mean that these instances will be rare. If they do arise then commercial negotiation can often resolve the issues on mutually agreeable terms to all parties.

3.17 General market practice

HSBC has published a comprehensive guide to term sheets in the broader venture capital market: [Venture Capital Term Sheet Guide 2025. A commercial guide to VC term sheets.](#)

While the survey does not identify the details of specific terms, it does indicate that VCT terms often reflect the practice of other, non-State aided and EIS investors. See Fig 13. for further details.

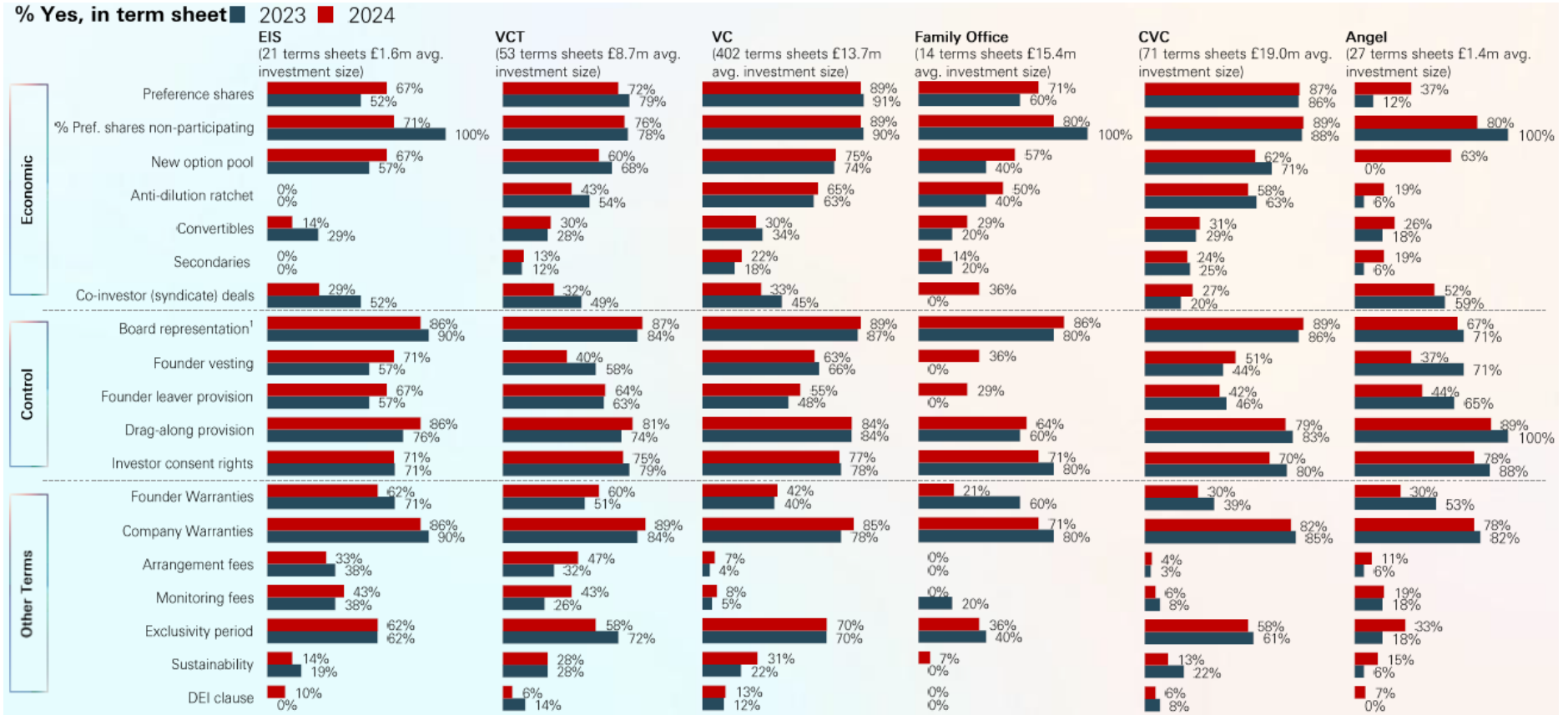
For example, preferred shares are used by investors across the market. The survey confirms that 76% of VCT term sheets include non-participating preferred shares and that a 1x multiple is most used. This compares with 89% for VCs (LPs). It finds that 3% of VCT term sheets have participating preferred shares and 21% have participation caps. This compares with 11% in the VC (LP) market ([page 41](#)).

Differences between agreements will depend on the stage at which the VCT is investing, the level of risk and reconciling the VCT's and founder's views on valuations. The use of different arrangements will also depend upon other specific terms which may have been agreed.

EIS and VCTs differ from the broader venture capital market in their use of deal/arrangement fees ([page 24](#)). HSBC found that 47% of VCT and 33% of EIS investments include these arrangements. The amount of these fees varies but over the period surveyed, HSBC found that arrangement fees of 2-3% were most common.

Feedback suggests that parts of the VCT market are moving away from arrangement fees, reflecting changing views of founders. However, one reason these fees are likely to persist is to support co-investment by one or more VCT or alongside an EIS investor. The lead investor will perform the due diligence, which is a time-consuming process.

Fig13: Investor by type key term sheet provisions



Note: Technically, EIS funds do not issue preference shares, however from a commercial perspective (due to HMRC rules) EIS investors typically receive ordinary shares, although ordinary shares (e.g. 'A ordinary', 'B ordinary') that have some characteristics of preference shares (i.e. liquidation priority) can be issued. This is often a route taken by more sophisticated EIS fund investors. In the analysis, in this guide EIS liquidation priority has been classified as preferred shares.
 As noted elsewhere in this guide, several terms are found in long-form document rather than the term sheet.
 1 Board representation excluding observer.

Charging a fee to the SME to support the investment process allows the lead investor to be compensated for the work done on behalf of all the co-investors. The SME benefits from having more than one investor. This creates more options for future fundraising from within the existing investors and will also be a positive signal to potential external investors in the future.

EIS and VCTs also differ from other parts of the market as they more commonly agree a monitoring fee. The survey ([page 60](#)) found that 38% of EIS investors and 26% of VCTs agree these fees. These fees are often equivalent to a director's salary. This reflects the nature of the oversight provided by the VCT – who will usually also have the right to appoint a director. This role may be discharged by an employee of the VCT's fund manager or an individual with other relevant industry experience. This director will be a source of support and assistance to the founders, often bringing complementary skills as well as industry contacts and know how.

The basis for these fees has been shifting in recent years as VCTs are increasingly expanding the extent to which they support investee companies to include advice around recruitment, organisational design, sales and marketing and product development. A VCT may now also provide access to advice on developing business processes, access to commercial and professional contacts. The terms of monitoring fees will vary. For example, they may be time limited.

Ultimately these fees reflect the time and attention that the VCT is taking to support the founders, over and above financial backing provided (see Fig 7 for more detail).

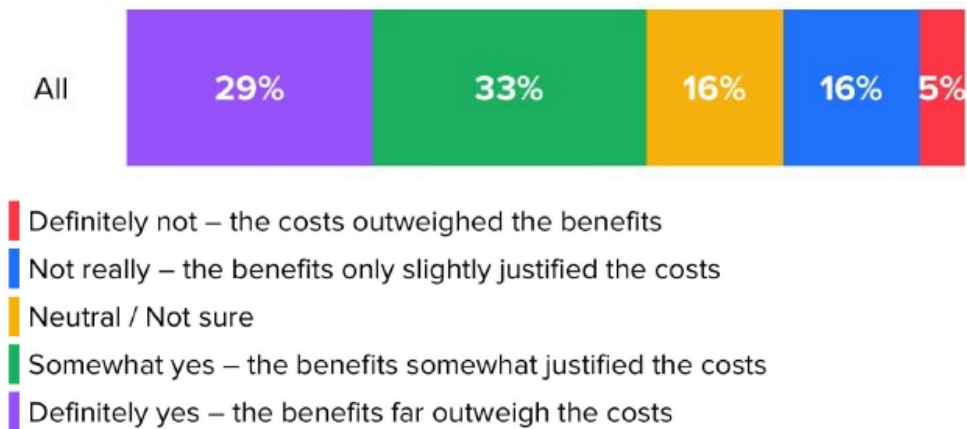
3.18 Founder experience

The VCTA/Focaldata survey found very high satisfaction with VCT terms. 73% of respondents said they were 'satisfied' with the terms and conditions/overall deal terms. A further 17% were neutral.

This leaves 9% dissatisfied. However, this does not mean that the terms were unreasonable or unduly onerous. Many entrepreneurs dealing with VCTs will not have had previous experience of dealing with professional investors. They may be less familiar with the trade-offs, and commercial conditions, involved in negotiating such deals. That said, the survey found that 80% SMEs receiving less than £2 million in their initial funding round were satisfied – a higher proportion than for all deals. It may be that as the size of investment increases; negotiations are more testing and have additional conditionality. This is not necessarily problematic; it reflects what is at stake for both parties. It may be that there is more scope for differences of view on valuations, and that VCTs have more experience of the risks and issues involved in taking SMEs further along their scale-up journey. This may also explain why founders who have seen VCTs exit their investment are more positive about the experience: they have seen the positive impact of VCTs involvement to its full extent.

Founders' views will also be influenced by the commercial outcome. The survey also asked if founders felt the benefits of VCT funding justified the fees paid. That is, "were the fees value for money?"

Fig 14: Were the fees paid for VCT funding ‘value for money’?



Source: VCTA Focaldata.

A 5% response rate saying that the costs outweighed the benefits is low, particularly when it seems likely at least some of these investments were unsuccessful. This must have been the case given that the SMEs supported by VCTs are inherently high-risk and vulnerable to failure.

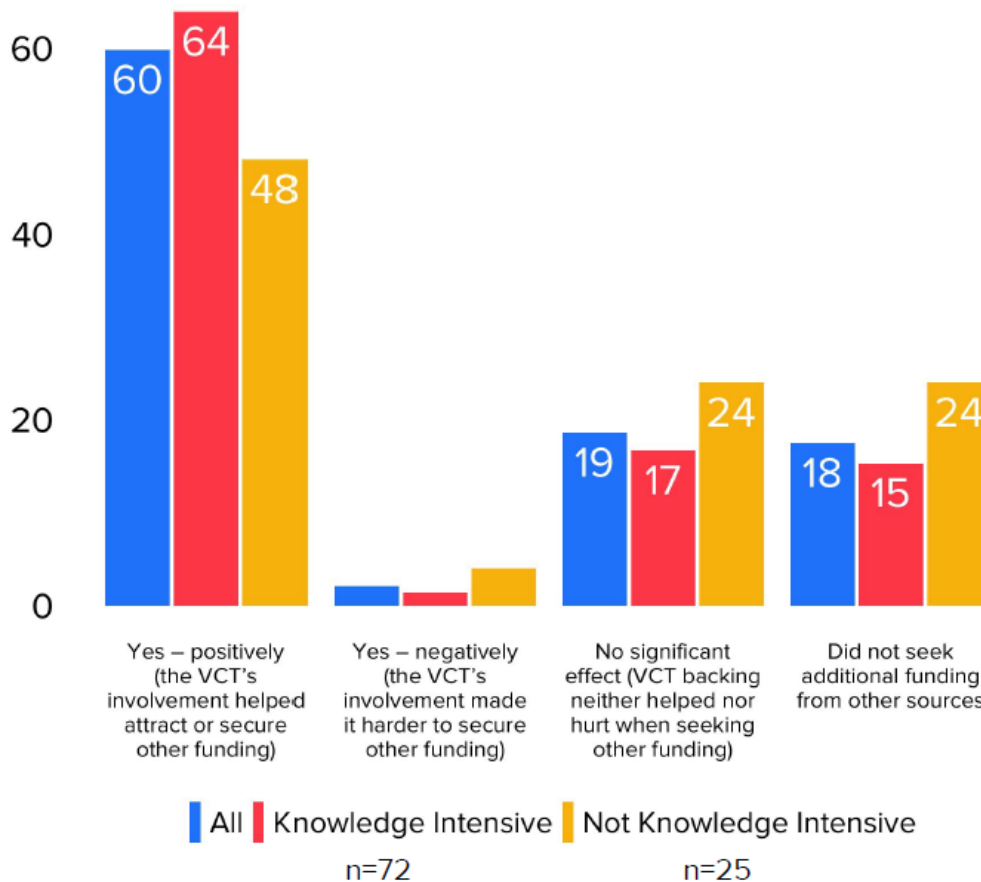
Question 11. For start-ups and scale-ups, how does early stage VCT and EIS investment impact the ability to secure funding from other sources? How do the new scheme limits support that transition?

VCTs support SMEs seeking funding from other sources by supporting management and helping the development of business plans. This includes setting milestones for follow-on investment by the VCT. This process helps focus SME management on commercial priorities. Successive VCT investment supports confidence of later stage investors. It shows that the SME has the skills and resources to satisfy the needs of professional investors, with similar expectations as VCTs. VCT involvement shows that a business has potential to achieve further growth. All these factors help make the SME more attractive to later stage investors. This process was discussed in response to [Question 8](#) and in Fig 7.

The VCT scheme has been designed to give additional support to SME’s whose future success is likely to need higher levels of capital. This is delivered by the higher funding limits provided for KICs.

Founders reported that VCT investment supported their efforts to secure other, later stage, funding. KICs founders were more positive than the sample overall.

Fig 15: Did VCT funding affect your ability to attract other, later stage, investors?



Source: VCTA/Focaldata.

These findings support the other evidence that VCT investment is very positive for companies seeking further capital. Even those who considered that it did not have a significant effect, are likely to have benefited because of the earlier impact the VCT's involvement had on their growth and internal systems.

The increased investment limits will give VCTs a greater ability to support SMEs as they make progress with their scale-up plans. Receiving larger amounts of VCT capital will make recipient SMEs more economically viable to non-State aided investors.

Higher VCT investment limits will reduce the potential for a funding 'guillotine', where scale-up funding is cut off before the SME is ready for non-state aided investment. VCTs that want to make further investments will be more able to do so. They will be able to support additional SME growth and secure enhanced investment returns.

Overall, the higher limits will increase the range of UK SMEs that are attractive to later stage, non-state aided investors. This makes the decision to reduce the amount of funds VCTs can raise by lowering the income tax relief from 30% to 20% particularly counterproductive. The AIC **recommends** that the government restores the 30% initial tax relief as a matter of urgency.

Question 12. How could these schemes be enhanced in future to better support founders, scaling companies, and the broader investment pipeline for the UK's high-growth companies?

There are opportunities to enhance the VCT rules to allow them to better support SMEs seeking scale-up capital. The AIC **recommends**:

- **Restoring the 30% income tax relief** as a matter of urgency. VCT fundraising will be reduced substantially if the income tax relief is cut. VCT investors will not migrate to EIS to maintain funding levels. The government's decision to cut the relief contradicts its ambition to support SMEs seeking scale-up capital. Cutting the income tax relief undermines the positive impact of the decision to increase the annual and lifetime investment limits and change the gross assets test. This potential for VCTs to support additional growth is being lost by reducing the ability of VCTs to raise funds to make scale up investments. The government must prioritise restoring the VCT income tax relief to 30% to achieve its scale-up ambitions.
- **Allowing more time to reinvest proceeds of success:** The high-risk nature of VCT investment, and the potential for bigger deal sizes, increases the likelihood that they will sometimes realise very large investment gains. Their increased investment in KICs reinforces this possibility. KICs have the potential to deliver transformational new products and services. The investment rewards for VCTs as this cycle of investment evolves will increase. Not all these investments will deliver exceptional returns but there is an increasing potential for large investment returns to be realised. The capacity for VCTs to achieve larger returns will also be increased by the impending changes to the investment limits.

VCTs have 12 months to reinvest investment proceeds before they are included in the VCTs assets for the purpose of meeting the requirement to have 80% of assets invested in qualifying holdings. The VCT investment process requires VCTs to invest with defined limits and to select the type of SMEs targeted by government policy. Deploying large amounts of capital is necessarily time consuming. The position is made more difficult as the receipt of this capital is not planned, it is dependent on divestments, where the timing and return is uncertain.

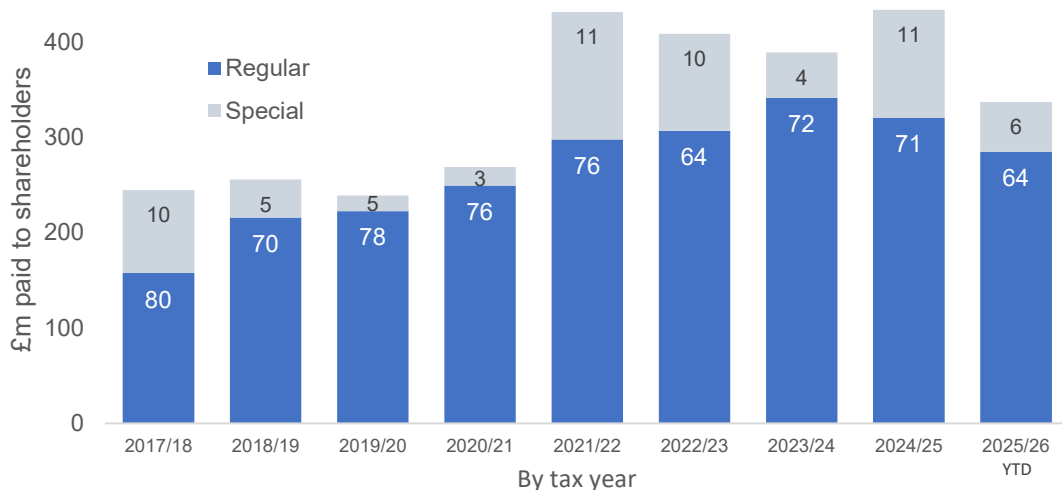
If the VCT cannot make sufficient investments within the 12 months allowed, it is currently obliged to pay a special dividend to ensure that it does not breach the 80% qualifying investment test.

The data shows (Fig 16) that VCTs pay relatively few special dividends. Those that are paid tend to be substantial. Over the last 5 years, special dividends made up 22% of dividends by value, even though they amounted to 11% by number.

Allowing more time to make investments would help VCTs retain the proceeds of successful investment. More of this capital can then be recycled to support scale-ups. This would mean that the tax relief provided for the initial fund raising can be made even more efficient. The cost to the taxpayer of raising VCT finance can be spread across an even greater number of investments. Allowing more time will also recognise that a VCT cannot control the timing of a large exit, which can happen at short notice. This unpredictability makes it

difficult to deploy this capital to deliver investor and policy expectations. This often makes paying a special dividend the most viable strategy in the time allowed.

Fig 16: Investment success leading to higher levels of special dividends



Source: Morningstar.

The AIC **recommends** extending the time allowed for the reinvestment of proceeds. The AIC would propose an extension to 36 months (which would align with the time allowed for investing exit proceeds in line with new funds raised).

- **Abolishing the nature of income condition:** Most SMEs invested in by VCTs do not provide income. If they do, these payments are not within the VCT's control. VCTs are minority shareholders. Income received from qualifying investments is therefore low and uncertain.

At the same time, VCTs hold a certain level of cash or other investments within the non-qualifying portion of the portfolio. These may generate income. This is not inherently problematic as the qualifying investment test requires VCT capital to be deployed in target investments. The incentive to seek non-qualifying income is far weaker than the incentives to make qualifying investments. A failure to achieve the target level can result in the loss of VCT status.

These circumstances make redundant the requirement for VCT income to be 70% from shares or securities. The rule has no policy value. It is administratively complicated to monitor and comply with.

Investment trusts used to have an 'income from shares and securities' test. This requirement was abolished in 2012 because it no longer served a useful purpose. This precedent reinforces the case to remove the nature of income test from the VCT rules, which the AIC also **recommends**.

- **Replacing the 'undertaking in difficulty' test with a going concern test:** The VCT rules include provisions to ensure that investment is not made into SMEs that are in financial

difficulty. The rule acts as a 'backstop' because VCTs are commercial investors. They are not incentivised to allocate capital to businesses that they think will fail. This is a strong mechanism to support the taxpayer interest. Nonetheless, having a backstop requirement in place is prudent and not inherently problematic. The way in which the current requirement works can be an issue.

An SME may fail to meet the current 'undertaking in difficulty' test if it has accumulated a certain level of losses (amounting to half the subscribed share capital). This is not a sensible way to judge the financial health of an SME seeking VCT investment. SMEs seeking VCT investment are increasingly developing technology or undertaking other activities that may lead them to incur significant losses over time. This is an expected characteristic of companies with scale-up ambitions, particularly where they are operating in novel areas and trying to support transformational change. A VCT considering investment will be analysing the risk, and potential benefit, of providing capital to the SME. It will not judge an SME to be failing simply based on the measure of losses. It will consider the progress made by the business, the level of future investment required to achieve key business objectives and the potential rewards of success. If, based on this analysis, a VCT concludes that further investment is appropriate, it should be able to deploy further capital.

The AIC **recommends** replacing the 'undertaking in difficulty' test with a 'going concern' test. A 'going concern' test is a widely accepted measure of whether a business is in financial distress. Meeting this test is already required when the directors of a company sign off the annual report and accounts. It is also a matter considered by the company auditors (where the SME is of sufficient size for this requirement to apply.) It is reasonable for a VCT considering an investment to apply a 'going concern' test when undertaking its due diligence for an investment. This also meets the policy objectives of the current undertaking in difficulty provisions.

- **Abolishing the 15% holding limit:** This rule requires that no more than 15%, by value, of the VCT's total investments is in any one company at the time of acquisition of that holding. It requires a revaluation of the holding prior to a further investment in that holding.

This test was derived from the conditions for investment trust status which applied until 2012. The equivalent test for investment trusts was recognised as being too mechanistic and inflexible. It has been replaced by a requirement that the portfolio must be constructed with the aim of spreading investment risk. The VCT rules should be modernised in the same way. The AIC also **recommends** abolishing the 15% holding limit as the amounts which VCTs can invest in a particular SME are in any event restricted by the annual and lifetime investment limits.

Question 13. Considering the new scheme limits, how effective is the current EMI scheme for founders/scaling companies in accessing the talent they need to grow and develop?

The AIC has no comments on this question.

Question 14. How could it/the wider share scheme offer be improved to better support founders/scaling companies?

The AIC has no comments on this question.

Question 15. In what additional ways could the UK's tax system strengthen the investment pipeline, and further encourage an entrepreneurial, risk-taking environment in the UK?

The AIC has no comments on this question.

Question 16. How can tax policy better support founders, avoiding abrupt transitions or cliff edges, which risk unintended consequences and hindering growth?

The AIC has no comments on this question.

Question 17. What are the main factors that influence whether entrepreneurs reinvest in other start-ups or scale-ups after a successful business exit, and to what extent is tax an appropriate lever for encouraging this?

The AIC has no comments on this question.

Question 18. Is tax an appropriate lever to incentivise reinvestment? If so, how can the UK tax system encourage stronger reinvestment activity, including through removing any existing barriers that might disincentivise this?

The AIC has no comments on this question.

Question 19. To what extent does BADR influence decision-making when considering the sale of a business, compared to other factors e.g. market conditions, personal circumstances?

The AIC has no comments on this question.

Question 20. Do you consider BADR to be well-targeted at supporting entrepreneurial activity, or are there ways that it could be changed, or a better alternative?

The AIC has no comments on this question.

4 Annex 1: Case studies of VCT investment

No.	Case study	Sector
1.	Matillion	Data integration
2.	Quantexa	Information Technology
3.	QikServe	Hospitality
4.	Endomag	Medical research
5.	Graze	Food manufacturing
6.	Optoscribe	Telecommunications
7.	Phasecraft	Quantum computing
8.	Egress	Data security
9.	Go outdoors	Leisure
10.	Unseen	Recruitment
11.	Quantum	Quantum computing
12.	Xapien	Information Technology
13.	Summize	Legal Technology
14.	Tem	Renewable energy
15.	AutomatePro	Information Technology
16.	Thought Machine	Banking FinTech
17.	Treefera	Environmental Technology
18.	Gravitee	Data management
19.	Mowgli Street Food	Hospitality
20.	Remofirst	HR Technology
21.	Natterbox	Communications
22.	Panintelligence	Data analytics
23.	Plandex	Information Technology
24.	Hospital Services Limited	Healthcare
25.	Relative insight	Data analytics
26.	Vypr	Marketing Technology
27.	Workbuzz	HR Technology
28.	Force24	Marketing Technology
29.	Sipsynergy	Communications
30.	Fuuse	EV infrastructure
31.	Elliptic	Regulatory Technology
32.	KatKin	Pet Food
33.	Definely	Legal Technology
34.	Vyntelligence	Data Analytics

35.	DynaRisk	Cyber security/risk management
36.	Semble	Healthcare
37.	DrDoctor	Healthcare
38.	Popsa	E-commerce
39.	Depop	E-commerce (Fashion)
40.	MirrorWeb	Digital communications
41.	Veremark	HR Technology
42.	Tails.com	Pet food
43.	Cityswift	Transport Technology
44.	Focalpoint	Navigation Technology
45.	Rotageek	HR Technology
46.	Panthera	Pharmaceutical
47.	Deep Secure	Cyber security/risk management
48.	Stormharvester	Waste water
49.	Qureight	Clinical trials
50.	Gousto	Food manufacturing
51.	Cohort Plc	Defence technology
52.	Diaceutics	Pharmaceutical
53.	Ohalo	Data security
54.	S4labour	Hospitality/HR Technology
55.	Convertr	Marketing Technology
56.	SecureCloud	Defence Technology

1.



Matillion is a data integration platform provider. It is a leading example of how VCT funding has helped scale an early-stage UK business with £1m of revenue and 16 employees into a global Unicorn.

The British Smaller Companies VCTs first invested in Matillion in 2016, leading the Series A round, before participating in the Series B round in 2018 led by, US VC firm, Sapphire Ventures. Subsequent rounds were completed in 2019, 2021 and 2022, with other US VC firms investing. General Atlantic took the lead in the \$150m Series E round in 2021 that valued the business at c.\$1.5bn, where the BSC VCTs realised some of their investment.

The initial VCT funding acted as a catalyst for the business to scale and deliver the significant growth in value that has since come through. By the end of 2025, Matillion's revenues have grown to over £90m and the business employs 460 people. It is also noted that the specific terms attached to the British Smaller Companies VCTs' investment into Matillion did not prevent the US investment firms from investing in the business and was an important factor for Sapphire Ventures in the completing the 2018 Series B round.

2.

quantexa

[Quantexa](#) is a global leader in Decision Intelligence and predictive analysis, helping banks, corporates and governments detect complex financial crime through advanced data analytics and AI. Founded in 2016, the company exemplifies the VCT escalator, progressing from a high-risk UK start-up to a global technology champion.

Albion VCTs led Quantexa's first institutional funding round in 2017, investing £1.3m at Series A when the business was just six months old, pre-revenue and heavily loss-making. AlbionVC provided hands-on support through board leadership, senior hires, early sales execution and strategic guidance, as it successfully graduated to global capital. Albion VCTs continued to back the company through Series B (2018) and Series C (2020) raises alongside external investors with total VCT investment of £10.1m. By 2021, Quantexa had scaled beyond VCT limits.

Since then, the company has raised hundreds of millions from investors including British Business Bank, Warburg Pincus and GIC, reaching a valuation above \$2bn. Albion VCTs have realised value through partial exits at up to 55x, while Quantexa remains UK-headquartered, employing nearly 900 people and generating over £100m in annual revenue. Quantexa is a clear demonstration of how VCTs build enduring UK tech champions.

3.

QikServe®

QikServe is a UK-based developer of a patented customer self-service platform for the hospitality and travel sectors, enabling customers to order and pay at the table or remotely. The platform helps operators increase average spend and reduce waiting times.

Prior to Maven VCTs' involvement, QikServe had raised approximately £1m through multiple EIS funding rounds. While this supported early development, more capital was required to scale the business and roll out the platform across Oracle's global hospitality customer base. Existing investors were unable to provide the quantum of funding needed, making VCT investment critical at this stage. Maven VCTs first invested in late 2016 and, through follow-on funding, invested a total of £3.5m. This growth capital supported international expansion and the acquisition of Preoday in 2019, accelerating product capability and scale. Despite Covid-related disruption, QikServe's digital model drove strong growth, with recurring revenues increasing by 400% in the three years prior to exit. In September 2024, QikServe was acquired by [The Access Group](#), enabling further growth as part of a global hospitality software platform.

4.

endomag⁺

Endomag is a Cambridge-based medical technology company developing innovative, wire-free and radiation-free solutions to improve breast cancer surgery. Founded in 2007 as a spinout from University College London, the company created the Sentimag® system, which uses magnetic sensing to help surgeons accurately locate tumours and lymph nodes. Its complementary products, Magseed® and Magtrace®, enable precise tumour localisation and lymph node identification without the need for radioactive isotopes, improving patient experience and reducing the likelihood of repeat procedures.

Endomag's growth was supported by a combination of grant funding and private investment. An early Innovate UK grant enabled initial research and development, followed by venture capital funding rounds including a \$10m Series C in 2018 and a further £15m Series D follow on in 2020 led by Molten Ventures plc with participation from its VCT and EIS funds, supporting US expansion and product scaling. Additional debt financing in 2023 further accelerated commercial growth. By 2024, Endomag's technology had been used in over 130,000 procedures worldwide. The company was acquired by Hologic, Inc. in 2025 for \$310m, reflecting the value of early-stage funding.

5.



Graze was founded in 2005 as an online snack delivery business offering healthier, often nut-based treats directly to consumers. At a time when food start-ups faced high failure rates and limited access to growth capital, Octopus Ventures made a pivotal early investment in 2009, alongside DFJ Esprit, backing the business through its VCT funds.

This VCT-backed capital was critical in enabling Graze to scale beyond its original direct-to-consumer subscription model. Octopus supported investment in product development, brand building and operational capability, helping Graze successfully transition into a mainstream retail brand stocked by major supermarkets and retailers. In addition to funding, Octopus provided strategic guidance as the founders scaled the business and navigated the challenges of consumer goods expansion.

Graze's growth culminated in its acquisition by Unilever in 2019, delivering a successful exit for VCT investors. The company remains a flagship example of how VCT funding can support early-stage consumer businesses through high-risk phases and help create enduring UK growth success stories.

6.

OPTOSCRIBE

Optoscribe is a UK laser technology pioneer manufacturing photonic integrated 3D circuits for optical communications. Founded in 2010 as a spin-out from Heriot-Watt University, the company uses patented direct-write laser technology to produce complex optical components at wafer level for global telecommunications and data-centre markets. Prior to VCT involvement, Optoscribe had raised approximately £3m through six EIS funding rounds. While this early capital supported technology development, the business required significantly larger investment to fund capital expenditure, expand specialist headcount, and move into volume production. EIS investors were unable to provide the scale or follow-on capacity required as the company's gross assets and commercial ambition increased.

The Maven VCTs backed Optoscribe through multiple funding rounds, providing patient growth capital and the ability to support the company as it scaled and deepened strategic relationships with global partners, including Intel. Maven's involvement enabled Optoscribe to overcome scale-up bottlenecks and transition to high-volume manufacturing. In January 2022, Optoscribe was acquired by Intel, delivering a strong return for the VCT investors and securing the company's long-term growth within a global semiconductor leader.

7.

PHASECRAFT

Phasecraft is a UK-based developer of software and algorithms for quantum computers and a spin-out from the University College London (UCL) Technology Fund. Albion VCTs first invested £2.4m in 2023 as part of a £13m funding round. This capital was critical in building a highly specialised team, a significant proportion of whom hold PhDs in quantum theory or materials science, and in landing a critical collaboration with Google which established Phasecraft as a global leader in quantum algorithms. When Albion VCTs invested, Phasecraft was pre-revenue, carrying a high technical risk with an uncertain route to market, making it difficult to attract later-stage investors. VCT funding helped bridge the scale-up gap. Phasecraft has since raised £32m in total, including £4.8m from VCTs, and completed a £24m+ Series B in May 2025 with continued Albion VCT support. As a Knowledge Intensive Company, Phasecraft will directly benefit from the government's decision to increase VCT lifetime investment limits. The higher funding caps will allow Albion VCTs to continue backing Phasecraft through Series C and beyond, as it emerges as a national champion.

8.

 egress

Egress is a leading cloud email security platform and a critical UK sovereign asset, protecting sensitive data for organisations including the NHS, the Ministry of Justice and the Cabinet Office. Albion VCTs first backed the business in 2014, leading the £2.2m Series A alongside angels at an early and high-risk stage.

The decisive moment came in 2017. Despite appointing advisers, Egress was unable to secure external investors for its Series B, with the business judged too niche by the wider VC market. Albion VCTs stepped in to fully fund the £2.83m round alone, providing the runway to broaden the product suite and scale the business. By 2018, revenues had grown tenfold and new commercial investors were attracted to the Series C.

Beyond capital, AlbionVC professionalised governance, supported US market entry and executed a transformational acquisition strategy. This long-term support culminated in a \$400m acquisition by KnowBe4 in 2024, delivering a 35x return on Series A shares and demonstrating the vital role of VCTs in building globally competitive UK technology businesses.

9.



GO Outdoors is a retail business, selling a comprehensive range of outdoor activity clothing and accessories. GO Outdoors was a VCT investment held by the British Smaller Companies VCTs between 1998 and 2016, which delivered a 37.5x return to the VCTs. At the point of the BSC VCTs' investment, GO Outdoors had 1 store, with 30 employees and revenue of £2.5m. By the time the business was sold to JD Sports Fashion plc 18 years later, revenue had grown to £202m, with over 2,500 employees working across 58 stores.

GO Outdoors is a strong example of a VCT-backed high growth business, which has shown significant increases in revenues, retail estate and employee numbers during the investment term. There are many examples of technology businesses scaling thanks to the support provided by VCTs. GO Outdoors is a notable example of a non-technology business that has successfully scaled through the VCTs' holding period.

10.



Unseen Group is recruitment technology group which works with educators and employers to provide end-to-end solutions for institutions and employers wanting to attract, hire and develop 16–25-year-olds. Prior to investment from Maven VCT funds in 2019, Unseen Group (formerly Gradtouch) received an aggregate of £1.3m of funding (SEIS: £0.1m and EIS: £1.2m). Further funds were required to sustain its growth plans. Over a five-year period, Maven VCTs has supported Unseen Group with several funding rounds. Unseen Group has evolved from an emerging graduate recruitment website to a leading provider of early years' talent solutions, delivered both in-person and online. The successful integration of several bolt-on acquisitions, including TopScore, a digital platform for paperless assessment centres and interviews, as well as further funding rounds of investment through the Maven managed funds, helped Unseen Group deliver year-on-year growth in revenues and earnings. This attracted investment from Pelican Capital LLP ('Pelican') in 2024, when a secondary buyout was completed. Unseen Group had identified several key strategic acquisition targets and funding from Pelican has facilitated continued growth.

11.



Nu Quantum is a Cambridge-based quantum computing company a spin-out of the University of Cambridge. It operates in one of the most capital-intensive and strategically important areas of deep technology, building the technology necessary to scale quantum computers to utility. Funding from VCTs including Gresham House VCTs has supported Nu Quantum's early development, helping it attract world-class talent and advance cutting-edge quantum networking technologies. The company has recently secured Series A funding of \$60m from funders including Gresham House VCTs. As the business progresses, future funding rounds are likely to require significant capital to maintain momentum in a globally competitive field. The increase in VCT funding limits allows Gresham House VCTs to continue participating in these later rounds, providing capital that supports long-term innovation rather than short-term returns. This change strengthens the UK's ability to retain and scale pioneering quantum businesses domestically, while giving VCT investors exposure to transformational technologies that would otherwise be difficult to support under the previous limits.

12.



Xapien is a UK-based regtech company providing automated due diligence and risk intelligence for businesses and organisations across a range of sectors. Founded to modernise manual and time-intensive KYC checks, for example for PEPs (Politically Exposed Persons), Xapien uses its AI-enabled technology to analyse corporate data sources and generate structured risk reports.

In its early stages, Xapien raised seed funding from angel investors and specialist early-stage investors to develop its core technology and validate demand among financial institutions and professional services firms. As the company sought to scale commercially, investment from YFM Equity Partners, via its British Smaller Companies VCTs, played a crucial role in bridging the gap between product development and broader market adoption, initially with a £6m seed funding round and then the July 2024 \$10m Series A round. The funding enabled Xapien to expand its engineering and compliance expertise, strengthen its data infrastructure and accelerate customer acquisition.

The British Smaller Companies VCTs then led a follow-on round in 2025 to help Xapien maintain its strong growth trajectory. The VCTs would expect to provide further investment as Xapien progresses to raising a Series B in due course. Under previous VCT lifetime limits, continuing to back the company through multiple rounds would have been constrained, despite strong progress and increasing capital needs. The increase in VCT lifetime investment limits directly addresses this issue, allowing YFM and the British Smaller Companies VCTs to remain long-term partners.

13.



Summize is an AI-powered contract management software solution that streamlines and facilitates how organisations draft, analyse, and organise their contracts.

Early-stage funding in 2018 and 2019 from the Northern Powerhouse Investment Fund, the British Business Bank and high net worth investors supported product development and pilot deployments with corporate clients. In 2022, Summize completed a £5m Series A round, led by YFM Equity Partners via British Smaller Companies VCTs and Maven VCTs, which was instrumental in helping Summize scale beyond its initial customers. This capital enabled the company to develop a robust, enterprise-grade solution capable of meeting customer requirements, fund the expansion of the team and build its presence in the US.

In 2026, the business completed a £41m Series B funding round, with co-investment from the British Smaller Companies VCTs and the Maven VCTs. This investment will help Summize to further grow revenues in the US, enhance product development and scale sales and marketing.

To date, Summize has raised £19.3m from VCTs or similar 'state aid' funds. The increase in lifetime limits for companies such as Summize, means the existing VCT funds can support the business deeper into its funding journey.

14.



Tem is a high-growth UK fintech supporting the renewable energy transition. Its AI-driven platform enables businesses and energy generators to transact directly, removing costs traditionally layered on by wholesale intermediaries. This significantly reduces energy costs for SMEs and supports the UK's move towards Net Zero. Albion VCTs was Tem's first institutional investor, committing £1.2m in December 2022. This early capital funded the initial engineering team and the development of core technology infrastructure at a stage considered too risky for many investors. This de-risking proved catalytic, attracting one of Europe's leading VC funds and resulting in a £10m Series A in 2024. The business has since grown rapidly, with revenues up 640% to December 2025 and a £37m Series B led by a top-tier US VC. Tem has now raised over £50m in total. Headcount has increased from 8 to 95, with around half in highly skilled UK-based data science and engineering roles. Despite VCT backing from the start, fuel to rapid growth, Tem failed the £15m Gross Assets Test, preventing further VCT participation in the Series B. Earlier application of the new VCT investment limits would have avoided this outcome.

15.

AutomatePro

Headquartered in Reading, AutomatePro focuses on testing and documentation as part of the software delivery process. AutomatePro allows developers and platform owners to automate repetitive tasks early in the development cycle, ensuring higher-quality releases and faster deployment. AutomatePro's solutions are used by Fortune 500 and FTSE 100 companies across various industries.

Through its British Smaller Companies VCTs, YFM Equity Partners completed a £5 million Series A investment into the business in 2022. This funding helped to support AutomatePro's expansion into the U.S. market, scale its sales and marketing efforts, and drive product innovation.

Follow-on capital was invested into the business in 2024 and 2025 by the British Smaller Companies VCTs, in rounds led by YFM Equity Partners. This investment was used to further accelerate U.S. expansion and advance product development, particularly focusing on AI-driven strategies.

AutomatePro has significant potential for further growth and with c.£12m of VCT and other 'state aid' capital raised to date, the increased lifetime investment limits, will enable the British Smaller Companies VCTs to provide meaningful levels of follow-on capital. This is important for VCT investors, as it allows the VCT fund to 'ride its winners' for longer and maximise their return potential. It is also helpful for the business, as having the British Smaller Companies VCTs invest in future rounds encourages potential co-investors to participate, which increases the business' future prospects.

16.



Thought Machine is a London-based fintech company developing cloud-native core banking and payments infrastructure to help financial institutions replace legacy systems. Founded in 2014 by former Google engineer Paul Taylor, the company's flagship platform, Vault, enables banks to manage accounts, payments, and financial products through modern, API-driven software. Its technology is now used by major global institutions including JPMorgan Chase, Lloyds Banking Group, and Standard Chartered.

Thought Machine's growth has been supported by a strong funding journey, beginning with seed investment from IQ Capital and Playfair Capital. In 2018, Lloyds Banking Group participated in a \$25m Series A round, validating the commercial potential of its platform. This was followed by a \$125m Series B round, over a number of tranches, in 2020, backed by Molten Ventures plc with participation from its VCT and EIS funds and British Patient Capital, enabling international expansion. In 2021, a \$200m Series C round valued the company at over \$1bn, achieving unicorn status. Further investment in 2022 increased its valuation to \$2.7bn, supporting continued global growth and reinforcing the UK's leadership in fintech innovation.

17.

◎ TREEFERA

Treefera is an AI software platform that helps supply chain leaders gain access to continuous observations of nature-based assets instead of relying on limited field visits or one-off surveys. When Albion VCTs invested in early 2024, the company was growing fast but had a small customer base that lacked diversification. As a result, the company was viewed as too high risk for significant investment. Albion VCTs' participation in the Series A funding helped fuel 15x revenue growth in the first year. This helped to de-risk the business, enabling a £23m Series B led by Notion Capital (UK). While the Treefera technology was promising, the business profile was highly risky for mainstream venture capital. Albion VCTs provided capital that other investors were reluctant to provide. The £7.1m Series A investment was deployed immediately to transform the startup into an international enterprise. Triple Point VCT also invested £1m in the Series A round. Recent Series B capital raising, which included funding by Albion VCTs, has helped headcount grow 6.5x in under two years and deliver 15x growth in its first year of investment. The company is on track to become the global standard for nature-based supply chain data.

18.



Gravitee is an application programming interface (API) platform enables organisations to securely orchestrate, govern, and observe all digital traffic across APIs, real-time event streams, and agentic AI systems. Gravitee has produced solutions for government, educational establishments, healthcare and media. Gravitee received funding from Albion Capital VCTs first in 2021 when it was deemed too risky by other VCs due to tiny market share relative to established competitors. VCT funding helped to further develop the platform, build the marketing and sales functions and hire key c-suite executives. This resulted in operational maturity which derisked it for external investors. Recent Series C funding was led by Sixth Street Growth with participation from existing investors Riverside Acceleration Capital and Albion VCT. It has now raised over \$125m in funding since its inception and is trusted by hundreds of global enterprises including Michelin, Roche, and Blue Yonder. It has been categorised as industry leader by Gartner in its Magic Quadrant and anticipates a Series D next year.

19.



Established in 2014 by Nisha Katona MBE, Mowgli Street Food is an authentic Indian street food restaurant group known for its strong gluten-free, vegetarian and vegan offering. Foresight-managed funds, including Foresight VCT, invested £3.5 million to support expansion and provide growth capital. Since then, Mowgli has grown into one of the UK's leading Indian casual dining brands, with around 26 sites nationwide.

Foresight combined funding with hands-on strategic support. It strengthened the senior team by bringing in experienced industry leaders, including a chair with significant restaurant sector expertise, alongside a seasoned Finance Director and Operations Director. Foresight also helped refine Mowgli's strategy and site roll-out plan, embed clear KPIs, enhance board governance, and steer the business through the disruption caused by Covid-19.

During the investment period, Mowgli created more than 500 sustainable jobs and was ranked the 16th best UK company to work for in 2022. Foresight exited in 2023, delivering a 3.5x return and demonstrating the transformative impact of VCT-backed growth capital.

20.

remofirst

Remofirst is a UK-founded HR technology company providing a global employment platform that enables businesses to hire, onboard and manage international teams compliantly. Its platform simplifies complex processes such as payroll, tax and employment law across multiple jurisdictions, allowing companies to scale globally without establishing local entities.

In its early stages, Remofirst secured seed funding to develop its core platform and establish operations in key markets. As the business moved from product development to rapid international expansion, VCT investment played an important role in supporting this transition. VCT-backed capital, including from Octopus Ventures, enabled Remofirst to invest in technology, compliance infrastructure and customer support while scaling sales and marketing activity. This growth capital helped de-risk the business for later-stage investors. Remofirst's funding journey demonstrates the importance of VCTs in supporting UK technology companies with globally scalable models, particularly during the capital-intensive scale-up phase where upfront investment is required ahead of profitability.

21.



Natterbox is a global, cloud-based business telephony and contact centre provider, fully integrated with the Salesforce platform. Founded in 2010, the company serves a range of blue-chip clients, including Groupon, Canon and Legal & General. In addition to voice services, Natterbox offers a fully integrated omni-channel solution, supporting SMS, WhatsApp and other digital communication channels. Initial investment from Octopus Apollo VCT supported Natterbox's international expansion and strengthened its sales, marketing and product development capabilities. However, further funding was constrained by existing VCT limits, preventing Octopus Apollo VCT from providing additional growth capital. Funding from the US-based Gores Group enabled the business to continue scaling. Since Octopus's investment in 2018, Natterbox has expanded globally, opening offices in Sydney and Chicago, doubling its client base, and deepening relationships with existing customers such as Fruit of the Loom, Groupon and Virgin Wines.

22.

panintelligence

Panintelligence was founded by Ken Miller and CEO Zandra Moore in 2014. The company provides analytics and business intelligence software for Software as a service (SaaS) applications. Panintelligence's no-code data analytics, dashboards and reports enable users, without deep data expertise, to gain actionable intelligence in the applications they use every day.

Panintelligence operates worldwide from its headquarters in Leeds, UK, and Boston, Massachusetts and works with customers across sectors including finance, healthcare and education. YFM Equity Partners via its British Smaller Companies VCTs, led a £4.5 million Series A round in 2019 and provided a further £1 million investment in July 2025. The most recent funding supported the company's next phase of growth, including its expansion into Agentic AI and further investment in growing its team.

23.

Plandek

Plandek is a UK-based software engineering intelligence platform founded in 2017 to help software delivery teams improve the speed, efficiency and predictability of software development.

In its early years, Plandek secured initial funding from Family Office and other private investors to develop its SaaS platform and validate its product offering. As the business sought to scale, VCT-backed investment became critical in bridging the transition from early development to commercial growth.

In October 2022, YFM Equity Partners led a £4.5m Series A investment through its British Smaller Companies VCTs to expand Plandek's go-to-market capabilities, particularly in the enterprise segment. YFM has since provided follow-on funding in 2024 and 2025, supporting continued growth in AI-driven analytics and value stream management.

VCT capital has enabled Plandek to scale sales and marketing capacity, while continuing to invest in product leadership. This demonstrates the vital role VCTs play in supporting UK software businesses through the scale-up phase.

24.



Headquartered in Belfast, with offices across Ireland and Great Britain, [Hospital Services Limited \(HSL\)](#) is a specialist distributor of diagnostic medical devices, surgical equipment and consumables to public and private hospitals. In 2024, it supported more than 500 medical facilities across Northern Ireland, the Republic of Ireland and Great Britain.

Foresight VCT Plc and Foresight Enterprise VCT Plc made an initial £4.5 million investment in 2015, backing incoming CEO Dominic Walsh. A further £4.9 million was invested between 2021 and 2023 by other Foresight funds. Alongside capital, Foresight provided active strategic support, helping to scale the business organically and through acquisitions, including MDI Medical in 2021 and Fleetwood Healthcare in 2023. The senior team was strengthened with the appointment of a CFO, COO and Service Director.

During Foresight's investment, revenues grew seven-fold to almost £60 million, and employee numbers increased from around 30 to 175. Foresight exited in February 2025 to Asker Healthcare Group, delivering returns of between 2.5x and 8.5x across its funds.

25.



[Relative Insight](#) is a technology business providing text analytics software to allow clients to analyse text data. With Relative Insight, businesses can become more responsive to the needs of its customers by analysing the data received from customers interactions including surveys and online conversation.

Born out of Lancaster University's InfoLab21, its analysis technology was originally designed to find and track criminals online by detecting language distinctions in online chat rooms. Today, Relative Insight's intelligence is applied in market research and customer experience optimization, helping companies better understand how to communicate with their audiences.

Early initial funding was from the Northwest Fund for Venture Capital. Further funding was provided from Northern Powerhouse Investment Fund (NPIF): Supported by the European Regional Development Fund. Maven Capital Partners led a £4m round in 2019, with £3m from VCTs and £1m from NPIF. More recently, YFM Equity Partners provided £5m in 2022 through its managed British Small Companies VCTs. Investment by the VCTs has enabled accelerated product development and U.S. expansion.

26.



Manchester-based product intelligence platform [Vypr](#) provides fast, online consumer insights that help brands and retailers develop, test and validate product ideas. Through its digital platform, Vypr enables businesses to make data-driven decisions, reducing risk, improving speed to market and optimising product performance.

YFM Equity Partners, via its British Smaller Companies VCTs, first invested in Vypr in 2021, recognising its potential to disrupt the traditional consumer insights market. That initial growth capital supported platform development, client base expansion and a strengthening of Vypr's UK market position.

In 2025, YFM made a follow-on investment to support Vypr's next phase of growth, including international expansion. Vypr has recently launched its international offering in Australia, building on established operations in the UK and Europe, where its clients include Costa Coffee, Kraft Heinz and Starbucks.

Since YFM's initial investment, Vypr has more than quadrupled revenues and now supports major international brands across sectors including retail, food and drink, health and beauty, automotive and professional services. Over the same period, Vypr has also increased its number of employees from 14 to over 85, illustrating the job growth that VCT capital can help to facilitate.

27.



[WorkBuzz](#) is a UK-based employee insights and engagement platform that enables organisations to capture real-time feedback and improve employee experience and workplace culture. Using AI-powered text analytics, the platform allows HR teams to deploy surveys, analyse sentiment and generate actionable insights to support employee engagement and retention. WorkBuzz is used by organisations including Shell Energy, Premier Foods, HS2, Hovis and Five Guys.

Initial funding from Mercia and Foresight, invested via the Midlands Engine Investment Fund, enabled the Milton Keynes-based business to expand its team and double revenues. Subsequent investment from YFM Equity Partners via its British Smaller Companies VCTs, supported further product development and early international growth, including the acquisition of clients in Australia.

YFM has invested a total of £8.8m in WorkBuzz, including a £3.96m follow-on round in 2025. This funding has supported continued product innovation, market expansion and senior executive appointments to drive long-term growth and value creation.

28.

Force24

Force24 is a Leeds-based email marketing and automation company, which helps its users drive customer engagement. Force24 has a growing client base spanning industries such as travel, recruitment, automotive, and financial services. Clients include Michelin, Tarmac and BBC Children in Need. In 2019, the company was recognised as Growth Company of the Year at the Leeds Digital Festival Awards.

YFM Equity Partners via British Smaller Companies VCTs, made significant growth capital investments between 2020 and 2025. This included Series A funding of £4.8m, which helped drive the company's scale-up plans. Since YFM's investment, Force24 has achieved significant milestones, including a substantial increase in its customer base. The company has also launched several innovative features that simplify campaign management and enhance user experience.

29.

 **sipsynergy**

Sipsynergy started as a Hampshire-based provider of unified communication solutions, primarily serving small and medium-sized enterprises (SMEs). As the market went through significant change, the business expanded its offerings and has pivoted into providing technology solutions to the Microsoft ecosystem.

YFM Equity Partners, through its British Smaller Companies VCTs, has demonstrated ongoing support for Sipsynergy, with investments totalling £6.7m across multiple funding rounds. This continued investment has been instrumental in repositioning Sipsynergy's product offerings to cater to a market that has seen fast and significant change. This funding supported the transition from a Telecoms provider to a Technology business, taking advantage of an ever-changing market.

The company's journey demonstrates how VCTs can help consumer-facing digital businesses navigate the scale-up phase, where working capital demands and customer growth often outpace short-term profitability.

30.



Lancaster-based **Fuuse** provides a charge point management software platform that enables charge point operators, fleets and workplaces to monitor and manage electric vehicle (EV) charging infrastructure. The platform offers real-time visibility of charging networks, remote monitoring and public charging solutions, helping operators optimise performance and reliability. Fuuse's clients include major organisations such as SSE, Scottish Power, British Airways, Siemens, United Utilities and Arnold Clark.

After launching in 2021, by 2024, Fuuse had grown its workforce to 60 and served more than 750 clients and 70,000 active users. YFM Equity Partners, through its British Smaller Companies VCTs, and PAR Equity, through its EIS funds, led a Series A funding round into Fuuse in 2024 to support the next phase of its growth.

Having established itself as the UK's leading EV charge point management platform, the British Smaller Companies VCTs and PAR Equity completed a follow-on investment into the business in 2025 to support the acceleration of Fuuse's product roadmap.

The lifetime limits reform provides the business with significant headroom to raise further VCT and EIS capital as it goes on its scaling journey over the long-term.

31.

ELLIPTIC

Elliptic is a UK-founded global leader for crypto-asset compliance and risk management, providing institutional-grade KYC and AML solutions to banks, governments and digital asset firms worldwide. Since Albion VCTs led Elliptic's £22.5m Series B in 2019, the company has raised £92m to scale its R&D-intensive platform and international footprint, with continued backing from Albion VCTs and Octopus VCTs through Series C rounds in 2021 and 2023.

However, Elliptic's success created an unintended funding barrier. By late 2023, the company had reached £19.7m of State Aid qualifying finance, leaving just £300k of headroom under the previous £20m KIC lifetime limit. This prevented its two largest institutional shareholders from supporting a critical \$15m funding round in 2025. The company was a high-growth, but still loss-making- business, requiring essential capital to reach profitability, without which the company would have failed.

The government's decision to increase the KIC lifetime limit removes this constraint. It enables VCT investors to participate in Elliptic's forthcoming £50m+ Series D, supporting significant UK job creation, safeguarding governance influence, and ensuring a national fintech leader continues to scale and be supported from the UK.

32.

The logo for Katkin, featuring the word "Katkin" in a yellow, handwritten-style font.

London-based [Katkin](#) is Europe's first fresh-cooked cat food company. The company produces vet-formulated, personalised meals made from real meat. Its products are sold direct to consumer via an online subscription service, offering pet owners personalised meal plans for their cats.

Katkin raised £4.5m in seed funding led by Octopus Titan VCT. Funding limits prevented Octopus Titan VCT from participating in subsequent funding rounds which would have helped aid its growth. Founded in 2020, the company employs over 150 people, primarily at its production sites in London and Suffolk, and has delivered more than 100 million fresh meals to date.

The global cat food market is projected to exceed \$40bn by 2030, with Katkin accounting for around 2% of the UK cat food market. Overseas investment from Belgium-based Verlinvest has enabled Katkin to operate as an independent company. Katkin has also recently secured a retail partnership with national pet superstore Jollyes.

33.

The logo for Definely, featuring a blue square icon with a white document symbol and the word "definely" in a blue, lowercase, sans-serif font.

[Definely](#), founded in 2020, is a UK LegalTech company created to make legal documents easier to read, edit and understand. Definely's suite of productivity solutions helps to give lawyers significant daily time savings when working on contracts. The company was founded by two Magic Circle lawyers, one of whom is registered blind. Headquartered in London, Definely has over 75 employees located globally. The company was named in the top 25 of the prestigious Deloitte UK Technology Fast50, a list of the UK's fastest-growing tech companies. It launched its first product in September 2020 with the help of seed funding from Microsoft's venture fund, M12, and CRE Venture Capital.

Vital Series A funding of \$7m in 2024 led by Octopus Ventures helped with expansion to the US as well as to provide for retention plans for key staff. A \$30m Series B investment round in 2025 included investors from Europe and North America including legal tech giant, Clio. The funds will be used to accelerate its global expansion and product development.

34.



Vyntelligence is a UK-based AI video platform that enables organisations in the energy, utilities and telecommunications sectors to capture and analyse field data through short videos. By applying AI and computer vision to video content, the platform streamlines in-field workflows, reduces manual reporting and helps organisations identify risks earlier, cut site visits and improve customer service. Frontline workers use the technology for tasks ranging from routine maintenance to complex infrastructure audits. Vyntelligence operates in more than 20 countries. Clients include SSE, Vodafone and UK Power Networks. Growth capital investment from Octopus Ventures in 2024 supported enhancements to Vyn®'s generative AI capabilities and early expansion into the US. In 2025, Vyntelligence secured \$30 million in Series B funding, co-led by Blume Equity and Morgan Stanley Investment Management's 1GT climate strategy. This investment will support further international expansion, particularly in the US, building on strong momentum with enterprise customers across the UK and Europe.

35.



Founded in 2016 by cybersecurity expert and former banking security specialist Andrew Martin, DynaRisk provides cyber risk management and underwriting solutions to (re)insurers, managing general agents and brokers globally. The company delivers an embedded intelligence platform that combines threat intelligence, cyber risk scoring, dark web monitoring, education and remediation tools, and a multilingual cyber helpline. DynaRisk currently supports more than 25 insurance customers worldwide, covering approximately 2.4 million consumers and 800,000 SMEs.

Funding of \$4.7m in 2025, led by YFM Equity Partners through its British Smaller Companies VCTs, supported the business's international expansion. Dynarisk has a particular focus on expansion across EMEA, North America and Asia-Pacific, while also enhancing its platform capabilities in response to increasing demand for scalable cyber risk solutions.

36.

 **Semble**

Semble is a UK healthcare software provider offering practice management solutions to primary and private care providers. Launched in 2018, the company provides software to medical practitioners to help them overcome the administrative challenges posed by legacy technology systems.

VCT-backed investment from investors including Octopus Ventures, Mercia and Triple Point Ventures enabled Semble to scale its platform, sales capability and compliance infrastructure. Healthtech businesses typically require ongoing investment over several rounds to reach scale.

37.

DrDoctor

DrDoctor is a London-based digital health platform and patient engagement tool. DrDoctor enables patients to view appointment letters, rebook/cancel appointments, ensuring fewer missed appointments, and engage in video consultations. Series A investment in 2020 from venture capital firms Ananda Impact Ventures and 24Haymarket was used to hire across the business and add new functionality to DrDoctor's patient communication platform.

In 2023, the business completed a £10m Series B funding round led by YFM Equity Partners, through its British Smaller Companies VCTs, and supported by existing investors. This investment was used to support extensive product development, including patient engagement tools, remote data collection and a new predictive AI tool to identify and respond to patients that could potentially miss their outpatient appointments.

The British Smaller Companies VCTs provided follow-on funding in 2025, which is aligned to their strategy of investing further capital to support the growth of their portfolio businesses. The increase in lifetime limits ensures VCTs can continue supporting companies like DrDoctor through later funding rounds, improving funding continuity and supporting long-term growth in UK healthcare technology.

38.

 **Popsa**

Popsa is a fast-growing consumer technology business that allows users to create high-quality photo books directly from their smartphones. VCT investment has been central to Popsa's journey, supporting product development, customer acquisition and strong commercial performance in the UK. As the business has scaled, its lead investors, including Gresham House VCTs had effectively reached the previous lifetime funding limit, constraining their ability to continue backing the company despite its strong results. The increase in VCT limits now allows Popsa to revisit raising further capital from its existing backers to fund international expansion and deepen its market presence. This change ensures continuity of support from investors who know the business well and aligns with Popsa's long-term growth strategy, while also enabling VCT investors via Gresham House VCTs to continue participating in the value they helped create.

39.

depop

Depop is a peer-to-peer online marketplace and social media app for buying and selling unique second-hand, vintage and designer fashion. The company was initially backed by angel investors. A subsequent \$20m Series B investment from Octopus Titan VCT was used primarily to accelerate global growth, with a particular focus on expansion in the United States. The funding supported the scaling of operations, continued development of the platform's technology and the launch of physical retail spaces in the US.

Depop has since achieved significant commercial success and was acquired by Etsy for \$1.6bn in 2021. Following the acquisition, Etsy has allowed Depop to continue operating as a standalone business, led by its existing management team from its London headquarters.

40.

 **MirrorWeb**

Digital archiving specialist [MirrorWeb](#) provides a Software as a Service (SaaS) platform that allows organisations to capture and store web-based content and digital communications, including websites and social media. MirrorWeb has built a strong UK presence, with a blue-chip customer base including Aegon, Baillie Gifford, the BBC, HM Treasury, Tesco Bank and The National Archives.

MirrorWeb initially received EIS investment to support development of its core product. But it was subsequent growth capital provided by Maven VCTs across funding rounds between 2020 and 2023, that enabled product expansion and the build-out of a sales team. Following this investment, MirrorWeb increased annual recurring revenue by over 530%, driven largely by demand from US customers. In 2022, Maven VCTs supported the establishment of a US base in Austin, Texas, to lead international growth. The resulting scale and traction enabled the business to attract further capital from US growth fund Mainsail Partners in 2024. An acquisition by Mainsail Partners, led to a partial exit for Maven VCTs at a total return of 3.3x to 4.5x. The business continues to make progress in terms of growth and new product releases, and the management team has been supplemented by senior hires in the US.

41.

 **Veremark**

[Veremark](#) is a UK-based employment screening and background checking business that has grown steadily with the support of Venture Capital Trust (VCT) funding. Funding from Gresham House VCTs played a key role in helping the company scale its platform, expand internationally and professionalise its operations as demand for robust compliance and screening solutions increased.

Prior to the recent increase in the VCT funding limits, Veremark was already close to the previous lifetime cap, meaning the business would have been operating near the limit from an early stage. Without the change in limits, it is unlikely that Gresham House VCTs would have invested the same amount initially or been able to make meaningful follow-on investments, leaving both the company and its investors in a constrained and potentially vulnerable position. The higher limits now provide greater flexibility to continue backing Veremark, ensuring the company can access growth capital when needed and allowing investors to support long-term value creation rather than being forced to cap their involvement prematurely.

42.

Tails.com

Tails.com is a UK-based subscription dog food company that offers tailored dog food plans developed using a proprietary nutritional algorithm developed by vets, nutritionists and software engineers. Tails.com customers also benefit from a convenient subscription service with home delivery, as well as access to an in-house nutrition support team.

One of the first institutional investors in Tails.com, Octopus Titan and Apollo VCT invested in 2013 and 2015, respectively. The funds were used to help build and grow the business and support the brand's focus on user experience, which included providing direct support from veterinary experts.

The company now delivers throughout the UK, France, Germany and the Netherlands. Tails.com was acquired by Nestle Purina family in 2018 and has grown significantly. The investment demonstrates the important role that VCTs play in helping to build successful, scalable businesses.

43.

cityswift

Cityswift provides data-driven planning and analytics tools to public transport authorities, helping cities design more efficient, sustainable transport networks. The business has benefited from VCT backing by Gresham House VCTs as it built out its product and secured contracts in a market characterised by long sales cycles and complex procurement processes. As Cityswift approaches the previous VCT lifetime funding limit, the need for further capital has become increasingly relevant, particularly given the time required to convert pipeline opportunities into revenue. The increase in VCT funding limits is therefore critical: it enables Gresham House VCTs to continue supporting Cityswift through its next growth phase. This capital approach allows Cityswift to focus on winning and delivering long-term public sector contracts while giving VCT investors continued exposure to a high-quality, scaling business with strong growth prospects and significant public policy relevance.

44.

 **FocalPoint**

FocalPoint Positioning is a UK-based technology company developing advanced positioning solutions with applications across sectors including mobility, robotics and infrastructure. Funding from Gresham House VCTs supported the business through its early development and commercialisation phases, helping it reach a significant value inflection point as its technology gained traction. However, the company has now reached the previous VCT lifetime funding limit just as it enters a critical growth stage. The increase in VCT limits is therefore timely, reopening the opportunity for Gresham House VCTs to provide further follow-on capital. This enables existing and new VCT investors to help drive additional value, support international expansion and accelerate commercial adoption of FocalPoint's technology. Without this change, funding options at this stage would have been more limited, potentially slowing progress at a moment of strong momentum.

45.

 **rotageek**

Rotageek is a UK-based SaaS business providing cloud workforce-management software that addresses structural inefficiencies in staff scheduling across large employers. Its growth illustrates the role of committed, patient capital in enabling both innovation and scale.

From initial investment through to exit, Gresham House provided sustained backing and hands-on support, including multiple follow-on funding rounds. Continued investment during the height of COVID uncertainty in 2020 proved decisive, enabling Rotageek to double annual recurring revenue (ARR) between 2019 and 2021 as customers accelerated adoption to improve efficiency during disruption.

Alongside capital, Gresham House supported go-to-market execution, expansion into new verticals and governance upgrades, including the appointment of a new CFO and Chair. This helped scale ARR from £1.5m to nearly £5m and positioned the business for long-term growth.

After seven years of VCT-backed support, Rotageek reached cash breakeven with a clear path to profitability and exited in spring 2025 at an enterprise value of £27m (6.1x ARR). Without VCT backing from investors like Gresham House, Rotageek would not have survived COVID, scaled its product, or delivered a successful exit.

46.



Panthera Biopartners operates a network of dedicated clinical trial research sites, supporting patient recruitment, management and reporting for clinical research organisations, as well as pharmaceutical and biotech companies. Panthera addresses the issue of delays in trials which can cost up to \$8m per day in lost revenue by delivering faster, more reliable patient enrolment and trial execution.

Gresham House Ventures (Gresham) made its first investment in Panthera in September 2020 and supported the company through several funding rounds. During this period, Gresham helped strengthen the executive team with key hires, including a CFO, CIO and Patient Engagement and Marketing Director, and supported improvements in operational execution, management information and digital strategy.

During Gresham's investment, Panthera grew from two to five operational sites, with two affiliate sites in Sweden, becoming the UK's largest site management organisation for commercial clinical trials. The company achieved exceptional revenue and EBITDA growth, moving to profitability and strong cash generation. In August 2025, Gresham exited to private equity investor LDC, realising £9.5m and a 3.1x return.

47.



Deep Secure Ltd is a UK-based cybersecurity firm specializing protection against cyber threats, malware and ransomware. Deep Secure was a VCT investment held by YFM's British Smaller Companies VCTs between 2009 and 2021, which delivered a 6.5x return to the VCTs. It is an excellent example of how VCT funding helped scale a company, both in terms of its revenues and numbers of employees, to the point that it became an attractive acquisition target for a global leader in its sector.

Deep Secure was acquired by US firm **Forcepoint**, a global leader in cybersecurity solutions, which integrated Deep Secure's Content Threat Removal technology into its wider product offering. Forcepoint was itself private equity backed, having been acquired by Francisco Partners from Raytheon for \$1.1bn in January 2021.

Deep Secure was one of several strategic acquisitions for Forcepoint, which supported the growth of the business and contributed to the subsequent successful carve out by global alternative asset management firm, TPG, for \$2.45bn in 2023. Francisco Partners retains ownership of the residual elements Forcepoint business.

At the point of the BSC VCTs' investment, Deep Secure had 12 employees and revenue of £1.3m. By the time of realisation, revenues had grown to £4.9m, and the business employed 41 people.

48.



StormHarvester is a Belfast-based AI-driven analytics company that uses advanced machine learning and rainfall prediction to help wastewater utilities detect blockages, prevent flooding, and reduce pollution. StormHarvester has partnered with 75% of UK water utility companies and employs a 50-strong team. Initial funding was provided by Queen's University Belfast and TechStart Ventures facilitating the launch of the first of its kind business in the UK.

An £8.4m (approx. \$10.2m) Series A funding round in January 2025 was led by YFM Equity Partners, via its British Smaller Companies VCTs, and Emerald Technology Ventures. This investment supports product enhancement and international expansion, with an initial focus on markets in Australasia and North America. The company plans to accelerate product development and enhance its AI algorithms to meet the growing demand for sustainable wastewater management solutions worldwide.

As the company expands internationally, VCT investment continues to be a vital factor in the company fulfilling its potential, underscoring the importance of more flexible follow-on funding rules.

49.

Qureight.

Qureight is a UK health-tech company revolutionising clinical trials through the use of artificial intelligence to analyse cardiac and pulmonary imaging data. VCT funding from Hargreave Hale AIM VCT supported Qureight at a critical stage in its development, enabling the company to invest in advanced AI capability, expand its data science team and accelerate product development.

Since receiving investment in April 2024, Qureight has made rapid commercial progress, more than tripling the number of pharmaceutical partners using its platform to 13. Its technology is now used by leading global biopharma companies including AstraZeneca, Merck Sharp & Dohme and PureTech, supporting more precise measurement of drug efficacy and disease progression. VCT backing, including from Hargreave Hale AIM VCT, has helped Qureight move from early validation to commercial scale, with the development of five deep-learning lung disease biomarkers strengthening its proposition and positioning the business as a leader in AI-enabled clinical research.

50.

gousto

Founded in 2012, Gousto has transformed the way consumers buy and prepare food through its innovative recipe-box delivery model. Early VCT investment from Hargreave Hale AIM VCT played a key role in helping the company scale its technology-led approach, supporting investment in automation, data analytics and Gousto's proprietary AI-driven recipe recommendation engine. This technology now underpins everything from menu planning to ingredient sourcing and delivery logistics. With the support of Hargreave Hale AIM VCT funding, Gousto has grown from a challenger brand into one of the UK's leading food-tech businesses. Since the initial investment, revenues have grown to £312m and the company now employs over 1,000 people across the UK. VCT backing provided the capital needed to build operational scale, drive innovation and achieve sustained commercial success in a highly competitive consumer market.

51.

COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP

Cohort is a UK-based independent technology group serving defence, security and other strategic markets, delivering advanced capabilities across areas including electronic warfare, cybersecurity, satellite communications and combat systems.

VCT funding from Hargreave Hale AIM VCT has supported Cohort for 19 years, providing long-term capital to fund organic growth and strategic acquisitions. This patient investment approach has enabled the company to build a diversified and resilient group, operating in highly specialised and regulated markets. Over the period of VCT support, Cohort has achieved a revenue compound annual growth rate of 15 per cent, with revenues increasing from £18m at IPO to £270m. In 2025, Cohort completed the £74m acquisition of Australian-based satellite communications business EM Solutions, further strengthening its international footprint. VCT backing has been instrumental in enabling Cohort's sustained growth and long-term commercial success.

52.

Diaceutics

Better Testing, Better Treatment

Diaceutics is a UK-based precision medicine commercialisation company focused on accelerating the adoption of targeted therapies through an end-to-end launch and commercialisation platform. VCT funding from Hargreave Hale AIM VCT supported the business during its growth phase, enabling investment in its proprietary data platform and the expansion of its global laboratory network.

Founded in 2005, Diaceutics now works with many of the world's leading pharmaceutical companies, helping them identify patients eligible for targeted treatments more effectively. As precision medicine has become increasingly central to healthcare delivery, this capability has driven strong commercial momentum.

Since its IPO, Diaceutics has more than tripled revenues to £38.5 million and achieved profitability. VCT backing provided the patient, long-term capital required to scale the platform, build international partnerships and transition the company into a sustainable, profitable business with a growing global footprint.

53.

ohalo

Ohalo is a data intelligence company which provides data discovery, classification, and sensitive data redaction via one source. Its data governance software platform, is designed to mitigate the likelihood of data theft, leakage, and non-compliance and enables organisations to map, classify, redact and monitor potentially billions of unstructured data files at rapid speed.

Funding by YFM Equity Partners through its British Smaller Companies VCTs, will primarily be utilised to enhance Ohalo's flagship product, the Data X-Ray platform. The state-of-the-art technology offers comprehensive solutions for data discovery, classification, and sensitive data redaction. Designed to support organisations in managing the ever-increasing volume of unstructured data, Data X-Ray helps mitigate risks associated with data security and regulatory non-compliance.

Ohalo's funding journey highlights the unique role of VCTs in supporting capital-intensive, data-led businesses. Without VCT support, product development progress would have been significantly slower.

54.



Oxfordshire-based [S4labour](#) is a UK software business that helps hospitality businesses manage their teams more efficiently. The platform offers tools for rota scheduling, payroll management, HR processes, and labour cost forecasting, through a cloud-based system.

YFM Equity Partners through its British Smaller Companies VCTs led a £4m growth capital round into the business in 2025. Having grown to serving over 250 hospitality businesses and seen its annual rate of return increase by 56% over the previous 3 years, the 2025 funding round enables S4Labour to make strategic hires in sales and marketing and enhance the platform's capabilities to better serve larger clients.

55.



[Convertr](#) is a UK enterprise software company that helps businesses govern data to improve sales, IT, compliance and digital marketing performance. The company has evolved from an early-stage start-up into a robust scale-up. Initial funding was <1m provided by angel investors under the EIS scheme. From 2016 to 2025, the Albion VCTs were Convertr's sole institutional investors, providing follow-on funding across four rounds to support product development and marketing while the company was unable to raise externally. VCT backing enabled Convertr to grow its workforce from 10 employees to 62 and to de-risk the business as it scaled. Its technology is now validated by global customers including Microsoft and Amazon. In 2021, Convertr secured \$5m in venture debt. This facility was refinanced in 2024 with a £4m loan from Virgin Money, supported by a further £1.75m investment from Albion VCTs. The company will be able to consider an externally led funding round in 2026 of over \$30m. It is thought that the company has the potential to progress towards a unicorn valuation (>\$1bn) within five years. Convertr's funding journey illustrates how VCTs can successfully de-risk a globally scalable UK businesses.

56.



[SecureCloud+](#) operates in the UK defence and national security ecosystem, delivering secure cloud and digital infrastructure solutions to highly sensitive customers. The business is capital intensive and operates within a market shaped by long, strategic and often political decision-making cycles, particularly in relation to Ministry of Defence procurement and defence supply chains. VCT funding from Gresham House VCTs has been instrumental in enabling SecureCloud+ to invest in specialist talent, infrastructure and product development while navigating these extended sales and approval timelines. Under the previous VCT lifetime funding limits, the ability to provide ongoing support to such a business was constrained. The recent increase in limits allows Gresham House to continue backing SecureCloud+ with patient, long-term capital that is well suited to the realities of the defence sector. This change supports innovation in a strategically important UK industry while reducing pressure on the company to seek unsuitable funding or exit routes prematurely.

5 Annex 2: Testimonials from founders

The following are testimonials from founders of SMEs that have benefitted from VCT investment.

"Building critical transaction infrastructure in the energy space requires a significant R&D phase before you can generate revenue. When we were at the Seed stage, many commercial investors viewed the timeline to market as too risky. Albion's VCT backing and support helped us move the needle. They provided the patient capital we needed to hire our initial engineering team and put our head down to build the core platform. That early belief gave us the runway to prove our technology and show the metrics that got Lightspeed excited today." **Joe McDonald, Founder & CEO, Tem**

"Translating academic quantum theory into a commercial reality requires a specific type of patient capital that is rare to find. In the very early stages, Albion VCT investment was vital and very valuable because they truly understood the unique timeline of an academically led UK startup. Their funding bought us the time to prove our science and attract world-class talent to Bristol and London. Without that early VCT patience, we would not have been able to de-risk our technology sufficiently to attract our recent global commercial investment." **Ashley Montanaro, CEO & Co-founder, Phasecraft**

"Real innovation in healthcare doesn't happen overnight; you can't just 'move fast and break things' when patient outcomes are at stake. It requires a level of patience that many commercial investors simply don't have. Albion has been a vital partner because they understood that building trust with the NHS and investors takes time. Their VCT funding supported us through the long cycle of building clinical evidence and hiring a senior leadership team capable of navigating the healthcare landscape. That support turned our vision into a sustainable reality, allowing us to help hundreds of thousands of patients improve their health across the UK and Europe." **Kai Eberhardt, CEO & Co-founder, Oviva**

"From our first discussion, it was clear Albion offered more than just the bottom line, they brought a long-term commitment to building a resilient, growth-oriented business. In a sector as fast-moving as crypto assets, Albion provided the steady hand and strategic conviction we needed when other investors were hesitant. Beyond the capital, their support in professionalising our executive hiring was invaluable in avoiding costly mistakes. This support gave us the stability to scale our UK team significantly and establish Elliptic as the global standard for crypto-compliance. This collaborative spirit continues to drive us today as we shape the future of crypto." **Simone Maini, CEO, Elliptic**

"Foresight has been a superb partner to the business over the last decade, helping Hospital Services to grow quickly in the right way. It has been a great relationship and they have brought so much more to our business than just investment - positive challenge, strategic direction and expertise in ESG." **Dominic Walsh, Chief Executive of HSL.**

"It has been a pleasure working alongside Foresight and experiencing in them, an investment house that understood, supported and enabled the vision that I had for Mowgli. The years we spent together around a board table were very enjoyable." **Nisha Katona, Founder and CEO, Mowgli**

"Having known the YFM team for some time, we were confident that they would be able to support us as we invest in a first-class team to take the business forward, turning a strong product in a nascent market into a global leader in its field. For a deal of this size and space in the market, they are the right partner, particularly given their regional coverage. I know a number of businesses in which YFM have invested and I rate the team very highly." **Richard Law, Chairman, Vypr**

"YFM's experience of working with innovation-led businesses has proved invaluable. The team immediately understood our vision and recognised our potential. With the backing of YFM, Par and our angel investors, we can continue to curate the future of EV infrastructure and help more customers to deliver an optimised, reliable and trusted EV charging experience." **Michael Gibson, Fuuse CEO**

"With YFM's backing, we can take our highly accurate technology to new territories with the aim of helping to improve wastewater management at a global level. Expensive-to-replace networks, climate change, and population growth are putting a huge strain on wastewater systems, and this has resulted in increased flooding and pollution. StormHarvester's AI solution is solving these problems, identifying issues before they happen and facilitating proactive intervention. Our technology not only improves operational efficiency for utilities but also plays a critical role in reducing pollution, protecting vital water resources, and supporting a healthier environment. The YFM team quickly recognised the vital nature of our work and have been hugely supportive of our mission." **Brian Moloney, CEO, StormHarvester**

"We are delighted to welcome YFM as an investor. Their experience in scaling SaaS businesses and their strategic approach to growth will be invaluable as we continue to develop our platform and reach new customers. This investment marks an exciting new chapter for S4labour, and we look forward to working closely with the YFM team." **Alastair Scott, Founder of S4labour**

"YFM's backing will help us to enter an exciting new period of growth, strengthening our foundations so that we can continue to build a company for the long term. As innovators in our field, we are always striving to help organisations create order out of unstructured data chaos. With YFM's support, we can now take our solutions to a wider client base, globally." **Kyle Dupont, CEO, Ohalo**

"YFM really understand the market that we are serving and share our vision to transform it using AI and deep technology. This investment will accelerate our product roadmap, deepen our proprietary application of Large Language Models, enhance our Identity Resolution Engine and turbo-charge our growth in sectors where we are experiencing strong demand, including legal, fintech, insurance, private equity, and philanthropy. It is an important step in our journey to help the world do better business." **Chris Green, CEO, Xapien**

"YFM brings a strong combination of support and experience as we push towards the next level of growth. Their passion to be involved in our plans resonated - they were excited by the business, the market opportunity and our product. We were also confident that with a strong tech portfolio in the North, there is a proven track record in the sector as well as extensive experience of supporting the growth of later stage businesses." **Tom Dunlop, Co-founder & CEO, Summize**



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