



Foresight
group

FORESIGHT VCT plc

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2017

Shareholder Information

Foresight VCT plc is a generalist fund aiming to provide investors with attractive returns from a portfolio of investments in fast growing, unquoted UK companies.

ENQUIRIES

Foresight Group is always keen to hear from investors. If you have any feedback about the service you receive or any queries relating to Foresight VCT plc, please contact the Investor Relations team:

020 3667 8159

**InvestorRelations@
foresightgroup.eu**

www.foresightgroup.eu

As part of our investor communications policy, shareholders can arrange a mutually convenient time to come and meet the Company's investment management team at Foresight Group. Please contact us if you are interested.



KEY DATES

Annual General Meeting 2018	May 2018
Interim Results to 30 June 2018	August 2018
Annual Results to 31 December 2018	April 2019

DIVIDENDS

Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained by contacting the Company's registrar, Computershare Investor Services plc.

WWW.INVESTORCENTRE.CO.UK

Investors can manage their shareholding online using Investor Centre, Computershare's secure website. Shareholders just require their Shareholder Reference Number (SRN), which can be found on any communications previously received from Computershare, to access the following:

[Holding Enquiry](#) [Balances](#) | [Values History](#) | [Payments](#) | [Reinvestments](#)

[Payments Enquiry](#) [Dividends](#) | [Other payment types](#)

[Address Change](#) Change registered address to which all communications are sent

[Bank Details Update](#) Choose to receive dividend payments directly into your bank account instead of by cheque

[Outstanding Payments](#) Reissue payments using our online replacement service

[Downloadable Forms](#) Dividend mandates | [Stock transfer](#) | [Dividend reinvestment](#) [Change of address](#)

Alternatively you can contact Computershare by phone on 0370 703 6385

TRADING SHARES

The Company's shares are listed on the London Stock Exchange. Share price information is available on Foresight's website and can also be obtained from many financial websites.

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. The primary market maker for Foresight VCT plc is Panmure Gordon & Co.

You can contact Panmure Gordon by phone on 020 7886 2500

Investment in VCTs should be seen as a long-term investment and shareholders selling their shares within five years of original purchase may lose any tax reliefs claimed. Investors who are in any doubt about selling their shares should consult their independent financial adviser.

Please contact Foresight Group if you or your adviser have any questions about this process.

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Highlights

Total Net Assets
as at 31 December 2017

£140.4m

Net Asset Value per Ordinary Share
increase in year to 31 December 2017*

6.5%

*including dividends.

Ordinary Share Dividends Paid
in year to 31 December 2017

9.0p

ORDINARY SHARES FUND

- Diversified portfolio of 29 actively managed investments.
- Total net assets £140.4 million.
- Net Asset Value per Ordinary Share increased by 6.5% from 83.6p (31 December 2016) to 89.0p including dividends. A 5.0p dividend was paid on 3 April 2017 and a 4.0p dividend was paid on 29 September 2017, resulting in a NAV of 80.0p as at 31 December 2017.
- The portfolio has seen an uplift in valuation of £11.7 million during the year.
- Eight new investments, totalling £17.6 million and two follow-on investments totalling £0.3 million made during the year.
- A total of £39.9 million raised through the issue of shares and the offer closed in March 2017, six weeks after launch.
- In July 2017 the Company successfully sold Blackstar Amplification, Simulity Labs and The Bunker Secure Hosting, realising a total of £16.9 million compared to an investment cost of £8.0 million.
- The Board is pleased to declare an interim dividend for the year ending 31 December 2017 of 5.0p per Ordinary Share, to be paid on 4 May 2018.

PLANNED EXIT SHARES FUND

- Following the sale of AlwaysON in January 2017 and Industrial Engineering Plastics in July 2017, the Fund has now realised all its investments.
- An interim dividend for the year ended 31 December 2017 of 18.0p per Planned Exit Share was paid on 13 April 2017.
- A second interim dividend of 7.71p per Planned Exit Share was paid on 29 December 2017, resulting in a total return for Shareholders of 82.71p.
- The Planned Exit Shares were removed on 24 January 2018 following a General Meeting held on 23 January 2018.

INFRASTRUCTURE SHARES FUND

- Following the sale of all 11 infrastructure assets in the portfolio, the Fund has now realised all its investments.
- An interim dividend of 93.05p per Infrastructure Share was paid on 29 December 2017, resulting in a total return for Shareholders of 115.05p.
- The Infrastructure Shares were removed on 24 January 2018 following a General Meeting held on 23 January 2018.

KEY METRICS

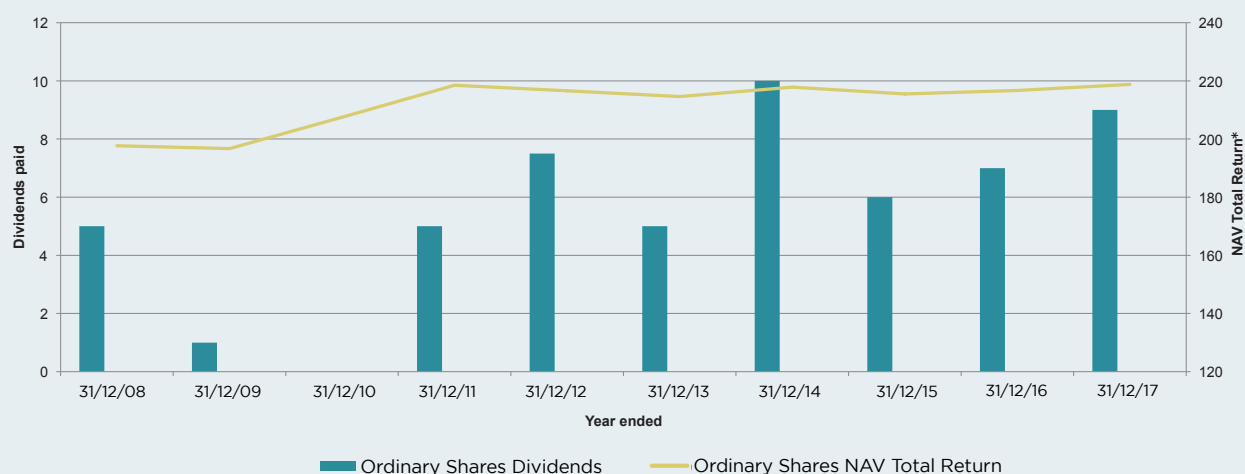
	31 December 2017	31 December 2016
Ordinary Shares		
Total net assets	£140.4m	£107.0m
Net asset value per share	80.0p	83.6p
Net asset value total return*	218.7p	216.7p
Share price	72.0p	75.7p
Share price total return*	215.7p	213.7p
Dividends paid in the year	9.0p	7.0p
Dividend yield	12.5%	9.2%
Ordinary Shares in issue	175,601,977	127,985,288

*Based on an original 100.0p invested at launch in 1997.

	2017	2016
Discount to NAV at 31 December	10.0%	9.4%
Average discount on buybacks	10.1%	10.4%
Shares bought back during the year under review	1,995,263	1,322,684
Increase in net asset value during year (after adding back dividends)	6.5%	3.5%
Ongoing charges ratio (based on net assets at 31 December)	2.2%	2.1%

	As at 31 December 2017		
	1 year	5 years	10 years
NAV Total Return (%)			
Ordinary Shares	6.5	5.1	24.2

Dividends Paid and NAV Total Return (pence) - Ordinary Shares



*Based on an original 100.0p invested at launch in 1997.

Chairman's Statement



John Gregory
Chairman of
Foresight VCT plc

I am delighted to present the Audited Annual Report for Foresight VCT plc for the year ended 31 December 2017. The past year has seen some very significant development of the Company, including the effective completion of the wind-down of both the Planned Exit and Infrastructure Share classes. During December 2017, I provided shareholders with detailed information on the wind-down, which was approved at a General Meeting. Subsequently both the Planned Exit and Infrastructure Share classes were removed in January this year. As a consequence, whilst some final details relating to these share classes are contained later in this statement, I intend to concentrate on the performance of the Ordinary Shares Fund, which will form the continuing share class of the Company.

ORDINARY SHARES FUND

The Directors, together with the Manager, have an agreed long term strategy for the Fund which includes the following four key objectives:

- Increasing and then maintaining the net assets significantly above £150 million
- Paying an annual dividend to shareholders of at least 5.0p per Ordinary Share and endeavouring to maintain, or increase, NAV per Ordinary Share year on year
- Completing a significant number of new and follow on qualifying investments every year
- Offering a programme of regular share buy backs at a discount in the region of 10% to the prevailing NAV.

For this and future statements, I intend to focus on performance in relation to these key objectives.

NET ASSET VALUE

Following a successful fundraising period at the end of the 2016/17

tax year, the net assets of the Ordinary Shares Fund increased to £140.4 million as at 31 December 2017, from £107.0 million as at 31 December 2016. It remains the Board's belief that to support the other key objectives, it would be beneficial to increase the Fund's net assets over the coming years. With some £61 million of funds currently available for investment, however, it is not the Board's intention to raise more money in the near future.

During the year ended 31 December 2017 the net asset value ("NAV") per Ordinary Share rose by 5.4p, representing an annual increase of 6.5%. After deducting the dividends of 9.0p per share paid during the year, NAV per Ordinary Share as at 31 December 2017 was 80.0p compared with 83.6p as at 31 December 2016.

DIVIDENDS

In line with the objective of paying regular annual dividends of at least 5p per share, an interim dividend of 5.0p per Ordinary Share was paid on 3 April 2017 based on an ex-dividend date of 16 March 2017, with a record date of 17 March 2017.

Following successful sales of several portfolio investments, in particular Simulity Labs in July 2017, a second interim dividend of 4.0p per Ordinary Share was paid on 29 September 2017 based on an ex-dividend date of 14 September 2017, with a record date of 15 September 2017.

The Board is pleased to declare an interim dividend for the year ending 31 December 2017 of 5.0p per Ordinary Share, to be paid on 4 May 2018 based on an ex-dividend date of 19 April 2018, with a record date of 20 April 2018.

The Board notes that the Company has achieved its target

of paying an annual dividend of at least 5p per share for each of the past seven years. During this period, however, the total return per Ordinary Share has remained relatively static, rising 5.4% from 207.5p per share on 1 January 2011 to 218.7p per share at 31 December 2017. It is this performance which the Board wishes to improve in future years.

INVESTMENT PERFORMANCE AND PORTFOLIO ACTIVITY

A detailed analysis of the investment portfolio performance over the past year is given in the Manager's Review. At the year end, the Fund held a diversified portfolio of qualifying investments in UK businesses, across a broad range of sectors.

The Board believes it is important for the long term performance of the Fund to identify a regular flow of new investments. The Manager completed eight new investments for the Fund during 2017. These new investments absorbed £17.6 million of funds held for investment and reflects the Manager's success in sourcing attractive growth capital investments in qualifying companies. The Board closely monitors the extent and nature of the pipeline of investment opportunities and anticipates that the Manager will be able to increase the level of new investments during 2018.

In July 2017, the Fund successfully sold three investments, generating total proceeds of £16.9 million compared to an original total investment cost of £8.0 million and a combined book value at date of disposal of £11.6 million. The sale of Simulity Labs is particularly pleasing since, after an investment period of only eight months, it generated a return of almost three times cost, with disposal proceeds of £11.4 million compared to an original investment cost of £4 million. In addition, following our year end, the deferred

consideration for Simulity was received in full, generating a further £0.3m.

Since the end of the year, the Fund has sold ICA, generating proceeds of £1.3 million compared to an original investment cost of £0.9 million.

Read more on page 12

FUNDRAISING

The Board took the opportunity to raise new funds in the Ordinary Shares Fund at the start of 2017. In just six weeks, £39.9 million of new capital was raised from new and existing shareholders. On behalf of the Board and the Manager, I would like to thank shareholders for their support. We believe that this demonstrates the improving investor support for the Ordinary Shares Fund and will assist the Fund to achieve its key objectives.

The Board appreciates that in order for the Fund to be able to achieve its key objectives, the Manager needs to source and complete attractive new qualifying investment opportunities. Over the past two calendar years, new investments have amounted to £22.4 million and at 31 December 2017, the Fund held £62 million of funds available for investment. After allowing for a cash margin to meet annual operating requirements, the Board and the Manager believe that the Fund is well positioned to take advantage of attractive investments being sourced across the UK by the Manager for at least the coming 24 months.

BUYBACKS

During the year, the Company repurchased 2 million Ordinary Shares for cancellation at an average discount of 10.1%. The Board and the Manager consider that the ability to offer to buy back Ordinary Shares at a target discount in the region of 10% is fair to both continuing and selling

shareholders, and is an appropriate way to help underpin the discount to NAV at which the Ordinary Shares trade.

MANAGEMENT CHARGES, CO-INVESTMENT AND INCENTIVE ARRANGEMENTS

The annual management fee on the Ordinary Shares Fund is an amount equal to 2.0% of net assets, excluding cash balances above £20 million which are charged at a reduced rate of 1.0%. This has produced an ongoing charges ratio for the year ended 31 December 2017 of 2.2% of net assets, which is among the lower when compared to competitor VCTs.

The Board believes it to be advantageous to align, as far as may be practical, the interests of the Manager with those of shareholders. To that end, new co-investment and incentive arrangements were approved by shareholders on 8 March 2017. These oblige Foresight Group and individual members of their private equity team to co-invest alongside the Ordinary Shares Fund in exchange for entitlement to performance incentive payments, which are subject to the achievement of 'per investment' and 'fund as a whole' performance hurdles. Details of these arrangements can be found in note 14 to the accounts.

Since March 2017, co-investments have totalled £0.3 million alongside the Company's investment of £16.5 million. Currently the 'fund as a whole' threshold has not been achieved and no incentive payment is due.

OUTLOOK

The Board and the Manager intend to continue to build on the progress achieved during 2017. We believe that the investments currently held within the Fund should grow further through 2018 and that the current pipeline will provide worthwhile new

Chairman's Statement

investment opportunities in the months ahead. Provided the current level and quality of new investment is maintained, the Board believes that the Fund will be well positioned to meet its key objectives, providing shareholders with regular dividends and maintained capital growth.

PLANNED EXIT SHARES FUND

Following the full realisation of the Fund's assets, a dividend of 7.71p per Planned Exit Share was paid on 29 December 2017 based on an ex-dividend date of 21 December 2017, with a record date of 22 December 2017. This brought the Fund's total return for Shareholders to 82.71p, which represents a decrease of 0.2% on the total return per Planned Exit Share as at 31 December 2016 of 82.9p.

Read more on page 14

The original objective of the Planned Exit Shares Fund was to provide investors with a return of 110p per share through a combination of dividends and share buybacks by the sixth anniversary of the closure of the original offer, due in June 2016. The final outcome for Planned Exit Shareholders was very far from that anticipated at its inception. The reasons have been summarised in previous annual reports during the life of the Fund. Both the Board and the Manager recognise that the final return represented poor overall performance and regret that this was significantly behind the original target.

INFRASTRUCTURE SHARES FUND

Following the full realisation of the Fund's assets, a dividend of 93.05p per Infrastructure Share was paid on 29 December 2017 based on an ex-dividend date of 21 December 2017, with a record date of 22 December 2017. This

brought the Fund's total return for Shareholders to 115.05p, which represents an increase of 10.9% on the total return per Infrastructure Share as at 31 December 2016 of 103.7p. While behind the return objectives contained in the original prospectus, the Board believes the overall performance of the Infrastructure Shares Fund to be reasonable, particularly when viewed against the background of significant changes in both market conditions and VCT qualification rules during the life of the Fund.

Read more on page 15

This total return is net of a performance incentive fee paid to the Manager in accordance with the arrangements set out in the prospectus. Details of these arrangements can be found in note 14 to the accounts.

BOARD COMPOSITION

The Board regularly reviews its own performance and undertakes succession planning to maintain an appropriate level of independence, experience and skills in order for it to be in a position to discharge its responsibilities. Peter Dicks, a founder member of the Board and a past Chairman, has served the Company with great commitment and distinction throughout this period. He has, however, decided to retire at this year's Annual General Meeting.

After commissioning an independent professional search, the Board was delighted to secure the services of Margaret Littlejohns as a Director of the Company. Margaret, who was appointed a Non-Executive Director of the Company in October last year, is an experienced fund director. She currently sits on the Boards of the Henderson High Income Trust, JPMorgan Mid Cap Investment Trust and UK Commercial Property Trust. Her earlier career was largely with Citigroup followed by a

period from 2004 during which, with her husband, she set up and ran a self storage business which she successfully sold in 2016. A short biography of each of the Directors is contained on pages 32 to 34.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will take place on 22 May 2018 at 2.00pm. I look forward to welcoming you to the Meeting, which will be held at the offices of Foresight Group in London. Details can be found on page 78.

John Gregory

Chairman
Telephone 01296 682751
Email: j.greg@btconnect.com
10 April 2018



“ During the year, the net asset value per Ordinary Share increased by 6.5%, including dividends, driven by the positive performance of investments

Manager's Review

ORDINARY SHARES FUND

Portfolio Summary

As at 31 December 2017 the portfolio of the Ordinary Shares Fund comprised 36 investments with a total cost of £65.6 million and a valuation of £78.0 million. The portfolio is diversified by sector, transaction type and maturity profile. Details of the ten largest investments by valuation, including an update on their performance, are provided on pages 16 to 20.

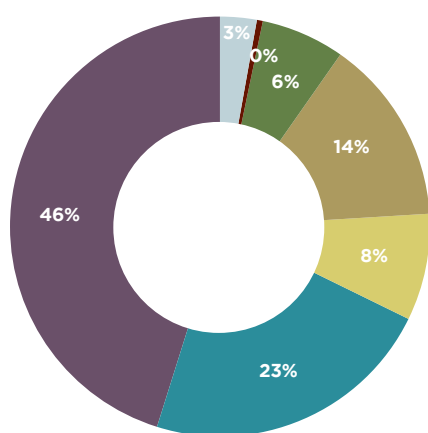
The main reason for the difference between the cost and value of investments in the TMT sector is Autologic, with a cost of £3.8 million. In July 2017, the sale of Autologic's operating subsidiaries was

agreed with Opus Group AB of Sweden. Although healthy returns were achieved in the early years of this investment, since a part disposal in 2012 the performance has been disappointing. Following repayment of some loans during 2017 Autologic is now valued at nil and will be dissolved in due course.

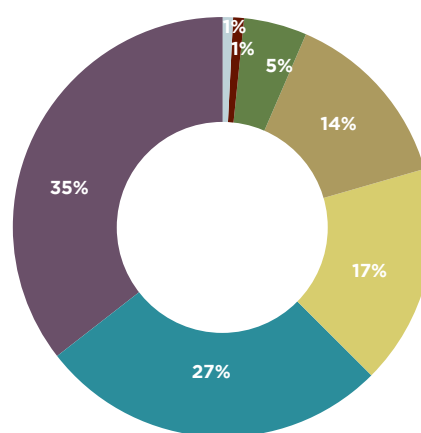
The value of investments in the Industrials & Manufacturing sector is much greater than cost largely due to Aquasium, which is valued at £4.0 million against a cost of £0.3 million and Specac, valued at £3.8 million against a cost of £1.3 million.

PORTFOLIO DIVERSIFICATION

Sector by Cost



Sector by Valuation



NEW INVESTMENTS AND FOLLOW-ON FUNDING

It has been an active year for the Ordinary Shares fund, having completed new investments in eight companies and two follow-on commitments, totalling £17.9 million. During the second half of the year, the fund added three new portfolio companies: 200 Degrees, an artisan coffee chain and roasting business; Nano Interactive, a leading advertising technology business and Powerlinks Media, a real-time trading platform for advertisements. These new investments are in addition to those reported at the half year: Poundshop.com; Ollie Quinn; Fresh Relevance; Cinelabs and Mowgli Street Food. A summary on each is provided on the next page.

As follow-on investments, in July 2017 a further tranche of £224,723 was invested in molecular diagnostics business Biofortuna as part of a £900,000 funding round alongside Foresight 4 VCT plc and co-investors to further develop its blood typing products. In October 2017, the Fund committed £34,159 of additional growth capital to Idio as part of a £543,000 equity raise from existing investors.



The first investment of 2017 was a £1.7 million growth capital investment in Poundshop.com. Launched in February 2014, Poundshop.com is an online-only single price retailer, founded and chaired by Steve Smith, the founder of Poundland. Since investment, sales have increased, the company has launched a new website and moved to a new, larger warehouse which has enabled it to increase the number of items stocked.

OLLIE QUINN

In March 2017, a £3.0 million investment was completed in Ollie Quinn, a branded retailer of prescription glasses, sunglasses and non-prescription polarised sunglasses. Following a period of rapid growth, follow-on funding of £650k was provided in January 2018 to support the company's working capital and current site optimisation strategy. Due to slower than projected revenue growth and an earlier than forecast follow-on funding requirement, a 25% provision has been made against the cost of this investment at 31 December 2017.



The third investment, of £2.1 million, was completed in Fresh Relevance, a mail marketing and web personalisation platform, in March 2017. Based in Southampton, Fresh Relevance is a high growth, marketing technology business, providing online retailers with marketing tools including triggered emails and web personalisation. The capital will be used to fund increased sales resource, launch a US office and introduce a higher level of service and consultancy, all of which should help increase average order values. Progress to date is positive.



The Fund also invested £1.6 million in Mowgli, a fast-casual chain of restaurants founded in 2014, serving Indian street food. Since investment, Mowgli has traded well, opening a new site in Birmingham, and is planning a fifth branch for Q1 2018. The modern focus on healthy, light, flavoursome dishes differentiates Mowgli from traditional Indian restaurants, as does its provision of a wide range of gluten-free, vegetarian and vegan dishes. This is the first investment alongside the Foresight Regional Investment LP, a £40 million institutional private equity fund. The LP funded the replacement capital element of the transaction, which the Fund, under the rules changes introduced in 2015, was unable to provide.



The Fund has invested £2.2 million in Cinelabs, which is the UK's only full-service film laboratory, offering film processing, scanning, distribution, digitisation, restoration and archive management to clients in the media and entertainment industries such as the BFI, ITV and FIFA. Sales increased during 2017, reflecting good growth of the underlying client base, and the pipeline for 2018 looks promising.



In October 2017, the Fund invested £3.4 million of growth capital in Nano Interactive. The company, founded in 2014 by two experienced advertising technology executives, is engaged in search retargeting; a form of online advertising where relevant adverts are shown to users based on key words from their recent search history. The company uses its proprietary data management platform to optimise search campaigns for its global customer base. The funding will support plans to expand internationally and invest in sales, marketing and product development, as well as the roll-out of its INSIST platform.



In November 2017, £0.9 million was invested in 200 Degrees Holdings to support its growth plans. 200 Degrees was initially established as a supplier of coffee beans and machines. The company has since evolved into a wholesale business and coffee chain, with a Barista School and a total of six coffee shops across five cities. The investment will support the management team in opening new stores, while building the company's wholesale business. Since investment, performance has been driven by strong trading at a number of stores and operational improvements at newer sites.



The final investment of 2017 was a £2.7 million investment in Powerlinks Media, an advertising technology company, in December 2017. Unlike traditional digital adverts, PowerLinks ads are visually styled to align with the surrounding webpage or mobile app, delivering a non-intrusive, "native" user experience. The investment follows a year of success and expansion, which has seen PowerLinks' market surpass 4,000 advertising campaigns from 140 connected advertisers, driving revenue growth. The investment is intended to accelerate PowerLinks' expansion in the US, with planned additions across the sales, client services and technology teams.

Manager's Review

PIPELINE

Foresight Group continues to work hard to develop and deliver attractive investment opportunities for the Company. Foresight Group's private equity team has strong connections within the community of businesses, advisors and professional service firms, which have been further bolstered through the recent recruitment of Matthew Evans-Young, previously at Synova Capital and KPMG, as an Origination Manager. Matthew will lead on the establishment of a dedicated direct origination practice within Foresight Group's private equity team. By proactively contacting target companies, this initiative aims to deliver exclusive access to new deals. Foresight Group's dedicated direct origination resource is already having a positive impact on the level and consistency of the teams' origination efforts with an increase in off market opportunities being seen. Whilst this is a long-term investment and off market opportunities generally

take longer to convert, it is encouraging to see this strategy begin to produce results.

Foresight Group is firmly established as a key player in the investment range of £1 million to £5 million and is acknowledged for its appetite to transact and support ambitious SME management teams. The team typically analyses around 100 new investment opportunities each month, of which only a handful will be deemed of sufficient quality to require full evaluation for a potential investment.

As at 31 December 2017, the Ordinary Shares Fund had £61.9 million in cash and money market funds. This will be utilised for new and follow-on investments, as well as buybacks and ongoing running expenses.

REALISATIONS

During the year to 31 December 2017, the Fund generated total proceeds of £18.2 million, principally through the sale of Simulity Labs, Blackstar Amplification and The Bunker Secure Hosting, which realised £16.9 million compared to a cost of £8.0 million.

Loan repayments contributed a total of £547,748 from Autologic Diagnostics Group and the final loan repayment of £166,667 made by Aquasium Technology. The Fund continues to hold an equity position in Aquasium, which manufactures, services and refurbishes electron beam welding equipment and vacuum furnaces. Proceeds were also received

from the sale of the Fund's remaining shares in AIM-listed ZOO Digital, which supplies software and services for authored content and subtitling to media businesses and post-production firms. Deferred consideration was also received from the sales of O-Gen Acme Trek and Trilogy in 2016, and Alaric Systems in 2013.

During the year, the Ordinary Shares fund realised losses amounting to £2.3 million, which had already been provided for in full, following the liquidation of Abacuswood and The Skills Group, and the disposal of AlwaysOn Group.



In July 2017 the Manager successfully completed the sale of Simulity Labs to ARM, the world's leading semiconductor IP company. The transaction generated proceeds of £11.7 million (including deferred consideration) from an initial £4.0 million investment just eight months previously. Established in 2009, Simulity provides embedded communications software and related server systems for both SIM cards and embedded SIMs ('eSIMs'). Since investment in October 2016, Simulity successfully transitioned to a software licensing business model, launched its eSIM technology, increased valuable recurring revenue streams, improved gross margins materially and grew its international sales presence, making the company an attractive acquisition target.



The Fund originally invested in Blackstar Amplification, an award-winning Northampton-based designer and manufacturer of innovative guitar amplifiers, in 2012. The Fund provided growth capital and helped restructure the company's shareholder base and strengthened its management team. Blackstar more than doubled turnover over four years, expanded internationally, establishing itself as the number two amplifier brand in the UK and USA and broadened its product catalogue. The sale was implemented by a management buyout, supported by the company's manufacturing and distribution partners, and nearly doubled the Fund's original investment.



“ The
institutional
backing of
Foresight allowed us
to scale the business
and continue to
build our world
leading team
and technology.

Stéphane Fund,
Founder and CEO,
Simulity

Manager's Review



The Fund acquired its investment in The Bunker from Foresight 2 VCT plc as part of the merger in December 2015. Having first invested in May 2006, the Foresight VCTs have been longstanding shareholders in The Bunker, which builds, hosts and manages high security, high availability IT data centres, providing competitive data storage solutions. The growth capital provided by the Foresight VCTs was used to materially scale The Bunker's data storage facilities. The business experienced a compound annual growth rate of over 14% of recurring revenues for the past three years with annual revenues growing to more than £9 million compared to £1.8 million at investment. The Bunker was acquired by Palatine Private Equity, generating an overall return of 2.44 times over the life of the investment.



Post-year end, in February 2018, the Fund realised its position in ICA Digital ("ICA"), a managed print services business based in Surrey, realising an overall 2.4 times return, through a trade sale to ASL Group. During the course of the investment, Foresight Group supported management to execute a focused sales strategy, in particular developing high-margin contracted service revenues.

The Manager continues to engage with a range of potential acquirers of several portfolio companies, with demand for these high growth businesses demonstrated by both private equity and trade buyers.

DISPOSALS IN THE YEAR ENDED 31 DECEMBER 2017

Company	Detail	Original Cost/ Take-On Value (£)	Proceeds (£)	Realised (Loss)/Gain (£)	Valuation at 31 December 2016 (£)
Abacuswood Limited	Dissolved	478,684	—	(478,684)^	—
AlwaysON Group Limited	Full disposal	1,473,271	—	(1,473,271)^	—
Aquasium Technology Limited	Loan repayment	166,667	166,667	—	166,667
Autologic Diagnostics Group Limited	Loan repayment	547,748	547,748	—	547,748
Blackstar Amplification Holdings Limited	Full disposal	2,500,000	3,857,000	1,357,000	3,822,050
Simulity Labs Limited	Full disposal	4,000,000	11,410,920*	7,410,920	4,000,000
The Bunker Secure Hosting Limited	Full disposal	1,537,348	1,680,684	143,336	1,656,835
The Skills Group Limited (formerly AtFutsal)	Dissolved	391,301	563	(390,738)^	—
ZOO Digital Group plc	Full disposal	40,307	57,675	17,368	53,742
Total disposals		11,135,326	17,721,257	6,585,931	10,247,042

In addition to the above, deferred consideration of £199,106 was received by the Fund from the sale of O-Gen Acme Trek Limited, £24,003 was received from the sale of Trilogy and £280,499 was received from the sale of Alaric Systems.

^This loss refers to the transfer on disposal between unrealised and realised reserves and has no impact on NAV in the current year.

* Does not reflect an additional £257,846 deferred consideration received in February 2018.

POST YEAR END DISPOSALS

Company	Detail	Original Cost/ Take-On Value (£)	Proceeds (£)	Realised Gain/(Loss) (£)	Valuation at 31 December 2016 (£)
ICA Group Limited	Full disposal	885,232	1,290,701*	405,469	880,894

*Including deferred consideration due in April 2018.

KEY PORTFOLIO DEVELOPMENTS

The Ordinary Shares Fund has benefitted from strong performance of the underlying portfolio with a total net valuation change of £12.0 million, driven primarily by the agreed sale of Simulity Labs at a value £7.7 million above cost, as detailed above. The valuation of the Company's largest investment, Datapath, fell by £1.6 million but remains significantly above book cost. The reduction is due to ongoing investment in the business, as detailed further on page 16, which

we believe will support further a long-term increase in value. Material changes in valuation, defined as an increase or decrease of £1 million or more since 31 December 2016, are detailed in the table below. Where these companies do not appear in the Top Ten Investments section of the report, an update on underlying developments that have driven changes in value is provided below.

Company	Valuation Methodology	Valuation Change (£)
Simulity Labs Limited	Sold	7,410,920
Ixaris Systems Limited	Discounted revenue multiple	2,234,435
Aquasium Technology Limited	Discounted earnings multiple	1,980,168
Thermotech Solutions Limited	Discounted earnings multiple	1,602,958
Aerospace Tooling Holdings Limited	Discounted earnings multiple	1,069,807
Procam Television Holdings Limited	Discounted earnings multiple	(1,635,609)
Datapath Group Limited	Discounted earnings multiple	(1,628,430)
CoGen Limited	Discounted cash flow	(1,087,383)

THERMOTECH SOLUTIONS

Thermotech, which designs, installs and maintains customised air conditioning and fire sprinkler systems, has performed well in the year, with strong sales and an improvement in EBITDA. This has been attributable to good performance across the Fire and Mechanical Services divisions and the synergies that the company is now benefitting from following the acquisition of Oakwood in 2016. The company has continued to expand its portfolio of retail clients and won a number of sizeable new contracts.

AEROSPACE TOOLING

Aerospace Tooling is an engineering company specialising in the refurbishment of high-value aerospace and industrial gas turbine components. The business has made a significant recovery, underlined by supportive trade from industrial customers. Improvements in operational performance are beginning to deliver favourable results.

COGEN

CoGen develops, builds, owns and operates waste to energy and combined heat and power ('CHP')

plants. During the year, the company sold its 20% stake in Ince Park for a proposed consideration of £1.75m, however, construction problems persist at Birmingham Bio Power plant. The plant continued to experience downtime, reducing electrical output, and the project company is now preparing for an arbitration process with the construction contractor. This, together with increased costs on some projects has led to a reduced valuation.

PROCAM TELEVISION

Procam Television is a leading broadcast hire company, supplying equipment and crew for location TV production. The reduction in valuation reflects a disappointing 2017 following a strong performance in the prior year. Growth from Procam Projects and True Lens Services failed to offset a softer year in some other divisions. This, together with a significant investment in staff and equipment and financing obligations, resulted in the business raising additional funding in December 2017.

Manager's Review

OUTLOOK

While there remains a significant amount of uncertainty as to how the UK will be affected by its exit from the European Union, Foresight Group continues to see a strong pipeline of interesting investment opportunities and expressions of interest from potential acquirers of portfolio companies.

In the Autumn Budget 2017 the Government announced a plan to unlock over £20 billion of patient capital investment in innovative companies with the opportunity for growth. The Government's

response to the Patient Capital Review recognises the positive role that VCTs play in providing long term patient capital. The proposed adjustments to the VCT scheme rules fall within the Fund's existing investment strategy.

Foresight Group will continue to monitor and adapt to market and regulatory changes to ensure the Company and its portfolio is well-placed to deliver returns to its investors.

PLANNED EXIT SHARES FUND

Portfolio Summary

Following the sale of the two final holdings, alwaysOn in January 2017 and Industrial Engineering Plastics in July 2017, the Fund realised all of its portfolio investments. The Board completed the transfer of the Trilogy Entitlements, the outstanding entitlement to consideration held in escrow in respect of the sale of holdings in Trilogy Communications Holdings Limited, to the Ordinary Shares fund in exchange for £265,712 on 6 December 2017. Deferred consideration of £57,329 was also received in relation to the sale of Trilogy in 2016. This resulted in the assets of the Planned Exit Shares fund being fully realised. The Board paid a dividend of 7.71p per Planned Exit Share to shareholders on the register as at 22 December 2017. Ignoring tax reliefs, this dividend payment brought the total return on a Planned Exit Share to 82.71p.

Following approval of the requisite resolutions at the general meetings and separate class meetings of the Company held on 23 January 2018 and 24 January 2018 respectively, the Board of the Company completed the removal of the Planned Exit Shares.

ALWAYSON

alwaysON provides data backup services, connectivity and Microsoft's Skype for Business collaboration software to SMEs and larger enterprises. Given the company's cash constraints, a decision was made to seek an exit rather than fund further losses. Despite challenging trading conditions the sale was completed in January 2017, generating proceeds of £2.0 million against an investment cost of £1.8 million.

INDUSTRIAL ENGINEERING PLASTICS

Industrial Engineering Plastics ("IEP") is a plastics distributor and fabricator, supplying a wide range of industries with ventilation and pipe fittings, plastic welding rods, hygienic wall cladding, plastic tanks and sheets. In light of some of the structural challenges within IEP's markets, the Manager pursued multiple conversations with potential trade acquirers. As a result, two acquisition offers were received early in 2017 before an offer with one of IEP's competitors was agreed at a price marginally below the most recent valuation, and a loss against the original investment of £1.6 million.

DISPOSALS IN THE YEAR ENDED 31 DECEMBER 2017

Company	Detail	Original Cost/ Take-On Value (£)	Proceeds (£)	Realised Gain/(Loss) (£)	Valuation at 31 December 2016 (£)
AlwaysON Group Limited	Full disposal	1,839,970	2,032,608	192,638	2,032,608
Industrial Engineering Plastics Limited	Full disposal	1,556,416	492,550	(1,063,866)	508,150
Total disposals		3,396,386	2,525,158	(871,228)	2,540,758

In addition to the above, deferred consideration of £323,041 was received by the Fund from the sale of Trilogy in the year ended 31 December 2016.

INFRASTRUCTURE SHARES FUND

Portfolio Summary

Due to changes in VCT regulations, the Fund could no longer pursue its investment strategy of investing in infrastructure assets, including secondary Private Finance Initiatives ("PFI") assets and solar infrastructure. As such, the Board notified shareholders of its intention to dispose of the entire Infrastructure shares portfolio on 18 July 2017, shortly after the fifth anniversary of the Fund's closing.

Accordingly, a third party valuation was undertaken and we conducted a marketing process for the 11 assets held in the Infrastructure Shares Fund. After offering the assets on the open market, the sale of all investments was achieved, realising £28.1 million against a cost of £22.1 million and a valuation at 30 June 2017 of £24.8 million. Five of the non-solar infrastructure investment assets were sold to funds managed by Equitix Investment Management Limited. The three solar investment assets and the remaining three non-solar infrastructure investment assets were sold to other Foresight funds, on the basis of the independent valuation.

On 15 December 2017, following the realisation of all the remaining investments, the Board declared a final dividend of 93.05p per Infrastructure Share. This was paid on the 29 December 2017, bringing the total return per Infrastructure Share to 115.05p, after which no value remained in the Infrastructure Shares.

Following approval of the requisite resolutions at the general meetings and separate class meetings of the Company held on 23 January 2018 and 24 January 2018 respectively, the Board of the Company completed the removal of the Infrastructure Shares.

Russell Healey
Head of Private Equity
Foresight Group
10 April 2018

DISPOSALS IN THE YEAR ENDED 31 DECEMBER 2017

Company	Detail	Original Cost/ Take-On Value (£)	Proceeds (£)	Realised Gain/(Loss) (£)	Valuation at 31 December 2016 (£)
Criterion Healthcare Holdings Limited	Full disposal	4,005,616	5,705,000	1,699,384	4,878,473
FS Hayford Farm Limited	Full disposal	3,660,070	4,613,371	953,301	3,994,205
FS Ford Farm Limited	Full disposal	3,952,524	4,052,195	99,671	3,691,083
Drumglass HoldCo Limited	Full disposal	2,526,475	3,064,632	538,157	3,025,435
FS Tope Limited	Full disposal	2,561,418	2,812,353	250,935	2,793,924
Stirling Gateway HC Limited	Full disposal	2,069,978	3,322,000	1,252,022	2,244,070
Wharfedale SPV (Holdings) Limited	Full disposal	1,314,923	1,537,278	222,355	1,395,225
Lochgilphead HoldCo Limited	Full disposal	493,186	1,416,772	923,586	637,969
Staffordshire HoldCo Limited	Full disposal	1,041,077	667,269	(373,808)	454,860
Sandwell HoldCo Limited	Full disposal	282,646	619,525	336,879	216,332
Stobhill HoldCo Limited	Full disposal	231,987	337,974	105,987	193,738
Total disposals		22,139,900	28,148,369	6,008,469	23,525,314

Manager's Review

Top Ten Investments - Ordinary Shares Fund

By value as at 31 December 2017. Company results are taken from the most recent publicly available financial statements.

DATAPATH GROUP LIMITED
www.datapath.co.uk **DERBY**



SECTOR:
TMT



Datapath is a UK manufacturer of PC-based multi-screen computer graphics cards and video capture hardware, specialising in video wall and data wall technology.

31 December 2017 Update

The company has continued to grow revenues and trade profitably. There is ongoing investment in R&D and new product development, which depressed operating profit during the period, and the valuation has been reduced to reflect this but remains well above cost. The new Quant collaboration software is generating strong interest from trade shows and demonstrations. Datapath continues to make good progress building its network of international distributors and has launched an initiative to focus on sales to System Integrators in the US.

*The amount & date of initial investment by Foresight 2 VCT plc ("F2").

**The accounting cost reflects the valuation of F2's investment at the point it was transferred to the Company as part of the merger in December 2015.

***Returned to F2 pre-merger.

Initial Investment*	September 2007
Amount invested (£)*	1,000,000
Accounting cost (£)**	7,563,365
Valuation (£)	9,475,569
Basis of valuation	Discounted earnings multiple
Equity held (%)	12.9%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)***	3,981,822

£000	Year ended 31 March 2017	Year ended 31 March 2016
Sales	25,443	21,215
Profit before tax	5,646	4,995
Retained profit	4,974	4,480
Net assets	21,366	16,350

PROTEAN SOFTWARE LIMITED
www.proteansoftware.co.uk **COVENTRY**



SECTOR:
TMT



Protean develops and sells field service management software for organisations involved in the supply, installation, maintenance and hire of equipment.

31 December 2017 Update

Protean concluded the financial year to March with revenues ahead of budget and previous year. Ongoing positive performance reflects an increase in the sale of licences to existing customers, while product development remains a key focus. Its entry level SaaS product, Service Sight, was successfully launched in June 2017 and is demonstrating a promising conversion rate. The impact of the company's investment in Service Sight has led to a slight reduction in valuation over the year. However, the company enters 2018 with a healthy pipeline of new customers and the new SaaS product development is supportive of future growth.

*Including the initial investment by F2.

**The accounting cost includes the value at which F2's holding was transferred to the Company as part of the merger in December 2015.

***Including £1,533 returned to F2 pre-merger.

Initial Investment	July 2015
Amount invested (£)*	2,500,000
Accounting cost (£)**	2,500,000
Valuation (£)	4,585,683
Basis of valuation	Discounted revenue multiple
Equity held (%)	39.7%
Income received and receivable in the year (£)	22,192
Cash returned up to 31 December 2017 (£)***	150,904

£000	Year ended 31 March 2017	Year ended 31 March 2016
Sales	3,978	2,253
Loss before tax	(236)	(88)
Retained loss	(89)	(99)
Net assets	3,748	3,837



Ixaris Systems operates EntroPay, a prepaid electronic payment service integrated with the Visa network. Consumers deposit funds by credit card, cash at payment points or via normal bank transfers.

31 December 2017 Update

The company has significantly increased revenues during the year and the group is generating cash, which is reflected in the valuation uplift. Both EntroPay and Ixaris' solutions and platform businesses continue to perform well, delivering good growth in both revenues and EBITDA. The company continues to focus on developing the solutions and platform business and, through building out its sales team, has secured a number of new clients.

*The amount & date of initial investment by F2.

**The accounting cost reflects the valuation of F2's investment at the point it was transferred to the Company as part of the merger in December 2015.

Initial Investment*	March 2006
Amount invested (£)*	822,858
Accounting cost (£)**	2,266,036
Valuation (£)	4,574,743
Basis of valuation	Discounted revenue multiple
Equity held (%)	5.7%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)	—

£000	Year ended 31 December 2016	Year ended 31 December 2015
Sales	13,204	10,748
Loss before tax	(2,062)	(1,012)
Retained loss	(1,631)	(703)
Net assets	4,357	1,617



FFX is a multi-channel supplier of high quality hand tools, power tools and accessories, fixings, fasteners and general building products.

31 December 2017 Update

FFX is making good progress, with revenues approaching £40m in 2017, driven by online business, its stores and the growing direct sales channel, where product mix drives higher margins. The business is building closer relationships with key power tool brands, whilst also strengthening partnerships with online channels beyond its own website. Progress will be further supported as the company implements a back office IT system.

*Including the initial investment by F2.

**The accounting cost includes the value at which F2's holding was transferred to the Company as part of the merger in December 2015.

Initial Investment	September 2015
Amount invested (£)*	2,676,426
Accounting cost (£)**	2,676,426
Valuation (£)	4,050,200
Basis of valuation	Discounted revenue multiple
Equity held (%)	32.7%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)	139,477

£000	Year ended 30 September 2016	
Sales	31,837	n/a
Profit before tax	379	n/a
Retained loss	(294)	n/a
Net assets	4,149	n/a

Manager's Review

Top Ten Investments continued

AQUASIMUM TECHNOLOGY LIMITED www.aquasium.com CAMBRIDGE



SECTOR:
INDUSTRIALS AND
MANUFACTURING



Aquasium Technology designs, manufactures and markets bespoke electron beam welding (EBW) and vacuum furnace equipment used in a wide range of manufacturing industries including automotive, electronics, medical, power generation and aerospace.

31 December 2017 Update

Revenues for the year were ahead of budget and Aquasium's margins continue to improve, supported by efforts from across the business. This is reflected in the increase in valuation over the year. Marketing of the company's new EBFLOW technology, designed specifically for large structure welding, remains a key focus. The company is continuing to arrange demonstrations to a wide range of companies and awareness of EBFLOWS disruptive capabilities continues to grow, with positive discussions and a strong pipeline in place.

Initial Investment	October 2001
Amount invested (£)	1,930,000
Accounting cost (£)	333,333
Valuation (£)	4,044,103
Basis of valuation	Discounted earnings multiple
Equity held (%)	33.3%
Income received and receivable in the year (£)	16,736
Cash returned up to 31 December 2017 (£)	4,043,477

£000	Year ended 31 December 2016	Year ended 31 December 2015
Sales	8,563	9,033
Profit before tax	457	1,450
Retained profit	473	1,317
Net assets	5,456	4,978

INDUSTRIAL EFFICIENCY II LIMITED LONDON



SECTOR:
BUSINESS SERVICES



Industrial Efficiency II focuses on the provision of large scale energy efficiency and energy cost reduction improvements to commercial customers. The funding provided has enabled the company to provide energy efficiency fuel switching services through the installation of gas and electricity delivery equipment at nine industrial sites across the UK.

31 December 2017 Update

Since the successful completion of all sites in 2014, Industrial Efficiency II has performed well across the majority of the sites. Some small gas pressure issues occurred on one site, but these have since been resolved. An energy consumption reconciliation exercise showed that the sites are using energy ahead of initial projections and the business is generating revenue marginally ahead of budget.

Initial Investment	July 2014
Amount invested (£)	2,603,260
Accounting cost (£)	2,603,260
Valuation (£)	3,895,075
Basis of valuation	Discounted cash flow
Equity held (%)	18.8%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)	219,275

£000	Year ended 30 June 2017	Year ended 30 June 2016
Sales	1,409	1,187
(Loss)/profit before tax	(75)	42
Retained (loss)/profit	(75)	42
Net liabilities	(240)	(165)



TFC Europe is one of Europe's leading technically based suppliers of fixing and fastening products to customers across a wide range of industries, including aerospace, automotive, hydraulics and petrochemicals.

31 December 2017 Update

TFC traded well during the year, achieving revenue and EBITDA materially above budget. Strong trading and a significant number of new customer wins have supported the uplift in valuation. As part of a broader internal review, the team has identified areas for improvement, which should support continued organic growth. Improvements continue at TFC's facilities, including the relocation of one branch to larger, better located premises and the opening of a new branch in Basingstoke, Hampshire. This will service existing customers located in the South and target potential industrial customers in the Thames Valley and South Coast.

*The amount & date of initial investment by F2.

**The accounting cost reflects the valuation of F2's investment at the point it was transferred to the Company as part of the merger in December 2015.

***Returned to F2 pre-merger.

Initial Investment*	March 2007
Amount invested (£)*	939,092
Accounting cost (£)**	3,614,612
Valuation (£)	3,842,947
Basis of valuation	Discounted earnings multiple
Equity held (%)	26.7%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)***	1,281,684

£000	Year ended 31 March 2017	Year ended 31 March 2016
Sales	20,281	19,269
Profit before tax	890	729
Retained profit	640	454
Net assets	3,520	2,848



Specac International is a leading manufacturer of high specification sample analysis and sample preparation equipment used in testing and research laboratories worldwide.

31 December 2017 Update

Specac has continued its upward trajectory, supported by the launch of its new website in March 2017. The recent focus on sales efficiency is also delivering results and December saw the company achieve a record month for sales. The company remains focused on delivering new products to broaden its target markets. The recent appointment of a new Financial Director is expected to bring improved operational efficiencies as the company enters the new year.

Initial Investment	April 2015
Amount invested (£)	1,345,000
Accounting cost (£)	1,300,000
Valuation (£)	3,834,553
Basis of valuation	Discounted earnings multiple
Equity held (%)	37.5%
Income received and receivable in the year (£)	117,000
Cash returned up to 31 December 2017 (£)	307,627

£000	Year ended 31 March 2017	Period ended 31 March 2016
Sales	9,511	7,897
Profit before tax	1,016	549
Retained profit	789	483
Net assets	1,784	936

Manager's Review

Top Ten Investments continued

NANO INTERACTIVE GROUP LIMITED
www.nanointeractive.com **LONDON**



SECTOR:
TMT



Nano Interactive is engaged in search retargeting campaigns, a form of online advertising where relevant adverts are presented to users based on key words from their recent search history.

31 December 2017 Update

The investment in Nano Interactive will accelerate the company's plans to expand internationally and make further investments in sales, marketing and product development. The investment will also support the roll-out of INSIST, Nano's real-time solution for intent targeting and the first offering of its kind in Europe. Although a recent investment, good progress is being made and a number of new, complimentary initiatives have been identified. The company is already demonstrating a promising start as it enters 2018.

Initial Investment	October 2017
Amount invested (£)	3,448,969
Accounting cost (£)	3,448,969
Valuation (£)	3,448,969
Basis of valuation	Cost
Equity held (%)	32.6%
Income received and receivable in the year (£)	—
Cash returned up to 31 December 2017 (£)	—

£000	Year ended 31 December 2016	Year ended 31 December 2015
Sales	2,636	1,707
Loss before tax	(1,185)	(911)
Retained loss	(1,226)	(907)
Net assets	(1,890)	114

ABL INVESTMENTS LIMITED
www.abl-uk.com **NORTHAMPTONSHIRE**



SECTOR:
BUSINESS SERVICES



ABL distributes power modules, monitor arms, cable management systems and CPU holders to office furniture dealers and manufacturers across the UK and Europe.

31 December 2017 Update

ABL has traded well in the year. This reflects the success of the company's investment in new sales staff, notably a National Head of Sales who has focused on adding new business and growing existing accounts in the UK. ABL launched a number of new product ranges that have been received well by customers. These are helping the business maintain its innovative edge over competitors as the company focuses on its international expansion strategy, having now launched overseas with the recruitment of a Head of European Sales.

Initial Investment	September 2015
Amount invested (£)*	2,750,000
Accounting cost (£)**	2,750,000
Valuation (£)	3,313,766
Basis of valuation	Discounted earnings multiple
Equity held (%)	26.0%
Income received and receivable in the year (£)	248,933
Cash returned up to 31 December 2017 (£)	574,413

£000	Period ended 31 December 2016	
Sales	7,854	n/a
Profit before tax	451	n/a
Retained profit	220	n/a
Net assets	5,620	n/a

*Including the initial investment by F2.

**The accounting cost includes the value at which F2's holding was transferred to the Company as part of the merger in December 2015.



I'm thrilled to be working with Foresight to continue the growth of Mowgli. I feel passionately about offering healthy, authentic Indian street food to market. Foresight's expertise in growing businesses, alongside our recently appointed new recruits, will allow us to expand into new geographies.

Nisha Katona, Founder,
Mowgli

Manager's Review

Portfolio Overview - Ordinary Shares Fund

31 December 2017				
Investment (by value)	Date of First Investment	Sector	Cost £	Valuation £
Datapath Group Limited	2007	TMT	7,563,365	9,475,569*
Protean Software Limited	2015	TMT	2,500,000	4,585,683*
Ixaris Systems Limited	2006	Consumer & Leisure	2,266,036	4,574,743*
FFX Group Limited	2015	Business Services	2,676,426	4,050,200*
Aquasium Technology Limited	2001	Industrials & Manufacturing	333,333	4,044,103*
Industrial Efficiency II Limited	2014	Business Services	2,603,260	3,895,075*
TFC Europe Limited	2007	Industrials & Manufacturing	3,614,612	3,842,947*
Specac International Limited	2015	Industrials & Manufacturing	1,300,000	3,834,553*
Nano Interactive Group Limited	2017	TMT	3,448,969	3,448,969*
ABL Investments Limited	2015	Business Services	2,750,000	3,313,766*
Itad Limited	2015	Business Services	2,750,000	2,959,502
Hospital Services Group Limited	2015	Healthcare	3,320,000	2,880,204
Powerlinks Media Limited	2017	TMT	2,709,360	2,709,360
Procam Television Holdings Limited	2013	TMT	1,664,893	2,315,637
Ollie Quinn Limited	2017	Consumer & Leisure	2,955,000	2,216,250
Cinelabs International Limited	2017	TMT	2,216,250	2,216,250
Fresh Relevance Limited	2017	TMT	2,117,750	2,117,750
Thermotech Solutions Limited	2013	Business Services	300,000	1,915,331
The Business Advisory Limited	2015	Business Services	1,650,000	1,781,794
Online Poundshop Limited	2017	Consumer & Leisure	1,700,000	1,700,000
Mowgli Street Food Limited	2017	Consumer & Leisure	1,526,750	1,526,750
Aerospace Tooling Holdings Limited	2013	Industrials & Manufacturing	150,000	1,491,410
ICA Group Limited	2009	Business Services	885,232	1,290,701
Positive Response Communications Limited	2014	Business Services	1,000,000	1,259,486
200 Degrees Holdings Limited	2017	Consumer & Leisure	935,960	935,960
Biofortuna Limited	2012	Healthcare	909,755	909,755
Idio Limited	2016	TMT	816,659	830,847
Flowrite Refrigeration Limited	2012	Business Services	209,801	574,817
CoGen Limited	2008	Environmental	1,603,491	550,734
Mitgjorn Limited	2015	General	100	353,501
Cole Henry PE 2 Limited	2014	General	100,000	100,000
Kingsclere PE 3 Limited	2014	General	100,000	100,000
Whitchurch PE 1 Limited	2014	General	100,000	100,000
Sindicatum Carbon Capital Limited	2007	Environmental	246,075	61,519
Autologic Diagnostics Group Limited	2009	TMT	3,782,272	—
Oxonica plc	2002	TMT	2,804,473	—
alwaysON Group Limited			—	—
Blackstar Amplification Holdings Limited			—	—
Simulity Labs Limited			—	—
The Bunker Secure Hosting Limited			—	—
ZOO Digital Group plc			—	—
Abacuswood Limited			—	—
The Skills Group Limited			—	—
			65,609,822	77,963,166

* Top ten investments by value shown on pages 16 to 20.

** The Ordinary Shares Fund also has five investments totalling £500 in five companies.

31 December 2016					
Valuation Methodology	Cost £	Valuation £	Additions	Disposal proceeds	Net valuation movement
Discounted earnings multiple	7,563,365	11,103,999	—	—	(1,628,430)
Discounted revenue multiple	2,500,000	4,085,450	—	—	500,233
Discounted revenue multiple	2,266,036	2,340,308	—	—	2,234,435
Discounted revenue multiple	2,676,426	3,057,646	—	—	992,554
Discounted earnings multiple	500,000	2,230,602	—	(166,667)	1,980,168
Discounted cash flow	2,603,260	3,349,029	—	—	546,046
Discounted earnings multiple	3,614,612	2,960,775	—	—	882,172
Discounted earnings multiple	1,300,000	3,347,328	—	—	487,225
Cost	—	—	3,448,969	—	—
Discounted earnings multiple	2,750,000	2,692,111	—	—	621,655
Discounted earnings multiple	2,750,000	3,507,914	—	—	(548,412)
Discounted earnings multiple	3,320,000	2,917,253	—	—	(37,049)
Cost	—	—	2,709,360	—	—
Discounted earnings multiple	1,664,893	3,951,246	—	—	(1,635,609)
Cost less impairment	—	—	2,955,000	—	(738,750)
Cost	—	—	2,216,250	—	—
Cost	—	—	2,117,750	—	—
Discounted earnings multiple	300,000	312,373	—	—	1,602,958
Discounted earnings multiple	1,650,000	2,232,014	—	—	(450,220)
Cost	—	—	1,700,000	—	—
Cost	—	—	1,526,750	—	—
Discounted earnings multiple	150,000	421,603	—	—	1,069,807
Actual proceeds	885,232	880,894	—	—	409,807
Discounted revenue multiple	1,000,000	904,370	—	—	355,116
Cost	—	—	935,960	—	—
Price of last funding round	685,032	685,032	224,723	—	—
Share price	782,500	782,500	34,159	—	14,188
Discounted revenue multiple	209,801	471,038	—	—	103,779
Discounted cash flow	1,603,491	1,638,117	—	—	(1,087,383)
Net assets	100	1,200,100	—	—	(846,599)
Cost	100,000	100,000	—	—	—
Cost	100,000	100,000	—	—	—
Cost	100,000	100,000	—	—	—
Cost less impairment	246,075	246,075	—	—	(184,556)
Nil value	4,330,020	1,000,000	—	(547,748)	(452,252)
Nil value	2,804,473	—	—	—	—
Sold	1,473,271	—	—	—	—
Sold	2,500,000	3,822,050	—	(3,857,000)	34,950
Sold	4,000,000	4,000,000	—	(11,410,920)	7,410,920
Sold	1,537,348	1,656,835	—	(1,680,684)	23,849
Sold	40,307	53,742	—	(57,675)	3,933
Dissolved	478,684	—	—	(563)	563
Dissolved	391,301	—	—	—	—
	58,876,227	66,150,404	17,868,921	(17,721,257)	11,665,098

Manager's Review

About the Manager

Founded in 1984, Foresight Group manages three VCTs and has won a number of awards recognising its accomplishments in this area. Foresight Group was voted "Best VCT Investment Manager" at the 2017 Growth Investor Awards, having previously been awarded "VCT House of the Year" at the 2016 Unquote British Private Equity awards.

Led by Russell Healey, Foresight Group's growing private equity investment team of 18 is pro-active and hands-on, and focused exclusively on investing up to £5m in UK growth companies across a broad range of sectors.

The team currently operates out of offices in London, Manchester and Nottingham, investing nationwide.

The team combines executives from varying backgrounds across

corporate finance, consulting, accounting, private equity and industry. Between them, they have experience of more than 500 private equity and corporate finance transactions and have managed more than 200 investments, the majority of these during their time at Foresight Group.

This team has over 200 years' worth of collective investment experience and combines investors' capital and its own hands-on expertise with the intention of creating long-term shareholder value and generating attractive returns for shareholders. Foresight Group takes a particularly active, hands-on approach to portfolio management and as a matter of policy, on its unquoted investments, seeks board representation and the ability to appoint a senior industry

expert as chairman. Foresight Group works particularly closely with the investee companies in the following areas:

- Definition and review of strategy and its implementation;
- Recruitment and incentivisation of key management and board members;
- Planning for growth, international expansion and new product/service introduction;
- Fundraising from banks and other external sources; and
- Mergers, acquisitions and exit planning.



EVOLUTION OF FORESIGHT VCT PLC

The strength and depth of Foresight Group's Private Equity team has enabled the group to win the management mandates of established VCTs from other investment managers.

1997	Foresight VCT (formerly Foresight Technology VCT plc) was launched in November 1997, initially raising £11m for investment in technology focused companies.
1999	A further £32.6m was raised through a C Share issue and £5.8m in a subsequent top up offer in 2000.
2007	The O Share and C Share classes were merged and the Fund was renamed Foresight VCT plc.
2010	Foresight VCT and Foresight 2 VCT Planned Exit Shares raised £12m in the 2009/10 tax year.
2011	In March 2011 Key data Income VCT 1 plc and Key data Income VCT 2 plc were merged into Foresight VCT plc by means of a share exchange.
2012	Foresight VCT and Foresight 2 VCT Infrastructure Shares raised more than £30m in the 2011/12 tax year.
2015	On 18 December 2015, following shareholder approval, Foresight VCT plc was merged with Foresight 2 VCT plc, creating the third largest VCT in the UK.
2017	On 20 March 2017, the Fund closed its latest Offer for Subscription after reaching full capacity of £40m, raised in six weeks.
2017	The Company completed the sale of all investments and successfully wound up the Planned Exit Shares Fund and Infrastructure Shares Fund with final distributions made to shareholders on 29 December 2017.
2018	From 24 January 2018, the Company comprises one single class of share, the Ordinary Shares Fund.

Russell Healey
PARTNER AND HEAD OF PRIVATE EQUITY



Position
Joined
Experience

Partner and Head of Private Equity
2007

Russell is head of the Private Equity team with overall responsibility for fund raising, new investments and the portfolio, and is a member of the Foresight Group Executive Committee. He has over 14 years' experience in fund management and venture capital investing. Prior to joining Foresight Group, he worked at Parkmead Group, a merchant bank, and spent ten years as CTO of a financial information company that was subsequently sold to Thomson Reuters. Russell holds an MBA with distinction from London Business School.

James Livingston
PARTNER



Position
Joined
Experience

Partner
2007

James joined Foresight Group in 2007 from Deloitte's Strategy Consulting team. James has over 12 years of experience. At Foresight Group, he has led numerous successful transactions including growth and replacement capital transactions in a variety of sectors. James holds an MA in Natural Sciences and Management Studies from Cambridge University as well as the CIMA Advanced Diploma in Management Accounting.

Matt Smith
PARTNER



Position
Joined
Experience

Partner
2010

Matt joined Foresight Group in 2010 and has over 12 years' venture capital investment experience. Prior to joining, he spent six years at Rothschild, advising companies in a range of sectors on a variety of transaction types. Matt has a particular focus on Environmental, Social and Governance considerations when evaluating investments and he successfully negotiated sales of a number of difficult assets. Matt graduated from the University of Oxford with an undergraduate degree in Biological Sciences and a distinction in a postgraduate degree in Physiology.

Strategic Report

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

FORESIGHT VCT PLC ORDINARY SHARES FUND

Foresight VCT plc originally raised £10.9 million through an Ordinary Share issue in the 1997/98 tax year. At 31 December 2017, this fund had gross assets totalling £140.7 million, of which a significant portion was available to make new investments. The number of Ordinary Shares in issue at 31 December 2017 was 175,601,977.

FORESIGHT VCT PLC PLANNED EXIT SHARES FUND

In the 2009/10 tax year, £12 million was raised through a linked offer for the Planned Exit Shares fund, the proceeds of which were divided equally between Foresight VCT plc and Foresight 2 VCT plc. These Funds comprised separate share classes within Foresight VCT plc and Foresight 2 VCT plc with their own investments and income streams, and were combined following the merger in December 2015.

The number of Planned Exit shares in the Company in issue at 31 December 2017 was 11,404,314. Following the full realisation of this Fund during 2017 these shares were removed in January 2018.

FORESIGHT VCT PLC INFRASTRUCTURE SHARES FUND

In the 2011/2012 tax year, £33 million was raised through a linked offer for the Infrastructure Shares fund, the proceeds of which were divided equally between Foresight VCT plc and Foresight 2 VCT plc. These Funds comprised separate share classes within Foresight VCT plc and Foresight 2 VCT plc with their own investments and income streams, and were combined following the merger in December 2015.

The number of Infrastructure Shares in the Company in issue at 31 December 2017 was 32,495,246. Following the full realisation of this Fund during 2017 these shares were removed in January 2018.

SUMMARY OF THE INVESTMENT POLICY

The Company will target investments in UK unquoted companies which it believes will achieve the objective of producing attractive returns for shareholders.

INVESTMENT OBJECTIVES ORDINARY SHARES FUND

The investment objective of the Ordinary Shares fund is to provide private investors with regular dividends and maintained capital value from a portfolio of investments in fast-growing unquoted companies in the United Kingdom.

PLANNED EXIT SHARES FUND

The investment objective of the Planned Exit Shares fund was to combine greater security of capital than is normal within a VCT with the enhancement of investor returns through the VCT tax benefits — income tax relief of 30% of the amount invested, and tax-free distribution of income and capital gains. The key objective of the Planned Exit Shares fund was to distribute 110p per share through a combination of tax-free income, buy-backs and tender offers before the sixth anniversary of the closing date of the original offer. The Planned Exit Shares fund was removed in January 2018.

INFRASTRUCTURE SHARES FUND

The investment objective of the Infrastructure Shares fund was to invest in companies which own and operate essential assets and services which enjoy long-term contracts with strong counterparties or through government concessions. To ensure VCT qualification, the Manager focused on companies where the provision of services was the primary activity and which generated long-term contractual revenues, thereby facilitating the payment of regular and predictable dividends to investors. The Infrastructure Shares fund was removed in January 2018.

PERFORMANCE AND KEY PERFORMANCE INDICATORS ("KPIs")

The Board expects the Manager to deliver a performance which meets the objectives of the Company. The KPIs covering these objectives are growth in net asset value per share and dividend payments, which, when combined, give net asset value total return. An additional key performance indicator reviewed by the Board includes the total expenses as a proportion of shareholders' funds.

A record of some of these indicators is contained in the Key Metrics section on page 3. The ongoing charges ratio for the year for the Company as a whole was 2.2% of net assets. Share buy-backs were completed at discounts ranging from 10.0% to 10.1% for Ordinary Shares. There were no Planned Exit Shares or Infrastructure Shares buy-backs. Further detail of the Company's KPIs can be found in the Glossary of Terms on page 84.

A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Manager's Report. The Board assesses the performance of the Manager in meeting the Company's objective against the primary KPIs highlighted above.

Clearly, in the Ordinary Shares fund, investments in unquoted companies at an early stage of their development may disappoint. Investing the funds raised in companies with high growth characteristics, however, with the potential to become strong performers within their respective fields creates an opportunity for enhanced returns to shareholders.

STRATEGIES FOR ACHIEVING OBJECTIVES

INVESTMENT SECURITIES

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities,

fixed-interest securities and cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stock, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM listed securities, cash is primarily held in interest bearing accounts as well as in a range of permitted liquidity investments.

UK COMPANIES

Investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must satisfy a number of tests set out in Part 6 of the Income Tax Act 2007 to be classed as VCT qualifying holdings.

ASSET MIX

The Company aims to be significantly invested in growth businesses, subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash and a range of permitted liquidity investments. It is intended that the significant majority (no less than 70%) of any funds raised by the Company will ultimately be invested in VCT qualifying investments. This requirement will increase to 80% for accounting periods beginning after 6 April 2019.

RISK DIVERSIFICATION AND MAXIMUM EXPOSURES

Risk is spread by investing in a number of different businesses within different industry sectors at different stages of development, using a mixture of securities. The maximum amount invested in any one company, including any guarantees to banks or third parties providing loans or other investment to such a company, is limited to 15% of the Company's investments by VCT value at the time of investment.

INVESTMENT STYLE

Investments are selected in the expectation that value will be enhanced by the application of private equity disciplines, including

an active management style for unquoted companies through the placement of an investor director on investee company boards.

BORROWING POWERS

The Company has a borrowing limit of an amount not exceeding an amount equal to the adjusted capital and reserves (being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of its reserves). Whilst the Company does not currently borrow, its policy allows it to do so.

CO-INVESTMENT

The Company may invest alongside other funds managed or advised by the Manager and Foresight Group. Where more than one fund is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio considerations, such as the portfolio diversity and the need to maintain VCT status.

VCT REGULATION

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15% of its total investments at the time of making any investment in a single company and must have at least 70% by value of its investments throughout the period in shares or securities in qualifying holdings, of which 70% by value in aggregate must be in ordinary shares which carry no preferential rights (although only 10% of any individual investment needs to be in the ordinary shares of that company). This percentage will increase from 70% to 80% for accounting periods beginning after 6 April 2019.

Strategic Report

Co-investments have been made by other funds that Foresight Group advises and manages, as follows:

Foresight Group also manages or advises Foresight 4 VCT plc, Foresight Solar & Infrastructure VCT plc, Foresight Nottingham Fund LP, Foresight Environmental Fund LP, Foresight Solar Fund Limited, Foresight European Solar Fund LP, Foresight Solar EIS, Foresight Solar EIS2, Foresight Solar EIS3, Foresight Solar EIS4, Foresight Solar EIS5, Foresight Inheritance Tax Solutions, UK Waste Resources and Energy Investments LP, Foresight Sustainable UK Investment Fund, Foresight AD EIS, Recycling and Waste LP, The Waste Asset LP, Foresight Energy Infrastructure EIS, Foresight Regional Investment LP and Foresight Williams Technology EIS Fund. Investments have been made by the funds that Foresight Group advises and manages, as follows:

	Foresight VCT £	Foresight 4 VCT £	Foresight Inheritance Tax Solutions £	Foresight Nottingham Fund £	Foresight Regional Investment £	Total Equity Managed by Foresight %
200 Degrees Holdings Limited	935,960	—	—	950,000	—	21.6%
ABL Investments Limited	2,750,000	1,494,075	—	—	—	40.0%
Aerospace Tooling Holdings Limited	150,000	415,255	—	—	—	50.4%
Biofortuna Limited	909,755	2,729,216	—	—	—	46.4%
CoGen Limited	1,603,491	1,939,589	—	—	—	18.9%
Cole Henry PE 2 Limited	100,000	200,000	—	—	—	49.9%
Datapath Group Limited	7,563,365	11,081,244	—	—	—	38.8%
FFX Group Limited	2,676,426	1,372,002	—	—	—	49.4%
Flowrite Refrigeration Limited	209,801	513,367	—	—	—	49.8%
Hospital Services Group Limited	3,320,000	1,200,000	—	—	—	61.5%
ICA Group Limited	885,232	969,693	—	—	—	51.9%
Idio Limited	816,659	—	—	816,659	—	12.5%
Industrial Efficiency II Limited	2,603,260	—	1,131,498	—	—	100.0%
Itad Limited	2,750,000	1,371,726	—	—	—	35.0%
Ixaris Systems Limited	2,266,036	3,479,188	—	—	—	18.2%
Kingsclere PE 3 Limited	100,000	100,000	—	—	—	49.9%
Mowgli Street Food Limited	1,526,750	—	—	—	1,900,000	22.7%
Positive Response Communications Limited	1,000,000	1,009,195	—	—	—	60.8%
Procam Television Holdings Limited	1,664,893	2,162,929	500,000	—	—	57.4%
Protean Software Limited	2,500,000	1,795,229	—	—	—	63.5%
Sindicatum Carbon Capital Limited	246,075	544,538	—	—	—	1.0%
Specac International Limited	1,300,000	2,554,761	—	—	—	75.8%
TFC Europe Limited	3,614,612	2,149,307	—	—	—	66.7%
The Business Advisory Limited	1,650,000	1,938,046	—	—	—	27.5%
Thermotech Solutions Limited	300,000	200,000	—	—	—	25.5%
Whitchurch PE 1 Limited	100,000	378,000	—	—	—	49.9%

Companies valued at £nil have been excluded from the table above.

Where Foresight Group controls over 50% of an investment by virtue of its discretionary management of one or more VCTs, decisions either have to be taken by the individual Boards of the VCTs or voting is limited to 50%.

MANAGEMENT

The Board has engaged Foresight Group CI Limited as manager. Foresight Group LLP provides or procures the provision of company secretarial, administration and custodian services to the Company. The Manager prefers to take a lead role in the companies in which it invests. Larger investments may be syndicated with other investing institutions, or strategic partners with similar investment criteria. In considering a prospective investment in a company, particular regard will be paid to:

- Evidence of high-margin products or services capable of addressing fast-growing markets;
- The company's ability to sustain a competitive advantage;
- The strength of the management team;
- The existence of proprietary technology;
- The company's prospects of being sold or achieving a flotation within three to five years.

ENVIRONMENTAL, HUMAN RIGHTS, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

The Board recognises the requirement under Section 414 of the Act to provide information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

Foresight Group is a signatory to the United Nations Principles for Responsible Investment ("UNPRI").

The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. As an investment manager, Foresight Group has a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, Foresight Group believes that Environmental, Social, and Corporate Governance ("ESG") issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Foresight Group also recognises that applying these Principles may better align investors with broader objectives of society.

Signatory of:



Where consistent with its fiduciary responsibilities, Foresight Group commits to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

As a signatory of this voluntary framework, Foresight Group submits an annual report to the UNPRI on its responsible

investment activities, which is approved by senior management. This allows Foresight Group to demonstrate to stakeholders and the public how it incorporates ESG issues, understand where it sits in relation to local and global peers and to learn and develop its practices year-on-year.

Foresight Group actively collaborates with the investment industry and relevant governmental bodies and regulators through direct conversations and contributing to collective consultation papers on matters affecting the investment process, including ESG.

GENDER DIVERSITY

The Board currently comprises one female and four male Directors. The Board is conscious of the need for diversity and will consider both male and female candidates when appointing new Directors.

Foresight Group has an equal opportunities policy and currently employs 143 men and 79 women.

DIVIDEND POLICY

A proportion of realised gains will normally be retained for reinvestment and to meet future costs. Subject to this, the Company will endeavour to maintain a flow of dividend payments of the order of 5p per share, although a greater or lesser sum may be paid in any year. It is the intention to maximise the Company's tax-free income from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

PURCHASE OF OWN SHARES

It is the Company's policy, subject to adequate cash availability, to consider repurchasing shares when they become available in order to help provide liquidity to the market in the Company's shares.

Strategic Report

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

The Board carries out regular reviews of the risk environment in which the Company operates. The principal risks and uncertainties identified by the Board which might affect the Company's business model and future performance, and the steps taken with a view to their mitigation, are as follows:

Economic risk: Events such as economic recession or general fluctuation in stock markets and interest rates may affect the performance and the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value. Mitigation: The Company invests in a diversified portfolio of investments spanning various industry sectors and maintains sufficient cash reserves to be able to provide additional funding to investee companies where appropriate and to repurchase its own shares.

VCT qualifying status risk: The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and capital gains tax on the disposal of their shares, and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

Mitigation: Legal advice is taken for each deal to ensure all investments are qualifying. Advance assurance, where appropriate, is sought from HMRC ahead of completion. The Manager keeps the Company's VCT qualifying status under continual review, seeking to take appropriate action to maintain it where required, and its reports

are reviewed by the Board on a quarterly basis. The Board has also retained Shakespeare Martineau LLP to undertake an independent VCT status monitoring role.

Investment and liquidity risk: Many of the Company's investments are in small and medium-sized unquoted companies which are VCT qualifying holdings, and which by their nature entail a higher level of risk and lower liquidity than investments in larger quoted companies.

Mitigation: The Manager aims to limit the risk attaching to the portfolio as a whole by careful selection, close monitoring and timely realisation of investments, by carrying out rigorous due diligence procedures and maintaining a spread of holdings in terms of industry sector. The Board reviews the investment portfolio with the Manager on a regular basis.

Legislative and regulatory risk: In order to maintain its approval as a VCT, the Company is required to comply with current VCT legislation in the UK, which reflects the European Commission's State aid rules. Changes to the UK legislation or the State aid rules in the future could have an adverse effect on the Company's ability to achieve satisfactory investment returns whilst retaining its VCT approval.

Mitigation: The Board and the Manager monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies.

Internal control risk: The Company's assets could be at risk in the absence of an appropriate internal control regime. This could lead to theft, fraud, cybercrime and/or an inability to provide accurate reporting and monitoring.

Mitigation: The Board carries out regular reviews of the system of internal controls, both financial and non-financial, operated by the Company, the Manager and other service providers. These include controls designed to

ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Financial risk: Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Mitigation: The Manager is continually reviewing accounting policies and regulations, and its reports are reviewed by the Board on a quarterly basis and at least annually by the auditor.

Market risk: All investments are impacted by market risk. Investments quoted on the London Stock Exchange or AIM will potentially be subject to more immediate market fluctuations and volatility upwards and downwards. Many factors including terrorist activity and political developments can negatively impact stock markets worldwide. In times of adverse sentiment there can be very little, if any, market demand for shares in smaller companies quoted on AIM.

Mitigation: The Board keeps the portfolio under regular review.

Credit risk: The Company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment.

Mitigation: The Directors and Manager review the creditworthiness of the counterparties to these instruments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

The Board recognises that Brexit is a process that involves significant uncertainty. The Board and the Manager do, however, follow Brexit developments closely with a view to identifying where changes could affect the areas of the market in which we specialise. Although we hope this should be relatively limited as the majority of the businesses we invest in are largely UK focused, there will be an impact where sales or purchases are outside the UK. The Manager's analysis of the portfolio has, based

on current knowledge, indicated that the positives and negatives should largely balance each other out.

VIABILITY STATEMENT

In accordance with principle 21 of the AIC Code of Corporate Governance published by the AIC in February 2015, the Directors have assessed the prospects of the Company over the three year period to 31 December 2020. This three year period is used by the Board during the strategic planning process and is considered reasonable for a business of its nature and size.

In making this statement, the Board carried out an assessment of the principal risks facing the Company, including those that might threaten its business model, future performance, solvency, or liquidity. The Board concentrated its efforts on the major factors that affect the economic, regulatory and political environment.

The Board also considered the ability of the Company to raise finance and deploy capital. This assessment took account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact of the underlying risks, including the Manager adapting its investment process to take account of the more restrictive VCT investment rules.

The Directors have also considered the Company's income and expenditure projections and underlying assumptions for the next three years and found these to be realistic and sensible.

Based on the Company's processes for monitoring cash flow, share price discount, ongoing review of the investment objective and policy, asset allocation, sector weightings and portfolio risk profile, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall

due over the three years to 31 December 2020.

PERFORMANCE-RELATED INCENTIVES

Shareholders approved a co-investment scheme and performance incentive arrangements at a General Meeting held on 8 March 2017, effective from 31 March 2017. Details can be found in note 14 to the accounts.

VALUATION POLICY

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines (December 2015) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. Quoted investments and investments traded on AIM are valued at the bid price. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to annual review by the auditors.

VCT TAX BENEFIT FOR SHAREHOLDERS

To obtain VCT tax reliefs on subscriptions up to £200,000 per annum, a VCT investor must be a 'qualifying' individual over the age of 18 with UK taxable income. The tax reliefs for subscriptions since 6 April 2006 are:

- Income tax relief of 30% on subscription for new shares, which is forfeit by shareholders if the shares are not held for five years;
- VCT dividends (including capital distributions of realised gains on investments) are not

subject to income tax in the hands of qualifying holders;

- Capital gains on disposal of VCT shares by qualifying investors are tax-free, whenever the disposal occurs.

VENTURE CAPITAL TRUST STATUS

Foresight VCT plc has been granted approval as a Venture Capital Trust (VCT) under S274–S280A of the Income Tax Act 2007 for the year ended 31 December 2016. The next complete review will be carried out for the year ended 31 December 2017. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Directors and the Manager have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. The Board has appointed Shakespeare Martineau LLP to monitor and provide continuing advice in respect of the Company's compliance with applicable VCT legislation and regulation. As at 31 December 2017 the Company had 100.0% (by VCT valuation) of its funds in such VCT qualifying holdings.

FUTURE STRATEGY

The Board and the Manager believe that the strategy of focusing on growth private equity investments is currently in the best interests of shareholders and the historical information reproduced in this report is evidence of positive recent performance in this area.

The Company's performance relative to its peer group and benchmarks will depend on the Manager's ability to allocate the Company's assets effectively, make successful investments and manage its liquidity appropriately.

John Gregory
Chairman
10 April 2018

Governance

Board of Directors

“The Board regularly reviews its own performance and undertakes succession planning to maintain an appropriate level of independence, experience and skills.”

John Gregory

Chairman of the Board

John Gregory

CHAIRMAN OF THE BOARD



Position

Chairman of the Board

Appointed

30 July 2010

Experience

John is a chartered accountant with a broad experience of banking, corporate finance and fund management; he was an executive director of Noble Fund Managers Limited until 2004. His earlier career was in the City of London and included posts as an executive director of Singer & Friedlander Holdings Limited and, before that, managing director of Henry Ansbacher & Co Limited.

Other positions

Chairman of Social Impact VCT plc and a non-executive director or Chairman of several private companies.

Beneficial Shareholding

39,171 Ordinary Shares

Gordon Humphries

NON-EXECUTIVE DIRECTOR



Position

Chairman of the Audit, Nomination & Management Engagement and Remuneration Committees, Non-Executive Director

Appointed Experience

20 February 2007

Gordon has over 30 years' experience in financial services, particularly with regard to investment trusts. He was an investment director and the head of investment companies at Standard Life Investments. Prior to this he was joint head of investment trusts at F&C Asset Management. He was previously a director of R&H Fund Services Limited and was a member of the Institute of Chartered Accountants of Scotland Audit and Assurance Committee for the period 2005 to 2015. Gordon began his career with Deloitte Haskins & Sells (now PwC), where he qualified as a chartered accountant. He has an MA (Hons) in Economics and Accounting from the University of Edinburgh.

Other positions

Director of Maven Income and Growth VCT 5 plc and Trustee of the Cattnach Trust.

Beneficial Shareholding

16,252 Ordinary Shares

Peter Dicks

NON-EXECUTIVE DIRECTOR



Position

Non-Executive Director

Appointed Experience

22 August 1997

Peter was a founder director of Abingworth plc, a successful venture capital company in 1973. He was the chairman of Foresight VCT plc and Foresight 2 VCT plc from their launch in 1997 and 2004 respectively until 2010 and since then has continued to serve on the Board following the merger.

Other positions

Currently a director of a number of quoted and unquoted companies including Mears plc, ICG Enterprise Trust plc and Foresight Solar Fund Limited. He is also chairman of Unicorn AIM VCT plc.

Beneficial Shareholding

115,145 Ordinary Shares

Governance

Jocelin Harris NON-EXECUTIVE DIRECTOR



Position

Non-Executive Director

Appointed

18 December 2015

Experience

Jocelin is a qualified solicitor and since 1986 has run Durrington Corporation, which provides finance and advice for small businesses. Before this he was a Director of private bank Rea Brothers for 13 years. He has personally invested in over 40 development stage companies over the last 35 years.

Other positions

Currently Chairman or Non-Executive Director of a number of companies in the UK and the USA. He is also a Director of Unicorn AIM VCT plc and a Governor of St Paul's Way Trust School in London.

Beneficial Shareholding

53,192 Ordinary Shares
10,362 Infrastructure Shares (removed on 24 January 2018)

Margaret Littlejohns NON-EXECUTIVE DIRECTOR



Position

Non-Executive Director

Appointed

1 October 2017

Experience

Margaret has 18 years of experience in both commercial and investment banking, developing particular expertise in derivatives and in credit and market risk management. Between 2004 and 2006 she co-founded two start-up ventures, providing self-storage facilities to domestic and business customers in the Midlands and acted as Finance Director until the businesses were successfully sold in 2016.

Other positions

Margaret currently serves as Non-Executive Chairman of Henderson High Income Trust plc and as Non-Executive Director of JPMorgan Mid Cap Investment Trust plc and UK Commercial Property Trust. She is also a member of the Development Committee of Southern Housing Group.

Beneficial Shareholding

Nil



Directors' Report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2017.

ACTIVITIES AND STATUS

The principal activity of the Company during the year was the making of investments in unquoted companies in the United Kingdom. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. It has satisfied the requirements as a Venture Capital Trust under sections 274–280A of the Income Tax Act 2007. Confirmation of the Company's qualification as a Venture Capital Trust has been received up to 31 December 2016 and the Directors have managed and intend to continue to manage the Company's affairs in such a manner as to continue to comply with these regulations.

RESULTS AND DIVIDENDS

The total return attributable to shareholders for the year amounted to £13,248,000 (2016: £5,202,000). The Board paid interim dividends of 5.0p per Ordinary Share on 3 April 2017 and 4.0p per Ordinary Share on 29 September 2017. An interim dividend of 18.0p per Planned Exit Share was paid on 13 April 2017 and a second interim dividend of 7.71p per Planned Exit Share on 29 December 2017. An interim dividend of 93.05p per Infrastructure Share was paid on 29 December 2017.

NET ASSET VALUE TOTAL RETURN

During the year ended 31 December 2017 the Company's principal indicator of performance, net asset value total return since launch on 17 November 1997 (including dividends paid since launch), increased 0.9% from 216.7p per Ordinary Share at 31 December 2016 to 218.7p per Ordinary Share at 31 December 2017.

The net asset value total return (including dividends paid since launch on 3 March 2010) per Planned Exit Share decreased 0.2% to 82.71p per share at 31 December 2017 from 82.9p per share at 31 December 2016.

The net asset value total return (including dividends paid since launch on 20 February 2012) per Infrastructure Share has increased 10.9% to 115.05p per share at 31 December 2017 from 103.7p per share at 31 December 2016.

SHARE ISSUES

Under an offer for subscription dated 2 February 2017, 46,188,101 Ordinary Shares were issued during the year, based on net asset values ranging from 78.3p to 83.3p per share.

The Company allotted 1,878,571 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 78.3p per share and 1,545,280 at 79.8p per share.

At 31 December 2017 the Company had 175,601,977 Ordinary Shares, 11,404,314 Planned Exit Shares and 32,495,246 Infrastructure Shares in issue. There are no restrictions on the transfer of any class of share.

SHARE BUYBACKS

During the year, the Company repurchased 1,995,263 Ordinary Shares for cancellation at a cost of £1,476,000. No shares bought back by the Company are held in treasury. Share buy-backs have been completed at discounts ranging from 10.0% to 10.1%.

GLOBAL GREENHOUSE GAS EMISSIONS

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions sources under the Companies Act 2006 (Strategic Report and Directors' Reports) regulations 2013.

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

A summary of the principal risks faced by the Company is set out in the Strategic Report on page 26.

MANAGEMENT

Foresight Group CI Limited is the Manager of the Company and provides investment management and other administrative services.

Annually, the Management Engagement & Remuneration Committee reviews the appropriateness of the Manager's appointment. In carrying out its review, the Management Engagement & Remuneration Committee considers the investment performance of the Company and the ability of the Manager to produce satisfactory investment performance. It also considers the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include Company Secretarial services. It is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The last review was undertaken on 29 March 2018. Foresight Fund Managers resigned as Company Secretary on 6 November 2017 and Foresight Group LLP was appointed. The principal terms of the management agreement is set out in note 3 to the accounts. Following the merger with Foresight 2 VCT plc the Manager agreed to reduce the annual expenses cap to 2.4%, making it one of the lower expenses caps of any VCT with total assets over £20 million.

No Director has an interest in any contract to which the Company is a party. Foresight Group CI Limited acts as manager to the Company in respect of its investments and earned fees of

£3,780,000 (including £863,000 performance incentive fee) (2016: £2,135,000) during the year. Foresight Fund Managers received £113,000 excluding VAT (2016: £110,000 excluding VAT) during the year in respect of secretarial, administrative and custodian services to the Company. Foresight Group also received from investee companies arrangement fees of £536,000 (2016: £147,000).

VCF Partners, an associate of Foresight Group, received directors' fees of £510,000 (2016: £346,000) from investee companies.

	£
Management fee	3,780,000
Arrangement fees	536,000
Directors fees	510,000
Secretarial fee	113,000
	4,939,000

The Manager is also a party to the performance incentive agreements described in note 14 to the accounts. All amounts are stated, where applicable, net of Value Added Tax.

At the time of writing, Foresight Group staff held a total of 1,919,929 Ordinary shares in the Company.

VCT STATUS MONITORING

The Company has retained Shakespeare Martineau LLP as legal advisers on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status at meetings of the Board and the Manager monitors the status on a continuing basis.

SUBSTANTIAL SHAREHOLDINGS

So far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

FINANCIAL INSTRUMENTS

Details of all financial instruments

used by the Company during the year are given in note 15 to the accounts.

DIRECTORS INDEMNIFICATION AND INSURANCE

The Directors have the benefit of indemnities under the articles of association of the Company against, to the extent only as permitted by law, liabilities they may incur acting in their capacity as Directors of the Company.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities that may rise in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

POLICY OF PAYING CREDITORS

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At the year end trade creditors represented an average credit period of 3 days (2016: 4 days).

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

The AIFMD came into force on 22 July 2013 and sets out the rules for the authorisation and on-going regulation of managers (AIFMs) that manage alternative investment funds (AIFs) in the EU. The Company qualifies as an AIF and so is required to comply, although additional cost and administration requirements are not expected to be material. The Company's approval was confirmed in August 2014. This has not affected the current arrangements with the Manager, who continues to report to the Board and manage the Company's investments on a discretionary basis.

AUDIT INFORMATION

Pursuant to s418(2) of the Companies Act 2006, each of

the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

SECTION 992 OF THE COMPANIES ACT

The following disclosures are made in accordance with Section 992 of the Companies Act 2006.

CAPITAL STRUCTURE

The Company's issued share capital as at 10 April 2018 was 175,601,977 Ordinary Shares.

The Company's Planned Exit Shares and Infrastructure Shares were removed in January 2018, following full realisation of these funds.

The Ordinary Shares represent 100% of the total share capital at the date of this report. Further information on the share capital of the Company is detailed in note 12 to the accounts.

VOTING RIGHTS IN THE COMPANY'S SHARES

Details of the voting rights in the Company's shares at the date of this report are given in note 5 in the Notice of Annual General Meeting on page 78.

NOTIFIABLE INTERESTS IN THE COMPANY'S VOTING RIGHTS

At the date of this report no notifiable interests had been declared in the Company's voting rights.

AUDITOR

Pursuant to s487(2) of the Companies Act 2006, the Directors have decided to propose the re-appointment of KPMG LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting.

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COMPANIES ACT 2006 DISCLOSURES

In accordance with Schedule 7 of the Large and Medium Size Companies and Groups (Accounts and Reports) Regulations 2008, as amended, the Directors disclose the following information:

- the Company's capital structure and voting rights are summarised above, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;
- the rules concerning the appointment and replacement of directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- the Company does not have any employee share scheme;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur following a takeover bid or for any other reason.

CONFLICTS OF INTEREST

The Directors have declared any conflicts or potential conflicts of interest to the Board which has the authority to approve such conflicts. The Company Secretary maintains the Register of Directors' Conflicts of Interest which is reviewed quarterly by the Board and when changes are notified. The Directors advise the Company Secretary and Board as soon as they become aware of any conflicts of interest. Directors who

have conflicts of interest do not take part in discussions concerning their own conflicts.

WHISTLEBLOWING

The Board has been informed that the Manager has arrangements in place in accordance with the UK Corporate Governance Code's recommendations by which staff of the Manager or Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. On the basis of that information, adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their respective organisations.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Strategic Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources together with investments and income generated therefrom across a variety of industries and sectors. As a consequence, the Directors believe that the Company is able to manage its business risks.

Cash flow projections have been reviewed and show that the Company has sufficient funds

to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy backs and dividends. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants, although its underlying investments may have external loan finance.

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

DIRECTORS REMUNERATION

Following changes to the Companies Act 2006, UK investment companies must comply with new regulations in relation to directors' remuneration. Directors' fees can only be paid in accordance with a remuneration policy which has been approved by shareholders. The company must also publish a Directors' Remuneration Report that complies with a new set of disclosure requirements. See page 45.

ANNUAL GENERAL MEETING

A formal notice convening the Annual General Meeting on 22 May 2018 can be found on pages 78 to 81. Resolutions 1 to 9 will be proposed as ordinary resolutions meaning that for each resolution to be passed more than half of the votes cast at the meeting must be in favour of the resolution. Resolutions 10 and 11 will be proposed as special resolutions meaning that for each resolution to be passed at least 75% of the votes cast at the meeting must be in favour of the resolution. Resolutions 9 to 11 supplement and renew share issue and buyback authorities.

RESOLUTION 9

Resolution 9 will authorise

the Directors to allot relevant securities generally, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of £175,000 (representing 10.0% of the current issued share capital of the Company). This authority will be used for the purposes listed under the authority requested under Resolution 10. This includes authority to issue shares pursuant to the dividend investment scheme, performance incentive fee arrangements with the Manager and relevant individuals of the Foresight Group LLP investment team and top-up offers for subscription to raise new funds for the Company if the Board believes this to be in the best interests of the Company. Any offer is intended to be at an offer price linked to NAV. This will expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the passing of the resolution and is in substitution for all existing authorities.

RESOLUTION 10

Resolution 10 will sanction, in a limited manner, the disapplication of pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal amount of up to £200,000 pursuant to offer(s) for subscription, (ii) with an aggregate nominal value of up to 10% of the issued share capital pursuant to dividend investment schemes at a subscription price per share which may be less than the net asset value per share, as may be prescribed by the scheme terms, (iii) with an aggregate nominal value of up to £100,000 pursuant to performance incentive arrangements with the Manager and relevant individuals of the Foresight Group LLP investment team and (iv) with an aggregate nominal value of up to 10% of the issued share capital for general purposes, in each case where the proceeds of such issue may be used in whole or part to

purchase the Company's shares. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2019, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired. This authority is in substitution for all existing authorities.

RESOLUTION 11

It is proposed by Resolution 11 that the Company be authorised to make market purchases of the Company's own shares. Under this authority the Directors may purchase up to 26,322,736 shares, (representing approximately 14.99% of the Company's shares in issue at the date of this Annual Report) or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. When buying shares, the Company cannot pay a price per share which is more than 105% of the average of the middle market quotation for a share taken from the London Stock Exchange daily official list on the five business days immediately before the day on which shares are purchased or, if greater, the amount stipulated by Buyback and Stabilisation Regulation 2003. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2019, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may purchase its shares after such date in pursuance of a contract or contracts made prior

to the expiration of this authority. This authority is in substitution for all other existing authorities.

Whilst, generally, the Company does not expect that shareholders will want to sell their shares within five years of subscribing for them because this would lead to a loss of tax relief, the Directors anticipate that from time to time shareholders may need to sell shares within this period. Up front VCT income tax relief is only obtainable by an investor who makes an investment in new shares issued by the Company. This means that investors may be willing to pay more for new shares issued by the Company than they would pay to buy existing shares in the market. Therefore, in the interest of shareholders who may need to sell shares from time to time, the Company proposes to renew the authority to buy-in shares as it enables the Board to maintain a degree of liquidity in the Company's shares. In making purchases the Company will deal only with member firms of the London Stock Exchange and at a discount to the then prevailing net asset value per share of the Company's shares to ensure that existing shareholders interests are protected.

By order of the Board

Foresight Group LLP
Secretary
10 April 2018

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Corporate Governance

The Directors of Foresight VCT plc confirm that the Company has taken the appropriate steps to enable it to comply with the Principles set out in Section 1 of the UK Corporate Governance Code on Corporate Governance ('UK Corporate Governance Code') issued by the Financial Reporting Council in April 2016, as appropriate for a Venture Capital Trust.

As a Venture Capital Trust, the Company's day-to-day responsibilities are delegated to third parties and the Directors are all Non-Executive. Thus not all the procedures of the UK Corporate Governance Code are directly applicable to the Company. Unless noted as an exception below, the requirements of the UK Corporate Governance Code were complied with throughout the year ended 31 December 2017. The Annual General Meeting for the year ended 31 December 2016 was convened on at least 24 days' notice but not 20 business days' notice as recommended in the UK Corporate Governance Code.

The Board has also considered and observed the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

THE BOARD

The Company has a Board of five Non-Executive Directors, all of whom (other than Peter Dicks who is considered non-independent under the listing rules by virtue of being a director of another fund which is managed by Foresight Group) are considered to be independent. The Board has not appointed a Senior Independent Director.

DIVISION OF RESPONSIBILITIES

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly and on an ad hoc basis as required. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. A management agreement between the Company and its Manager sets out the matters over which the Manager has authority, including monitoring and managing the existing investment portfolio and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board of Directors. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a

principled approach to corporate governance.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. In view of its Non-Executive nature and the requirements of the Articles of Association that Directors retire by rotation at the Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by provision B.2.3 of the UK Corporate Governance Code. However, the Board has agreed that each Director will retire and, if appropriate, may seek re-election annually.

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change, although there is no formal induction programme for the Directors as recommended by provision B.4.1.

The Board has access to the officers of the Company Secretary who also attend Board Meetings. Representatives of the Manager attend all formal Board Meetings although the Directors may on occasion meet without the Manager being present. Informal meetings with the Manager are also held between Board Meetings as required. The Company Secretary provides full information on the Company's assets, liabilities and other relevant information to the Board in advance of each Board Meeting. Attendance by Directors at Board and Committee meetings is detailed in the table below.

	Board	Audit	Nomination	Remuneration
John Gregory	4/4	2/2	1/1	1/1
Peter Dicks	4/4	2/2	1/1	1/1
Gordon Humphries	4/4	2/2	1/1	1/1
Jocelin Harris	4/4	2/2	1/1	1/1
Margaret Littlejohns*	1/1	0/0	0/0	0/0

*Margaret Littlejohns was appointed on 1 October 2017.

MEETING ATTENDANCE

In addition to the above, eight further meetings were held in relation to the publication of corporate documents and in relation to investments.

In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight Group LLP and Shakespeare Martineau LLP, the Company has not appointed a chief executive officer, deputy Chairman or a senior independent non-executive Director as recommended by provision A.4.1 of the UK Corporate Governance Code. The provisions of the UK Corporate Governance Code which relate to the division of responsibilities between a chairman and a chief executive officer are, accordingly, not applicable to the Company.

BOARD COMMITTEES

The Board has adopted formal terms of reference, which are available to view by writing to the Company Secretary at the registered office, for three standing committees which make recommendations to the Board in specific areas.

The Audit Committee comprises Gordon Humphries (Chairman), Peter Dicks, John Gregory, Jocelin Harris and Margaret Littlejohns, all of whom are considered to have sufficient recent and relevant financial experience to discharge the role, and meets at least twice a year to consider, amongst other things, the following:

- Monitor the integrity of the financial statements of the Company and recommend the accounts to the Board for approval;
- Review the Company's internal control and risk management systems;
- Make recommendations to the Board in relation to the appointment of the external auditors;

- Review and monitor the external auditors' independence; and
- Implement and review the Company's policy on the engagement of the external auditors to supply non-audit services.

The Audit Committee has performed an assessment of the audit process and the auditor's report in the Audit Committee Report.

The Directors have decided to re-appoint KPMG LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting. Cornel Partners Limited provides the Company's taxation services.

The Nomination Committee comprises Gordon Humphries (Chairman), Peter Dicks, John Gregory, Jocelin Harris and Margaret Littlejohns and meets at least annually to consider the composition and balance of skills, knowledge and experience of the Board and to make nominations to the Board in the event of a vacancy. New Directors are required to resign at the Annual General Meeting following appointment and then seek re-election thereafter.

The Board believes that, as a whole, it has an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is important and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments. The Nomination Committee makes recommendations to the Board on the Company's ongoing succession plan and also considers the resolutions for the annual re-election of directors.

The Management Engagement & Remuneration Committee (which has responsibility for

reviewing the remuneration of the Directors) comprises Gordon Humphries (Chairman), Peter Dicks, John Gregory, Jocelin Harris and Margaret Littlejohns and meets at least annually to consider the levels of remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role. The Management Engagement & Remuneration committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards. The Management Engagement & Remuneration Committee also reviews the appointment and terms of engagement of the Manager.

Copies of the terms of reference of each of the Company's committees can be obtained from the Manager upon request.

BOARD EVALUATION

The Board undertakes a formal annual evaluation of its own performance and that of its committees, as recommended by provision B.6 of the UK Corporate Governance Code. Initially, the evaluation takes the form of a questionnaire for the Board (and its committees). The Chairman then discusses the results with the Board (and its committees) and following completion of this stage of the evaluation, the Chairman will take appropriate action to address any issues arising from the process.

RELATIONS WITH SHAREHOLDERS

The Company communicates with shareholders and solicits their views where it considers it is appropriate to do so. Individual shareholders are welcomed to the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Nomination and Management Engagement & Remuneration Committees. The Board may from time to time seek

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feedback through shareholder questionnaires and an open invitation for shareholders to meet the Manager. The Company is not aware of any institutions owning shares in the Company.

INTERNAL CONTROL

The Directors of Foresight VCT plc have overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

The internal controls system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss.

The Board's appointment of Foresight Group as accountant and administrator has delegated the financial administration to Foresight Group. It has an established system of financial control, including internal financial controls, to ensure that proper accounting records are maintained and that financial information for use within the business and for reporting to shareholders is accurate and reliable and that the Company's assets are safeguarded.

Shakespeare Martineau LLP provides legal advice and assistance in relation to the maintenance of VCT tax status, the operation of the agreements entered into with Foresight Group and the application of the Venture Capital Trust legislation to any company in which the Company is proposing to invest.

Foresight Group LLP was appointed by the Board as Company Secretary in November 2017 with responsibilities relating to the administration of the non-financial systems of internal control. Prior to this the Company Secretary was Foresight Fund

Managers Limited. All Directors have access to the advice and services of the officers of the Company Secretary, who are responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Pursuant to the terms of its appointment, the Manager invests the Company's assets and Foresight Group, in its capacity as administrator, has physical custody of documents of title relating to equity investments.

Following publication of Internal Control: Guidance for Directors on the UK Corporate Governance Code (the Turnbull guidance), the Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Board and accords with the guidance. The process is based principally on the Manager's existing risk-based approach to internal control whereby a risk register is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied.

The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action that has been, or is being, taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with the Manager, Foresight Group LLP, Shakespeare Martineau LLP and other service providers.

The Audit Committee has carried out a robust review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board which was satisfied with the outcome of the review.

Such review procedures have been in place throughout the full financial year and up to the date of approval of the accounts, and the Board is satisfied with their effectiveness. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to its objective at each Board meeting.

The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Manager, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. The Board has therefore concluded that it is not necessary to establish an internal audit function at the current time but this policy will be kept under review.

DIRECTORS' PROFESSIONAL DEVELOPMENT

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change, although there is no formal induction programme for the Directors as recommended by provision B.4.1. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls.

Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also participate in industry seminars.

UK STEWARDSHIP CODE

The Manager has endorsed the UK Stewardship Code published by the FRC. This sets out the responsibilities of institutional investors in relation to the companies in which they invest and a copy of this can be found on the Manager's website at www.foresightgroup.eu.

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Manager has established policies and procedures to prevent bribery within its organisation.

John Gregory

Chairman
10 April 2018

Audit Committee Report

The Audit Committee has identified and considered the following key areas of risk in relation to the business activities and financial statements of the company:

- Valuation of unquoted investments; and
- Compliance with HM Revenue & Customs conditions for maintenance of approved Venture Capital Trust Status.

These issues were discussed with the Manager and the auditor at the conclusion of the audit of the financial statements, as explained below:

VALUATION OF UNQUOTED INVESTMENTS

The Directors have met quarterly to assess the appropriateness of the estimates and judgements made by the Manager in the investment valuations. As a Venture Capital Trust the Company's investments are predominantly in unlisted securities, which can be difficult to value and requires the application of skill, knowledge and judgement by the Board and Audit Committee. During the valuation process the Board, Audit Committee and the Manager follow the valuation methodologies for unlisted investments as set out in the International Private Equity and Venture Capital valuation guidelines and appropriate industry valuation benchmarks. These valuation policies are set out in Note 1 of the accounts. These were then further reviewed and challenged by the Audit Committee. The Manager confirmed to the Audit Committee that the investment valuations had been calculated consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. Furthermore, the Board and the Manager held discussions regarding the

investment valuations with the auditor.

EXISTENCE OF UNQUOTED INVESTMENTS

For all investments made, both share certificates and loan stock documentation are held in the Company's own name and regular reconciliations are carried out by Foresight Group to ensure that valid documents of title are held.

VENTURE CAPITAL TRUST STATUS

Maintaining Venture Capital Trust status and adhering to the tax rules of section 274 of ITA 2007 is critical to both the Company and its shareholders for them to retain their VCT tax benefits.

The Manager confirmed to the Audit Committee that the conditions for maintaining the Company's status as an approved Venture Capital Trust had been met throughout the year. The Manager seeks HMRC approval, where appropriate, in advance for all qualifying investments and reviews the Company's qualifying status in advance of realisations being made and throughout the year. The Audit Committee is in regular contact with the Manager and any potential issues with Venture Capital Trust Status would be discussed at or between formal meetings. In addition, an external third party review of Venture Capital Trust Status is conducted by Shakespeare Martineau LLP on a quarterly basis and this is reported to both the Board, Audit Committee and the Manager.

AUDITOR'S ASSESSMENT

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining

the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as auditor in a diligent and professional manner. During the year, the Audit Committee assessed the effectiveness of the current external audit process by assessing and discussing specific audit documentation presented to it in accordance with guidance issued by the Auditing Practices Board. The audit director is rotated every five years ensuring that objectivity and independence is not impaired. The current audit director, Henry Todd, assumed responsibility for the audit in 2017. KPMG LLP was appointed as auditor in February 2011, with its first audit for the year ended 31 December 2010. No tender for the audit of the Company has been undertaken since this date. As part of its review of the continuing appointment of the auditor, the Audit Committee considers the need to put the audit out to tender, its fees and independence from the Manager along with any matters raised during each audit. KPMG LLP is not engaged for non-audit services.

The Audit Committee considered the performance of the auditor during the year and agreed that KPMG LLP continued to provide a high level of service and maintained a good knowledge of the Venture Capital Trust market, making sure audit quality continued to be maintained.

The Audit Committee met in March 2017 to review the annual audited accounts and the Company's risk register and in August 2017 to review the interim report and the Company's risk register.

Gordon Humphries

Audit Committee Chairman
10 April 2018

Directors' Remuneration Report

INTRODUCTION

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor, KPMG LLP, to audit certain areas of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the 'Independent Auditor's Report.'

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Board which is profiled on pages 32 to 34 consists solely of non-executive directors and considers at least annually the level of the Board's fees.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Management Engagement & Remuneration Committee comprises five Directors: Gordon Humphries (Chairman), Peter Dicks, John Gregory, Jocelin Harris and Margaret Littlejohns.

The Management Engagement & Remuneration Committee has responsibility for reviewing the remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role, and meets at least annually.

The Management Engagement & Remuneration Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards and members have access to independent advice where they consider it appropriate.

During the year neither the Board nor the Management Engagement & Remuneration Committee has been provided with external advice or services by any person, but has received industry comparison information from the Manager in respect of the Directors' remuneration.

The remuneration policy set by the Board is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy.

Directors are not involved in deciding their own individual remuneration.

REMUNERATION POLICY

The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2017 were agreed during the year.

It is considered appropriate that no aspect of Directors' remuneration should be performance related in light of the Directors' Non-Executive status, and Directors are not eligible for bonuses or other benefits.

The Company's policy is to pay the Directors monthly in arrears, to the Directors personally (or to a third party if requested by any Director although no such request has been made).

None of the Directors has a service contract but, under letters of appointment dated 10 January 2018, they may resign at any time. There are no set minimum notice periods and no compensation is payable to Directors leaving office. As the Directors are not appointed

for a fixed length of time there is no unexpired term to their appointment but all Directors retire every year and may seek re-election.

It is the intention of the Board that the above remuneration policy will, subject to Shareholder approval, come into effect immediately following the Annual General Meeting of the Company on 22 May 2018 and will continue for the financial year ending 31 December 2018 and subsequent years. Shareholders vote on the remuneration policy annually.

Shareholders' views in respect of Directors' remuneration are communicated at the Company's Annual General Meeting and are taken into account in formulating the Directors' remuneration policy. At the last Annual General Meeting 93.0% of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder support.

RETIREMENT BY ROTATION

All Directors offer themselves for re-election every year. Peter Dicks has decided to retire this year and will not seek re-election.

DETAILS OF INDIVIDUAL EMOLUMENTS AND COMPENSATION

The emoluments in respect of qualifying services of each person who served as a Director during the year are shown on page 47. No Director has waived or agreed to waive any emoluments from the Company in either the current or previous year.

No other remuneration was paid or payable by the Company during the current or previous year nor were any expenses claimed by or paid to them other than for expenses incurred wholly, necessarily and exclusively in furtherance of their duties as Directors of the Company.

Governance

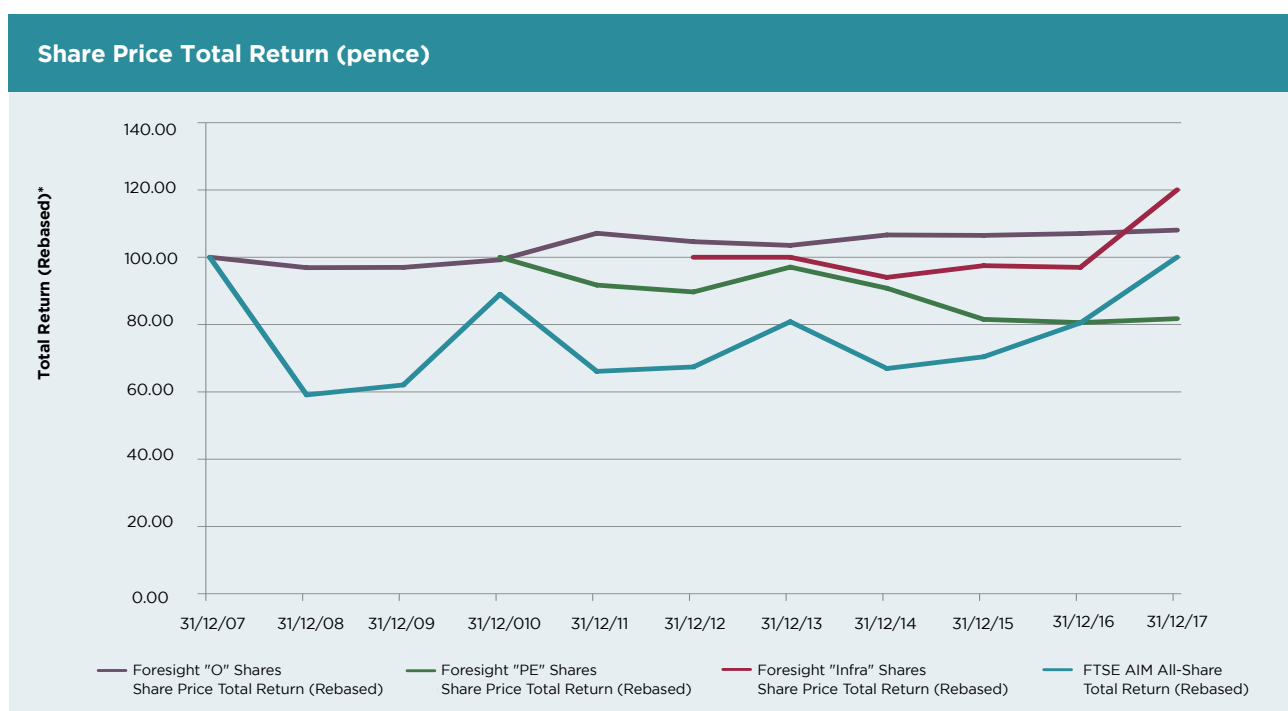
The Company's Articles of Association do not set an annual limit on the level of Directors' fees but fees must be considered within the wider Remuneration Policy noted above.

Directors' liability insurance is held by the Company in respect of the Directors.

SHARE PRICE TOTAL RETURN

The graph below charts the total shareholder return to 31 December 2017, on the hypothetical value of £100, invested by an Ordinary Shareholder since 1 January 2008, a Planned Exit Shareholder since 3 March 2010 or an Infrastructure Shareholder since February 2012. The return is compared to the total

shareholder return on a notional investment of £100 in the FTSE AIM All-Share Index, which is considered an appropriate broad index against which to measure the Company's performance given that the profiles of many AIM companies being similar to those held by the Company.



*Based on the hypothetical value of £100 originally invested at launch.

DIRECTORS

The Directors who held office during the year and their interests in the issued shares of 1p each of the Company were as follows:

	31 December 2017 Ordinary Shares	31 December 2017 Planned Exit Shares	31 December 2017 Infrastructure Shares	31 December 2016 Ordinary Shares	31 December 2016 Planned Exit Shares	31 December 2016 Infrastructure Shares
John Gregory (Chairman)	39,171	—	—	24,756	—	—
Peter Dicks	115,145	—	—	115,145	—	—
Jocelin Harris	53,192	—	10,362	50,000	—	10,362
Gordon Humphries	16,252	—	—	12,633	—	—
Margaret Littlejohns	—	—	—	—	—	—

All the Directors' share interests shown above were held beneficially.

Post year end, the Company's Planned Exit Shares and Infrastructure Shares were removed.

In accordance with the Articles of Association and the requirements of the UK Corporate Governance Code and the Board's policy, Mr Gregory, Mr Humphries, Mr Harris and Ms Littlejohns retire annually and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on pages 32-34.

The Board believes that Mr Gregory's, Mr Humphries', Mr Harris' and Ms Littlejohns' skills, experience and knowledge continue to complement each other and add value to the Company and recommends their re-election to the Board. None of the Directors has a contract of service with the Company.

Peter Dicks is retiring at the Annual General Meeting.

AUDITED INFORMATION

The information below has been audited. See the Independent Auditor's Report on pages 52-55.

	Audited Directors' fees year ended 31 December 2017 (£)	Audited Directors' fees year ended 31 December 2016 (£)
John Gregory (Chairman)	30,375	29,125
Peter Dicks	22,775	21,750
Jocelin Harris	22,775	21,750
Gordon Humphries	25,325	24,000
Margaret Littlejohns	5,763	—
Total	107,013	96,625

The Directors are not eligible for pension benefits, share options or long-term incentive schemes. Directors' fees are reviewed annually and fees were last increased on 1 July 2017 after consideration of fees paid to other VCT directors and available independent research.

Governance

Votes cast For and Against the Directors' Remuneration Report for the year ended 31 December 2016

Shares and Percentage of votes cast For	Shares and Percentage of votes cast Against	Number of votes withheld
93.0%	7.0%	
16,602,142 votes	1,253,331 votes	436,419 votes

In accordance with Companies Act 2006 legislation the table below sets out the relative importance of spend on pay when compared to distributions to shareholders in the form of dividends and share buybacks.

	Year ended 31 December 2017	Year ended 31 December 2016
Dividends	£48,650,000*	£13,686,000
Share buybacks	£1,476,000	£991,000
Total Shareholder distributions	£50,126,000	£14,677,000
Directors fees	£107,013	£96,625
Directors fees % of Shareholder distributions	0.2%	0.7%

*Includes final Planned Exit Share and Infrastructure Share dividends.

APPROVAL OF REPORT

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting. In addition to this, Resolution 3, which is seeking shareholder approval for the Directors' Remuneration Policy, will, if approved, take effect from the AGM and will be valid for a period of three years unless renewed, varied or revoked by the Company at a general meeting.

This Directors' Remuneration Report was approved by the Board on 10 April 2018 and is signed on its behalf by Gordon Humphries (Director).

On behalf of the Board

Gordon Humphries

Director

10 April 2018

Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report and the Strategic Report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

John Gregory
Chairman
10 April 2018

Governance

Unaudited Non-Statutory Analysis of the Share Classes

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary Shares Fund			Planned Exit Shares Fund			Infrastructure Shares Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains/(losses) on investments	—	7,090	7,090	—	(548)	(548)	—	6,008	6,008
Investment holding gains/(losses)	—	4,886	4,886	—	606	606	—	(1,385)	(1,385)
Income	614	—	614	4	—	4	952	—	952
Investment management fees	(654)	(1,963)	(2,617)	(7)	(22)	(29)	(68)	(1,066)*	(1,134)
Other expenses	(521)	—	(521)	(42)	—	(42)	(636)	—	(636)
(Loss)/return on ordinary activities before taxation	(561)	10,013	9,452	(45)	36	(9)	248	3,557	3,805
Taxation	—	—	—	—	—	—	—	—	—
(Loss)/return on ordinary activities after taxation	(561)	10,013	9,452	(45)	36	(9)	248	3,557	3,805
Return per share	(0.3)p	6.0p	5.7p	(0.4)p	0.3p	(0.1)p	0.8p	10.9p	11.7p

*Includes £863,000 paid performance incentive fee.

Balance Sheets

AT 31 DECEMBER 2017

	Ordinary Shares Fund £'000	Planned Exit Shares Fund £'000	Infrastructure Shares Fund £'000
Fixed assets			
Investments held at fair value through profit or loss	77,963	—	—
Current assets			
Debtors	887	—	—
Money market securities and other deposits	60,482	—	—
Cash	1,388	21	108
	62,757	21	108
Creditors			
Amounts falling due within one year	(291)	(21)	(108)
Net current assets	62,466	—	—
Net assets	140,429	—	—
Capital and reserves			
Called-up share capital	1,756	114	324
Share premium account	97,687	—	—
Capital redemption reserve	451	3	1
Distributable reserve	26,505	815	(4,151)
Capital reserve	1,357	(932)	3,826
Revaluation reserve	12,673	—	—
Equity shareholders' funds	140,429	—	—
Number of shares in issue	175,601,977	11,404,314	32,495,246
Net asset value per share	80.0p	0.0p	0.0p

Reconciliations of Movements in Shareholders' Funds

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Ordinary Shares Fund							
As at 1 January 2017	1,280	96,071	431	5,247	(3,770)	7,787	107,046
Share issues in the year	496	42,110	—	—	—	—	42,606
Expenses in relation to share issues*	—	(1,718)	—	—	—	—	(1,718)
Repurchase of shares	(20)	—	20	(1,476)	—	—	(1,476)
Cancellation of share premium	—	(38,776)	—	38,776	—	—	—
Realised gains on disposal of investments	—	—	—	—	7,090	—	7,090
Investment holding gains	—	—	—	—	—	4,886	4,886
Dividends paid	—	—	—	(15,481)	—	—	(15,481)
Management fees charged to capital	—	—	—	—	(1,963)	—	(1,963)
Revenue loss for the year	—	—	—	(561)	—	—	(561)
As at 31 December 2017	1,756	97,687	451	26,505	1,357	12,673	140,429

*Expenses in relation to share issues include advisor fees (£686,000) and promoters fees (£958,000) for the 2017 fund raise and trail commission in relation to prior year fund raises (£74,000).

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Planned Exit Shares Fund							
As at 1 January 2017	114	2,095	3	1,705	(362)	(606)	2,949
Trail commission in relation to prior year share issues	—	(8)	—	—	—	—	(8)
Cancellation of share premium	—	(2,087)	—	2,087	—	—	—
Realised losses on disposal of investments	—	—	—	—	(548)	—	(548)
Investment holding gains	—	—	—	—	—	606	606
Dividends paid	—	—	—	(2,932)	—	—	(2,932)
Management fees charged to capital	—	—	—	—	(22)	—	(22)
Revenue loss for the year	—	—	—	(45)	—	—	(45)
As at 31 December 2017	114	—	3	815	(932)	—	—

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Infrastructure Shares Fund							
As at 1 January 2017	324	14,375	1	11,591	(1,116)	1,385	26,560
Trail commission in relation to prior year share issues	—	(33)	—	(95)	—	—	(128)
Cancellation of share premium	—	(14,342)	—	14,342	—	—	—
Realised gains on disposal of investments	—	—	—	—	6,008	—	6,008
Investment holding losses	—	—	—	—	—	(1,385)	(1,385)
Dividends paid	—	—	—	(30,237)	—	—	(30,237)
Management fees charged to capital	—	—	—	—	(1,066)	—	(1,066)
Revenue return for the year	—	—	—	248	—	—	248
As at 31 December 2017	324	—	1	(4,151)	3,826	—	—

Independent Auditor's Report to the members of Foresight VCT PLC

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion is unmodified

We have audited the financial statements of Foresight VCT plc ("the Company") for the year ended 31 December 2017 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement, and the related notes, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee. We were appointed as auditor by the directors in February 2011. The period of total uninterrupted engagement is the eight years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole	£1.4m (2016: £1.4m)	
	1% (2016: 1%) of Total Assets	
Coverage	100% (2016: 100%) of Total Assets	
Risks of material misstatement		
Recurring risks	Valuation of Unquoted Investments	vs 2016 

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2016), in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of Unquoted Investments

Investments: £78.0 million (2016: £92.2 million) Refer to page 44 (Audit Committee Report), pages 60 to 61 (accounting policy) and pages 66 to 68 and 71 to 75 (financial disclosures).

The risk:

Subjective valuation - 55% of the Company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples, discounted cash flow measurements, and net assets. There is a significant risk over the valuation of these investments.

Our response:

Our procedures included:

- Control design: Documenting and assessing the design and implementation of the investment valuation processes and controls;
- Control observation: Attending the year end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations;
- Historical comparisons: Assessing the investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determining whether they are indicative of bias or error in the Company's approach to valuations;

- Methodology choice: In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;
- Our valuations experience: Challenging the Investment Manager on key judgements affecting investee company valuations, such as maintainable earnings/revenues, comparable multiples, discounts and discount rates. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around the sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- Comparing valuations: Where a recent transaction has been used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether it was considered to be on an arms-length basis and suitable as an input into a valuation; and
- Assessing transparency: Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonable possible alternative valuation assumptions.

Our results:

We found the Company's valuation of unquoted investments to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.4 million (2016: £1.4 million), determined using a benchmark of Total Assets, of which it represents 1% (2016: 1%).

We agreed to report reported to the Audit Committee any uncorrected identified misstatements exceeding £71,000 (2016: £69,000) in addition to other identified misstatements that warrant reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of the Manager, Foresight Group in London.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 38 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement

Independent Auditor's Report to the members of Foresight VCT PLC (continued)

(page 31) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters

communicated by us to the Audit Committee; or

- a corporate governance statement has not been prepared by the Company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
- we have not identified material misstatements therein; and
- the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement

with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 49, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions

of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Todd
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
10 April 2018

Financial Statements

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains/(losses) on investments		—	12,550	12,550	—	(3,262)	(3,262)
Investment holding gains		—	4,107	4,107	—	8,279	8,279
Income	2	1,570	—	1,570	2,916	—	2,916
Investment management fees	3	(729)	(3,051)*	(3,780)	(534)	(1,601)	(2,135)
Other expenses	4	(1,199)	—	(1,199)	(596)	—	(596)
(Loss)/return on ordinary activities before taxation		(358)	13,606	13,248	1,786	3,416	5,202
Taxation	6	—	—	—	(220)	220	—
(Loss)/return on ordinary activities after taxation		(358)	13,606	13,248	1,566	3,636	5,202
(Loss)/return per share:							
Ordinary Share	8	(0.3)p	6.0p	5.7p	0.4p	2.8p	3.2p
Planned Exit Share	8	(0.4)p	0.3p	(0.1)p	0.3p	2.9p	3.2p
Infrastructure Share	8	0.8p	10.9p	11.7p	3.4p	0.9p	4.3p

*Includes £863,000 paid performance incentive fee relating to the Infrastructure Shares Fund.

The total column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information.

All revenue and capital items in the above Income Statement are derived from continuing operations. No operations were acquired or discontinued in the year.

The Company has no recognised gains or losses other than those shown above, therefore no separate statement of total comprehensive income has been presented.

The notes on pages 60 to 77 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Year ended 31 December 2017							
As at 1 January 2017	1,718	112,541	435	18,543	(5,248)	8,566	136,555
Share issues in the year	496	42,110	—	—	—	—	42,606
Expenses in relation to share issues*	—	(1,759)	—	(95)	—	—	(1,854)
Repurchase of shares	(20)	—	20	(1,476)	—	—	(1,476)
Cancellation of share premium	—	(55,205)	—	55,205	—	—	—
Realised gains on disposal of investments	—	—	—	—	12,550	—	12,550
Investment holding gains	—	—	—	—	—	4,107	4,107
Dividends paid	—	—	—	(48,650)	—	—	(48,650)
Management fees charged to capital	—	—	—	—	(3,051)	—	(3,051)
Revenue loss for the year	—	—	—	(358)	—	—	(358)
As at 31 December 2017	2,194	97,687	455	23,169**	4,251**	12,673	140,429

*Expenses in relation to share issues include advisor fees (£686,000) and promoters fees (£958,000) for the 2017 Ordinary Shares Fund raise and trail commission in relation to prior year fund raises (£115,000).

**Total distributable reserves at 31 December 2017 total £27,420,000 (2016: £13,295,000).

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Year ended 31 December 2016							
As at 1 January 2016	1,305	77,016	421	31,654	(605)	287	110,078
Share issues in the year	427	37,312	—	—	—	—	37,739
Expenses in relation to share issues	—	(1,787)	—	—	—	—	(1,787)
Repurchase of shares	(14)	—	14	(991)	—	—	(991)
Realised losses on disposal of investments	—	—	—	—	(3,262)	—	(3,262)
Investment holding gains	—	—	—	—	—	8,279	8,279
Dividends	—	—	—	(13,686)	—	—	(13,686)
Management fees charged to capital	—	—	—	—	(1,601)	—	(1,601)
Tax credited to capital	—	—	—	—	220	—	220
Revenue return for the year	—	—	—	1,566	—	—	1,566
As at 31 December 2016	1,718	112,541	435	18,543	(5,248)	8,566	136,555

The notes on pages 60 to 77 form part of these financial statements.

Financial Statements

Balance Sheet

AT 31 DECEMBER 2017

Registered number: 03421340

	Notes	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	77,963	92,217
Current assets			
Debtors	10	887	2,193
Money market securities and other deposits		60,482	30,976
Cash		1,517	11,361
		62,886	44,530
Creditors			
Amounts falling due within one year	11	(420)	(192)
Net current assets		62,466	44,338
Net assets		140,429	136,555
Capital and reserves			
Called-up share capital	12	2,194	1,718
Share premium account		97,687	112,541
Capital redemption reserve		455	435
Distributable reserve		23,169	18,543
Capital reserve		4,251	(5,248)
Revaluation reserve		12,673	8,566
Equity Shareholders' funds		140,429	136,555
Net asset value per share:			
Ordinary Share	13	80.0p	83.6p
Planned Exit Share	13	0.0p	25.9p
Infrastructure Share	13	0.0p	81.7p

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2018 and were signed on its behalf by:

John Gregory
Chairman

The notes on pages 60 to 77 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities		
Investment income received	2,457	2,768
Deposit and similar interest received	113	98
Investment management fees paid	(3,797)	(2,118)
Secretarial fees paid	(113)	(110)
Other cash payments	(902)	(848)
Net cash outflow from operating activities	(2,242)	(210)
Returns on investing activities		
Purchase of investments	(17,869)	(4,877)
Net proceeds on sale of investments	48,394	9,287
Net proceeds on deferred consideration	561	64
Return of cash held on behalf of investee companies	—	(548)
Net cash inflow from investing activities	31,086	3,926
Financing		
Proceeds of fund raising	39,384	36,028
Expenses of fund raising	(1,247)	(886)
Repurchase of own shares	(1,336)	(1,329)
Equity dividends paid	(45,983)	(12,961)
Movement in money market funds	(29,506)	(16,088)
Net cash (outflow)/inflow from financing activities	(38,688)	4,764
Net (outflow)/inflow of cash in the year	(9,844)	8,480
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash and cash equivalents for the year	(9,844)	8,480
Net cash and cash equivalents at start of year	11,361	2,881
Net cash and cash equivalents at end of year	1,517	11,361

Analysis of changes in net debt

	At 1 January 2017 £'000	Cash flow £'000	At 31 December 2017 £'000
Cash and cash equivalents	11,361	(9,844)	1,517

The notes on pages 60 to 77 form part of these financial statements.

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, are set out below:

A) BASIS OF ACCOUNTING

The financial statements have been prepared under the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in November 2014 and updated in February 2018.

The Company presents its Income Statement in a three column format to give shareholders additional detail of the performance of the Company split between items of a revenue or capital nature.

As permitted by FRS 102, paragraph 14.4, investments are held as part of an investment portfolio, and their value to the Company is through their marketable value as part of a portfolio of investments, rather than as a medium through which the Company carries out its business. Therefore, the investments are not considered to be associated undertakings.

Where the Company's interest in an investment is greater than 50% of the investee company's total equity, specific clauses are included in the investee company's articles of association to prevent the Company from exercising control. Therefore, these investments are not considered to be subsidiary undertakings.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Strategic Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources together with investments and income generated therefrom across a variety of industries and sectors. As a consequence, the Directors believe that the Company is able to manage its business risks.

Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy backs and dividends. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants, although its underlying investments may have external loan finance.

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

B) ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – INVESTMENTS

All investments held by the Company are classified as “fair value through profit and loss”. The Directors value investments in accordance with the International Private Equity and Venture Capital (“IPEV”) Valuation Guidelines, as updated in December 2015. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

B) ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – INVESTMENTS (CONTINUED)

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEV Valuation Guidelines:

All investments are held at cost for an appropriate period where there is considered to have been no change in fair value. Where such a basis is no longer considered appropriate, the following factors will be considered:

- (i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.
- (ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:
 - a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Manager compared to the sector including, inter alia, a lack of marketability); or
 - b) where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Manager, will agree the values that represent the extent to which a realised loss should be recognised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.
- (iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.
- (iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow, a net asset valuation, or industry specific valuation benchmarks may be applied. An example of an industry specific valuation benchmark would be the application of a multiple to that company's historic, current or forecast turnover (the multiple being based on a comparable sector but with the resulting value being adjusted to reflect points of difference identified by the Manager including, inter alia, a lack of marketability).

C) INCOME

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's rights to receive payment are established and there is no reasonable doubt that payment will be received. Other income such as deposit interest is included on an accruals basis. Loan interest income is calculated using the effective interest method and recognised on an accruals basis.

D) EXPENSES

All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement, with the exception that 75% of the fees payable to Foresight Group for management fees are allocated against the capital column of the Income Statement. The basis of the allocation of management fees is expected to reflect the revenue and capital split of long-term returns in the portfolio.

Performance incentive payments predominantly relate to the capital performance of the portfolio and are therefore charged 100% to capital. Performance fees are accrued and a liability is recognised when they are likely to be payable and can be reliably measured. For the Planned Exit Shares fund and the Infrastructure Shares fund, performance fees are accrued and a liability recognised when the total return (including expected exit proceeds) exceeds a hurdle (as detailed in note 14). From 31 March 2017, a new performance incentive arrangement was set up for the Ordinary Shares fund. In light of the additional investment growth hurdle which must be met before the performance incentive is triggered (as detailed in note 14), the Board does not consider that the performance fees can be reliably measured and therefore, the Company will not accrue performance fees or recognise a liability until the exit of a relevant investment.

E) BASIC FINANCIAL INSTRUMENTS

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

E) BASIC FINANCIAL INSTRUMENTS (CONTINUED)

1 Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in preference and ordinary shares are measured initially at transaction price less attributable transaction costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

F) OTHER FINANCIAL INSTRUMENTS

Other financial instruments not meeting the definition of Basic Financial Instruments include non-current investments and money market funds and are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

G) TAXATION

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital column of the Income Statement and a corresponding amount is charged against the revenue column. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

H) DEFERRED TAXATION

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. A provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised.

I) CAPITAL RESERVES

The capital reserve is shown in aggregate and is made up of two elements:

(i) Realised

The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies; and
- Income and costs for the period (capital items).

(ii) Revaluation reserve (unrealised capital reserve)

Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

J) INVESTMENT RECOGNITION AND DERECOGNITION

Investments are recognised at the trade date, being the date that the risks and rewards of ownership are transferred to the Company. Upon initial recognition, investments are held at the fair value of the

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

consideration payable. Transaction costs in respect of acquisitions made are recognised directly in the Income Statement. Investments are derecognised when the risks and rewards of ownership are deemed to have transferred to a third party. Upon realisation, the gain or loss on disposal is recognised in the Income Statement.

K) CRITICAL ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The Board considers that the only area where the Manager makes critical estimates and assumptions that may have a significant effect on the financial statements relates to the fair valuation of unquoted investments, which are based on historical experience and other factors that are considered reasonable under the circumstances. Actual results may differ from these estimates and the underlying assumptions are reviewed on an ongoing basis.

The Board considers that the fair value of investments not quoted in an active market involves critical accounting estimates and assumptions because they are determined by the Manager, using valuation methods and techniques generally recognised as standard within the industry. Valuations use observable data to the extent practicable. However, they also rely on significant unobservable inputs about the maintainable earnings; comparable multiples and discounts. Furthermore, changes in these inputs and assumptions could affect the reported fair value of unquoted investments. The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

2 INCOME

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loan stock interest	820	2,133
Dividends receivable	637	685
Overseas based Open Ended Investments Companies ("OEICs")	113	98
	1,570	2,916

3 INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Investment management fees charged to the revenue account	729	534
Investment management fees charged to the capital account	3,051*	1,601
	3,780	2,135

*Includes £863,000 paid performance incentive fee for the Infrastructure Shares fund.

The Manager advises the Company on investments in qualifying companies under an agreement dated 11 October 1999. The agreement was for an initial period of five years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

Following the launch of the most recent offer on 8 March 2017 the Manager agreed to lower its annual management fee for the Ordinary Shares fund to 1% in respect of any cash above £20 million held within the fund. This reduced rate will be reviewed by the Board on an annual basis. The Manager has received an annual management fee of 2% of the net assets of the Ordinary Shares fund (excluding cash above £20 million), 1% of the net assets of the Planned Exit Shares fund and 1% of the net assets of the Infrastructure Shares fund in the year ended 31 December 2017. Management fees are calculated on the most recently announced net assets and payable quarterly in advance. Supplemental management fees are paid in relation to funds raised during the quarter.

Foresight Group is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ('abort expenses'). In line with common practice, Foresight Group retains the right to charge arrangement and syndication fees and Directors' or monitoring fees ('deal fees') to companies in which the Company invests.

Foresight Fund Managers Limited was the Company Secretary until 5 November 2017 and received annual fees, paid quarterly in advance, for the services provided of £113,000 (2016: £110,000). The annual secretarial fee is adjusted annually in line with the UK Retail Prices Index. Foresight Group LLP was appointed Company Secretary on 6 November 2017.

Details of the performance-related incentive fees are given in note 14.

Financial Statements

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

4 OTHER EXPENSES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Accounting and secretarial services (excluding VAT)	113	110
Directors' remuneration including employer's National Insurance contributions	113	103
Auditor's remuneration (excluding VAT)	33	34
Taxation services	2	2
Merger costs	—	39
Other	938*	308
	1,199	596

* Includes £496,000 (2016: £nil) in relation to the sale of the infrastructure portfolio and wind-up of the Planned Exit Shares Fund and the Infrastructure Shares Fund.

The Company's expense cap is 2.4% of net assets.

5 DIRECTORS' REMUNERATION

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
John Gregory	30	29
Peter Dicks	23	22
Jocelin Harris	23	22
Gordon Humphries	25	24
Margaret Littlejohns	6	—
	107	97
Employers' NIC on above as appropriate	6	6
	113	103

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors.

Further details of Directors' interests are given on page 47.

6 TAX ON ORDINARY ACTIVITIES

	Year ended 31 December 2017			Year ended 31 December 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	—	—	—	220	(220)	—
Total current tax	—	—	—	220	(220)	—
Deferred tax	—	—	—	—	—	—
Total tax	—	—	—	220	(220)	—

6 TAX ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING CURRENT TAX CHARGE FOR THE YEAR:

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK for a venture capital fund (19.25%, 2016: 20%).

The differences are explained below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Total return on ordinary activities before taxation	13,248	5,202
Corporation tax at 19.25% (2016: 20%)	2,550	1,040
Effect of:		
Capital realised (gains)/losses not (taxable)/relievable	(2,416)	652
Capital unrealised gains not taxable	(790)	(1,655)
Movement in unutilised expenses	779	100
Dividends not taxable	(123)	(137)
Total tax charge for the year	—	—

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. This resulted in a weighted average rate of 19.25% for the year ended 31 December 2017. On 16 March 2016 the Chancellor announced further reductions to the UK Corporation tax rate from April 2020 to 17%.

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments. The Company is exempt from such tax as a result of qualifying as a Venture Capital Trust.

No deferred tax asset has been recognised in the year for surplus management expenses. At present it is not envisaged that any tax will be recovered on these in the foreseeable future.

A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised. There is an unrecognised deferred tax asset of approximately £1,472,000 (2016: £795,000).

7 DIVIDENDS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Ordinary Shares		
Dividends — paid in the year	15,481	7,370
Planned Exit Shares		
Dividends — paid in the year	2,932	1,604
Infrastructure Shares		
Dividends — paid in the year	30,237	4,712

The Board is not recommending a final dividend for the Ordinary Shares Fund for the year ended 31 December 2017 (2016: £nil).

As at 31 December 2017, reserves available for dividend distribution total £27,420,000 (2016: £13,295,000) comprising the capital and distributable reserves.

In accordance with S.259 of the Income Tax Act 2007, a Venture Capital Trust may not retain more than 15% of its qualifying income in any one accounting period. The payment of the dividends noted above satisfies this requirement.

Financial Statements

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

8 RETURN PER SHARE

	Year ended 31 December 2017			Year ended 31 December 2016		
	Ordinary Share £'000	Planned Exit Share £'000	Infrastructure Share £'000	Ordinary Share £'000	Planned Exit Share £'000	Infrastructure Share £'000
Total return after taxation	9,452	(9)	3,805	3,442	367	1,393
Total return per share (note a)	5.7p	(0.1)p	11.7p	3.2p	3.2p	4.3p
Revenue return from ordinary activities after taxation	(561)	(45)	248	423	32	1,111
Revenue return per share (note b)	(0.3)p	(0.4)p	0.8p	0.4p	0.3p	3.4p
Capital return from ordinary shares after taxation	10,013	36	3,557	3,019	335	282
Capital return per share (note c)	6.0p	0.3p	10.9p	2.8p	2.9p	0.9p
Weighted average number of shares in issue in the year	165,748,167	11,404,314	32,495,246	109,561,757	11,488,663	32,502,653

Notes:

- Total return per share is total return after taxation divided by the weighted average number of shares in issue during the year.
- Revenue return per share is revenue return after taxation divided by the weighted average number of shares in issue during the year.
- Capital return per share is capital return after taxation divided by the weighted average number of shares in issue during the year.

9 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 £'000	2016 £'000
Quoted investments	—	54
Unquoted investments	77,963	92,163
	77,963	92,217

Company	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2017	40	84,373	84,413
Investment holding gains	14	7,790	7,804
Valuation at 1 January 2017	54	92,163	92,217
Movements in the year:			
Purchases at cost	—	17,869	17,869
Disposal proceeds	(57)	(48,337)	(48,394)
Realised gains*	17	11,706	11,723
Investment holding (losses)/gains*	(14)	4,562	4,548
Valuation at 31 December 2017	—	77,963	77,963
Book cost at 31 December 2017	—	65,611	65,611
Investment holding gains	—	12,352	12,352
Valuation at 31 December 2017	—	77,963	77,963

*Refer to Ordinary Shares Fund and Planned Exit Shares Fund footnotes for detail.

9 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Ordinary Shares Fund	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2017	40	58,837	58,877
Investment holding gains	14	7,260	7,274
Valuation at 1 January 2017	54	66,097	66,151
Movements in the year:			
Purchases at cost	—	17,869	17,869
Disposal proceeds	(57)	(17,664)	(17,721)
Realised gains*	17	6,569	6,586
Investment holding (losses)/gains**	(14)	5,092	5,078
Valuation at 31 December 2017	—	77,963	77,963
Book cost at 31 December 2017	—	65,611	65,611
Investment holding gains	—	12,352	12,352
Valuation at 31 December 2017	—	77,963	77,963

*Deferred consideration of £504,000 was received by the Ordinary Shares fund in the year and is included within realised gains in the income statement.

** The above receipt was offset by a decrease in the deferred consideration debtor of £450,000. A further £258,000 of deferred consideration was recognised in the year and is included in investment holding gains in the income statement.

Planned Exit Shares Fund	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2017	—	3,396	3,396
Investment holding losses	—	(855)	(855)
Valuation at 1 January 2017	—	2,541	2,541
Movements in the year:			
Disposal proceeds	—	(2,525)	(2,525)
Realised losses*	—	(871)	(871)
Investment holding gains**	—	855	855
Valuation at 31 December 2017	—	—	—
Book cost at 31 December 2017	—	—	—
Investment holding gains	—	—	—
Valuation at 31 December 2017	—	—	—

*Deferred consideration of £323,000 was received by the Planned Exit Shares fund in the year and is included within realised losses in the income statement.

** The above receipt was offset by a decrease in the deferred consideration debtor of £249,000.

Financial Statements

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

9 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	Quoted £'000	Unquoted £'000	Total £'000
Infrastructure Shares Fund			
Book cost as at 1 January 2017	—	22,140	22,140
Investment holding gains	—	1,385	1,385
Valuation at 1 January 2017	—	23,525	23,525
Movements in the year:			
Disposal proceeds	—	(28,148)	(28,148)
Realised gains	—	6,008	6,008
Investment holding losses	—	(1,385)	(1,385)
Valuation at 31 December 2017	—	—	—
Book cost at 31 December 2017	—	—	—
Investment holding gains	—	—	—
Valuation at 31 December 2017	—	—	—

10 DEBTORS

	2017 £'000	2016 £'000
Accrued interest	184	1,185
Deferred consideration	647	823
Prepayments	19	19
Other debtors	37	166
	887	2,193

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Accruals and other creditors	420	192

12 CALLED-UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called-up and fully paid:		
175,601,977 Ordinary Shares of 1p each (2016: 127,985,288)	1,756	1,280
11,404,314 Planned Exit Shares of 1p each (2016: 11,404,314)	114	114
32,495,246 Infrastructure Shares of 1p each (2016: 32,495,246)	324	324

SHARE ISSUES AND SHARE BUYBACKS

Under an offer for subscription dated 2 February 2017, 46,188,101 Ordinary Shares were issued during the year, based on net asset values ranging from 78.3p to 83.3p per share.

On 5 April 2017 the Company allotted 1,878,571 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 78.3p per share and on 2 October 2017 allotted 1,545,280 at 79.8p per share.

All of these share issues were under the new VCT provisions that commenced on 6 April 2006, namely: 30% upfront income tax relief which can be retained by qualifying investors if the shares are held for the minimum five year holding period.

As part of the Company's buyback programme, during the year, 1,955,263 Ordinary Shares were purchased for cancellation at a cost of £1,476,000.

	Ordinary Shares No.	Planned Exit Shares No.	Infrastructure Shares No.
At 1 January 2017	127,985,288	11,404,314	32,495,246
Share issues	46,188,101	—	—
Dividend reinvestment	3,423,851	—	—
Share buybacks	(1,995,263)	—	—
At 31 December 2017	175,601,977	11,404,314	32,495,246

Post year end the Planned Exit Shares and Infrastructure Shares were removed, as detailed in note 21 to the accounts.

13 NET ASSET VALUE PER SHARE

The net asset value per share is based on net assets at the end of the year and on the number of shares in issue at that date.

	31 December 2017			31 December 2016		
	Ordinary Shares Fund	Planned Exit Shares Fund	Infrastructure Shares Fund	Ordinary Shares Fund	Planned Exit Shares Fund	Infrastructure Shares Fund
Net assets	£140,429,000	£nil	£nil	£107,046,000	£2,949,000	£26,560,000
No. of shares at year end	175,601,977	11,404,314	32,495,246	127,985,288	11,404,314	32,495,246
Net asset value per share	80.0p	0.0p	0.0p	83.6p	25.9p	81.7p

14 CO-INVESTMENT AND PERFORMANCE INCENTIVE ARRANGEMENTS

Ordinary Shares Fund

A new co-investment scheme and performance incentive fee arrangement in respect of the Ordinary Shares fund was approved by shareholders at a general meeting held on 8 March 2017 and entered into by the Company on 31 March 2017. The terms of the co-investment scheme and performance incentive fee arrangement are summarised below.

Co-investment

In order to align the interests of the Manager and the individual members of Foresight Group's private equity team ("management team") with those of the Ordinary Shareholders, the Manager and the management team will co-invest, alongside the Ordinary Shares fund, for shares and loans in each new investee company at the same time and at the same price paid by the Company.

In respect of investments made from the Ordinary Shares fund in new investee companies (including follow-ons) on or after 31 March 2017, the Manager and the management team will subscribe, in aggregate, for shares and loans equal to 1.5% of the total value being invested by the Company. This 1.5% allocation will be split as to 75% to the management team and 25% to the Manager itself. The co-investment will be in the lowest priority of securities that the Company is investing in, subject to not representing more than 5% of the amount the Company is investing in each security class.

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

14 CO-INVESTMENT AND PERFORMANCE INCENTIVE ARRANGEMENTS (CONTINUED)

The Directors believe that these arrangements will align the interests of the management team with the Company through their personal investment in each new company in which the Ordinary Shares fund invests.

Performance Incentive

In order to incentivise the Manager to generate enhanced returns for Shareholders, the Manager will potentially be entitled to a performance incentive payment in respect of investments made from the Ordinary Shares fund in new investee companies (including follow-ons) on or after 31 March 2017.

The Manager will be entitled to a performance incentive fee in respect of cash proceeds received by the Company in respect of a realisation of an investment subject to (i) an Investment Growth Hurdle and (ii) a Total NAV Return Hurdle.

The 'Investment Growth Hurdle' requires that the cash return received in respect of all investments in the relevant investee company is greater than the cost of those investments increased annually by 4% plus RPI (on a compound basis).

The 'Total NAV Return Hurdle' requires that the NAV total return (NAV plus dividends) of the Ordinary Shares fund across the three year period following the exit of the relevant investment must be at least 100p per Ordinary Share. This is measured (a) at the point of exit, (b) as an average across the three year period and (c) at the end of the three year period, and further taking into account any performance incentive fees to which the Manager may have become entitled (including the relevant fee payment) but which have not as yet been paid.

The starting point for the 'Total NAV Return Hurdle' was the date of the merger with Foresight 2 VCT plc, being 18 December 2015. At that date, NAV was 88.0p. As at 31 December 2017, Total NAV Return is 93.0p (being NAV at 31 December 2017 of 80.0p and dividends paid since 18 December 2015 totalling 13.0p). Dividends paid since 18 December 2015 have been rebased for the number of Ordinary Shares in issue at 31 December 2017.

Should both of the above hurdles be met, the Manager will receive a fee equal to 20% of the amount by which the cash proceeds received by the Company exceed the Investment Growth Hurdle. The Company may issue Ordinary Shares in place of making a cash payment.

The fee will only be paid after three years following the exit once the Total NAV Return Hurdle can be measured. In addition, the Total NAV Return Hurdle will be increased over time by amounts equal to any performance incentive fee payments made to the Manager.

No performance fees have been paid or were accrued as due for the Ordinary Shares Fund during the year.

Planned Exit Shares Fund

The performance incentive fee of the Planned Exit Shares is conditional on distributions exceeding 110p per Planned Exit Share. Total returns for the Fund equalled 82.71p. Accordingly, no performance fee is due.

Infrastructure Shares Fund

The performance incentive fee of the Infrastructure Shares is equivalent to 15% of distributions in excess of 100p per Infrastructure Share. Total returns for the Fund equalled 117.71p. Accordingly, a performance fee of £863,000 was paid to the Manager in December 2017, reducing the net return to 115.05p per Infrastructure share.

15 FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's financial instruments comprise:

- Equity shares, debt securities and fixed interest securities that are held in accordance with the Company's investment objective as set out in the Directors' Report.
- Cash, liquid resources, short-term debtors and creditors that arise directly from the Company's operations.

Classification of financial instruments

The Company held the following categories of financial instruments at fair value as at 31 December 2017:

	2017 £'000	2016 £'000
Investment portfolio	77,963	92,217
Current asset investments (money market funds)	60,482	30,976
Cash at bank	1,517	11,361
Total	139,962	134,554

The investment portfolio consists or has consisted of AIM quoted investments and unquoted investments. AIM quoted investments are valued at bid price. Unquoted investments consist of equity in and loans to investee companies and are valued at fair value through profit or loss. Current asset investments are money market funds, discussed under credit risk management below.

The main financial risks arising from the Company's financial instruments are market price risk, interest rate risk, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

MARKET PRICE RISK

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. The Board manages market price risk through the application of venture capital disciplines and investment structuring delegated to its Manager.

The investments in equity and loan stocks of unquoted companies are rarely traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value will at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts. The potential maximum exposure to market price risk, being the value of the investment portfolio as at 31 December of 2017 of £77,963,000 (31 December 2016: £92,217,000). Market price risk sensitivity analysis can be found on page 73.

Unquoted investments consist of equity in and loans to investee companies and are valued at fair value through profit or loss.

INTEREST RATE RISK

The fair value of the Company's fixed rate securities and the net revenue generated from the Company's floating rate securities may be affected by interest rate movements. Investments are often in early stage businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate investments, it may not be possible to reinvest in assets which provide the same rates as those currently held. When making investments of an equity and debt nature, consideration is given during the structuring process to the potential implications of interest rate risk and the resulting investment is structured accordingly. The maximum exposure to interest rate risk was £82,700,000, being the total value of the loan stock investments, money market securities and cash as at 31 December 2017 (31 December 2016: £71,257,000).

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2017

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December 2017 £'000	31 December 2016 £'000	31 December 2017 %	31 December 2016 %	31 December 2017 Days	31 December 2016 Days
Company Portfolio						
Short-term securities						
— exposed to fixed interest rate risk	60,482	30,976	0.3	0.3	—	—
Loan stock						
— exposed to fixed interest rate risk	20,202	28,421	10.9	10.5	995	812
— exposed to variable interest rate risk	499	499	10.0	10.0	—	—
Cash	1,517	11,361	0.5	0.3	—	—
Total exposed to interest rate risk	82,700	71,257				

CREDIT RISK

Credit risk is the risk of failure by counterparties to deliver securities or cash to which the Company is entitled. The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. The Board manages credit risk in respect of the current asset investments and cash by ensuring a spread of such investments in separate money market funds and cash at bank such that none exceed 15% of the Company's total investment assets. These money market funds are investment grade funds, and so credit risk is considered to be low. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk. The maximum exposure to credit risk at 31 December 2017 was £83,568,000 (31 December 2016: £73,431,000) based on cash, money market funds and other receivables (amounts due on investments, dividends and interest). As at 31 December 2017, the Company's assets are held in its own name in certificated form and therefore custodian default risk is negligible.

An analysis of the Company's assets exposed to credit risk is provided in the table below:

	2017 £'000	2016 £'000
Loan stock investments	20,701	28,920
Current asset investments (money market funds)	60,482	30,976
Cash at bank	1,517	11,361
Other debtors	868	2,174
Total	83,568	73,431

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realisable until dates up to five years from the year-end.

To counter these risks to the Company's liquidity, the Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company typically invests its surplus funds in money market funds which are all accessible on an immediate basis.

	Total portfolio	
	31 December 2017 £'000	31 December 2016 £'000
Maturity analysis:		
— in one year or less	64,526	53,434
— in more than one year but no more than two years	2,125	836
— in more than two years but no more than three years	11,662	4,125
— in more than three years but no more than four years	—	11,662
— in more than four years but no more than five years	4,387	1,200
Total	82,700	71,257

SENSITIVITY ANALYSIS

Equity price sensitivity

The Board believes the Company's assets are mainly exposed to equity price risk, as the Company holds 55% of its assets in the form of sterling denominated investments in small companies.

All of the investments made by the Manager in unquoted companies, irrespective of the instruments the Company actually holds (whether shares or loan stock), carry a full equity risk, even though some of the loan stocks may be secured on assets (as they will be behind any prior ranking bank debt in the investee company).

The Board considers that even the loan stocks are 'quasi-equity' in nature, as the value of the loan stocks is determined by reference to the enterprise value of the investee company. Such value is considered to be sensitive to changes in quoted share prices, in so far as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% (2016: 15%) movement in overall share prices, which might in part be caused by changes in interest rate levels, but it is not considered practical to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares and loan stocks) held by the Company produces an overall movement of 15%, and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, shareholders should note that this level of correlation would not be the case in reality. Movements may occur to both quoted and unquoted companies and be as a result of changes to the market or alternatively as a result of assumptions made when valuing the portfolio or a combination of the two.

Company	2017 Return and net assets	2016 Return and net assets
If overall share prices fell by 15% (2016: 15%), with all other variables held constant — decrease (£'000)	(11,694)	(13,833)
Decrease in net asset value per share (in pence)	(6.66)p	(8.05)p
Company	2017 Return and net assets	2016 Return and net assets
If overall share prices increased by 15% (2016: 15%), with all other variables held constant — increase (£'000)	11,694	13,833
Increase in net asset value per share (in pence)	6.66p	8.05p

The impact of a change of 15% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

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15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not believe that the value of these instruments is interest rate sensitive. This is because the majority of the interest is fixed, so not at risk of interest rate movements, and the Board does not consider the impact of interest rate changes on the variable rate loans materially affects the value of the portfolio in isolation, other than the consequent impact that interest rate changes have upon movements in share prices, discussed under equity price risk above. The table below shows the sensitivity of income earned to changes in interest rates.

	2017 Return and net assets	2016 Return and net assets
If variable interest rates were 1% lower, with all other variables held constant — decrease (£'000)	(5)	(5)
Decrease in earnings, and net asset value per share (in pence)	(0.00)p	(0.00)p
If variable interest rates were 1% higher, with all other variables held constant — increase (£'000)	5	5
Increase in earnings, and net asset value per share (in pence)	0.00p	0.00p

The impact of a change of 1% has been selected as this is considered reasonable, given the current level of the Bank of England base rates and market expectations for future movement.

FAIR VALUE HIERARCHY

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the instrument that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000s	Total £'000
Quoted investments	—	—	—	—
Unquoted investments	—	—	77,963	77,963
Current asset investments (money market funds)	60,482	—	—	60,482
Financial assets	60,482	—	77,963	138,445

As at 31 December 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000s	Total £'000
Quoted investments	54	—	—	54
Unquoted investments	—	—	92,163	92,163
Current asset investments (money market funds)	30,976	—	—	30,976
Financial assets	31,030	—	92,163	123,193

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Year ended 31 December 2017

	Company Level 3 £'000
Valuation brought forward at 1 January 2017	92,163
Purchases	17,869
Disposal proceeds	(48,337)
Realised gains	11,706
Investment holding gains	4,562
Valuation carried forward at 31 December 2017	77,963

TRANSFERS

During the year there were no transfers between levels 1, 2 or 3.

16 CONTINGENT ASSETS AND LIABILITIES

At 31 December 2017 the Company had a contingent asset of £101,000 (2016: £28,000) relating to deferred consideration on the sale of an investment, receipt of which is considered probable but not virtually certain.

There were no contingent liabilities as at 31 December 2017 (2016: £nil).

17 MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide an adequate return to shareholders by allocating its capital to assets commensurately with the level of risk.

In accordance with VCT requirements the Company must invest at least 70% of its capital (as measured under the tax legislation), and must thereafter maintain that percentage level investment, in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider borrowing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

18 RELATED PARTY TRANSACTIONS

No Director has an interest in any contract to which the Company is a party.

19 TRANSACTIONS WITH THE MANAGER

Foresight Group CI Limited, which acts as manager to the Company in respect of its investments, earned fees of £3,780,000 (including an £863,000 performance incentive fee) during the year (2016: £2,135,000).

Foresight Fund Managers Limited, Company Secretary until November 2017, received fees of £113,000 (2016: £110,000) during the year.

At the balance sheet date there was £nil (2016: £17,000) due to Foresight Group CI Limited and £nil (2016: £nil) due to Foresight Fund Managers Limited. No amounts have been written off in the year in respect of debts due to or from the related parties.

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FOR THE YEAR ENDED 31 DECEMBER 2017

20 RELATED UNDERTAKINGS

Under Section 409 of the Companies Act 2006, the Company is required to disclose specified details of all its related undertakings, including significant holdings which are undertakings where the Company's holding amounted to 20% or more of the nominal value of any class of shares as at 31 December 2017. These are listed below. The percentage holding does not reflect the percentage voting right in the Company as a whole.

Name	Address	Direct/ indirect holding	Class and percentage of shares held
ABL Investments Limited	14 Fleming Close, Park Farm Industrial Estate, Wellingborough, NN8 6UF	Direct	A Ordinary 65.1%
Aerospace Tooling Corporation Limited	Charles Lake House, Claire Causeway, Crossways Business Park, Dartford, Kent, DA2 6QA	Direct	A Ordinary 42.9%
Aquasium Technology Limited	43 Pembroke Avenue, Denny Industrial Estate, Waterbeach, Cambridge, CB25 9QX	Direct	A Ordinary 66.7%
Biofortuna Limited	Bluebell House, Brian Johnson Way, Preston, PR2 5PE	Direct	F Ordinary 24.8% D Ordinary 14.4% C Ordinary 13.5%
Cambredaze Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%
Carlit Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%
Cinelabs International Limited	305 Regents Park Road, Finchley, London, N3 1DP	Direct	A Ordinary 97.0%
Cole Henry PE 2 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50%
Crepuscle Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%
Dhalia Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%
Datapath Group Limited	Bemrose House, Bemrose Park, Wayzgoose Drive, Derby, DE21 6XQ	Direct	A Ordinary 33.3%
FFX Group Limited	Dyna House, Lympne Industrial Estate, Lympne, Hythe, Kent, CT21 4LR	Direct	A Ordinary 66.2%
Flowrite Refrigeration Limited	Riverside House, 40-46 High Street, Maidstone, Kent, ME14 1JH	Direct	A Ordinary 35.6%
Fresh Relevance Limited	5 Benham Rd, Southampton Science Park, Southampton, SO16 7QJ	Direct	A Ordinary 95.0%
Hospital Services Group Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 73.5%
ICA Group Limited	20 Trafalgar Way, Bar Hill, Cambridge, CB23 8SQ	Direct	A Ordinary 50.0%
Industrial Efficiency II Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	B Ordinary 75.2%
Itad (2015) Limited	Gloucester House, 66 Church Walk, Burgess Hill, West Sussex, RH15 9AS	Direct	A Ordinary 68.8%
Ixaris Systems Limited	10 Midford Place, London, W1T 5AE	Direct	A Ordinary 21.9% Ordinary 0.8%
Kingsclere PE 3 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50%
Mitgjorn Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%

20 RELATED UNDERTAKINGS (CONTINUED)

Name	Address	Direct/ indirect holding	Class and percentage of shares held
Mowgli Street Food Group Limited	69 Bold Street, Liverpool, L1 4EZ	Direct	A Ordinary 43.2%
Nano Interactive Group Limited	6th Floor Charlotte Building, 17 Gresse Street, London, W1T 1QL	Direct	A Ordinary 95.2%
Ollie Quinn Limited	10 John Street, London, WC1N 2EB	Direct	A Ordinary 98.5%
Online Poundshop Limited	Unit 8 Parkway Industrial Estate, Pacific Avenue, Wednesbury, WS10 7WP	Direct	A Ordinary 100%
Positive Response Corporation Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 50%
Powerlinks Media Limited	40 King Street, Manchester, M2 6BA	Direct	AA Ordinary 95.2%
Procam Television Holdings Limited	Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH	Direct	A Ordinary 50.0% Z Ordinary 50.0%
Protean Software Limited	Units 1130-40 Elliott Court Herald Avenue, Coventry Business Park, Coventry, CV5 6UB	Direct	A Ordinary 62.5%
Specac International Limited	River House, 97 Cray Avenue, Orpington, Kent, BR5 4HE	Direct	Ordinary 50.0%
TFC Europe Limited	Hale House Ghyll Industrial, Estate Heathfield, East Sussex, TN21 8AW	Direct	AA Ordinary 40.0% A Ordinary 40.0%
The Business Advisory Limited	Experience House, 5 Port Hill, Hertford, SG14 1PJ	Direct	A Ordinary 49.2%
Thermotech Solutions Limited	Hercules Office Park, Bird Hall Lane, Stockport, SK3 0UX	Direct	A Ordinary 60.0%
Topazis Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100%
Whitchurch PE 1 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50%

21 POST-BALANCE SHEET EVENTS

Following approval of the requisite resolutions at the general meetings and separate class meetings of the Company held on 23 January 2018 and 24 January 2018 respectively, the Board of the Company successfully implemented the removal of the Planned Exit Shares and the Infrastructure Shares.

On 22 February 2018 the Ordinary Shares fund made a full disposal of its investment in ICA Group Limited, realising £1.3 million.

Notice of Annual General Meeting

22 MAY 2018

Order of Events	
2.00pm	Manager presentation
Immediately following the Manager presentation	Formal business of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight VCT plc ("the Company") will be held on 22 May 2018 at 2.00pm at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions.

- Resolution 1** To receive the Report and Accounts for the year ended 31 December 2017.
- Resolution 2** To approve the Directors' Remuneration Report.
- Resolution 3** To approve the Directors' Remuneration Policy.
- Resolution 4** To re-elect John Gregory as a director.
- Resolution 5** To re-elect Gordon Humphries as a director.
- Resolution 6** To re-elect Jocelin Harris as a director.
- Resolution 7** To re-appoint Margaret Littlejohns as a director.
- Resolution 8** To re-appoint KPMG LLP as auditors and to authorise the directors to fix the auditor's remuneration.
- Resolution 9** That, in substitution for all existing authorities, the directors be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares of 1 pence each in the capital of the Company ("Shares") and to grant rights to subscribe for, or to convert any security into, Shares ("Rights"), up to an aggregate nominal amount of £175,000, provided that this authority shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the date of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot Shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired.
- Resolution 10** That, in substitution for all existing authorities, the directors be and they are empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 9 above or by way of a sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £200,000 pursuant to offer(s) for subscription;
 - (b) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued share capital from time to time pursuant to dividend investment schemes operated by the Company at a subscription price per Share which may be less than the net asset value per Share, as may be prescribed by the scheme terms;

- (c) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £100,000 by way of an issue of Shares (which may be at a subscription price per Share which is less than the net asset value per Share) pursuant to performance incentive arrangements with Foresight Group CI Limited and relevant individuals of the Foresight Group LLP investment team; and
- (d) the allotment (otherwise than pursuant to sub-paragraphs (a) to (c) of this resolution) to any person or persons of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued share capital from time to time,

in each case where the proceeds may be used in whole or part to purchase shares in the capital of the Company, and shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2019, or, if earlier, on the date falling 15 months after the passing of this resolution save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired.

Resolution 11 That, in substitution to all other existing authorities, the Company be empowered to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own shares provided that:

- (i) the aggregate number of Shares to be purchased shall not exceed 26,322,736 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Company's Shares in issue at the date of passing this resolution;
- (ii) the minimum price which may be paid for a Share is 1 pence (the nominal value thereof);
- (iii) the maximum price which may be paid for a Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for a Share taken from the London Stock Exchange daily list for the five business days immediately preceding the day on which the Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (iv) the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2019 or, if earlier, on the date falling 15 months after the passing of this resolution; and
- (v) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to such contract.

By order of the Board

Foresight Group LLP

Company Secretary

10 April 2018

The Shard
32 London Bridge
Street
London
SE1 9SG

Notice of Annual General Meeting

NOTES:

1. No Director has a service contract with the Company. Directors' appointment letters with the Company will be available for inspection at the registered office of the Company until the time of the meeting and from 15 minutes before the meeting at the location of the meeting, as well as at the meeting.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. As at 10 April 2018 (being the last business day prior to the publication of this notice), the Company's issued share capital was 175,601,977 ordinary shares of 1 pence each in the capital of the Company, carrying one vote each. Therefore, the total voting rights in the Company as at 10 April 2018 was 175,601,977.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. The Register of Directors' Interests will be available for inspection at the meeting.
10. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.foresightgroup.eu.
11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

12. A form of proxy and reply paid envelope is enclosed. To be valid, it should be lodged with the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received no later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
13. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information or the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
14. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website and the statement may be dealt with as part of the business of the meeting.

Dividend History

Ordinary Shares:	Dividend per share	Dividend per share (rebased) [†]
29 September 2017	4.0p	1.5p
3 April 2017	5.0p	1.9p
1 April 2016	7.0p	2.7p
13 March 2015	6.0p	2.3p
14 March 2014	10.0p	3.8p
14 June 2013	5.0p	1.9p
23 March 2012	7.5p	2.9p
17 June 2011	5.0p	1.9p
29 May 2009	1.0p	0.7p
7 March 2008	5.0p	3.4p
26 May 2006	0.5p	0.5p
5 July 2004	52.0p	52.0p
22 September 2003	8.0p	8.0p
30 June 2003	0.5p	0.5p
8 May 2000	100.0p	100.0p
6 August 1999	1.0p	1.0p
29 January 1999	3.2p	3.2p
Total		188.2p
NAV per Ordinary Share based on 100.0p invested at launch		30.5p
NAV total return per Ordinary Share		218.7p

[†]To get an accurate total return since inception, we have rebased dividends and NAV to account for the Ordinary Shares reconstruction in March 2011 (using a conversion ratio of 0.554417986) and the merger of Ordinary and C Share portfolios in January 2007 (at a ratio of 0.688075647795 new Ordinary Shares for every 1 Ordinary Share held).

In addition to the details above, original holders of "C" Shares which became Ordinary Shares in January 2007 have received total dividends as set out below. "C" Shares were converted into Ordinary Shares on a 1:1 basis in January 2007 before being converted into new Ordinary Shares in March 2011 on the basis of 0.554417986 new Ordinary Shares for each existing Ordinary Share held.

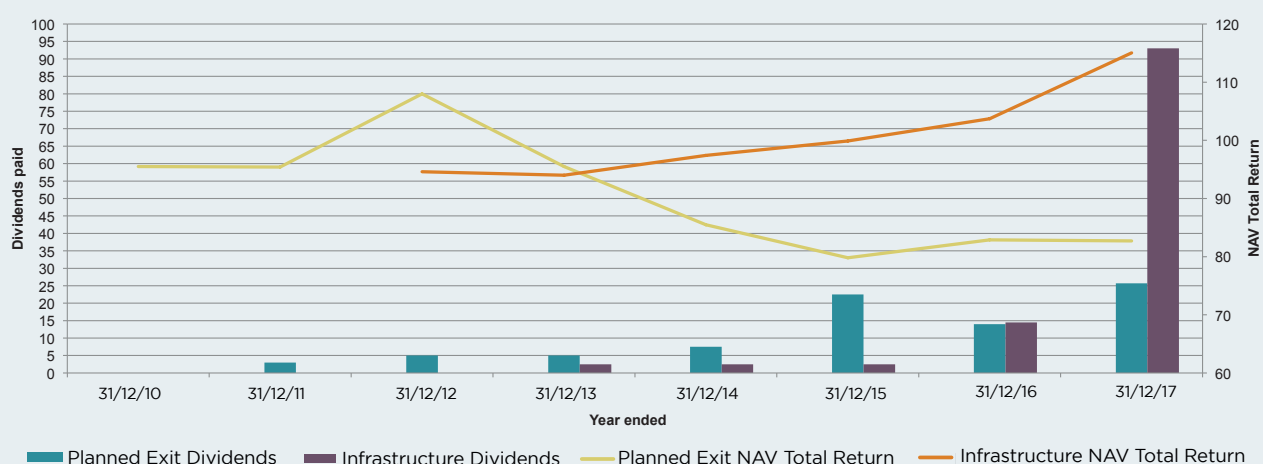
C Shares (converted into Ordinary Shares in January 2007):	Dividend per C share (rebased) [†]
29 September 2017	2.2p
3 April 2017	2.8p
1 April 2016	3.9p
13 March 2015	3.3p
14 March 2014	5.5p
14 June 2013	2.8p
23 March 2012	4.15p
17 June 2011	2.8p
29 May 2009	1.0p
7 March 2008	5.0p
26 January 2007	2.0p
27 May 2005	0.5p
1 August 2004	0.5p
22 September 2003	0.75p
30 June 2003	0.75p
24 March 2003	0.75p
7 June 2002	1.0p
11 March 2002	2.5p
26 July 2001	2.0p
Total	44.2p
NAV per C Share rebased*	44.4p
NAV total return per C Share	88.6p

*Based on an original 100.0p invested at launch.

Planned Exit Shares:		Dividend per share
29 December 2017		7.71p
13 April 2017		18.0p
14 October 2016		14.0p
25 September 2015		7.5p
22 May 2015		15.0p
12 December 2014		7.5p
25 October 2013		5.0p
31 August 2012		5.0p
17 June 2011		3.0p
Total		82.71p
NAV per Planned Exit Share		0.0p
NAV total return per Planned Exit Share		82.71p

Infrastructure Shares:		Dividend per share
29 December 2017		93.05p
23 September 2016		12.0p
11 March 2016		2.5p
22 May 2015		2.5p
30 September 2014		2.5p
20 December 2013		2.5p
Total		115.05p
NAV per Infrastructure Share		0.0p
NAV total return per Infrastructure Share		115.05p

Dividends Paid and NAV Total Return (pence) - Planned Exit Shares & Infrastructure Shares



Glossary of Terms

NET ASSET VALUE (NAV)

The Net Asset Value (NAV) is the amount by which total assets exceed total liabilities, i.e. the difference between what the company owns and what it owes. It is equal to shareholders' equity, sometimes referred to as shareholders' funds.

NAV PER SHARE

Net Asset Value expressed as an amount per share.

NAV TOTAL RETURN

The sum of the published NAV per share plus all dividends paid per share. This allows performance comparisons to be made between venture capital trusts.

SHARE PRICE TOTAL RETURN

The sum of the current share price plus all dividends paid per share. This allows performance comparisons to be made between venture capital trusts.

DIVIDEND YIELD

The sum of dividends paid during the year expressed as a percentage of the share price at the year end date.

DISCOUNT TO NAV

A discount to NAV is the percentage by which the mid-market share price of the Company is lower than the net asset value per share.

ONGOING CHARGES RATIO

The sum of expenditure incurred in the ordinary course of business expressed as a percentage of the Net Asset Value at the reporting date.

QUALIFYING COMPANY OR QUALIFYING INVESTMENT

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within a certain time period and not be controlled by another company. In any twelve month period the company can receive no more than £5 million from VCT funds and Enterprise Investment Schemes, and any other European State-aided risk capital source. The company must have fewer than 250 full time (or equivalent) employees at the time of making the investment. VCT funds raised after 5 April 2012 cannot be used by a Qualifying Company to fund the purchase of shares in another company.

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from **www.fca.org.uk** to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**.
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.

- 9 Think about getting independent financial and professional advice before you hand over any money.

- 10 **Remember:** if it sounds too good to be true, it probably is!

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Corporate Information

COMPANY NUMBER

03421340

DIRECTORS

John Gregory (Chairman)
Peter Dicks
Jocelin Harris
Gordon Humphries
Margaret Littlejohns (appointed 01/10/17)

COMPANY SECRETARY

Foresight Group LLP
The Shard
32 London Bridge Street
London
SE1 9SG

MANAGER

Foresight Group CI Limited
PO Box 156
Dorey Court
St Peter Port
Guernsey
GY1 4EU

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

SOLICITORS AND VCT STATUS ADVISERS

Shakespeare Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA
and
60 Gracechurch Street
London
EC3V 0HR

REGISTRAR

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

MARKET MAKER

Panmure Gordon & Co
One New Change
London
EC4M 9AF

BANKER

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Important information:

The Company currently conducts its affairs so that the shares issued by Foresight VCT plc can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in a VCT.

Foresight VCT plc is managed by Foresight Group CI which is licensed by the Guernsey Financial Services Commission. Past performance is not necessarily a guide to future performance. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.



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