



**Annual Report and Accounts**  
31 December 2015



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**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.**

## Summary Financial Highlights

- Net asset value per Ordinary Share at 31 December 2015 was 87.5p after a payment of a 6.0p dividend (31 December 2014: 99.4p).
- Net asset value per Planned Exit Share at 31 December 2015 was 36.8p after payment of 22.5p in dividends (31 December 2014: 65.0p).
- Net asset value per Infrastructure Share at 31 December 2015 was 92.4p after a payment of a 2.5p dividend (31 December 2014: 92.4p).

### ***Ordinary Shares fund***

- An interim dividend for the year ended 31 December 2014 of 6.0p per Ordinary Share was paid on 13 March 2015.
- An interim dividend for the year ended 31 December 2015 of 7.0p per Ordinary Share was paid on 1 April 2016.
- The fund realised £2.9 million from loan repayments from four portfolio companies and £0.7 million in deferred consideration from three portfolio companies.
- The fund provided follow-on funding totalling £1.9 million to six portfolio companies and £14.3 million for seven new investments.
- A further £15.2 million was raised through the issue of shares and the offer was closed on 8 June 2015.
- 28,590,057 consideration shares were issued to the Ordinary Shareholders of Foresight 2 VCT plc following the merger on 18 December 2015.

### ***Planned Exit Shares fund***

- An interim dividend for the year ended 31 December 2014 of 15.0p per Planned Exit Share was paid on 22 May 2015.
- An interim dividend for the year ended 31 December 2015 of 7.5p per Planned Exit Share was paid on 25 September 2015.
- The fund realised £1.5 million from the sales of three portfolio companies.
- 5,535,509 consideration shares were issued to the Planned Exit Shareholders of Foresight 2 VCT plc following the merger on 18 December 2015.

### ***Infrastructure Shares fund***

- An interim dividend for the year ended 31 December 2014 of 2.5p per Infrastructure Share was paid on 22 May 2015.
- An interim dividend for the year ended 31 December 2015 of 2.5p per Infrastructure Share was paid on 11 March 2016.
- The fund's management fee was reduced from 1.75% to 1.0% from 1 January 2015.
- 15,975,510 consideration shares were issued to the Infrastructure Shareholders of Foresight 2 VCT plc following the merger on 18 December 2015.



# Dividend History

Including post year end payments

| Ordinary Shares:                                                                                                                                                                                                                                                      | Dividend per share | Dividend per share (rebased)†   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------|
| 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                            |
| <b>Total</b>                                                                                                                                                                                                                                                          |                    | <b>184.8p</b>                   |
| NAV per Ordinary Share based on 100.0p invested at launch †                                                                                                                                                                                                           |                    | 30.7p                           |
| Total return per Ordinary Share                                                                                                                                                                                                                                       |                    | 215.5p                          |
| <b>Planned Exit Shares:</b>                                                                                                                                                                                                                                           |                    |                                 |
| 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                            |
| <b>Total</b>                                                                                                                                                                                                                                                          |                    | <b>43.0p</b>                    |
| NAV per Planned Exit Share                                                                                                                                                                                                                                            |                    | 36.8p                           |
| Total return per Planned Exit Share                                                                                                                                                                                                                                   |                    | 79.8p                           |
| <b>Infrastructure Shares:</b>                                                                                                                                                                                                                                         |                    |                                 |
| 11 March 2016                                                                                                                                                                                                                                                         |                    | 2.5p                            |
| 22 May 2015                                                                                                                                                                                                                                                           |                    | 2.5p                            |
| 30 September 2014                                                                                                                                                                                                                                                     |                    | 2.5p                            |
| 20 December 2013                                                                                                                                                                                                                                                      |                    | 2.5p                            |
| <b>Total</b>                                                                                                                                                                                                                                                          |                    | <b>10.0p</b>                    |
| NAV per Infrastructure Share                                                                                                                                                                                                                                          |                    | 89.9p                           |
| Total return per Infrastructure Share                                                                                                                                                                                                                                 |                    | 99.9p                           |
| † Rebased due to Ordinary Shares reconstruction on 1 March 2011 using conversion ratio of 0.554417986; and rebased in January 2007 due to merger of Ordinary and C Share portfolios 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)† |
| 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                            |
| <b>Total</b>                                                                                                                                                                                                                                                          |                    | <b>39.2p</b>                    |
| NAV per C Share rebased*                                                                                                                                                                                                                                              |                    | 44.6p                           |
| Total return per C Share (incorporating March 2016 dividend)                                                                                                                                                                                                          |                    | 83.8p                           |

\*Based on an original 100.0p per Share invested at launch

# Chairman's Statement

## Merger

The merger with Foresight 2 VCT plc was completed on a relative net assets basis on 18 December 2015. Each of the Ordinary Shares, Planned Exit Shares and Infrastructure Shares merged with their respective counterparts in Foresight 2 VCT plc creating a VCT with critical mass and assets in excess of £100 million.

The number of shares issued, resulting from the merger, in each of the share classes was as follows:

| Share Class    | Net Asset Value | Shares Issued |
|----------------|-----------------|---------------|
| Ordinary       | 88.0p           | 28,590,057    |
| Planned Exit   | 39.6p           | 5,535,509     |
| Infrastructure | 92.3p           | 15,975,510    |

## Performance – Ordinary Shares Fund

### i. Movement in Net Asset Value of the Ordinary Shares Fund

During the year, the net assets of the Ordinary Shares fund increased to £75.8 million at 31 December 2015 from £44.2 million at 31 December 2014.

Of this net increase, amounting to £31.6 million, the principal contributing factors were a total of £25.2 million through the issue of 28,590,057 Ordinary Shares to the shareholders in Foresight 2 VCT plc, a total of £15.2 million raised from the issue of new shares, (less issue costs of £0.6 million) and investment income of £1.1 million. These increases were offset by payment of dividends totalling £3.0 million, management fees and other expenses of £1.5 million, share buybacks of £1.4 million and a net decrease of £3.4 million from the investment performance of the Ordinary Shares fund portfolio.

The merger with Foresight 2 VCT plc alongside the success of recent fund-raising contributed to a year of considerable progress which has enabled the Ordinary Shares fund to achieve a size that the Board believes will enable it to more easily sustain the Board's dividend objective to Shareholders and provides sufficient capacity for further new investments. Nevertheless the investment performance of the Ordinary Shares fund portfolio during the year was disappointing and the Board and Manager will be seeking an improvement in performance in the year ending 31 December 2016.

Seven new investments were made by the merged Ordinary Shares fund during the year for a total of £17.0 million and the Board and the Manager are encouraged by the prospects for these, which were made before the VCT legislation changes in November 2015.

### ii. Movement in Net Asset Value per Share of the Ordinary Shares Fund

During the year, the net asset value of the Ordinary Shares fund decreased to 87.5p per share at 31 December 2015 from 99.4p per Share at 31 December 2014. The performance of the investment portfolio was disappointing, and, after adding back the dividend payment of 6.0p per Ordinary Share, represented a total reduction of 5.9%.

The investments that contributed significantly (£250,000 or more) to this result were as follows:

| Company                                  | £                  |
|------------------------------------------|--------------------|
| Blackstar Amplification Holdings Limited | 1,533,407          |
| Industrial Efficiency II Limited         | 636,881            |
| Procam Television Holdings Limited       | 547,449            |
| TFC Europe Limited                       | (423,500)          |
| Autologic Diagnostics Group Limited      | (467,236)          |
| alwaysON Group Limited                   | (578,086)          |
| Aerospace Tooling Holdings Limited       | (4,904,279)        |
| Other movements                          | 7,261              |
| <b>Total</b>                             | <b>(3,648,103)</b> |

The valuation of the investment in **Aerospace Tooling Holdings Limited** was reduced by £4,904,279 during the year due to a reduced level of orders from its two largest customers.

### iii. Cash & Deal Flow

During the year the Ordinary Shares fund made the following new private equity and follow-on investments:

#### New Investments

| Company                       | Ordinary Shares Fund | Foresight 2 VCT Ordinary Shares Fund | Post Merger £     |
|-------------------------------|----------------------|--------------------------------------|-------------------|
| ABL Investments Limited       | 2,500,000            | 250,000                              | 2,750,000         |
| FFX Group Limited             | 2,026,426            | 650,000                              | 2,676,426         |
| Hospital Services Limited     | 2,670,000            | 650,000                              | 3,320,000         |
| Itad Limited                  | 2,500,000            | 250,000                              | 2,750,000         |
| Protean Software Limited      | 2,254,000            | 246,000                              | 2,500,000         |
| Specac International Limited  | 1,345,000            | —                                    | 1,345,000         |
| The Business Advisory Limited | 1,000,000            | 650,000                              | 1,650,000         |
| <b>Total</b>                  | <b>14,295,426</b>    | <b>2,696,000</b>                     | <b>16,991,426</b> |

#### Follow-on funding

| Company                              | £                |
|--------------------------------------|------------------|
| Autologic Diagnostics Group Limited* | 162,680*         |
| Biofortuna Limited                   | 128,002          |
| Closed Loop Recycling Limited        | 7,193            |
| Industrial Efficiency II Limited     | 1,237,500        |
| Procam Television Holdings Limited   | 333,339          |
| The Skills Group Limited             | 25,170           |
| <b>Total</b>                         | <b>1,893,884</b> |

\*Representing capitalised and deferred interest.

The above excludes follow-on funding within Foresight 2 VCT plc pre-merger.



# Chairman's Statement

## Disposal Proceeds, Deferred Consideration & Loan Repayments

| Company                     | £                |
|-----------------------------|------------------|
| Alaric Systems Limited      | 282,178          |
| AppDNA Limited              | 392,574          |
| Aquasium Technology Limited | 166,667          |
| Cole Henry PE 2 Limited     | 900,000          |
| i-plas Group Limited        | 33,618           |
| iCore Limited               | 50,000           |
| Kingsclere PE 3 Limited     | 900,000          |
| Whitchurch PE 1 Limited     | 900,000          |
| The Skills Group Limited    | 1,000            |
| <b>Total</b>                | <b>3,626,037</b> |

The above excludes realisations within Foresight 2 VCT plc pre-merger.

## Cash Availability

The Ordinary Shares fund had cash and liquid resources of £17.0 million at 31 December 2015, which has increased to £32.0 million at the time of writing. It is anticipated that these funds will be used to make several new private equity investments arising from the Manager's deal flow pipeline of new opportunities.

Additionally, a proportion of cash and liquidity will be reserved for dividends to shareholders, paying annual running expenses and share buybacks.

## iv. Investment Gains & Losses

During the year the Ordinary Shares fund realised losses amounting to £8.9 million, which had already been provided for in full, following the liquidation of Aigis Blast Protection Limited and Withion Power Limited, as well as the disposal of Closed Loop Recycling Limited and write off of DSM GeoData Limited.

## v. Running Costs

The annual management fee of the Ordinary Shares fund is 2.0%. During the year the management fees totalled £1.1 million, of which £270,000 was charged to the revenue account and £809,000 was charged to the capital account. The average ongoing charges ratio of the Ordinary Shares fund for the year to 31 December 2015, at 2.0%, compares favourably with its VCT peer group. Following the merger the Manager agreed to reduce the annual expenses cap to 2.4%, making it one of the lowest expenses caps of any VCT with total assets over £20 million.

## vi. Ordinary Share Dividends

It continues to be the Company's policy to provide a flow of tax-free dividends, generated from income and from capital profits realised on the sale of investments. Distributions will, however, inevitably be dependent on cash being generated from portfolio investments and successful realisations, the timing of which is not predictable.

In accordance with this policy an interim dividend of 7.0p was paid on 1 April 2016 based on an ex-dividend date of 15 March 2016 and a record date of 16 March 2016.

During the year ended 31 December 2015, an interim dividend of 6.0p was paid on 13 March 2015 based on an ex-dividend date of 26 February 2015 and a record date of 27 February 2015.

## vii. Ordinary Shares Issues & Buybacks

A prospectus offer to raise £20 million was launched on 31 October 2014. During the year under review, £15.2 million was raised through the issue of 15,080,040 Ordinary Shares, allotted at prices ranging from 93.4p to 100.1p per share.

The Company allotted 106,287 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 99.4p per share.

During the year, 1,667,745 Ordinary Shares were repurchased for cancellation at a cost of £1.4 million at an average discount to NAV of 10.2%. The Board and the Manager consider share buybacks at a suitable discount to be a benefit to shareholders as a whole and an appropriate way to manage the share price discount to NAV at which the Ordinary Shares trade.

## viii. Summary Post Year End Update

Following the year end, a total of £23 million has been raised under the current offer for subscription launched on 18 January 2016. The General Meeting to approve the offer for subscription took place on 15 March 2016 and was unanimously passed by Shareholders at that meeting.

As noted in the prospectus (and the merger documentation between the Company and Foresight 2 VCT plc) the Board are considering what, if any, performance incentive arrangements with the Manager should be implemented relating to the Ordinary Shares fund. If, following these deliberations, the Board believes a performance incentive arrangement with the Manager is appropriate, it will seek Shareholder approval for any such arrangements before they are implemented. The Board expects to write to Shareholders definitively on any proposals (or confirmation of lack thereof) during 2016.

In April 2016 the Company received its final tranche of deferred consideration from iCore Limited, totalling £51,247.

## Outlook – Ordinary Shares Fund

Although it has been a year of considerable progress for the Ordinary Shares fund through the merger with Foresight 2 VCT plc, a successful fund raising and exceeding our target dividend to Shareholders, this progress was tempered by a disappointing performance from the investment portfolio. The Board and the Manager will be focusing efforts in the coming year on improving investment performance within the existing portfolio and through a combination of the new investments recently made and those pipeline investments still to be made.

## Performance – Planned Exit Shares Fund

### i. Movement in Net Asset Value of the Planned Exit Shares Fund

During the year, the net assets of the Planned Exit Shares fund increased to £4,248,000 at 31 December 2015 from £3,943,000 at 31 December 2014.

Of this net increase, the Planned Exit Shares fund issued £2.2 million in new shares as part of the merger with Foresight 2 VCT plc, paid out dividends totalling £1.4 million, incurred management fees and expenses of £78,000 and made share buybacks totalling £35,000 during the year. £290,000 in income was written off from underperforming investments during the year, giving a net loss of £150,000, and there was a decrease of £244,000 from the investment performance of the Planned Exit Shares fund portfolio.

### ii. Movement in Net Asset Value per share of the Planned Exit Shares Fund

During the year, the net asset value of the Planned Exit Shares fund decreased to 36.8p per share at 31 December 2015 from 65.0p per Share at 31 December 2014, representing a fall of 8.8% after payments of 22.5p per Planned Exit Share in dividends during the year.

### iii. Cash & Deal Flow

There were no new investments made during the year.

During the year the Planned Exit Shares fund made the following follow-on investments:

#### Follow-on funding

| Company                       | £            |
|-------------------------------|--------------|
| Closed Loop Recycling Limited | 2,865        |
| <b>Total</b>                  | <b>2,865</b> |

#### Disposal Proceeds, Deferred Consideration & Loan Repayments

| Company                              | £                |
|--------------------------------------|------------------|
| Channel Safety Systems Group Limited | 515,758          |
| Industrial Efficiency Limited        | 205,500          |
| Leisure Efficiency Limited           | 793,000          |
| <b>Total</b>                         | <b>1,514,258</b> |

The above excludes realisations within Foresight 2 VCT plc pre-merger.

### Cash Availability

The Planned Exit Shares fund had cash and liquid resources of £354,000 at 31 December 2015, which has increased to £369,000 at the time of writing. The Planned Exit Shares fund is considered fully invested and its investments generate a running yield, which is principally utilised for the payment of expenses and dividends.

### iv. Investment Gains & Losses

During the year, the Planned Exit Shares fund realised gains amounting to £708,000 from the sales of Industrial Efficiency Limited (£50,000), Leisure Efficiency Limited (£218,000) and Channel Safety Systems Limited (£440,000) and realised losses amounting to £832,000, which had already been provided for in full, following the liquidation of Withion Power Limited, as well as the disposal of Closed Loop Recycling Limited. Further details of these sales are contained in the Manager's Report.

### v. Running Costs

The annual management fee of the Planned Exit Shares fund is 1.0%. During the year, management fees totalled £41,000, of which £10,000 was charged to the revenue account and £31,000 was charged to the capital account. The total expense ratio of the Planned Exit Shares fund, for the year ended 31 December 2015 was 1.8%.

### vi. Planned Exit Share Dividends

An interim dividend of 15.0p per Planned Exit Share was paid on 22 May 2015. The shares were quoted ex-dividend on 7 May 2015 with a record date of 8 May 2015.

A second interim dividend for the year ended 31 December 2015 of 7.5p per Planned Exit Share was paid on 25 September 2015. The shares were quoted ex-dividend on 10 September 2015 with a record date of 11 September 2015.

It continues to be the Company's policy to provide a flow of tax-free dividends, generated from income and from capital profits realised on the sale of investments. Distributions, however, will inevitably be dependent on cash being generated from portfolio investments and successful realisations.

### vii. Planned Exit Shares Issues & Buybacks

There were no Planned Exit Shares issued during the year, with the exception of the consideration shares issued for the merger.

During the year under review 72,048 Planned Exit Shares were repurchased for cancellation at a cost of £35,000 at an average discount to NAV of 0.7%. The Board and the Manager consider share buybacks to be an effective way to manage the share price discount to NAV at which the Planned Exit Shares trade.

### viii Summary Post Year End Update

There were no material post year end items at the time of writing.

### Outlook – Planned Exit Shares Fund

The original objective of the Planned Exit Shares fund was to return investors 110p per share through a combination of dividends and share buybacks by the sixth anniversary of the closure of the original offer, which will be June 2016.

There are still three investments held within the Planned Exit Shares portfolio and it is highly unlikely that they will all be sold before 30 June



# Chairman's Statement

2016 on terms that would maximise potential returns for Shareholders. Our current expectation is that it could take a further 12 months beyond June 2016 to realise the maximum potential from the remaining portfolio investments.

Furthermore, the total return for shareholders if the fund realised the remaining investments at current valuation would be 79.8p (comprising 43.0p in dividends paid to date and 36.8p representing the remaining NAV at 31 December 2015). To deliver the target return of 110p per share, a significant increase on the current valuations of the three remaining investments would need to be achieved on their disposal. Although this remains a possibility, it seems very unlikely the target 110p will be achieved by the fund.

## Performance – Infrastructure Shares Fund

### i. Movement in Net Asset Value of the Infrastructure Shares Fund

During the year, the net assets of the Infrastructure Shares fund increased to £30.0 million at 31 December 2015 from £15.3 million at 31 December 2014.

The Infrastructure Shares fund issued £14.7 million in new shares as part of the merger with Foresight 2 VCT plc and paid out dividends totalling £414,000 and management fees and other expenses of £301,000. Income for the year totalled £639,000.

### ii. Movement in Net Asset Value per share of the Infrastructure Shares Fund

During the year, the net asset value of the Infrastructure Shares fund increased to 92.4p per share at 31 December 2015, after adjusting for the payment of a 2.5p per Infrastructure Share dividend during the year, from 92.4p per Share at 31 December 2014.

### iii. Cash & Deal Flow

There were no new or follow-on investments made during the year.

In April 2015, HMRC clearance was received to merge York Infrastructure 3 Limited and Zagreb Solar Limited (later renamed Drumglass Holdco Limited) and utilise their combined cash resources to invest £1.6 million in the Drumglass PFI project, which was value accretive to shareholders.

The Infrastructure Shares fund had cash and liquid resources of £465,000 at 31 December 2015, which had decreased to £74,000 at the time of writing.

### iv. Investment Gains & Losses

There were no realised gains or losses during the year.

### v. Running Costs

The annual management fee of the Infrastructure Shares fund, which was 1.75% until 31 December 2014, was reduced to 1% from 1 January 2015. The Board agreed with Foresight Group to make this change following the impact of the delay in investing the original amounts raised in qualifying infrastructure investments, which may

impact the fund's future returns. During the year the management fees totalled £157,000, of which £39,000 was charged to the revenue account and £118,000 was charged to the capital account. The ongoing charges ratio of the Infrastructure Shares fund for the year ended 31 December 2015 was 1.0%.

### vi. Infrastructure Share Dividends

During the year ended 31 December 2015, an interim dividend of 2.5p per Infrastructure Share was paid on 22 May 2015. The shares were quoted ex-dividend on 7 May 2015 with a record date of 8 May 2015.

Following the year end an interim dividend of 2.5p was paid on 11 March 2016 based on an ex-dividend date of 25 February 2016 and a record date of 26 February 2016.

The Company's original objective was to provide an annual flow of tax-free dividends of 5.0p per share, generated from income and from capital profits realised on the sale of investments. Distributions, however, will inevitably be dependent on cash being generated from portfolio investments and successful realisations. The ability to continue generating sufficient cashflows to satisfy an annual 5.0p per share dividend is uncertain in light of current yields.

### vii. Infrastructure Shares Issues & Buybacks

There were no Infrastructure Shares issued during the year, with the exception of the consideration shares issued for the merger.

During the year under review 32,352 Infrastructure Shares were repurchased for cancellation at a cost of £29,000 at an average discount to NAV of 0.6%. The Board and the Manager consider share buybacks to be an effective way to help manage the share price discount to NAV at which the Infrastructure Shares trade.

### viii. Summary Post Year End Update

There were no material post year end items at the time of writing.

## Outlook – Infrastructure Shares Fund

Following the merger, Foresight VCT now has a controlling holding in each of the five currently qualifying investments, which if left unaddressed would lead to those investments becoming non-qualifying under VCT rules relating to control. However, a one year grace period is allowed to remedy this situation.

To bring the VCT's holding down to 49.9% of each investment and satisfy this control test, a part disposal of each of the five investments is required. The aggregate disposal is expected to be approximately £8.12m, representing some 27% of the total valuation of £30.3 million of the Foresight VCT Infrastructure Shares Class as at 18 December 2015.

The Manager will also give consideration to other current investment opportunities and whether any sale proceeds should be reinvested or paid out as dividends to shareholders. The total return may be lower if paid out as dividend because investors would then forego the opportunity to earn additional yield from any new investments made.

## VCT Legislation

As previously discussed, changes to VCT regulations were finally confirmed on 18 November 2015. There were no material changes to those detailed in my interim report. One of the principal purposes of the changes was to prevent VCT investment being used to acquire existing shares or the principal trade or assets of businesses.

The key aspects of the proposed new rules are as follows:

- Introducing an 'age of company' restriction of a maximum of seven years at the time of first VCT investment;
- Introducing a lifetime state aided investment limit of £12 million; and
- Prohibiting VCT investment financing acquisitions (as mentioned above).

## Annual General Meeting

The Company's Annual General Meeting will take place on 24 May 2016 at 1.00pm. 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.

## Outlook

The merger with Foresight 2 VCT plc alongside the success of recent fund-raising contributed to a year of considerable progress which has enabled the Ordinary Shares fund to achieve a size that the Board believes will enable it to more easily sustain the Board's dividend objective to Shareholders and provides sufficient capacity for further new investments. Nevertheless the investment performance of the Ordinary Shares fund portfolio during the year was disappointing and the Board and Manager will be seeking an improvement in performance in the year ending 31 December 2016. The investment phase of the Infrastructure Shares fund and the transition of part of the fund from non-qualifying PFI investments into VCT qualifying Solar Infrastructure is now complete.

The seven new investments made by the Ordinary Shares fund during the year are performing in-line or ahead of original expectations and we expect these to enhance shareholder returns over the medium term. Both the Board and the Manager are optimistic that the portfolio will produce a steady income flow for future dividends, as originally planned.

## John Gregory

Chairman

Telephone: 01296 682751

Email: j.greg@btconnect.com

27 April 2016



# Strategic Report

## Introduction

This Strategic Report, on pages 8 to 14, 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. Following the merger with Foresight 2 VCT plc in December 2015, this fund currently has investments and assets totalling £76.5 million of which a significant portion is held in cash and is available to make new investments. The number of Ordinary Shares in issue at 31 December 2015 was 86,593,790.

## 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.

The number of Planned Exit shares in the Company in issue at 31 December 2015 was 11,527,087.

## 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.

The number of Infrastructure Shares in the Company in issue at 31 December 2015 was 32,510,224.

## 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 attractive returns 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 is 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 is 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.

### Infrastructure Shares fund

The investment objective of the Infrastructure Shares fund is 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 will focus on companies where the provision of services is the primary activity and which generate long-term contractual revenues, thereby facilitating the payment of regular and predictable dividends to investors.

## Performance and Key Performance Indicators (KPIs)

The Board expects the Manager to deliver a performance which meets the objectives of the three classes of shares. The KPIs covering these objectives are net asset value performance and dividends, which, when combined, give net asset value total return. Additional key performance indicators reviewed by the Board include the discount of the share price relative to the net asset value and total expenses as a proportion of shareholders funds.

A record of some of these indicators is contained on the following page. The total expense ratio for the period was 1.7%. Share buy-backs, have been completed at discounts ranging from 10.0% to 10.7% for Ordinary Shares, 0.6% to 0.9% for Planned Exit Shares and 0.6% to 0.7% for Infrastructure Shares. The level of these KPIs are comparable with the wider VCT marketplace.

A review of the Company's performance during the financial period, the position of the Company at the period 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 Share 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.

## Strategic Report continued

|                              | 31 December 2015 |                     |                       | 31 December 2014 |                     |                       |
|------------------------------|------------------|---------------------|-----------------------|------------------|---------------------|-----------------------|
|                              | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares |
| Net asset value per share    | 87.5p            | 36.8p               | 92.4p                 | 99.4p            | 65.0p               | 92.4p                 |
| Net asset value total return | 215.5p           | 79.8p               | 99.9p                 | 217.8p           | 85.5p               | 97.4p                 |
|                              | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares |
| Share price                  | 80.0p            | 41.0p               | 90.0p                 | 86.5p            | 73.0p               | 89.0p                 |
| Share price total return     | 212.6p           | 84.0p               | 97.5p                 | 212.8p           | 93.5p               | 94.0p                 |
|                              | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares | Ordinary Shares  | Planned Exit Shares | Infrastructure Shares |
| Dividends paid*              | 182.1p           | 43.0p               | 7.5p                  | 179.8p           | 20.5p               | 5.0p                  |
| Dividends paid in the year   | 6.0p             | 22.5p               | 2.5p                  | 10.0p            | 7.5p                | 2.5p                  |
| Dividend yield %             | 7.5              | 54.9^               | 2.8                   | 11.6             | 10.8                | 2.8                   |

\* From inception to 31 December 2015

^ In realisation mode.

### Ordinary Shares fund

|                                                                           |           |
|---------------------------------------------------------------------------|-----------|
| Discount to NAV at 31 December 2015                                       | 8.6%      |
| Average discount on buybacks                                              | 10.2%     |
| Shares bought back during the year under review                           | 1,667,745 |
| Decrease in net asset value during year (after adding back 6.0p dividend) | 5.9%      |
| Ongoing charges ratio (based on assets at 31 December 2015)               | 2.0%      |

### Planned Exit Shares fund

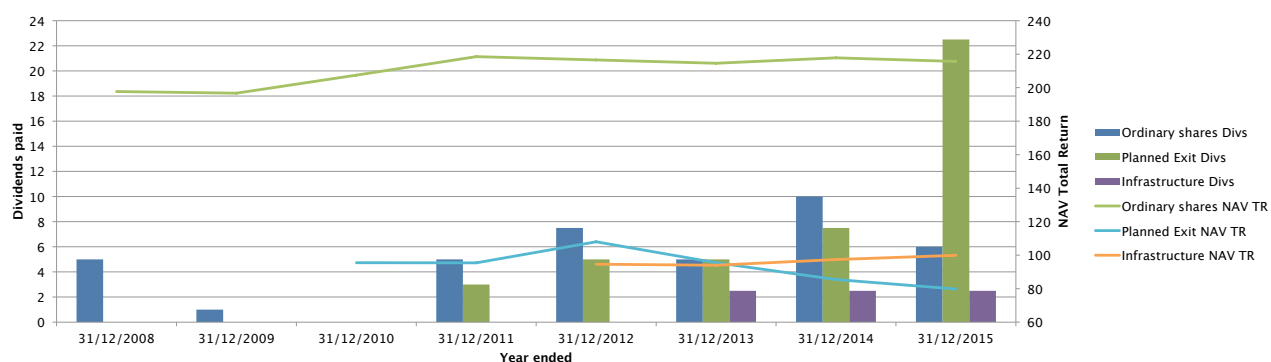
|                                                                            |        |
|----------------------------------------------------------------------------|--------|
| Premium to NAV at 31 December 2015                                         | 11.4%  |
| Average discount on buybacks                                               | 0.7%   |
| Shares bought back during the year under review                            | 72,048 |
| Decrease in net asset value during year (after adding back 22.5p dividend) | 8.8%   |
| Ongoing charges ratio (based on assets at 31 December 2015)                | 1.8%   |

### Infrastructure Shares fund

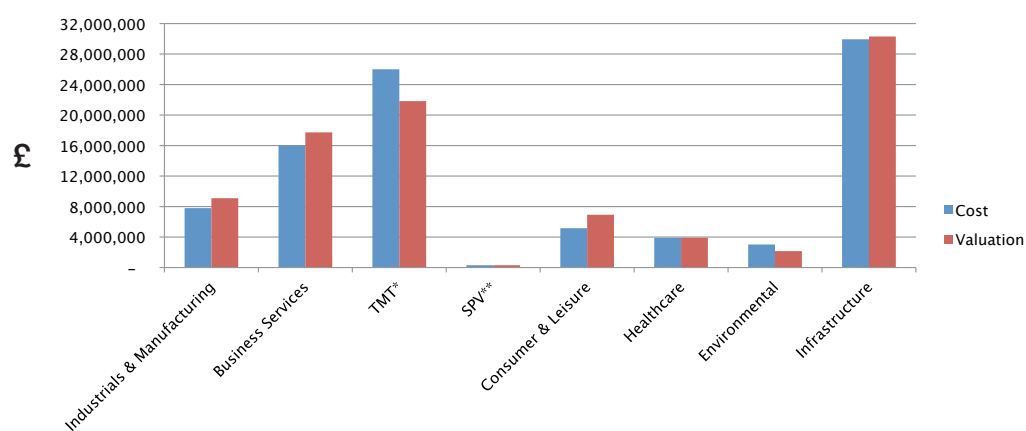
|                                                                           |        |
|---------------------------------------------------------------------------|--------|
| Discount to NAV at 31 December 2015                                       | 2.6%   |
| Average discount on buybacks                                              | 0.6%   |
| Shares bought back during the year under review                           | 32,352 |
| Increase in net asset value during year (after adding back 2.5p dividend) | 2.7%   |
| Ongoing charges ratio (based on assets at 31 December 2015)               | 1.0%   |

# Strategic Report continued

## Dividends & NAV total return



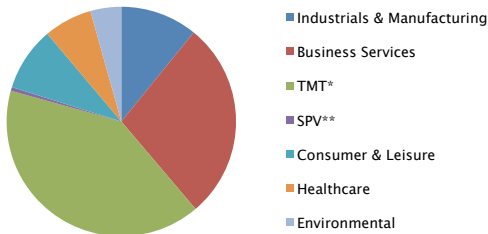
## Investment Areas (Company)



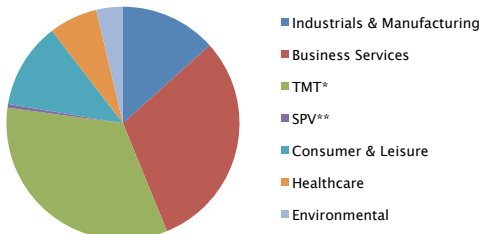
\* Technology, Media and Telecommunications

\*\* Special Purpose Vehicle

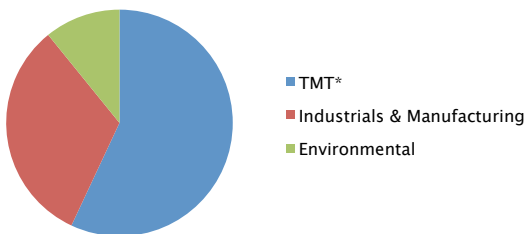
Ordinary Shares fund by Sector (Cost)



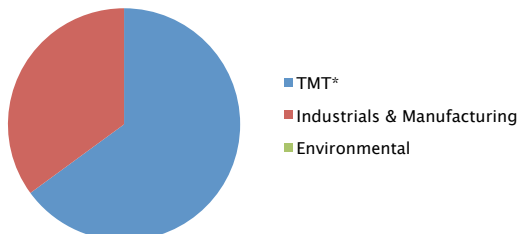
Ordinary Shares fund by Sector (Value)



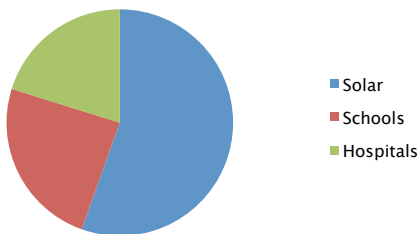
Planned Exit Shares fund by Sector (Cost)



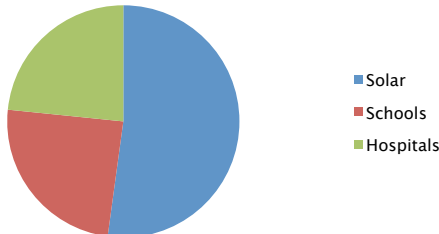
Planned Exit Shares fund by Sector (Value)



Infrastructure Shares fund by Sector (Cost)



Infrastructure Shares fund by Sector (Value)





# Strategic Report continued

## Strategies for achieving objectives

### Investment Policy

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

### Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities, and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, 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.

### 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 aims to invest in larger, more mature, unquoted and AiM companies and, in order to achieve this, often invests alongside other Foresight funds. Consequently, at the time of initial investment, the combined investment can currently total up to a maximum of £5.0 million per annum for unquoted and for AiM investments.

## VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue & Customs. 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).

## Management

The Board has engaged Foresight Group CI Limited as manager. Foresight Fund Managers Limited also 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:

### Ordinary Shares fund

- 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.

### Planned Exit Shares fund

- Security of income and capital;
- Asset backing;
- The company's ability to provide an attractive yield for the fund;
- The prospects of achieving an exit within five years;
- The strength of the management team.

### Infrastructure Shares fund

- Long-term contracts with Governmental or strong counter-parties;
- Protection from competition;
- Inflation-linked revenues over 10–50 year contract durations.

## 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.

## Gender diversity

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

The Manager has an equal opportunities policy and currently employs 78 men and 53 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 across all share classes, although a greater or lesser sum may be paid in any year. It is the intention to maximise the Company's tax-free income for investors 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.

## Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Company are:

- Economic risk
- Loss of approval as a Venture Capital Trust
- Investment and strategic
- Regulatory
- Reputational
- Operational
- Financial
- Market risk
- Liquidity risk

Further detail on these principal risks is given in note 16 on page 69. The Board regularly reviews the principal risks and uncertainties facing the Company which the Board and the Manager have identified and the Board sets out delegated controls designed to manage these risks and uncertainties. Key risks within investment strategy are managed by the Board through a defined investment policy, with guidelines and restrictions, and by the process of oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered at least annually and regulatory compliance is reviewed at each Board meeting.

The Directors have adopted a framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections.

## 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 2018. 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 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 their investment process to take account of the more restrictive VCT investment rules.

This review has considered the principal risks which were identified by the Board. The Board concentrated its efforts on the major factors that affect the economic, regulatory and political environment.

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 2018.

## Performance-related incentives

As noted in the prospectus (and the merger documentation between the Company and Foresight 2 VCT plc) the Board are considering what, if any, performance incentive arrangements with the Manager should be implemented relating to the Ordinary Shares fund. If, following these deliberations, the Board believes a performance incentive arrangement with the Manager is appropriate, it will seek Shareholder approval for any such arrangements before they are implemented. The Board expects to write to Shareholders definitively on any proposals (or confirmation of lack thereof) during 2016.



# Strategic Report continued

## Valuation Policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines (December 2012) 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 and ISDX Growth Market (formerly PLUS) are valued at the bid price as at 31 December 2015. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to annual review by the auditors.

Shares' fund from solely PFI investments to a mix of PFI, solar infrastructure and other infrastructure investments will enhance returns to shareholders.

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**

Director

27 April 2016

## 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 more than 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 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 2014. The next complete review will be carried out for the year ended 31 December 2015. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Directors 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 2015 the Company had 78.1% (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 traditional private equity investments is currently in the best interests of Ordinary Shareholders and the historical information reproduced in this report is evidence of positive recent performance in this area.

Furthermore, the Board expects that the transition of the Infrastructure

# Manager's Report

In the year under review to 31 December 2015, besides making several new investments and raising new funds, the Company experienced two important changes in the latter part of the year. These were the merger on a relative net asset basis with Foresight 2 VCT which completed on 18 December 2015, creating one of the larger VCTs with net assets of some £112 million at that date, and EU driven changes in the VCT Scheme rules which took effect on 18 November 2015 and will affect future investments. The Company's performance during the year and the impact of these changes are discussed in detail below.

## Performance during the year

### Ordinary Shares Fund

The net asset value per Ordinary Share decreased by 5.9% to 87.5p per share as at 31 December 2015 from 99.4p per Ordinary Share as at 31 December 2014 (after adding back the interim dividend of 6.0p per Ordinary Share paid on 13 March 2015). The Ordinary Shares fund benefitted during the year from good performances by several portfolio companies but was negatively impacted in particular by a large reduction in the valuation of one investment, **Aerospace Tooling Corporation**, which was reduced by £4,904,279 during the year due to a reduced level of orders from its two largest customers.

An interim dividend of 7.0p per Ordinary share was paid on 1 April 2016 to shareholders on the Register on 18 March 2016. A further Ordinary Share Offer to raise up to £30 million was announced on 18 January 2016, of which £23 million has been subscribed to date.

Having realised a significant number of investments over recent years and raised £19 million from the issue of new Ordinary Shares through the Offer which closed in June 2015, the principal focus in the year under review was making new investments. Seven new investments were made during the year and several of these are already making encouraging progress, particularly **Itad** and **Specac**. Further details of these new investments can be found in the Ordinary Shares Portfolio Review later in this report.

### Planned Exit Shares Fund

The net asset value per Planned Exit Share decreased during the year to 31 December 2015 by 8.8% to 36.8p per share from 65.0p, after adjusting for the 15.0p per share dividend paid on 22 May 2015 and 7.5p per share dividend paid on 25 September 2015. This reflected the successful sales of **Industrial Efficiency**, **Leisure Efficiency** and **Channel Safety Systems Group**. This increase was counterbalanced by the disappointingly weak performance of **Trilogy Communications**, due to continuing delays in expected defence orders, and slower than expected progress in the turnaround of **Industrial Engineering Plastics** during the year. Further details can be found in the Planned Exit Shares Portfolio Review later in this report.

Foresight Group is working to realise these investments and is monitoring the performance and likely returns from the three remaining investments and the planned capital repayment timetable.

### Infrastructure Shares Fund

During the year, the net asset value per Infrastructure Share increased by 2.7% to 92.4p per share as at 31 December 2015, after adjusting for the 2.5p interim dividend paid on 22 May 2015, from 92.4p as at 31 December 2014. Holders of Foresight 2 VCT Infrastructure shares received a 2.5p interim dividend on 22 May 2015 and a further 2.5p interim dividend on 4 December 2015.

Following the year end, a further interim dividend of 2.5p per Infrastructure share was paid on 11 March 2016 to holders on the Register at 26 February 2016.

The portfolio, which comprises investments in four ground mounted solar plants and in eight operating PFI projects in the health and education sectors, performed in line with expectations during the year.

Further details of the fund performance can be found in the Infrastructure Shares Portfolio Review later in this report.

### Fund raising for the Ordinary Shares Fund

Foresight Group continues to see a number of high quality private equity investment opportunities.

On 31 October 2014, the Board launched a full prospectus to raise up to £20 million by the issue of new Ordinary Shares. The issue was well received by both new and existing investors, with £19 million raised by the closing date of 8 June 2015 from the issue of 19.4 million new Ordinary Shares during the offer period. Seven new investments totalling over £14 million were made by the Ordinary Shares fund by September 2015.

To take advantage of other, current investment opportunities, on 18 January 2016, the Board launched a further full prospectus to raise up to £30 million by the issue of new Ordinary Shares. The issue has been well received by both new and existing investors, with £23 million raised from the issue of 25.7 million new Ordinary Shares to date and the offer remains open.

Foresight Group believes that, with the UK and US economies slowly recovering, investing in growing, well managed private companies in this phase of the economic cycle should, based on past experience, generate attractive returns over the longer term. Based on its current deal flow, Foresight Group believes that attractive deals are currently available.

### Merger of Foresight VCT with Foresight 2 VCT

On 18 December 2015, the Company merged with Foresight 2 VCT to create one of the larger VCTs, with net assets totalling some £112 million. The merger was effected by way of a scheme of reconstruction of Foresight 2 VCT pursuant to section 110 of the Insolvency Act 1986. Foresight 2 VCT was placed in members' voluntary liquidation and all of its assets and liabilities transferred by its appointed liquidator to the Company in consideration for the issue of new shares in the Company to the shareholders of Foresight 2 VCT. Full details of the merger were



## Manager's Report continued

contained in a prospectus and in circulars to the shareholders of the Companies, all dated 13 November 2015.

As both Companies have three equivalent share classes (Ordinary Shares, Planned Exit Shares and Infrastructure Shares), each existing share class in Foresight 2 VCT was merged into the corresponding share class in the Company on a relative net asset basis on 18 December 2015. The net asset value per Share as at that date is shown in the table below:

| Net Asset Value per Share | Foresight VCT | Foresight 2 VCT |
|---------------------------|---------------|-----------------|
| Ordinary                  | 88.0p         | 55.0p           |
| Planned Exit              | 39.6p         | 36.0p           |
| Infrastructure            | 92.3p         | 89.0p           |

The assets and liabilities of Foresight 2 VCT were accordingly transferred to the Company in consideration for the issue of new Shares on the basis shown in the table below:

| Foresight 2 VCT Share Class    | Foresight VCT Consideration Shares |
|--------------------------------|------------------------------------|
| For each Ordinary Share:       | 0.6244 Ordinary Share              |
| For each Planned Exit Share:   | 0.9095 Planned Exit Share          |
| For each Infrastructure Share: | 0.9644 Infrastructure Share        |

The enlarged Investment Portfolio is reviewed below. Where the Company and Foresight 2 VCT were both invested in a particular portfolio company at the date of the merger, this is noted as such in the review. Investments formerly held prior to the merger solely by Foresight 2 VCT are similarly noted in the review.

### Consequential Changes to certain Infrastructure Share Class investments

As noted earlier, a consequence of the merger of the Company and Foresight 2 VCT in December 2015 will mean that parts of five qualifying investments held within the Infrastructure Shares Class of each VCT will need to be sold within a year i.e. by no later than December 2016. The fifth anniversary of the close of fundraising for the Infrastructure Shares Class is in July 2017, beyond which date Foresight would in any event endeavour to provide an exit for those investors wishing to do so.

The part disposals of the five qualifying holdings will be made to either a third party investor or to another fund managed by Foresight Group at an independently verified valuation. If sold to a fund managed by Foresight Group, this would need to be to a non VCT or EIS fund as recent rule changes prevent the acquisition of a trade or existing shares. In order to continue to generate yield, any such part disposals would be expected to take place towards the end of 2016.

Both Infrastructure Share classes held mirror shareholdings, being equally invested in four VCT qualifying solar projects and eight secondary PFI projects, one of which is VCT qualifying. Approximately 70.5% of the Infrastructure investments are VCT qualifying holdings.

Following the merger, Foresight VCT now has a controlling holding in each of the five currently qualifying investments, which if left unaddressed would lead to those investments becoming non-qualifying under VCT rules relating to control. However, a one year grace period is allowed to remedy this situation.

To bring the VCT's holding down to 49.9% of each investment and satisfy this control test, a part disposal of each of the five investments is required, as set out in the table below. The aggregate disposal is expected to be approximately £8.12m, representing some 27% of the total valuation of £30.3 million of the Foresight VCT Infrastructure Shares Class as at 18 December 2015.

The Manager will also give consideration to other current investment opportunities and whether any sale proceeds should be reinvested or paid out as dividends to shareholders. The total return may be lower if paid out as dividend because investors would then forego the opportunity to earn additional yield from any new investments made. The recent VCT rule changes explained below have reduced the universe of qualifying asset classes available for investment.

Holdings as at 17 December 2015:

| Investee Company | Foresight VCT (£) | Foresight VCT 2 (£) | Combined Holding (£) | Combined Ownership | Required disposal (£) |
|------------------|-------------------|---------------------|----------------------|--------------------|-----------------------|
| FS Ford          |                   |                     |                      |                    |                       |
| Farm Ltd         | 1,952,524         | 1,952,524           | 3,905,048            | 67%                | 981,827               |
| FS Hayford       |                   |                     |                      |                    |                       |
| Farm Ltd         | 2,049,018         | 2,049,018           | 4,098,036            | 65%                | 928,600               |
| FS Pentre Ltd    | 2,306,061         | 2,306,061           | 4,612,122            | 100%               | 2,306,062             |
| FS Tope Ltd      | 2,053,091         | 2,053,091           | 4,106,182            | 91%                | 1,859,981             |
| Drumglass        |                   |                     |                      |                    |                       |
| HoldCo Ltd       | 2,039,802         | 2,039,802           | 4,079,604            | 100%               | 2,039,803             |
| <b>Total</b>     |                   |                     |                      |                    | <b>8,116,273</b>      |

### Impact of recent changes to VCT legislation

The budget in July 2015 introduced a number of significant changes to VCT legislation. Following receipt of EU State Aid approval, these regulatory changes took effect from 18 November 2015, the date of Royal Assent to the Finance Act 2015. Two of these changes in particular are expected to impact the future management of all VCTs. First the restriction on the age of a company that is eligible for investment by a VCT (generally no more than seven years from the date of the company's first commercial sale) and second, restrictions on VCT funds being used in acquiring an interest in another company or existing business. The latter restrictions are designed to encourage more development capital transactions and investment in generally younger, less mature companies, by precluding replacement capital transactions, such as shareholder recapitalisations, management buy-outs and buy-ins and funding acquisitions by investee companies.

The Foresight VCTs already invest in all these types of transactions so, although the proposed changes will result in a change of investment emphasis, they are not expected to have a material impact. Foresight Group VCTs will continue to focus on investing in established, growing, profitable companies with an attractive risk/return profile as at present but will change emphasis from replacement capital transactions to development capital investments, including investing in earlier stage companies with a clear path to profitability. It will not be the policy, except in exceptional circumstances, to invest in start up companies.

Foresight Group has a strong track record in development capital transactions, having been investing in both growth capital and replacement capital transactions since its formation over 30 years ago. For example, 40% of all investments made since 2010 were development capital transactions. Since then, 14 of these investments have been successfully realised, generating an average return of 2.2 times original cost.

With this long successful track record, Foresight's marketing efforts have already been refocussed towards finding more suitable, later stage development capital investment opportunities, with the aim of accelerating their growth. A number of such opportunities are currently under active consideration. Foresight Group remains confident that sufficient, suitable new and attractive investment opportunities can be sourced which will generate acceptable returns and comply with the VCT rules.

While all the implications of the new rules have yet to be established, it is clear that, over the medium term, as existing investments are realised, this change in investment emphasis and the nature of new investments would lead to an increase in the VCTs' risk profile. However, over the medium term, any such increase in risk profile could be tempered by opportunities to invest alongside the Foresight regional institutional funds and hopefully a favourable outcome to the proposed VCT policy review, as mentioned below. The rule changes will, however, make the VCTs' operating environment more complicated and could limit the number of opportunities available for investment. Similarly, the Company may not necessarily be able to provide further investment funds for companies already in its portfolio.

## Proposed VCT Policy Review and Foresight Regional Institutional Funds Strategy

Although the recent rule changes preclude VCTs investing in replacement capital transactions, the Treasury and HMRC have since agreed to review this policy following representations from *inter alia* the British Venture Capital Association, the Association of Investment Companies and a number of legal firms and VCT managers, including Foresight Group. Rather than an absolute restriction on replacement capital transactions, this review will consider relaxing the current rules to enable VCTs to invest an element of replacement capital alongside a significant element of growth capital in any particular transaction, possibly up to a maximum of 50% of the total amount invested. This review and possible consultation process are expected to start in the near future. At this early stage, it is not possible to forecast the ultimate

outcome of the review, particularly since any proposed amendments will require both EU State Aid and Parliamentary approval. This process is currently expected to take up to two years and shareholders will be kept informed of any significant developments.

If this review concludes satisfactorily, the range of potential investment opportunities for VCTs would be widened, compared to the more restrictive regime that currently applies.

## Portfolio Review: Ordinary Shares Fund

### 1. New Investments

| Company                       | Ordinary<br>Shares<br>Fund | Foresight<br>2 VCT         |                   |
|-------------------------------|----------------------------|----------------------------|-------------------|
|                               |                            | Ordinary<br>Shares<br>Fund | Combined<br>£     |
| ABL Investments Limited       | 2,500,000                  | 250,000                    | 2,750,000         |
| FFX Group Limited             | 2,026,426                  | 650,000                    | 2,676,426         |
| Hospital Services Limited     | 2,670,000                  | 650,000                    | 3,320,000         |
| Itad Limited                  | 2,500,000                  | 250,000                    | 2,750,000         |
| Protean Software Limited      | 2,254,000                  | 246,000                    | 2,500,000         |
| Specac International Limited  | 1,345,000                  | —                          | 1,345,000         |
| The Business Advisory Limited | 1,000,000                  | 650,000                    | 1,650,000         |
| <b>Total</b>                  | <b>14,295,426</b>          | <b>2,696,000</b>           | <b>16,991,426</b> |

In September 2015, as part of a £4.225 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.75 million (including £250,000 from Foresight 2 VCT) in **ABL Investments Limited** ("ABL") to support its continuing growth. ABL, based in Wellingborough, Northants and with a manufacturing subsidiary in Serbia, manufactures and distributes office power supplies and distributes monitor arms, cable tidies and CPU holders to office equipment manufacturers and distributors across the UK.

In September 2015, as part of a £3.9 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.68 million (including £650,000 from Foresight 2 VCT) in **FFX Group Limited** ("FFX") to support the continuing growth of this Folkestone based multi-channel distributor of power tools, hand tools, fixings and other building products. Since launching its e-commerce channel in 2011, FFX has grown rapidly, supplying a wide range of tools to builders and tradesmen nationally.

In September 2015, as part of a £4.5 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £3.32 million (including £650,000 from Foresight 2 VCT) in **Hospital Services Limited** ("HSL") to support its continuing growth. Based in Belfast and Dublin, HSL distributes, installs and maintains high quality healthcare equipment supplied by global partners such as Hologic, Fujifilm and Shimadzu, as well as supplying related consumables. HSL has particular expertise in the radiology, ophthalmic, endoscopy and surgical sectors.



## Manager's Report continued

In September 2015, as part of a £4.0 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.75 million (including £250,000 from Foresight 2 VCT) in **Itad Limited**, a long established consulting firm which monitors and evaluates the impact of international development and aid programmes, largely in developing countries. Customers include the UK Government's Department for International Development, other European governments, philanthropic foundations, charities and international NGOs. Most contracts are long term, providing good revenue visibility, while more than half of the employees are well-travelled consultants.

In July 2015, the Ordinary Shares fund invested £2.5 million (including £246,000 from Foresight 2 VCT) as part of a £4 million round alongside other Foresight VCTs to finance a management buy-in buy-out of Coventry based **Protean Software Limited** ("Protean") and fund planned growth. Protean develops and sells business management and field service management software for organisations involved in the supply, installation and maintenance of equipment, across sectors including facilities management, HVAC and elevator installation. Foresight has introduced two experienced software executives as CEO and Chairman respectively who will work alongside three of the current directors to drive the business forward and execute their growth plans.

In April 2015, the Ordinary Shares fund invested £1.345 million in shares and loan notes, alongside a further £1.3 million invested equally by Foresight 3 VCT and Foresight 4 VCT, in **Specac International Limited** ("Specac") to finance a £2.775 million management buy-out of Specac Limited from Smiths Group plc. The three Foresight VCTs together acquired a majority equity shareholding with the management team holding the remaining equity.

Specac, based in Orpington, Kent, is a long established, leading scientific instrumentation accessories business, manufacturing high specification sample analysis and sample preparation equipment used across a broad range of applications in testing, research and quality control laboratories and other end markets Worldwide. The company's products are primarily focused on supporting IR Spectroscopy, an important analytical technique widely used in research and commercial/industrial laboratories.

In September 2015, as part of a £3.3 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £1.65 million (including £650,000 from Foresight 2 VCT) in **The Business Advisory Limited**. This company provides a range of advice and support services to UK based small businesses seeking to gain access to Government tax incentives, largely on a contingent success fee basis. With a large number of small customers signed up under medium term contracts, the company enjoys a high level of recurring income and good visibility on future revenues.

### 2. Follow-on funding

| Company                              | £                |
|--------------------------------------|------------------|
| Autologic Diagnostics Group Limited* | 162,680*         |
| Biofortuna Limited                   | 128,002          |
| Closed Loop Recycling Limited        | 7,193            |
| Industrial Efficiency II Limited     | 1,237,500        |
| Procam Television Holdings Limited   | 333,339          |
| The Skills Group Limited             | 25,170           |
| <b>Total</b>                         | <b>1,893,884</b> |

\*Representing capitalised and deferred interest.

### 3. Realisations

A loan repayment of £166,667 was received from **Aquasium Technologies**. **Cole Henry PE 2**, **Kingsclere PE 3** and **Whitchurch PE 1**, all acquisition vehicles preparing to trade, each repaid loans of £900,000. The resultant funds were utilised in making new investments during the year. Amounts of £33,618 and £1,000 were received from the administrators of **i-plas Group** and **The Skills Group** (formerly AtFutsal) respectively during the year.

In November 2015, prior to the merger, the Foresight 2 VCT Ordinary Shares fund received a dividend of £2,111,929 from **Datapath**.

### 4. Material Provisions to a level below cost (including take-on cost) in the year

| Company                             | £                |
|-------------------------------------|------------------|
| AlwaysON Group Limited              | 578,086          |
| Autologic Diagnostics Group Limited | 467,236          |
| O-Gen Acme Trek Limited             | 64,009           |
| TFC Europe Limited                  | 423,500          |
| The Skills Group Limited            | 116,460          |
| Trilogy Communications Limited      | 151,562          |
| <b>Total</b>                        | <b>1,800,853</b> |

The valuation of the investment in **Aerospace Tooling Holdings Limited** was reduced by £4,904,279 during the year due to a reduced level of orders from its two largest customers. The cost of investment at the year end was £150,000.

### 5. Performance Summary

The net asset value per Ordinary Share decreased by 5.9% to 87.5p per share as at 31 December 2015 from 99.4p per Ordinary Share as at 31 December 2014 (after adding back the interim dividend of 6.0p per Ordinary Share paid on 13 March 2015). The Ordinary Shares fund benefitted during the year from good performances by several portfolio companies but was negatively impacted in particular by a large reduction in the valuation of one investment, **Aerospace Tooling Corporation**. Seven new investments totalling some £17.0 million were made during the year and several of these are already making encouraging progress, particularly **Itad** and **Specac**. **Itad** has recently won several large long term contracts, providing good revenue visibility for the current and future years, while **Specac** has successfully launched new products and increased sales, particularly in the important US market.

**Blackstar Amplification, Industrial Efficiency II, Procam Television Holdings and Thermotech Solutions** all performed well, supporting an increase in their aggregate valuation of over £2.7 million. **Blackstar Amplification** improved efficiency and margins while Thermotech enjoyed strong organic growth. **Procam** similarly enjoyed good organic growth as well as benefitting from three recent acquisitions, all of which are being successfully integrated into the enlarged Group. The most recent acquisition, Hotcam New York, partially funded by the Ordinary Shares fund in March 2015, was made to service the US requirements of existing UK customers and enter the large US market for TV camera rentals.

This was more than counterbalanced by the large reduction in the valuation of **Aerospace Tooling Corporation** ("ATL") and provisions made against the investments in **Autologic Diagnostics Group** and **AlwaysOn Group**. ATL performed exceptionally well in the year to 30 June 2014, with turnover doubling and record profits of £4.3 million. This performance enabled the Ordinary Shares fund's entire £1.5 million investment to be repaid in full in September 2014. Although ATL's sales and profitability were expected to be lower in the year to 30 June 2015 after this exceptional performance, the actual trading results were weaker than budgeted, due to a premature reduction of work under a major defence contract and a continuing reduction in work for an important customer in the oil and gas industries, as a consequence of falling energy prices. In the light of this much weaker performance, the valuation was reduced by £4.9 million during the year.

In May 2015, **Autologic Diagnostics Group** finally launched its new, service oriented product to change its business towards a recurring revenue model and so ultimately create greater shareholder value. Management are transitioning customers onto this new service platform and initial signs are promising with largely positive feedback from both new and existing customers. This change in strategy towards a pure recurring revenue model resulted in certain exceptional costs being incurred, reducing EBITDA during 2015 and, depending on the level of new customer sales, is also likely to impact EBITDA in 2016 while helping to drive longer term shareholder value. Reflecting this reduced profitability, a provision of £467,236 was made against the cost of the investment during the year. A provision of £578,086 was made against the investment in **AlwaysOn Group**, due to continuing weak trading.

As a consequence of the VCT rule changes referred to above, Foresight's marketing efforts have already been refocussed towards finding more suitable, later stage development capital investment opportunities, with the aim of accelerating the growth of established, profitable companies. A number of such opportunities are currently under active consideration. The M&A market continues to be active, providing opportunities for future realisations.

## Portfolio Review: Planned Exit Shares Fund

### 1. New and Follow-on Investments

No new investments were made during the year.

### 2. Follow-on Funding

| Company               | £            |
|-----------------------|--------------|
| Closed Loop Recycling | 2,865        |
| <b>Total</b>          | <b>2,865</b> |

### 3. Realisations

| Company                              | £                |
|--------------------------------------|------------------|
| Channel Safety Systems Group Limited | 515,758          |
| Industrial Efficiency Limited        | 205,500          |
| Leisure Efficiency Limited           | 793,000          |
| <b>Total</b>                         | <b>1,514,258</b> |

### 4. Material Provisions to a level below cost in the year

| Company                                 | £              |
|-----------------------------------------|----------------|
| AlwaysON Group Limited                  | 49,180         |
| Industrial Engineering Plastics Limited | 41,615         |
| Trilogy Communications Limited          | 238,074        |
| <b>Total</b>                            | <b>328,869</b> |

### 5. Performance Summary

The net asset value per Planned Exit Share decreased by 8.8% during the year to 36.8p per share as at 31 December 2015 from 65.0p as at 31 December 2014, after adjusting for the 15.0p per share dividend paid on 22 May 2015 and 7.5p per share dividend paid on 25 September 2015. This reflected the successful sales of **Industrial Efficiency, Leisure Efficiency** and **Channel Safety Systems Group**, counterbalanced by the disappointing performance of **Trilogy Communications** and slower than expected progress in the turnaround of **Industrial Engineering Plastics**.

In January 2015, the investments in **Industrial Efficiency** and **Leisure Efficiency** were sold to another Foresight managed fund, based on an independent third party valuation. The investment in **Industrial Efficiency** was sold for £205,500, realising a profit of £85,215, generating a total return of 1.5 times original cost of £180,000 after including interest received. The investment in **Leisure Efficiency** was sold for £793,000, realising a profit of £470,975 and generating a total return of 1.7 times original cost of £690,000 after including interest received.

In April 2015, **Channel Safety Systems Group** was sold to Newbury Investments (UK) Limited, realising £515,758 for the Planned Exit Shares fund, which compares with the remaining equity cost of £75,750. This followed the earlier sale of its subsidiary, Channel Technical Services, in October 2014 for £1.6 million of which the Planned Exit Shares fund received £641,647, comprising a loan repayment of £614,250 and interest of £27,397. The Planned Exit



## Manager's Report continued

Shares fund's investment in **Channel Safety Systems Group** returned in aggregate 2.0 times cost and an IRR of 22%.

Following cost reductions and some recovery in defence orders, **Trilogy Communications** had been operating at, or near, EBITDA breakeven on a monthly basis in early 2015 but trading has since been appreciably weaker than expected owing principally to delays in expected defence orders. Management have reduced costs further and, although significant new defence orders have recently been received, cash continues to be managed closely. The company is pursuing various strategic options, including joint ventures, licensing its technology and possibly a trade sale.

With a view to improving trading, operational efficiency and systems at **Industrial Engineering Plastics**, a new Chairman and experienced turnaround CEO were appointed in late 2014. Performance improved subsequently and good progress was made in improving efficiency, cost control and sales channels, with an increasing focus on higher margin fabrication work. However, the company experienced weaker than expected trading in late 2015 due to lower demand, resulting in slower than expected progress in implementing this turnaround.

Foresight Group is working to realise investments and is monitoring the performance and likely returns from the three remaining investments and the planned capital repayment timetable.

### Portfolio Review: Infrastructure Shares Fund

#### Background

By the closing offer date of 18 July 2012, a total of £33,295,716 had been raised for the Infrastructure Shares fund jointly with Foresight 2 VCT's Infrastructure Shares fund (i.e. some £16.6 million for each fund). The two Infrastructure Shares funds were combined following the merger on 18 December 2015.

The strategy of the Infrastructure Shares fund is to invest in infrastructure assets in the secondary PFI, solar infrastructure, energy efficiency and on-site power generation markets.

The Infrastructure Shares fund holds shareholdings in eight operating PFI companies, four in the education sector holding interests in 13 schools and four in the health sector, comprising three acute hospitals and one forensic psychiatry unit. All of the projects are contracted under UK PFI standard form and the counterparties are various Local Authorities and NHS Trusts. These investments have strong operating records and have remaining contract terms ranging from 11 to 26 years. All have project finance debt in place with long term interest rate hedging contracts and also long term facilities management subcontracts which pass all operational risks through to major, well established companies.

Reflecting increased competition from other PFI infrastructure funds, asset prices rose and yields fell significantly to lower than originally forecast levels, driven by increasing investor appetite for PFI investments and a contraction in the supply of new infrastructure

assets. To help lower costs and improve investor returns, Foresight Group agreed with the Board to reduce its management fee from 1.75% to 1% per annum with effect from 1 January 2015. The total return will, however, depend on the prices achieved on an ultimate sale or refinancing (with suitable debt finance) of the assets.

As previously indicated, in order to increase the VCT qualifying proportion of the Infrastructure Shares fund to over 70% by July 2014 to meet the VCT qualification test, £4.5 million of non-qualifying PFI assets were refinanced with loans from the Foresight Inheritance Tax Service to reduce the non-qualifying holdings. The proceeds were then invested in four qualifying operating solar projects and also into the qualifying Drumglass PFI project. These solar assets share many of the characteristics of the existing PFI assets, including RPI-linked revenues, low correlation to economic conditions and low counterparty risk, although there is exposure to wholesale electricity prices. These investments diversified the infrastructure risk/return profile while reducing the proportion of non-qualifying investments to less than 30% of the Infrastructure Shares fund. Reflecting increased competition, higher prices than expected had to be paid for such PFI and solar assets, resulting in correspondingly lower yields. Depending on the prices obtained on the ultimate sale of these assets, the combination of these various factors is likely to reduce overall ultimate returns to investors.

### Portfolio Developments

During the year, the net asset value per Infrastructure Share increased by 2.7% to 92.4p per share as at 31 December 2015, after adjusting for the 2.5p interim dividend paid on 22 May 2015, from 92.4p as at 31 December 2014. Holders of Foresight 2 VCT Infrastructure shares received a 2.5p interim dividend on 22 May 2015 and a further 2.5p interim dividend on 4 December 2015.

Following the year end, a further interim dividend of 2.5p per Infrastructure share was paid on 11 March 2016 to holders on the Register at 26 February 2016.

The portfolio, comprising yielding, qualifying investments in four ground mounted solar plants and in eight operating PFI projects in the health and education sectors, performed in line with expectations during the year.

As referred to in both the last published annual and interim accounts, higher prices than expected had to be paid for such PFI and solar assets due to increased competition, resulting in correspondingly lower yields. Reflecting lower gas prices during 2015, UK wholesale power prices fell significantly, reducing solar plant revenues. In August 2015, the Government removed the Climate Change Levy, resulting in a c.3% reduction in future cash flows at a project level, impacting both existing and new solar investments. These reduced assumptions for solar plants' future revenues have had a negative impact on their net asset values. The combination of these various factors is likely to reduce overall ultimate returns to investors.

Against this challenging market backdrop, we remain focused on capital preservation and portfolio optimisation, using operational and maintenance efficiencies to drive cost savings and quality benefits to the Infrastructure Shares fund. The current low interest rate environment presents the opportunity to refinance (with suitable debt finance) and to generate a value uplift on the ultimate exit of the solar assets in the Infrastructure Shares fund. Total return will also depend on prices achieved on the ultimate sale of the PFI and solar assets and we continue to work hard to position the assets for sale at the best possible price.

### New and Follow-on Investments

No new investments were made in the year. On 1 April 2015, Zagreb Solar Limited merged with York Infrastructure 3 Limited and was renamed **Drumglass Holdco Limited**, the cash resources of which were used for further investment in the qualifying Drumglass PFI project.

### Outlook

As explained in further detail above, as a consequence of the merger of the Company and Foresight 2 VCT in December 2015, parts of five qualifying investments held within the Infrastructure Shares Class of each VCT will need to be sold within a year i.e. by no later than December 2016. The aggregate disposal is expected to be approximately £8.12m, representing some 27% of the total valuation of the Foresight VCT Infrastructure Share Class.

### Portfolio Company Highlights

In September 2015, as part of a £4.2 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.5 million (alongside £250,000 from Foresight 2 VCT) in **ABL Investments Limited** ("ABL") to support further growth. ABL, based in Wellingborough, Northants and with a manufacturing subsidiary in Serbia, manufactures and distributes office power supplies and distributes monitor arms, cable tidies and CPU holders to office equipment manufacturers and distributors across the UK. Founded in 2003, ABL has grown strongly over the last five years, achieving an EBITDA of £1.9 million on sales of £5.5 million in its financial year to 31 August 2015, reflecting a strong focus on customer service, speed of delivery and value for money. Growth is forecast to be achieved by broadening both the product range and customer base in the UK, improving efficiency, marketing materials and the website and, in due course, expanding internationally. A new Chairman with experience of the office supplies market has been appointed to the Board, alongside a new Finance Director, with plans in hand to recruit a COO. A Financial Controller and additional salesmen have been recruited. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

In June 2013, the Ordinary Shares fund invested £1.5 million alongside other Foresight VCTs in a £3.5 million investment in Dundee based **Aerospace Tooling Corporation** ("ATL"), a well established specialist engineering company. ATL provides repair, refurbishment and remanufacturing services to large international companies for components in high-specification aerospace and turbine engines.

With a heavy focus on quality assurance, the company enjoys well established relationships with companies serving the aerospace, military, marine and industrial markets. In the year to 30 June 2014, a number of large orders underpinned exceptional growth, with turnover doubling and EBITDA profits increasing significantly to a record £4.3 million.

Reflecting particularly strong cash generation, the company effected a recapitalisation and dividend distribution in September 2014, returning the entire £3.5 million cost of the Foresight VCTs' investments made only 15 months previously. Having received full repayment of its loan of £1.35 million and dividends of £150,000 equal to the cost of its equity investment, the Ordinary Shares fund retained its original 23% equity shareholding in the company, effectively at nil cost.

Although sales and profitability were expected to be lower in the year to 30 June 2015, the actual trading results were weaker than budgeted, an EBITDA of £2.5 million being achieved on sales of £8.1 million, reflecting weak trading in the final quarter of the year due to a premature reduction of work under a major defence contract. This unexpected early contract termination was subsequently followed by a significant reduction in work for an important customer in the oil and gas industries, as a consequence of the falling oil price. With poor order visibility, costs were reduced, management changes made and sales efforts increased substantially.

Trading in the current year continues to be weak, with EBITDA losses being incurred on much reduced sales. Although encouraging progress is being made in winning orders and new customers, this process and the related sales cycles inevitably takes time. With a view to improving sales and returning the company to profitability, a new experienced CEO was appointed in January 2016. In April 2016, the Foresight VCTs indicated their willingness to provide loan facilities of up to £650,000 (including up to £278,571 for the Ordinary Shares fund) to fund the company's working capital requirements, providing certain conditions are achieved. In light of the above much weaker performance, ATL's valuation was reduced to £1.0 million during the year. **Held in the Ordinary Shares fund.**

In April 2014, the two Foresight portfolio companies, AlwaysOn Group and Data Continuity Group (together now known as **AlwaysOn Group**) merged and implemented a major reorganisation, involving significant cost reductions and a subsequent change in the year end to June 2015. The merged business now provides data backup services, connectivity and, as a Gold partner, Microsoft's Lync collaboration software (rebranded as Skype for Business) to SMEs and larger enterprises. In the 15 months to 30 June 2015, losses were successfully stemmed, with a small EBITDA profit being achieved on sales of £8.0 million and reasonable cash balances at that date. Trading in the current year is similar. **Held in the Ordinary Shares and Planned Exit Shares funds (and also formerly held in the Foresight 2 Ordinary Shares and Planned Exit Shares funds).**

For the year to December 2015, **Aquasium Technology** achieved an operating profit of £1.2 million on sales of £9.1 million, reflecting strong



## Manager's Report continued

spares and service revenues with good visibility on the order pipeline for the current year (2014: £845,000 operating profit on sales of £10.1 million).

Aquasium is continuing the development of new electron beam technologies which are expected to have considerable commercial potential. During the year, the Ebflow (reduced pressure vacuum) machine was demonstrated to various potential customers, successfully welding thick steel in minutes rather than several hours. Although good progress is being made with potential international buyers of Ebflow machines, the sales cycle for this disruptive technology is expected to be slow and so investment in marketing and business development has been increased to accelerate sales of these machines.

In July 2015, the company repaid a loan of £166,667. At 31 December 2015 the Ordinary Shares fund held a loan of £166,667, due for repayment in July 2016, and 33% of Aquasium's equity. The investment in Aquasium has to date returned £3.8m, representing a multiple of over 2.0x cost. **Held in the Ordinary Shares fund.**

Reflecting a decline in trading in the second half of the year, **The SkillsGroup (formerly named AtFutsal Group)** was placed into administration on 10 December 2015, with the prospect of only minimal recoveries. The company ran government approved education programmes for students aged 16-18 years old, sourced from Football clubs, colleges, academies and training/accreditation organisations, the funding for which was provided by the Education Funding Agency. Arenas in Birmingham, Leeds and Swindon were used in part for these education programmes.

Trading during 2015 was weak, resulting in a small EBITDA loss being incurred, compounded by the number of students undertaking programmes for the new academic year which began in September 2015 falling by 50% compared to the previous year. As part of a £355,000 funding round to support the planned growth of the Educational division and a related share reorganisation, the Foresight VCTs invested a further £300,000 (£100,000 in February 2015 and £200,000 in April 2015). The Ordinary Shares fund invested £25,170 (alongside £172,789 from Foresight 2 VCT Ordinary Shares fund). Despite changes made to senior management and reflecting the weak trading, a full provision of £116,460 was made against the cost of the investment during the year, reducing the valuation to nil. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

Following the £48 million secondary buy-out by Living Bridge (formerly ISIS Private Equity) in January 2012, the Ordinary Shares fund retained investments in equity and loan stock valued at £1.486 million (alongside £1.98 million from Foresight 2 VCT) in **Autologic Diagnostics Group**. For the year to 31 December 2014, an EBITDA of £5.4 million was achieved on sales of £19.7 million, with relatively stronger sales in the UK and Europe compared with the USA. In May 2015, a new business model was launched to generate recurring revenues and improve the quality of the company's earnings from a new product, Assist Plus,

and associated Assist Plus service. This change in strategy towards a pure recurring revenue model has resulted in certain exceptional costs being incurred and impacted EBITDA during 2015, reducing this to £4 million on revenues of £18.5 million for the year to 31 December 2015, in line with expectations. At 31 December 2015, the company had cash balances of over £5 million. Management are transitioning the existing customer base onto the new support service platform and growing sales of the new product and service to both new and existing customers. Depending on the number of existing customers transitioning onto the new product and service and level of new customer sales, this change in strategy will also impact EBITDA in 2016 but is expected to increase shareholder value over the longer term. Initial signs are promising, with largely positive feedback from customers. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

**Biofortuna**, established in 2008, is a molecular diagnostics business based in the North West, which has developed unique expertise in the manufacture of freeze dried, stabilised DNA tests. Biofortuna develops and sells both its own proprietary tests and contract develops and contract manufactures on behalf of customers. A £1.3 million round to finance capital expenditure and working capital was completed in August 2013, in which the Ordinary Shares fund invested £99,066 in the first tranche and a further £50,929 in the second, final tranche in April 2014. For the year to March 2015, a substantially reduced operating loss of £528,000 was incurred on higher sales of £1.05 million (2014: an operating loss of £1.05 million incurred on sales of £325,000). Trading in the year to 31 March 2016 was well ahead of budget and the previous year, with an improved, reduced EBITDA loss, the profitable Contract Manufacturing division helping to offset investment in the proprietary products being developed by the Molecular Diagnostics division.

To finance the development of new products, a £1.6 million round was concluded in January 2015, of which £890,000 was committed by the Foresight VCTs. The Ordinary Shares fund committed to invest £202,505, of which £128,002 was invested as the first tranche. With a lower than planned cash outflow, the second, final tranche is now expected to be drawn down during mid 2016. **Held in the Ordinary Shares fund.**

In July 2012, the Ordinary Shares fund invested £2.5 million in Northampton based **Blackstar Amplification Holdings** alongside £1 million from Foresight 4 VCT to finance a management buy-out and provide growth capital. In the year to 30 April 2015, the company achieved an EBITDA of £537,000 on sales of £8.6 million (2014: £300,000 EBITDA on sales of £8.6 million). Trading to date in the current year to 30 April 2016 is ahead of budget and a significant improvement in profitability is expected for the full year, reflecting cost reductions and increased margins, particularly on new products. Blackstar continues to be the number two guitar amplifier brand by units sold in the UK and USA. The company currently has a presence in over 35 countries worldwide and its products are stocked in over 2,500 stores globally. **Held in the Ordinary Shares fund.**

In December 2010, the Planned Exit Shares fund provided £565,000 to partially fund a management buy-in of long established Petersfield based **Channel Safety Systems Group**, which designs and distributes emergency lighting and fire safety systems, as well as providing associated installation and maintenance services through its subsidiary, Channel Technical Services ("CTS"). For the year to 31 October 2013, the company performed well, achieving an EBITDA of £580,000 on sales of £8.58 million. In the year to 31 October 2014, the group traded well ahead of the previous year and had a strong cash balance. CTS was sold for £1.6 million in October 2014, of which the Planned Exit Shares fund received £641,647, comprising a loan repayment of £614,250 and interest of £27,397. In April 2015, the parent company itself was sold to Newbury Investments (UK) Limited, realising £515,758 for the Planned Exit Shares fund, which compares with the remaining equity cost of £75,750. Combined with the above mentioned sale of CTS, the Planned Exit Shares fund's investment in Channel Safety Systems Group returned 2.0 times cost and an IRR of 22%. **Formerly held in the Planned Exit Shares fund.**

As previously reported in the Annual Report for the year ended 31 December 2014, during 2013/14, **Closed Loop Recycling** successfully doubled the capacity of its Dagenham plant, processing c. 1,000 tonnes per week of waste plastic bottles. However, the company's performance was impacted by adverse movements in the price of waste plastic bottles reflecting overseas demand for such bottles and weaker prices for virgin resin, indirectly reflecting the falling price of oil. The latter impacted the price customers paid for the company's competing recycled HDPE and PET pellets. Following weaker than projected financial performance by the company and thus reduced short term profit projections, full provisions were made in the year to 31 December 2014 against the costs of the respective investments in the Ordinary and Planned Exit Shares funds, reducing these to nil.

Despite actively pursuing various strategic options, including raising capital from third parties, an outright sale and seeking supply chain support, no viable solution was ultimately achieved, resulting in the company being placed into administration on 30 April 2015, with no prospect of any recoveries. **Held in the Ordinary and Planned Exit Shares funds.**

Building on the success of its £48 million, 10MW Birmingham BioPower project ("BBPL") with Carbonarius (a 50:50 joint venture with Plymouth based Una Group), O-Gen UK has become the UK's leading independent developer of Advanced Conversion Technology waste to energy projects. In March 2015, O-Gen UK and Una Group combined their two teams into a new company, **CoGen Limited**, to further develop their substantial, combined pipeline of projects. In order to accelerate growth and provide additional working capital, a new investor subscribed £750,000 for equity in CoGen, alongside a loan of £500,000 from Una Group. Funds managed by Foresight hold 22.13% of CoGen's equity, including the Ordinary Shares fund (3.53%), Foresight 3 VCT (7.73%), Foresight 4 VCT (8.55%) and the Foresight UK Sustainable EIS fund (2.32%). O-Gen UK remains the shareholder in BBPL.

In March 2015, CoGen reached financial close on a £53.0 million, 10MWe waste wood to energy plant in Welland, Northamptonshire, using the same technology and partners as in the BBPL project. This latest project was funded with investment from Balfour Beatty plc, Equitix and Noy (an Israeli investment fund), with CoGen earning development fees on the transaction whilst retaining a 12.5% shareholding in the project. Also in March, CoGen completed the acquisition of the entire O-Gen Plymtrek site in Plymouth, originally developed by Carbonarius and MITIE plc, on which an £8 million 4.5MW waste to energy plant is planned to be built utilising much of the footprint of the existing plant. The funding for this transaction was provided by Aurium Capital Markets, with CoGen owning 50% of the acquisition vehicle and Aurium 50% but with a prior ranking return on the latter's invested capital. In October 2015, CoGen reached financial close on a £98.0 million, 21.5MW project in Ince Park, Merseyside to be fuelled with circa 160,000 tonnes per annum of recycled wood fibre. All of the funding was provided by the Bioenergy Infrastructure Group ("BIG", of which Foresight Group is a co-sponsor) through a combination of shareholder loan and shares which receive a preferential return.

Cogen is developing its pipeline of projects and funding relationships, with active support from Foresight and BIG. The market has become more uncertain with the Government's changes in renewables policy, in particular uncertainty relating to future CfD auctions. Cogen was unfortunately not able to close its final, potential £120 million ROC project as time expired under the ROC deadline. Cogen's primary deal pipeline comprises four projects in Northern England and plans to bid in the CfD auction due at the end of 2016, with the aim of closing projects successful in that auction during 2017. BIG is expected to jointly fund this process, requiring a total of £5 million of investment.

| Project Name                | Project size (£m) | Year of financial close |  | Shareholding |
|-----------------------------|-------------------|-------------------------|--|--------------|
|                             |                   |                         |  |              |
| Birmingham Biopower Limited | 48                | 2013                    |  | 20.0%        |
| Plymouth                    | 20                | 2015                    |  | 50.0%        |
| Welland                     | 53                | 2015                    |  | 12.5%        |
| Ince Park                   | 97                | 2015                    |  | 20.0%        |

It is unlikely that full value will be secured for Foresight VCT's stakes in Cogen and O-Gen UK until the portfolio of plants is fully operational. However, Foresight Group will keep this situation under review. **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

In February 2014, the **O-Gen Acme Trek** facility in Stoke-on-Trent was granted planning permission for an enlarged 8MW waste wood to energy plant but it proved however not possible to finance and redevelop the site as a project qualifying for Renewable Obligation Certificates ("ROCs") in time for the ROC deadline. In March 2016 the Company's interest in O-Gen Acme Trek was sold to Blackmead Infrastructure Limited, a subsidiary of Foresight's Inheritance Tax Service, at book value for an initial cash consideration and a deferred consideration element due when certain conditions are met. **Held in**



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**the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

Derby based **Datapath Group** is a world leading innovator in the field of computer graphics and video-wall display technology utilised in a number of international markets. The company is increasing its market share in control rooms, betting shops and signage and entering other new markets such as medical. For the year to 31 March 2015, an operating profit of £6.8 million was achieved on sales of £19.3 million, with the North American division trading ahead of budget (2014: record operating profits of £7.4 million on sales of £18.7 million). In November 2015, prior to the merger with Foresight VCT, Datapath paid dividends of £6.3 million, comprising £2.11 million to the Foresight 2 VCT Ordinary shares fund and the same amount to each of Foresight 3 VCT and Foresight 4 VCT. This was met principally from the company's own cash resources and short term loans which are expected to be repaid from internally generated cash flow over the next year. **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

In September 2015, as part of a £3.9 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.026 million (alongside £650,000 from Foresight 2 VCT) in **FFX Group Limited** to support the continuing growth of this Folkestone based multi-channel distributor of power tools, hand tools, fixings and other building products. Since launching its e-commerce channel in 2011, FFX has grown rapidly supplying a wide range of tools to builders and tradesmen nationally. For the year to 31 March 2015, the company achieved an EBITDA of £1.3 million on sales of £23.0 million. The management team has been strengthened by the appointment of two new Joint Managing Directors and a new Chairman, each with experience of successfully developing similar businesses. The relocation into a nearby, much larger warehouse at Lympne in early 2016 was completed successfully. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

In May 2012, the Ordinary Shares fund invested £492,500 in **Flowrite Refrigeration Holdings** alongside other Foresight VCTs to finance the £3.2 million management buy-out of Kent based Flowrite Services Limited. Flowrite Refrigeration Holdings provides refrigeration and air conditioning maintenance and related services nationally, principally to leisure and commercial businesses such as hotels, clubs, pubs and restaurants. In the year to 31 October 2014, the company traded well, achieving an operating profit of £740,000 on sales of £10.8 million after substantial investment in new engineers and systems (2013: an operating profit of £1.06 million on sales of £10.0 million).

In July 2015, the company completed another recapitalisation, returning £156,000 of accrued interest to the Foresight VCTs, including £56,000 to the Ordinary Shares fund, taking total cash returned on this investment to 85% of cost. For the 14 months to 31 December 2015, the company achieved a disappointing operating profit of £404,000 on sales of £12.8 million, reflecting difficulties arising from installing a new workflow IT system to improve operational efficiency and optimised

profitability. To drive the business forward, steps were taken in August 2015 to broaden the management team through the appointment of a new Chairman and a new Finance Director. **Held in the Ordinary Shares fund.**

In September 2015, as part of a £4.5 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.67 million (alongside £650,000 from Foresight 2 VCT) in **Hospital Services Limited** ("HSL") to support its continuing growth. Based in Belfast and Dublin, HSL distributes, installs and maintains high quality healthcare equipment supplied by global partners such as Hologic, Fujifilm and Shimadzu, as well as supplying related consumables. For the year to 31 March 2015, the company achieved EBITDA of £1.7 million on revenues of £7.2 million. A new, experienced Non Executive Chairman and a Commercial Director have been appointed to the Board. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

**ICA Group** is a leading document management solutions provider in the South East of England, reselling and maintaining office printing equipment to customers in the commercial and public sectors. For the year to 31 January 2015, trading was strong and ahead of budget, with an EBITDA of £645,000 being achieved on sales of £3,700,000 (2014: EBITDA of £561,000 on sales of £3,000,000). Trading in the year to 31 January 2016 was in line with expectations and reflected continuing investment in developing the sales team. With stronger demand from SMEs and good cash generation, ICA completed a recapitalisation and reorganisation in December 2014, enabling loans and interest totalling £600,000 to be repaid. The recapitalisation was financed through a £1 million bank loan facility and the company's cash resources. As part of the reorganisation, Steven Hallisey, a seasoned executive with relevant sector experience, was appointed Executive Chairman in January 2015. **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

As part of a £360,000 funding round in April 2013, the Planned Exit Shares fund invested £180,000 in **Industrial Efficiency**, alongside £180,000 from the Foresight 2 VCT Planned Exit Shares fund. The company installs and maintains proven and robust energy switching equipment, allowing customers to reduce emissions and make significant cost savings. The company completed its first energy cost reduction project in September 2013. Returns are based solely on the cost savings made and do not depend on government subsidies or Feed-in-Tariffs. In January 2015, the investment in Industrial Efficiency was sold for £205,500 to another Foresight managed fund, based on an independent third party valuation. The sale of Industrial Efficiency realised a profit of £85,215 and generated a total return of 1.5 times original cost. **Formerly held in the Planned Exit Shares fund.**

In July 2014, as part of the first £1.38 million tranche of a phased funding round totalling up to £4.4 million by three Foresight managed funds, a new investment of £990,760 was made by the Ordinary Shares fund in **Industrial Efficiency II**, alongside £326,740 from Foresight 3 VCT. In December 2014, the Ordinary Shares fund invested

a further £375,000 and during 2015, a further £1,237,500 in tranches. Industrial Efficiency II provides energy efficiency fuel switching services, enabling customers to make significant cost savings and reduce emissions. Once each installation is completed, the company charges the customer based on the volume of fuel and electricity consumed at each site up to a pre agreed level, which is expected to be reached after five years, at which time the contract will terminate and payments reduce to a nominal level. The company is trading well to date, with healthy cash balances. **Held in the Ordinary Shares fund.**

In December 2011 and March 2012, the Planned Exit Shares fund invested £875,000 by way of loans and equity to help fund a management buy-in at **Industrial Engineering Plastics**. The company is a long established Liphook-based plastics distributor and fabricator to a wide range of industries nationally, principally supplying ventilation and pipe fittings, plastic welding rods, hygienic wall cladding, plastic tanks and sheets. For the 18 month period ended 31 May 2014, following increased competition in its plastics distribution and industrial fabrication markets, the company achieved a reduced EBITDA of £205,000 on sales of £6.7 million. Performance continued to deteriorate during Summer 2014 and a new Chairman and experienced turnaround CEO were appointed with a view to improving trading, operational efficiency and systems. For the year to 31 May 2015, an EBITDA of £191,000 was achieved on sales of £4.5 million, after accounting for exceptional costs. Performance subsequently improved substantially by focussing on higher margin fabrication work and good progress was made in improving efficiency, cost control and sales channels. Fabrication capacity was increased and suppliers reviewed to improve margins. However, trading in the three months to 31 December 2015 was particularly challenging, reflecting a significant reduction in market demand for plastic sheeting and delays to large fabrication contracts. Sales efforts have since been increased and further cost reductions implemented. **Held in the Planned Exit Shares fund.**

In September 2015, as part of a £4.0 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.5 million (alongside £250,000 from Foresight 2 VCT) in **Itad Limited**, a long established consulting firm which monitors and evaluates the impact of international development and aid programmes, largely in developing countries. Customers include the UK Government's Department for International Development, other European governments, philanthropic foundations, charities and international NGOs. For the year to 31 January 2015, Itad achieved an EBITDA of £1.5 million on revenues of £8.8 million with significant future growth forecast. A number of significant contracts have been won recently and, as most contracts are long term, this provides good revenue visibility for the current and future years. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

**Ixaris Systems** has developed and operates Entropay, a web based global prepaid payment service using the VISA network. Ixaris also offers its IxSol product on a 'Platform as a Service' basis to enable enterprises to develop their own customised global applications for payments over various payment networks. During 2013, the company

invested in developing and marketing its Ixaris Payment System, the platform that runs IxSol, to financial institutions. The platform enables financial institutions to offer payment services to customers based on prepaid cards. This division continues to make good progress, with the first deployment going live in late 2015, the second in early 2016 and third expected shortly. Ixaris was awarded an EU grant of €2.5 million, of which €1.6 million will be received over three years, to help fund the existing platform technology roadmap, which highlights the innovative nature of the Payment System.

For part of the year to 31 December 2015, the company operated at around EBITDA and cash flow break even while continuing to invest further in IxSol and Ixaris Payment System. For the full year to 31 December 2015, reflecting strong trading and continuing investment in software and systems, an EBITDA loss of £501,000 was incurred on sales of £10.8 million, ahead of budget (2014: an EBITDA loss of £622,000 on sales of £9.5 million). **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

As part of a £1.38 million funding round in January 2012, the Planned Exit Shares fund invested £690,000 in **Leisure Efficiency**. The company installs and maintains energy efficiency equipment, including voltage optimisers and heat exchangers, in 34 David Lloyd Leisure ("DLL") sites across the UK. The contract with DLL has a life of seven years during which the company will generate a strong yield. In January 2015, the investment in Leisure Efficiency was sold for £793,000 to another Foresight managed fund, based on an independent third party valuation. The sale of Leisure Efficiency realised a profit of £470,975 and generated a total return of 1.7 times original cost. **Formerly held in the Planned Exit Shares fund.**

In December 2014, the Ordinary Shares fund invested £1 million alongside other Foresight VCTs in a £2 million round to finance a shareholder recapitalisation of **Positive Response Communications**. Established in 1997, the company monitors the safety of people and property through its 24 hour monitoring centre in Dumfries, Scotland. Customers include several major restaurant and retail chains. For the year ended 31 March 2015, an EBITDA of £637,000 was achieved on sales of £2.04 million. In the financial year to 31 March 2016, sales grew modestly with reduced EBITDA profits, reflecting investment in improving efficiency and systems and recruitment of more sales staff. The management team has been strengthened with the appointment of three experienced executives as Chairman, CEO and Finance Director respectively. **Held in the Ordinary Shares fund.**

In April 2013, the Ordinary Shares fund invested £900,000 (including £100,000 from Foresight 2 VCT) alongside other Foresight VCTs in a £1.8 million round to finance a management buy-out of **Procam Television Holdings**. Procam is one of the UK's leading broadcast hire companies, supplying equipment and crews for UK location TV production to broadcasters, production companies and other businesses for over 20 years. Headquartered in Battersea, London, with additional facilities in Manchester, Edinburgh and Glasgow, Procam is a preferred supplier to BSkyB and an approved supplier to



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the BBC and ITV. Revenues and profits have grown strongly, following the introduction of new camera formats, acquisitions in both the UK and USA and increased sales and marketing efforts.

In December 2014, Procam acquired True Lens Services, based in Leicester, which specialises in the repair, refurbishment and supply of camera lenses with further support from the Foresight VCTs. In March 2015, in order to service the requirements of many of its existing UK customers and enter the large US market, Procam acquired HotCam New York. This acquisition was supported by a further investment of £750,000 from the Foresight VCTs, of which the Ordinary Shares fund invested £333,339 (alongside £41,667 from Foresight 2 VCT). Other acquisition opportunities are under active consideration.

For the year to 31 December 2014, the company achieved an EBITDA of £2.3 million on revenues of £8.1 million, ahead of the prior year, reflecting organic growth and the integration of the Hammerhead acquisition. Trading in the year to 31 December 2015 was good with an EBITDA of £3.3 million being achieved on sales of £11.5 million, reflecting both organic growth, driven principally by the strong performance of the London office, and impact of the acquisitions during the year. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

In July 2015, as part of a £4.0 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £2.254 million (alongside £246,000 from Foresight 2 VCT) in Coventry based **Protean Software**. Protean develops and sells business management and field service management software, together with related support and maintenance services, to organisations involved in the supply, installation and maintenance of equipment, across a number of sectors including facilities management, HVAC and elevator installation. Protean's software suite offers both desktop and mobile variants used on engineers' Android devices. A new CEO and an experienced Chairman were appointed at completion and a new Financial Controller recruited subsequently. For the year to 31 March 2015, an EBITDA of £900,000 was achieved on sales of £3.0 million. Trading in the year to 31 March 2016 was ahead of the previous year while profits were in line with the previous year, reflecting increased investment and overheads while cash remains strong. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

In April 2015, Foresight funds invested £2.645 million in shares and loan notes in **Specac International** ("Specac") to finance a management buy-out of Specac Limited from Smiths Group plc. The Ordinary Shares fund invested £1.345 million, alongside £650,000 from each of Foresight 3 VCT and Foresight 4 VCT, together acquiring a majority equity shareholding with the management team holding the remaining equity. Specac, based in Orpington, Kent, is a long established, leading scientific instrumentation accessories business, manufacturing high specification sample analysis and sample preparation equipment used across a broad range of applications in testing, research and quality control laboratories and other end markets Worldwide. The company's products are primarily focused on supporting IR Spectroscopy, an

important analytical technique widely used in research and commercial/ industrial laboratories.

For the year to 31 July 2015, the company achieved an EBITDA of £906,000 on sales of £6.9 million. Trading in the current year to date has exceeded expectations with profit growth ahead of forecast, reflecting greater focus on sales and costs. The company has accelerated new product development and successfully launched new products. A non-executive Chairman has also been appointed with a strong sales and marketing background in the scientific instrumentation market who will complement the existing management team and assist them to further develop the business. **Held in the Ordinary Shares fund.**

**TFC Europe**, a leading distributor of technical fasteners in the UK and Germany, performed satisfactorily during the year to 31 March 2015, achieving an operating profit of £2.8 million on sales of £20.3 million (2014: operating profit of £2.8 million on sales of £19.5 million). However, trading in the year to 31 March 2016 was appreciably weaker than budgeted due to a general downturn in the UK manufacturing sector, most particularly the oil and gas industry.

In July 2015, the company effected a successful recapitalisation and share reorganisation, as a result of which £2.4 million was received by the Foresight VCTs, repaying of all their outstanding loans, together with accrued interest and a redemption premium. The overall Foresight shareholding increased from 53.6% to 66.7%. Foresight 2 VCT received £946,973 and increased its shareholding from 21.44% to 26.67%. A number of senior management changes and promotions were made to facilitate the planned retirement of the current Chairman, to enable the CEO to drive strategic growth projects, particularly in Germany and focus on new customer targets within Aerospace. In April 2015, two senior managers were promoted to Sales Director and Commercial Director roles. A Group Operations Manager has been appointed to drive cost efficiencies and introduce best operational practice across the Group. A new, experienced Chairman joined the Board in January 2016 and is already evaluating TFC's sales strategy and industry focus. Reflecting recent weaker trading, a provision of £423,500 was made against the cost of the investment. **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

**The Bunker Secure Hosting**, which operates two ultra secure data centres, continues to generate substantial profits at the EBITDA level. For the year to 31 December 2015, an EBITDA of £2.2 million was achieved on sales of £9.6 million (2014: EBITDA of £2.2 million on sales of £9.3 million). Recurring annual revenues presently exceed £9.3 million while cash balances remain healthy. On 31 March 2015, The Bunker repaid all its shareholder loans and outstanding interest totalling £6.5 million, financed through a £5.7 million secured medium term bank loan plus £1 million from its own cash resources. In total, £5.1 million was repaid to the Foresight VCTs, comprising £3.0 million of loan principal and £2.1 million of interest. Foresight 2 VCT received £1.41 million, comprising £1.065 million of loan principal and £345,000

of interest and retains an 8.69% shareholding. The company has now commenced a trial with a large distributor which serves many value added resellers. A new, experienced Sales Manager has been recruited to lead channel sales. **Held in the Ordinary Shares fund (formerly held solely in the Foresight 2 VCT Ordinary Shares fund).**

In September 2015, as part of a £3.3 million round alongside other Foresight VCTs, the Ordinary Shares fund invested £1.0 million (alongside £650,000 from Foresight 2 VCT) in **The Business Advisory Limited**. This company provides a range of advice and support services to UK based small businesses seeking to gain access to Government tax incentives, largely on a contingent success fee basis. With a large number of small customers signed up under medium term contracts, the company enjoys a high level of recurring income and good visibility on future revenues.

For the year to 30 September 2015, the Company achieved a NPBT of £1.4 million on sales of £4.2 million, well ahead of the prior year. Management has been strengthened by the appointment of a new COO/MD designate in January 2016 and a new experienced, non executive Chairman. **Held in the Ordinary Shares fund (and also formerly held in the Foresight 2 Ordinary Shares fund).**

In August 2013, the Ordinary Shares fund invested £1.5 million alongside Foresight 4 VCT in a £2.5 million shareholder recapitalisation of Stockport based **Thermotech Solutions** (formerly Fire and Air Services). Thermotech is a hard facilities management provider with two divisions, Mechanical Services and Fire Protection, which designs, installs and services air conditioning and fire sprinkler systems for retail, commercial and residential properties through a national network of engineers. Since investment, good progress has been made in diversifying and rebalancing the spread of revenues, with greater emphasis on service and maintenance. For the year to 31 March 2015, EBITDA of £1.1 million was achieved on sales of £7.8 million, some 40% ahead of the previous year (2014: EBITDA of £717,000 on sales of £4.0 million) reflecting significant contract wins and resultant strong cash generation. Trading in the year to 31 March 2016 was similar. A new, non-executive Chairman has been appointed, bringing extensive experience from the facilities management and business services sectors. Terms have been agreed on a small, synergistic acquisition which, if completed, would be financed from bank debt and the company's own cash resources. **Held in the Ordinary Shares fund.**

**Trilogy Communications** continues to face a difficult trading environment in the broadcast sector, however the defence pipeline is improving, with significant new defence orders having been received recently, and there is more visibility on the timing of these orders. The company continues to manage costs and cash closely and released significant cash from stock during the year. Cash is currently particularly tight, but is projected to improve with improvements in defence revenues through 2016, which also have the potential to deliver profitability. The Chairman has taken an executive role and is making progress in addressing the company's issues and stabilising the business. Reflecting the recent changes in the company's prospects,

but the ongoing relative uncertainty around the timing of large orders, provisions of £151,562 and £238,074 respectively were made during the year against the cost of the investments in the Ordinary Shares fund and the Planned Exit Shares fund. **Held in the Ordinary Shares and Planned Exit Shares funds (and also formerly held in the Foresight 2 Ordinary Shares and Planned Exit Shares funds).**

**David Hughes**  
Chief Investment Officer  
Foresight Group  
27 April 2016



# Investment Summary

## Ordinary Shares Fund

Investment cost and value at 31 December 2015 are shown post-merger for the combined entity. Comparatives for 31 December 2014 are for Foresight VCT plc only.

| Investment                                                 | 31 December 2015     |                   | Valuation Methodology        | 31 December 2014     |                   |
|------------------------------------------------------------|----------------------|-------------------|------------------------------|----------------------|-------------------|
|                                                            | Amount invested<br>£ | Valuation<br>£    |                              | Amount invested<br>£ | Valuation<br>£    |
| Datapath Group Limited                                     | 7,563,365            | 7,489,744         | Discounted earnings multiple | —                    | —                 |
| Blackstar Amplification Holdings Limited                   | 2,500,000            | 4,645,787         | Discounted earnings multiple | 2,500,000            | 3,112,380         |
| Autologic Diagnostics Holdings Limited                     | 4,330,020            | 4,268,957         | Discounted earnings multiple | 1,727,933            | 2,134,106         |
| Hospital Services Group Limited                            | 3,320,000            | 3,320,000         | Cost                         | —                    | —                 |
| Industrial Efficiency II Limited                           | 2,603,260            | 3,240,141         | Discounted cash flow         | 1,365,760            | 1,365,760         |
| TFC Europe Limited                                         | 3,614,612            | 3,191,112         | Discounted earnings multiple | —                    | —                 |
| Procam Television Holdings Limited                         | 1,664,893            | 2,783,622         | Discounted earnings multiple | 1,022,223            | 1,593,503         |
| ABL Investments Limited                                    | 2,750,000            | 2,750,000         | Cost                         | —                    | —                 |
| Itad Limited                                               | 2,750,000            | 2,750,000         | Cost                         | —                    | —                 |
| FFX Group Limited                                          | 2,676,426            | 2,676,426         | Cost                         | —                    | —                 |
| Protean Software Limited                                   | 2,500,000            | 2,500,000         | Cost                         | —                    | —                 |
| Ixaris Systems Limited                                     | 2,266,036            | 2,282,403         | Discounted revenue multiple  | —                    | —                 |
| Aquasium Technology Limited                                | 500,000              | 2,231,457         | Discounted earnings multiple | 666,667              | 2,288,611         |
| Thermotech Solutions Limited                               | 1,500,000            | 2,034,925         | Discounted earnings multiple | 1,500,000            | 1,991,412         |
| The Business Advisory Limited                              | 1,650,000            | 1,650,000         | Cost                         | —                    | —                 |
| CoGen Limited                                              | 1,603,491            | 1,622,653         | Discounted cash flow         | —                    | —                 |
| The Bunker Secure Hosting Limited                          | 1,537,348            | 1,547,255         | Discounted earnings multiple | —                    | —                 |
| Specac International Limited                               | 1,345,000            | 1,345,000         | Cost                         | —                    | —                 |
| Positive Response Communications Limited                   | 1,000,000            | 1,233,032         | Discounted earnings multiple | 1,000,000            | 1,000,000         |
| ICA Group Limited                                          | 885,232              | 1,067,542         | Discounted earnings multiple | —                    | —                 |
| Aerospace Tooling Holdings Limited                         | 150,000              | 986,800           | Discounted earnings multiple | 150,000              | 5,891,079         |
| Biofortuna Limited                                         | 590,529              | 590,529           | Price of last funding round  | 462,527              | 462,527           |
| alwaysON Group Limited                                     | 1,473,271            | 547,620           | Discounted revenue multiple  | 1,367,497            | 1,019,932         |
| Flowrite Refrigeration Limited                             | 209,801              | 319,278           | Discounted earnings multiple | 219,031              | 559,094           |
| O-Gen Acme Trek Limited                                    | 345,262              | 281,253           | Cost less impairment         | —                    | —                 |
| Sindicatum Carbon Capital Limited                          | 246,075              | 246,075           | Price of last funding round  | —                    | —                 |
| Trilogy Communications Limited                             | 1,330,964            | 162,496           | Discounted revenue multiple  | 1,280,880            | 263,974           |
| Cole Henry PE 2 Limited                                    | 100,000              | 100,000           | Cost                         | 1,000,000            | 1,000,000         |
| Kingsclere PE 3 Limited                                    | 100,000              | 100,000           | Cost                         | 1,000,000            | 1,000,000         |
| Whitchurch PE 1 Limited                                    | 100,000              | 100,000           | Cost                         | 1,000,000            | 1,000,000         |
| ZOO Digital Group plc                                      | 44,123               | 47,392            | Bid price                    | —                    | —                 |
| i-plas Group Limited                                       | 299,716              | —                 | Nil value                    | 333,334              | —                 |
| The Skills Group Limited (formerly AtFutsal Group Limited) | 393,331              | —                 | Nil value                    | 369,161              | 92,290            |
| Abacuswood Limited                                         | 627,784              | —                 | Nil value                    | 627,784              | —                 |
| Oxonica plc                                                | 2,804,473            | —                 | Nil value                    | 2,804,473            | —                 |
| Closed Loop Recycling Limited                              | —                    | —                 | Sold                         | 2,363,946            | —                 |
| Withion Power Limited                                      | —                    | —                 | Dissolved                    | 5,017,546            | —                 |
| Aigis Blast Protection Limited                             | —                    | —                 | Dissolved                    | 860,325              | —                 |
| DSM GeoData Limited                                        | —                    | —                 | Dissolved                    | 700,000              | —                 |
|                                                            | <b>57,375,012</b>    | <b>58,111,499</b> |                              | <b>29,339,087</b>    | <b>24,774,668</b> |

\* Top ten investments by value shown on pages 30 to 31.

\*\* The Ordinary Shares Fund also made six investments totalling £600 in six seeded companies during the year to 31 December 2015.

# Investment Summary

## Planned Exit Shares Fund

Investment cost and value at 31 December 2015 are shown post-merger for the combined entity. Comparatives for 31 December 2014 are for Foresight VCT plc only.

| Investment                              | 31 December 2015     |                  | Valuation Methodology        | 31 December 2014     |                  |
|-----------------------------------------|----------------------|------------------|------------------------------|----------------------|------------------|
|                                         | Amount invested<br>£ | Valuation<br>£   |                              | Amount invested<br>£ | Valuation<br>£   |
| alwaysON Group Limited                  | 1,839,970            | 2,091,749        | Discounted revenue multiple  | 784,746              | 1,085,705        |
| Industrial Engineering Plastics Limited | 1,556,416            | 1,339,808        | Discounted earnings multiple | 875,000              | 700,007          |
| Trilogy Communications Limited          | 914,720              | 390,212          | Discounted revenue multiple  | 693,864              | 407,430          |
| i-plas Group Limited                    | 524,030              | —                | Nil Value                    | 524,030              | —                |
| Channel Safety Systems Group Limited    | —                    | —                | Sold                         | 75,750               | 427,942          |
| Industrial Efficiency Limited           | —                    | —                | Sold                         | 155,000              | 205,500          |
| Leisure Efficiency Limited              | —                    | —                | Sold                         | 575,000              | 793,000          |
| Closed Loop Recycling Limited           | —                    | —                | Sold                         | 665,379              | —                |
| Withion Power Limited                   | —                    | —                | Dissolved                    | 164,128              | —                |
|                                         | <b>4,835,136</b>     | <b>3,821,769</b> |                              | <b>4,512,897</b>     | <b>3,619,584</b> |

\* All investments with a value are shown on page 32.

## Infrastructure Shares Fund

Investment cost and value at 31 December 2015 are shown post-merger for the combined entity. Comparatives for 31 December 2014 are for Foresight VCT plc only.

| Investment                                                                 | 31 December 2015     |                   | Valuation Methodology    | 31 December 2014     |                   |
|----------------------------------------------------------------------------|----------------------|-------------------|--------------------------|----------------------|-------------------|
|                                                                            | Amount invested<br>£ | Valuation<br>£    |                          | Amount invested<br>£ | Valuation<br>£    |
| Criterion Healthcare Holdings Limited                                      | 4,005,616            | 4,836,401         | Discounted cash flow     | 1,709,074            | 2,101,276         |
| Drumglass HoldCo Limited<br>(formerly Zagreb Solar Limited)                | 3,888,160            | 4,383,579         | Discounted cash flow     | 800,000              | 800,000           |
| FS Pentre Limited<br>(formerly Canterbury Infrastructure 15 Limited)       | 4,556,061            | 4,115,819         | Discounted cash flow     | 2,250,000            | 2,250,000         |
| FS Hayford Farm Limited                                                    | 4,049,018            | 4,113,376         | Discounted cash flow     | 2,000,000            | 2,000,000         |
| FS Tope Limited (formerly Krk Solar Limited)                               | 4,053,091            | 4,056,070         | Discounted cash flow     | 2,000,000            | 2,000,000         |
| FS Ford Farm Limited (formerly Rovinj Solar Limited)                       | 3,952,524            | 3,520,236         | Discounted cash flow     | 2,000,000            | 2,000,000         |
| Stirling Gateway HC Limited                                                | 2,069,978            | 2,145,478         | Discounted cash flow     | 1,078,875            | 1,021,458         |
| Wharfedale SPV (Holdings) Limited                                          | 1,314,923            | 1,446,214         | Discounted cash flow     | 677,947              | 690,773           |
| Staffordshire HoldCo Limited<br>(formerly Durham Infrastructure 5 Limited) | 1,041,077            | 586,817           | Discounted cash flow     | 683,137              | 390,450           |
| Lochgilphead HoldCo Limited<br>(formerly Zadar Infrastructure Limited)     | 493,186              | 494,827           | Discounted cash flow     | 279,503              | 279,503           |
| Stobhill HoldCo Limited<br>(formerly Pula Infrastructure Limited)          | 231,987              | 309,583           | Discounted cash flow     | 133,996              | 133,996           |
| Sandwell HoldCo Limited<br>(formerly Norwich Infrastructure 4 Limited)     | 282,646              | 294,381           | Discounted cash flow     | 133,270              | 167,246           |
| York Infrastructure 3 Limited                                              | —                    | —                 | Merged with Zagreb Solar | 1,048,358            | 1,141,446         |
|                                                                            | <b>29,938,267</b>    | <b>30,302,781</b> |                          | <b>14,794,160</b>    | <b>14,976,148</b> |

\* Top ten investments by value are shown on pages 33 to 34.



# Investment Summary

## Ordinary Shares Fund

Top ten investments by value at 31 December 2015 are detailed below:

### Datapath Group Limited: £7,489,744



is a UK manufacturer of PC-based multi-screen computer graphics cards and video capture hardware, specialising in video wall and data wall technology. Established in 1982, it has provided solutions for wide-ranging and varied applications including control rooms, financial dealing rooms, CCTV, distance learning, digital signage and business presentations. Datapath was acquired following the merger with Foresight 2 VCT plc in December 2015.

|                                            |               |                   | 31 March 2015 |
|--------------------------------------------|---------------|-------------------|---------------|
| First investment                           | December 2015 | Year ended        | £'000         |
| % Equity/Voting Rights                     | 12.9%         | Sales             | 22,300        |
| Income received and receivable in the year | —             | Profit before Tax | 5,570         |
| Equity at cost                             | £7,563,365    | Retained Profit   | 4,651         |
| Loan stock at cost                         | —             | Net Assets        | 25,908        |

### Blackstar Amplification Holdings Limited: £4,645,787



designs and manufactures innovative guitar amplifiers and associated products for the UK and international music instrument market. Based in Northampton, Blackstar has established a global brand on a catalogue of 50+ products, each of which has received industry acclaim.

|                                            |            |                 | 30 April 2015 |
|--------------------------------------------|------------|-----------------|---------------|
| First investment                           | July 2012  | Year ended:     | £'000         |
| % Equity/Voting Rights                     | 28.7%      | Sales           | 8,631         |
| Income received and receivable in the year | £224,692   | Loss before Tax | (765)         |
| Equity at cost                             | £250,000   | Retained Loss   | (737)         |
| Loan stock at cost                         | £2,250,000 | Net Assets      | 1,047         |

### Autologic Diagnostics Group Limited: £4,268,957



was founded in 1999 and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. The company also provides technical support to these garages, helping its customers fix more cars, more quickly. With cars now reliant on sophisticated electronic systems, mechanics need to be able to communicate with the in-car computer running the process or system, which in turn requires a diagnostic tool. The company's 'Autologic' tool and technical support enable independent garages to fix cars made by a number of well-known brands.

|                                            |               |                 | 31 December 2014 |
|--------------------------------------------|---------------|-----------------|------------------|
| First investment                           | February 2009 | Year ended:     | £'000            |
| % Equity/Voting Rights                     | 8.6%          | Sales           | 19,043           |
| Income received and receivable in the year | £162,680      | Loss before Tax | (2,346)          |
| Equity at cost                             | £17,902       | Retained Loss   | (2,498)          |
| Loan stock at cost                         | £4,312,118    | Net Liabilities | (2,579)          |

### Hospital Services Group Limited: £3,320,000



installs and maintains high quality healthcare equipment from global partners such as Hologic, Fujifilm and Shimadzu, as well as providing associated consumables. HSL has particular strengths in the radiology, ophthalmic, endoscopy and surgical sectors.

|                                            |                |                 | 31 March 2015 |
|--------------------------------------------|----------------|-----------------|---------------|
| First investment                           | September 2015 |                 | £'000         |
| % Equity/Voting Rights                     | 45.9%          | Sales           | 7,620         |
| Income received and receivable in the year | —              | Loss before Tax | 1,474         |
| Equity at cost                             | £1,467,972     | Retained Loss   | 1,219         |
| Loan stock at cost                         | £1,852,028     | Net Assets      | 5,278         |

### Industrial Efficiency II Limited: £3,240,141



provides energy efficiency solutions to CEMEX UK. The company has installed gas pipeline and electrical connections at a number of CEMEX UK sites. The investment was completed in July 2014. Revenues are generated through the financial value of the energy savings made by the equipment.

|                                            |            |                 | 30 June 2015 |
|--------------------------------------------|------------|-----------------|--------------|
| First investment                           | July 2014  |                 | £'000        |
| % Equity/Voting Rights                     | 18.8%      | Sales           | 299          |
| Income received and receivable in the year | £250,845   | Loss before Tax | (457)        |
| Equity at cost                             | £141,000   | Retained Loss   | (457)        |
| Loan stock at cost                         | £2,462,260 | Net Liabilities | (207)        |

# Investment Summary continued

## Ordinary Shares Fund

### TFC Europe Limited: £3,191,112



is one of Europe's leading technical based suppliers of fixing and fastening products. From seven sites in the UK and Germany, it supplies injection moulded technical fasteners and ring and spring products to customers across a wide range of industries, including aerospace, automotive, hydraulics and petrochemicals and works with some of the leading manufacturers of technical products such as Smalley® Steel Ring Company. TFC was acquired following the merger with Foresight 2 VCT plc in December 2015.

31 March 2015

|                                            |               |                   |        |
|--------------------------------------------|---------------|-------------------|--------|
| First investment                           | December 2015 | Year ended:       | £'000  |
| % Equity/Voting Rights                     | 26.7%         | Sales             | 20,278 |
| Income received and receivable in the year | —             | Profit before Tax | 1,525  |
| Equity at cost                             | £3,614,612    | Retained Profit   | 1,022  |
| Loan stock at cost                         | —             | Net Assets        | 4,713  |

### Procam Television Holdings Limited: £2,783,622



is one of the UK's leading broadcast hire companies, supplying equipment and crew for location TV production. Clients include major broadcasters and production companies, including the BBC, ITV, Two Four, Objective, Monkey Kingdom and Endemol. Foresight backed an MBO of the business in 2013. For the FY 2013 the trading subsidiary reported revenues of £6.6 million, an EBITDA of £1.8 million and operating profit of £270k.

31 December 2014

|                                            |            |                   |       |
|--------------------------------------------|------------|-------------------|-------|
| First investment                           | April 2013 |                   | £'000 |
| % Equity/Voting Rights                     | 27.9%      | Sales             | 8,031 |
| Income received and receivable in the year | —          | Profit before Tax | 272   |
| Equity at cost                             | £292,393   | Retained Profit   | 229   |
| Loan stock at cost                         | £1,372,500 | Net Assets        | 3,335 |

### ABL Investments Limited: £2,750,000



distributes power modules, monitor arms, cable management systems and CPU holders to office furniture dealers and manufacturers. Power modules are manufactured by wholly owned subsidiary ABL Production d.o.o in Serbia. Founded in 2003, the business has shown robust growth over the last four years, from turnover of £1.5m in FY11 to £5.1m in FY15.

31 August 2015

|                                            |                |                   |       |
|--------------------------------------------|----------------|-------------------|-------|
| First investment                           | September 2015 | Year ended:       | £'000 |
| % Equity/Voting Rights                     | 26.0%          | Sales             | 5,143 |
| Income received and receivable in the year | £71,137        | Profit before Tax | 1,364 |
| Equity at cost                             | £605,000       | Retained Profit   | 1,059 |
| Loan stock at cost                         | £2,145,000     | Net Assets        | 2,871 |

### Itad Limited: £2,750,000



is a long established specialist consulting firm focused on monitoring and evaluating the impact of international development money and aid on behalf of governments and charities in the UK and overseas. The company was established in 1984 and is headquartered in Hove. More than half of the employees are well-travelled consultants. The company advises on the impact of aid programs throughout the world, largely in developing countries.

31 January 2015

|                                            |              |                   |       |
|--------------------------------------------|--------------|-------------------|-------|
| First investment                           | October 2015 | Year ended:       | £'000 |
| % Equity/Voting Rights                     | 24.1%        | Sales             | 2,832 |
| Income received and receivable in the year | £41,653      | Profit before Tax | 1,821 |
| Equity at cost                             | £942,818     | Retained Profit   | 1,434 |
| Loan stock at cost                         | £1,807,182   | Net Assets        | 393   |

### FFX Group Limited: £2,676,426



is a multi-channel supplier of high quality hand tools, power tools and accessories, fixings, fasteners and general building products. Headquartered in Folkestone, FFX supplies contractors, building firms and the DIY sector. Initially founded as a traditional 'bricks and mortar' supplier at its Folkestone site, FFX launched its ecommerce channel in 2009 and has since grown rapidly.

31 March 2015

|                                            |                |                   |        |
|--------------------------------------------|----------------|-------------------|--------|
| First investment                           | September 2015 | Year ended:       | £'000  |
| % Equity/Voting Rights                     | 32.7%          | Sales             | 26,952 |
| Income received and receivable in the year | £36,307        | Profit before Tax | 814    |
| Equity at cost                             | £981,153       | Retained Profit   | 591    |
| Loan stock at cost                         | £1,695,273     | Net Assets        | 2,025  |

# Investment Summary

## Planned Exit Shares Fund

All investments with a value at 31 December 2015 are detailed below:

### alwaysON Group Limited: £2,091,749



Following the merger of alwaysON and DCG, the combined business now provides two services to corporate clients: it designs, sources, implements and maintains data storage solutions (increasingly as a managed service) and provides data VPNs, VOIP and collaboration software services. The value in the company is in the managed service contracts it possesses.

30 June 2015

| First investment                           | November 2010 | Year ended:     | £'000   |
|--------------------------------------------|---------------|-----------------|---------|
| % Equity/Voting Rights                     | 6.1%          | Sales           | 6,348   |
| Income received and receivable in the year | £57,699       | Loss before Tax | (1,914) |
| Equity at cost                             | £489,970      | Retained Loss   | (1,783) |
| Loan stock at cost                         | £1,350,000    | Net Assets      | 17      |

### Industrial Engineering Plastics Limited: £1,339,808



is a Liphook and Birmingham-based company, established for over 25 years, which distributes plastics to UK industry, supplying ventilation and pipe fittings, plastic welding rods, hygienic wall cladding, plastic sheets and tanks. The company also fabricates plastic materials such as sound attenuation units and plastic ducting and venting systems.

Across the product range, the majority of customers are either plastic fabricators, duct installers or chemical plants. Industrial Engineering Plastics ("IEP") primarily sources material from Germany, the UK and China.

31 May 2015

| First investment                           | December 2011 | Year ended        | £'000 |
|--------------------------------------------|---------------|-------------------|-------|
| % Equity/Voting Rights                     | 44.6%         | Sales             | 4,531 |
| Income received and receivable in the year | —             | Profit before Tax | 177   |
| Equity at cost                             | —             | Retained Profit   | 256   |
| Loan stock at cost                         | £1,556,416    | Net Assets        | 2,238 |

### Trilogy Communications Limited: £390,212



is a world class supplier of secure audio communications to the defence, emergency management, industrial and broadcast sectors. Trilogy counts some of the world's best known names in broadcast and defence among its customer base including the BBC, Sony, Radio France, Raytheon, Northrop Grumman and BAE.

28 February 2015

| First investment                           | November 2011 | Year ended:     | £'000   |
|--------------------------------------------|---------------|-----------------|---------|
| % Equity/Voting Rights                     | —             | Sales           | 4,205   |
| Income received and receivable in the year | —             | Loss before Tax | (1,073) |
| Equity at cost                             | —             | Retained Loss   | (1,068) |
| Loan stock at cost                         | £914,720      | Net Liabilities | (4,753) |

# Investment Summary

## Infrastructure Shares Fund

Top ten investments by value at 31 December 2015 are detailed below:

### Criterion Healthcare Holdings Limited: £4,836,401

In March 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £3.42 million in Criterion Healthcare Holdings Limited which operates "Bishop Auckland", a secondary PFI investment in an acute hospital project near Darlington with 17.5 years of the concession remaining.

|                                            |            |                   | 30 April 2015 |
|--------------------------------------------|------------|-------------------|---------------|
| First investment                           | March 2013 | Year ended:       | £'000         |
| % Equity/Voting Rights                     | 20.0%      | Income            | 9,930         |
| Income received and receivable in the year | £106,375   | Profit before Tax | 820           |
| Equity at cost                             | £3,555,616 | Retained Profit   | 887           |
| Loan stock at cost                         | £450,000   | Net Assets        | 2,222         |

### Drumglass HoldCo Limited (formerly Zagreb Solar Limited): £4,383,579

In July 2014, Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £1.6m in Zagreb Solar Limited. This company merged with York Infrastructure 3 Limited in April 2015 and the company's funds were used to repay senior third party debt in the Drumglass PFI project.

|                                            |            |                   | 31 March 2015 |
|--------------------------------------------|------------|-------------------|---------------|
| First investment                           | July 2014  | Year ended:       | £'000         |
| % Equity/Voting Rights                     | 100.0%     | Income            | 824           |
| Income received and receivable in the year | £127,775   | Profit before Tax | 152           |
| Equity at cost                             | £2,711,445 | Retained Profit   | 120           |
| Loan stock at cost                         | £1,176,715 | Net Assets        | 234           |

### FS Pentre Limited (formerly Canterbury Infrastructure 15 Limited): £4,115,819

On 25 April 2014, a £4.5m (£2.25m from each of F1 and F2) investment was made in the 6MW Pentre Solar Project in the village of Llannon in Carmarthenshire, South Wales. £3.4m of this was advanced to the project as a 15% coupon shareholder loan to part fund the construction with the balance to be paid to the Vendor once the project receives ROC accreditation. A further £4m of investment is required on accreditation and this was originally going to be provided from the Foresight ITS fund but will now be provided by Investec Bank so the VCT Investors can benefit from the lower cost of capital on the Investec debt. The project completed construction and connected to the grid in September 2014 and accreditation is expected shortly. HMRC have provided a VCT clearance for the investment. The project earns revenues through a combination of Renewable Obligation Certificates at a rate of 1.4 ROCs / MWh and power sales and has an expected 25 year investment life.

|                                            |            |                 | 30 June 2015 |
|--------------------------------------------|------------|-----------------|--------------|
| First investment                           | April 2014 | Year ended:     | £'000        |
| % Equity/Voting Rights                     | 100.0%     | Income          | 384          |
| Income received and receivable in the year | £223,808   | Loss before Tax | (184)        |
| Equity at cost                             | £3,556,061 | Retained Loss   | (276)        |
| Loan stock at cost                         | £1,000,000 | Net Liabilities | (276)        |

### FS Hayford Farm Limited: £4,113,376

In July 2014, Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £4m in FS Hayford Farm Limited which had a binding sale and purchase agreement already in place to acquire the 9.8MW ground mounted photovoltaic solar project, subject to certain conditions precedent which were satisfied in December 2014. The project earns revenues through a combination of Renewable Obligation Certificates at a rate of 1.4 ROCs / MWh and power sales and has an expected 25 year investment life.

|                                            |            |                   | 31 July 2014 |
|--------------------------------------------|------------|-------------------|--------------|
| First investment                           | July 2014  | Year ended:       | £'000        |
| % Equity/Voting Rights                     | 64.5%      | Income            | —            |
| Income received and receivable in the year | £56,219    | Profit before Tax | —            |
| Equity at cost                             | £2,849,018 | Retained Profit   | —            |
| Loan stock at cost                         | £1,200,000 | Net Assets        | —            |

### FS Tope Limited (formerly Krk Solar Limited): £4,056,070

In July 2014, Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £4m in Krk Solar Limited which in October 2014 acquired the operating 3.3MW ground mounted photovoltaic solar project near Totnes in Devon. The project earns revenues through a combination of Renewable Obligation Certificates at a rate of 1.4 ROCs / MWh and power sales and has an expected 25 year investment life.

|                                            |            |                   | 31 August 2014 |
|--------------------------------------------|------------|-------------------|----------------|
| First investment                           | July 2014  | Year ended:       | £'000          |
| % Equity/Voting Rights                     | 91.2%      | Income            | —              |
| Income received and receivable in the year | £56,219    | Profit before Tax | —              |
| Equity at cost                             | £2,853,091 | Retained Profit   | —              |
| Loan stock at cost                         | £1,200,000 | Net Assets        | —              |



## Investment Summary continued

### Infrastructure Shares Fund

Top ten investments by value at 31 December 2015 are detailed below:

#### FS Ford Farm Limited (formerly Rovinj Solar Limited): £3,520,236

In July 2014, Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £4m in Rovinj Solar Limited which had an agreement in place to acquire a minority interest in the operating 5.4MW Ford Farm ground mounted photovoltaic project in Cornwall. The project earns revenues through a combination of Renewable Obligation Certificates at a rate of 1.6 ROCs / MWh and power sales and has an expected 25 year investment life.

|                                            |            |                   | 30 September 2014 |
|--------------------------------------------|------------|-------------------|-------------------|
| First investment                           | July 2014  | Year ended:       | £'000             |
| % Equity/Voting Rights                     | 66.7%      | Income            | 378               |
| Income received and receivable in the year | £56,219    | Profit before Tax | 96                |
| Equity at cost                             | £2,752,524 | Retained Profit   | 96                |
| Loan stock at cost                         | £1,200,000 | Net Assets        | 96                |

#### Stirling Gateway HC Limited: £2,145,478

Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure completed an investment in Stirling Gateway HC Limited in December 2012. The Project includes the design, redevelopment, construction, financing and operation of five secondary schools and a new Raploch Community Campus. It incorporates two primary schools, a special needs school, a nursery, community facilities, sports facilities and associated services. It has been operating for just over five years and has 24 years left on the original 30 year contract.

|                                            |               |                   | 31 March 2015 |
|--------------------------------------------|---------------|-------------------|---------------|
| First investment                           | December 2012 | Year ended:       | £'000         |
| % Equity/Voting Rights                     | 12.5%         | Income            | 893           |
| Income received and receivable in the year | £85,950       | Profit before Tax | —             |
| Equity at cost                             | £1,242,807    | Retained Profit   | —             |
| Loan stock at cost                         | £827,171      | Net Assets        | 50            |

#### Wharfedale SPV (Holdings) Limited: £1,446,214

In March 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £1.36 million in Wharfedale SPV Holdings Limited which operates Wharfedale Hospital, a secondary PFI investment in a hospital project near Leeds with 17.5 years of the concession remaining.

|                                            |            |                   | 31 December 2014 |
|--------------------------------------------|------------|-------------------|------------------|
| First investment                           | March 2013 | Year ended:       | £'000            |
| % Equity/Voting Rights                     | 25.0%      | Income            | 297              |
| Income received and receivable in the year | £32,756    | Profit before Tax | 174              |
| Equity at cost                             | £929,059   | Retained Profit   | 174              |
| Loan stock at cost                         | £385,864   | Net Assets        | 17               |

#### Staffordshire HoldCo Limited (formerly Durham Infrastructure 5 Limited): £586,817

In January 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested in Staffordshire Schools through Durham Infrastructure 5 Limited. Staffordshire Schools is a secondary PFI investment in a school project in the West Midlands with 13 years of the concession remaining.

|                                            |              |                   | 31 March 2015 |
|--------------------------------------------|--------------|-------------------|---------------|
| First investment                           | January 2013 | Year ended:       | £'000         |
| % Equity/Voting Rights                     | 100.0%       | Income            | 1,670         |
| Income received and receivable in the year | —            | Profit before Tax | 293           |
| Equity at cost                             | £597,509     | Retained Profit   | 194           |
| Loan stock at cost                         | £443,568     | Net Assets        | 159           |

#### Lochgilthead HoldCo Limited (formerly Zadar Infrastructure Limited): £494,827

Lochgilthead HoldCo Limited is an investment holding company that holds a 45% stake in the Lochgilthead PFI project in Argyle and Bute that was acquired by the VCT in March 2013. In July 2014, a restructuring of the investment was undertaken to reduce the VCT's holding in this non-qualifying asset by transferring the majority of the economic interest to the Foresight ITS fund. Aeron Park invested £3.05m in Lochgilthead HoldCo by way of loans which was used to fund repayment of the VCT loans, enact a capital reduction of the VCTs' equity and transaction costs.

|                                            |           |                   | 31 December 2014 |
|--------------------------------------------|-----------|-------------------|------------------|
| First investment                           | July 2014 | Year ended:       | £'000            |
| % Equity/Voting Rights                     | 100.0%    | Income            | 1,987            |
| Income received and receivable in the year | —         | Profit before Tax | 503              |
| Equity at cost                             | £493,186  | Retained Profit   | 376              |
| Loan stock at cost                         | —         | Net Assets        | 107              |

# Investment Summary

at 31 December 2015

## Co-investing funds

Foresight Group also manages or advises Foresight 3 VCT plc, Foresight 4 VCT plc, Foresight Solar VCT plc, Foresight Nottingham Fund, 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 Sustainable'), Foresight AD EIS, Recycling and Waste LP, The Waste Asset LP and Foresight Regional Investment LP. Investments have been made by the funds that Foresight Group advises and manages, as follows:

| Investee                                 | Foresight VCT<br>O, PE, Infra<br>Share<br>£ | Foresight 3<br>£ | Foresight 4<br>£ | Foresight<br>Inheritance<br>Tax Solutions<br>£ | Total Equity<br>Managed by<br>Foresight<br>% |
|------------------------------------------|---------------------------------------------|------------------|------------------|------------------------------------------------|----------------------------------------------|
| ABL Investments Limited                  | 2,750,000                                   | 475,000          | 1,000,000        | —                                              | 40.0%                                        |
| Aerospace Tooling Holdings Limited       | 150,000                                     | 50,000           | 150,000          | —                                              | 53.7%                                        |
| AlwaysON Group Limited                   | 3,313,241                                   | —                | 680,240          | —                                              | 67.2%                                        |
| Autologic Diagnostics Group Limited      | 4,330,020                                   | 2,488,966        | 2,488,785        | —                                              | 18.4%                                        |
| Biofortuna Limited                       | 590,529                                     | 590,495          | 1,181,052        | —                                              | 35.3%                                        |
| Blackstar Amplification Holdings Limited | 2,500,000                                   | —                | 1,000,000        | —                                              | 40.2%                                        |
| CoGen Limited                            | 1,603,491                                   | 351,539          | 390,928          | —                                              | 22.0%                                        |
| Cole Henry PE 2 Limited                  | 100,000                                     | 200,000          | —                | —                                              | 100.0%                                       |
| Datapath Group Limited                   | 7,563,365                                   | 73,250           | 73,250           | —                                              | 38.8%                                        |
| Drumglass HoldCo Limited                 | 3,888,160                                   | —                | —                | 915,000                                        | 100.0%                                       |
| FFX Group Limited                        | 2,676,426                                   | —                | 1,372,002        | —                                              | 49.5%                                        |
| Flowrite Refrigeration Limited           | 209,801                                     | 85,199           | 295,000          | —                                              | 35.0%                                        |
| FS Ford Farm Limited                     | 3,952,524                                   | —                | —                | 4,380,000                                      | 100.0%                                       |
| FS Hayford Farm Limited                  | 4,049,018                                   | —                | —                | 2,200,000                                      | 100.0%                                       |
| FS Tope Limited                          | 4,053,091                                   | —                | —                | 385,000                                        | 100.0%                                       |
| Hospital Services Group Limited          | 3,320,000                                   | —                | 1,200,000        | —                                              | 62.5%                                        |
| ICA Group Limited                        | 885,232                                     | 670,884          | —                | —                                              | 51.9%                                        |
| Industrial Efficiency II Limited         | 2,603,260                                   | 639,240          | —                | 287,429                                        | 100.0%                                       |
| Itad Limited                             | 2,750,000                                   | 250,000          | 1,000,000        | —                                              | 35.0%                                        |
| Ixaris Systems Limited                   | 2,266,036                                   | 866,385          | 1,181,432        | —                                              | 18.2%                                        |
| Kingsclere PE 3 Limited                  | 100,000                                     | 100,000          | —                | —                                              | 100.0%                                       |
| Lochgilthead HoldCo Limited              | 493,186                                     | —                | —                | 3,050,000                                      | 100.0%                                       |
| O-Gen Acme Trek Limited                  | 345,262                                     | 4,395,783        | 4,860,174        | —                                              | 42.8%                                        |
| Positive Response Communications Limited | 1,000,000                                   | 500,000          | 500,000          | —                                              | 60.8%                                        |
| Procam Television Holdings Limited       | 1,664,893                                   | 423,608          | 1,101,385        | —                                              | 55.7%                                        |
| Protean Software Limited                 | 2,500,000                                   | 500,000          | 1,000,000        | —                                              | 63.5%                                        |
| Sandwell HoldCo Limited                  | 282,646                                     | —                | —                | 1,910,696                                      | 100.0%                                       |
| Sindicatum Carbon Capital Limited        | 246,075                                     | 174,993          | 200,063          | —                                              | 1.0%                                         |
| Specac International Limited             | 1,345,000                                   | 650,000          | 650,000          | —                                              | 75.0%                                        |
| Staffordshire HoldCo Limited             | 1,041,077                                   | —                | —                | 1,130,834                                      | 100.0%                                       |
| Stobhill HoldCo Limited                  | 231,987                                     | —                | —                | 3,050,000                                      | 100.0%                                       |
| TFC Europe Limited                       | 3,614,612                                   | 125,096          | 156,370          | —                                              | 66.7%                                        |
| The Bunker Secure Hosting Limited        | 1,537,348                                   | 475,300          | 584,987          | —                                              | 31.6%                                        |
| The Business Advisory Limited            | 1,650,000                                   | 650,000          | 1,000,000        | —                                              | 27.5%                                        |
| Thermotech Solutions Limited             | 1,500,000                                   | —                | 1,000,000        | —                                              | 25.5%                                        |
| Trilogy Communications Limited           | 2,245,684                                   | —                | 776,383          | —                                              | 48.7%                                        |
| Whitchurch PE 1 Limited                  | 100,000                                     | 378,000          | —                | —                                              | 100.0%                                       |
| ZOO Digital Group plc                    | 44,123                                      | 1,098,585        | 827,148          | —                                              | 15.3%                                        |

Companies in liquidation and 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%.



## Investment Summary — Realisation Summary

The tables below give details of realisations during the year:

|                                                            | Cost of<br>investment<br>disposed of<br>£ | Sales<br>proceeds<br>£ | Realised<br>loss<br>£ | Valuation at<br>31 December<br>2014<br>£ |
|------------------------------------------------------------|-------------------------------------------|------------------------|-----------------------|------------------------------------------|
| <b>Ordinary Shares Fund</b>                                |                                           |                        |                       |                                          |
| Aigis Blast Protection Limited                             | 860,325                                   | —                      | (860,325)             | —                                        |
| Aquasium Technology Limited                                | 166,667                                   | 166,667                | —                     | 166,667                                  |
| Closed Loop Recycling Limited                              | 2,371,139                                 | 1                      | (2,371,138)           | —                                        |
| Cole Henry PE 2 Limited                                    | 900,000                                   | 900,000                | —                     | 900,000                                  |
| DSM GeoData Limited                                        | 700,000                                   | —                      | (700,000)             | —                                        |
| i-plas Group Limited                                       | 33,618                                    | 33,618                 | —                     | —                                        |
| Kingsclere PE 3 Limited                                    | 900,000                                   | 900,000                | —                     | 900,000                                  |
| The Skills Group Limited (formerly AtFutsal Group Limited) | 1,000                                     | 1,000                  | —                     | 92,290                                   |
| Whitchurch PE 2 Limited                                    | 900,000                                   | 900,000                | —                     | 900,000                                  |
| Withion Power Limited                                      | 5,017,546                                 | —                      | (5,017,546)           | —                                        |
|                                                            | <b>11,850,295</b>                         | <b>2,901,286</b>       | <b>(8,949,009)</b>    | <b>2,958,957</b>                         |

|                                      | Cost of<br>investment<br>disposed of<br>£ | Sales<br>proceeds<br>£ | Realised<br>gain/(loss)<br>£ | Valuation at<br>31 December<br>2014<br>£ |
|--------------------------------------|-------------------------------------------|------------------------|------------------------------|------------------------------------------|
| <b>Planned Exit Shares Fund</b>      |                                           |                        |                              |                                          |
| Channel Safety Systems Group Limited | 75,750                                    | 515,758                | 440,008                      | 427,942                                  |
| Closed Loop Recycling Limited        | 668,244                                   | —                      | (668,244)                    | —                                        |
| Industrial Efficiency Limited        | 155,000                                   | 205,500                | 50,500                       | 205,500                                  |
| Leisure Efficiency Limited           | 575,000                                   | 793,000                | 218,000                      | 793,000                                  |
| Withion Power Limited                | 164,128                                   | —                      | (164,128)                    | —                                        |
|                                      | <b>1,638,122</b>                          | <b>1,514,258</b>       | <b>(123,864)</b>             | <b>1,426,442</b>                         |

## Board of Directors

### John Gregory (67)

#### Chairman

John Gregory 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. Currently, he is senior independent non-executive director of Sphere Medical Holding plc, an AIM listed medical devices company, non-executive Chairman of Social Impact VCT plc and a non-executive director or Chairman of a number of private companies. 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.

### Peter Frederick Dicks (73)

#### Director

Peter Dicks was a founder director of Abingworth plc a successful venture capital company in 1973. He is currently a director of a number of quoted and unquoted companies, including Private Equity Investor plc where he is chairman, Mears plc and Graphite Enterprise Trust plc. In addition, he has been a director of Foresight VCT plc since its launch in 1997 and is a director of Foresight 3 VCT plc and Foresight 4 VCT plc. He is also chairman of Unicorn AIM VCT plc and director of a number of other companies.

### Gordon James Humphries (54)

#### Director

Gordon is a director of R&H Fund Services Limited. He has over 30 years' experience in financial services, particularly investment trusts, and was until recently an investment director and the head of investment companies at Standard Life Investments. Gordon has an MA (Hons) in Economics and Accounting from the University of Edinburgh and he joined Ivory & Sime in 1988 after qualifying as a chartered accountant with Deloitte Haskins & Sells (now PwC). He is also a director of Maven Income and Growth VCT 5 plc.

### Jocelin Harris (70)

#### Director

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 7 years. He has personally invested in over 40 development stage companies over the last 25 years and is currently Chairman or Non-Executive Director of a number of them 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. Jocelin joined the Board on 18 December 2015.



# Directors' Report

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2015.

## Activities and status

The principal activity of the Company during the period was the making of investments in unquoted or AiM-listed 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 compliance as a Venture Capital Trust has been received up to 31 December 2014 and the Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with these regulations.

## Results and dividends

The total loss attributable to equity shareholders for the period amounted to £3,798,000 (2014: return of £3,600,000). The Board paid an interim dividend of 6.0p per Ordinary Share on 13 March 2015. Interim dividends of 15.0p per Planned Exit Share and 7.5p per Planned Exit Share were paid on 22 May 2015 and 25 September 2015 respectively. An interim dividend of 2.5p per Infrastructure Share was paid on 22 May 2015.

## Net asset value total return

During the year ended 31 December 2015 the Company's principal indicator of performance, net asset value total return since launch (including dividends paid since launch), decreased 1.1% from 217.8p per Ordinary Share at 31 December 2014 to 215.5p per Ordinary Share at 31 December 2015.

The net asset value total return (including dividends paid since launch) per Planned Exit Share has decreased 6.7% to 79.8p per share at 31 December 2015 from 85.5p per share at 31 December 2014.

The net asset value total return per Infrastructure Share has increased 2.6% to 99.9p per share at 31 December 2015 from 97.4p per share at 31 December 2014.

## Share issues

The Company allotted 106,287 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 99.4p per share.

Under an offer for subscription dated 31 October 2014, 15,080,040 Ordinary Shares were issued during the year, based on net asset values ranging from 93.4p to 100.1p per share.

On 18 December 2015 the Company merged with Foresight 2 VCT plc by way of a scheme of reconstruction. The assets and liabilities of Foresight 2 VCT plc were transferred to the Company for the issue of consideration shares as follows: 28,590,057 Ordinary Shares, 5,535,509 Planned Exit Shares and 15,975,510 Infrastructure Shares.

At 31 December 2015 the Company had 86,593,790 Ordinary Shares, 11,527,087 Planned Exit Shares and 32,510,224 Infrastructure Shares in issue. There are no restrictions on the transfer of any class of share.

## Share buybacks

During the year, the Company repurchased 1,667,745 Ordinary Shares, 72,048 Planned Exit shares and 32,352 Infrastructure shares for cancellation at costs of £1,354,000, £35,000 and £29,000 respectively. No shares bought back by the Company are held in treasury. Share buy-backs have been completed at discounts ranging from 10.0% to 10.7% for Ordinary Shares, 0.6% to 0.9% for Planned Exit Shares and 0.6% to 0.7% for Infrastructure Shares.

## 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 on page 13 in the Strategic Report with further detail being given in note 16 on page 69.

## 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 15 March 2016. Foresight Fund Managers Limited is the Secretary of the Company. The principal terms of the management agreement is set out in note 3 to the accounts. Following the merger the Manager agreed to reduce the annual expenses cap to 2.4%, making it one of the lowest 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 acts as manager to the Company in respect of its investments and earned fees of £1,277,000 (2014: £1,000,000) during the year. Foresight Fund Managers Limited received £100,000 excluding VAT (2014: £100,000 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 £500,000 (2014: £79,000).

VCF Partners, an associate of Foresight Group, received from investee companies, Directors' fees of £168,000 (2014: £148,000).

At the time of writing, Foresight Group staff held a total of 1,219,201 shares in the Company.

### VCT status monitoring

The Company has retained Shakespeare Martineau LLP (London and Birmingham based solicitors) as legal advisers on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status at meetings of the Board.

### Financial instruments

Details of all financial instruments used by the Company during the year are given in note 16 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 34 days (2014: 13 days). Foresight Group, which provides investment management services, was the only trade creditor of the Company at the year end.

### 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 qualified as an AIFM and so was required to comply, although additional cost and administration requirements are not expected to be material. The Company's application was completed in June 2014 and approval was confirmed in August 2014. This will not affect the current arrangements with the Manager, which will continue 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 27 April 2016 was 113,214,575 Ordinary Shares, 11,527,087 Planned Exit Shares and 32,510,224 Infrastructure Shares.

The Ordinary Shares represent 72.0% of the total share capital, the Planned Exit Shares represent 7.3% of the total share capital and the Infrastructure Shares represent 20.7% of the total share capital. Further information on the share capital of the Company is detailed in note 13 of the notes to the financial statements

#### 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 81.

#### Substantial/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.

#### Auditors

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.

### 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.



## Directors' Report continued

### 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 on pages 8 to 14. 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.

### Annual General Meeting

A formal notice convening the Annual General Meeting on 24 May 2016 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 renew share issue and buyback authorities for the Ordinary Shares, Planned Exit Shares and Infrastructure Shares.

### 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 (i) £105,000 in respect of Ordinary Shares (representing 10.0% of the current issued Ordinary Share capital of the Company), (ii) £12,000 in respect of Planned Exit Shares (representing 10.0% of the current Planned Exit Share capital of the Company) and (iii) £33,000 in respect of Infrastructure Shares (representing 10.0% of the issued Infrastructure Share capital of the Company), which in aggregate represents 10.0% of the issued share capital of the Company. This authority will be used for the purposes listed under the authority requested under Resolution 9. This includes authority to issue shares pursuant to the dividend investment scheme, performance incentive fee arrangements with Foresight Group 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. The authority conferred by Resolution 9 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 addition to all other 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 in respect of Ordinary Shares and/or up to £100,000 in respect of each of the Planned Exit Shares and/or Infrastructure Shares, in each case pursuant to offer(s) for subscription, (ii) with an aggregate nominal value of up to 10% of the issued Ordinary Share capital pursuant to dividend investment schemes at a subscription price per Ordinary Share that is less than the net asset value per Ordinary Share, (iii) with an aggregate nominal value of up to £100,000 in each class of share in the Company pursuant to performance incentive arrangements with Foresight Group and (iv) with an aggregate nominal value of up to 10% of the issued share capital of each class of share in the Company 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 2017, 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. The authority is in addition to all other 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 12,980,409 Ordinary Shares, 1,727,910 Planned Exit Shares and 4,873,283 Infrastructure Shares (representing approximately 14.99% of each share class at the date of this Annual Report) or, if lower, such number of Ordinary Shares, Planned Exit Shares or Infrastructure Shares (as relevant, and in each case rounded down to the nearest whole share) as shall equal 14.99% of each share class 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 an Ordinary Share, Planned Exit Share, or Infrastructure Share (as relevant) 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 2017, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may purchase its Ordinary Shares, Planned Exit Shares or Infrastructure Shares (as relevant) after this date in pursuance of a contract or contracts made prior to the expiration of this authority. The authority is in addition to all other existing authorities.

Whilst, generally, the Company does not expect that shareholders will want to sell their shares within five years of acquiring them because this may lead to a loss of tax relief, the Directors anticipate that from time to time a shareholder may need to sell shares within this period. Front end 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 shares from an existing shareholder. 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, when possible to facilitate 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.

## Separate Meetings of the Ordinary Shareholders, Planned Exit Shareholders and Infrastructure Shareholders

Formal notices convening separate meetings of Ordinary Shareholders, Planned Exit Shareholders and Infrastructure Shareholders also to be held on 24 May 2016, can be found on pages 82 to 87. The resolutions proposed at these meetings, if passed, will approve the passing of Resolutions 9 and 11 to be proposed at the Annual General Meeting and will sanction any modification of the rights attaching to Ordinary Shares, Planned Exit Shares and Infrastructure Shares resulting therefrom.

The resolutions to be proposed at the separate meetings 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.

By order of the Board

### Foresight Fund Managers Limited

Secretary

27 April 2016



# 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 September 2014, 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 2015. The Annual General Meeting 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 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 four 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 two other Foresight VCTs which are all managed by Foresight Group) are considered to be independent. The Board has not appointed a Senior Independent Director.

Peter Dicks is also a Director of Foresight 3 VCT plc, Foresight 4 VCT plc and Foresight Solar Fund Limited. The Board believes, having regard to the specialist nature of VCTs and the fact that the Manager advises a number of VCTs, that it is in the best interests of shareholders if, on each of the boards of the VCTs advised by the Manager, there is a Director who is common. A common Director is able to assess how the Manager performs in respect of one fund with the valuable background knowledge of how well or badly the Manager is performing in relation to other funds for which he is also a Director. Where conflicts of interest arise between the different funds then the common Director would seek to act fairly and equitably between different groups of shareholders. Where this is difficult or others might perceive that it was so, then decisions would be taken by the Directors who are not common Directors. The most likely source of potential conflicts would normally be the allocation of investment opportunities but as these are allocated by the Manager pro rata to the cash raised by each fund, subject to the availability of funds, in practice such conflicts should not arise. Additionally, 'specialist funds' may be allocated investments specific to their investment policy in priority to more generalist funds.

## 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 after each year. Non-independent Directors are required to retire 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 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.

## Meeting attendance

|                  | 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          |

In addition to the above, 11 further meetings were held in relation to the publication of corporate documents and in relation to investments.

Jocelin Harris was appointed to the Board on 18 December 2015 and will attend Board Meetings going forward.

In the light of the responsibilities retained by the Board and its

committees and of the responsibilities delegated to Foresight Group, Foresight Fund Managers Limited 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 and Jocelin Harris, all of whom are considered to have sufficient recent and relevant financial experience to discharge the role, and meets at least twice a year, amongst other things, to consider 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.

KPMG LLP prepares the Company's tax returns in addition to carrying out the Company's external audit. This is completed after signing off on the annual accounts. The Audit Committee is of the opinion that KPMG LLP are best placed to provide these taxation services. These non-audit services are non-material in value compared to the audit, and the Audit Committee believes that they do not compromise the objectivity or independence of the external auditors.

The Directors have decided to re-appoint KPMG LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting.

The Nomination Committee comprises Gordon Humphries (Chairman), Peter Dicks, John Gregory and Jocelin Harris, 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 annually 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 also considers the resolutions of 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 and Jocelin Harris 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, Remuneration and Nomination Committees. The Board may from time to time seek 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



## Corporate Governance continued

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 Fund Managers Limited was appointed by the Board as Company Secretary in 2004 with responsibilities relating to the administration of the non-financial systems of internal control. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Pursuant to the terms of its appointment, Foresight Group invests the Company's assets in venture capital and other investments and in its capacity as administrator have 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 financial statements, 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 test matrix 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 Foresight Group, Foresight Fund Managers Limited and Shakespeare Martineau LLP.

The Audit Committee has carried out a 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 concluded that, given the appointment of Foresight Group as Company accountant and the role of the Audit Committee, 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](http://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

Director  
27 April 2016

# 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 and existence 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 and 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 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 Manager held discussions regarding the investment valuations with the auditor.

## 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 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 and Audit Committee and the Manager.

## Auditors 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 assumed responsibility for the audit in 2014. KPMG LLP was appointed as auditor in October 2010, with their 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 auditors, 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.

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.

## Gordon Humphries

Audit Committee Chairman  
27 April 2016



# 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 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 page 37 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 four Directors: Gordon Humphries (Chairman), Peter Dicks, John Gregory and Jocelin Harris.

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.

The 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 2015 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 29 September 1997 (and Board resolution dated 9 March 2007 for Gordon Humphries, 30 July 2010 for John Gregory and 18 December 2015 for Jocelin Harris) may resign at any time.

There are no set minimum notice periods but all Directors are subject to re-election annually. 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 will retire every year.

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 24 May 2016 and will continue for the financial year ending 31 December 2016 and subsequent years.

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 95.4% of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder support.

## Retirement by rotation

All Directors are subject to re-election each year as detailed above and are seeking re-election as follows:

|                                           |          |
|-------------------------------------------|----------|
| P Dicks, J Gregory, J Harris, G Humphries | AGM 2016 |
| P Dicks, J Gregory, J Harris, G Humphries | AGM 2017 |
| P Dicks, J Gregory, J Harris, G Humphries | AGM 2018 |

# Directors' Remuneration Report continued

## Share Price total return

The graph on the following page charts the total shareholder return to 31 December 2015, 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.

## Details of individual emoluments and compensation

The emoluments in respect of qualifying services of each person who served as a Director during the year and those forecast for the year ahead are shown on page 48. 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.

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.

# Directors' Remuneration Report continued

## Directors

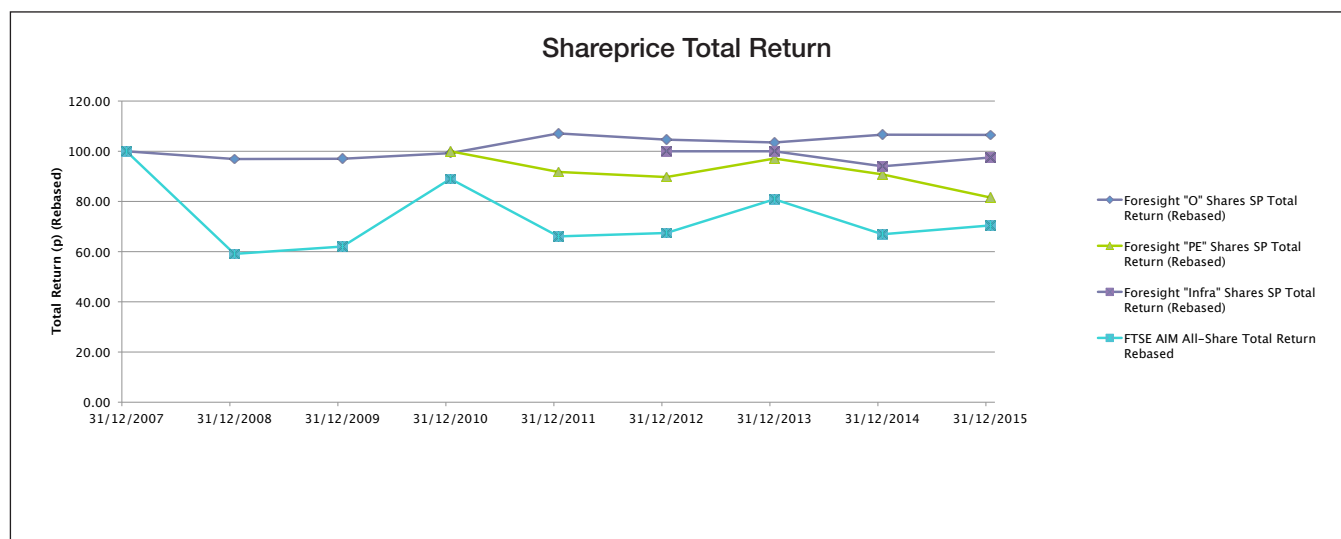
The Directors who held office during the year and their interests in the issued Ordinary Shares, Planned Exit Shares and Infrastructure Shares of 1p each of the Company were as follows:

|                         | 31 December<br>2015<br>Ordinary<br>Shares | 31 December<br>2015<br>Planned Exit<br>Shares | 31 December<br>2015<br>Infrastructure<br>Shares | 31 December<br>2014<br>Ordinary<br>Shares | 31 December<br>2014<br>Planned Exit<br>Shares | 31 December<br>2014<br>Infrastructure<br>Shares |
|-------------------------|-------------------------------------------|-----------------------------------------------|-------------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| John Gregory (Chairman) | 11,424                                    | —                                             | —                                               | 11,424                                    | —                                             | —                                               |
| Peter Dicks             | 103,782                                   | —                                             | —                                               | 59,579                                    | —                                             | —                                               |
| Gordon Humphries        | 9,224                                     | —                                             | —                                               | 6,182                                     | —                                             | —                                               |
| Jocelin Harris          | 18,000                                    | —                                             | 10,362                                          | 4,076                                     | —                                             | 5,275                                           |

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

Post year end, Peter Dicks and John Gregory each subscribed 11,363 Ordinary Shares and Gordon Humphries subscribed 3,409 Ordinary Shares, based on an issue price of 88.0p. Jocelin Harris subscribed 12,345 Ordinary Shares based on an issue price of 81.0p.

In accordance with the Articles of Association and the requirements of the UK Corporate Governance Code and the Board's policy, Mr Gregory, Mr Dicks, Mr Humphries and Mr Harris retire annually and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on page 37. The Board believes that Mr Gregory's, Mr Dicks', Mr Humphries' and Mr Harris' 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.



## Audited Information

The information below has been audited, with the exception of those fees forecasted for the year to 31 December 2016. See the Independent Auditors' Report on page 53.

|                         | Unaudited Anticipated<br>Directors' fees year ending<br>31 December 2016<br>(£) | Audited Directors'<br>fees year ended<br>31 December 2015<br>(£) | Audited Directors'<br>fees year ended<br>31 December 2014<br>(£) |
|-------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
| John Gregory (Chairman) | 29,125                                                                          | 28,250                                                           | 28,250                                                           |
| Peter Dicks             | 21,750                                                                          | 21,000                                                           | 21,000                                                           |
| Gordon Humphries        | 24,000                                                                          | 23,000                                                           | 23,000                                                           |
| Jocelin Harris          | 21,750                                                                          | 727                                                              | —                                                                |
| <b>Total</b>            | <b>96,625</b>                                                                   | <b>72,977</b>                                                    | <b>72,250</b>                                                    |

The Directors are not eligible for pension benefits, share options or long-term incentive schemes.

## Votes cast for and against the Directors' Remuneration Report for the year ended 31 December 2014

| Shares & Percentage of votes cast | Shares & Percentage of votes cast | Number of votes withheld |
|-----------------------------------|-----------------------------------|--------------------------|
| For                               | Against                           |                          |
| 95.4%                             | 4.6%                              |                          |
| 6,662,094 votes                   | 319,593 votes                     | 200,421                  |

In accordance with new 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<br>31 December 2015 | Year ended<br>31 December 2014 |
|-----------------------------------------------|--------------------------------|--------------------------------|
| Dividends                                     | £4,797,000                     | £4,406,000                     |
| Share buybacks                                | £1,418,000                     | £576,000                       |
| Total Shareholder distributions               | £6,215,000                     | £4,982,000                     |
| Directors fees                                | £72,977                        | £72,250                        |
| Directors fees % of Shareholder distributions | 1.2%                           | 1.5%                           |

### 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 27 April 2016 and is signed on its behalf by Gordon Humphries (Director).

On behalf of the Board

**Gordon Humphries**

Director

27 April 2016



# Statement of Directors' Responsibilities

## Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the 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 have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) 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 they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the financial statements comply with the Companies Act 2006. They 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 the 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 (which is delegated to Foresight Group and incorporated into their website). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement of 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 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 Strategic Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

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

On behalf of the Board

**John Gregory**

Chairman

27 April 2016

# Unaudited Non-Statutory Analysis of the Share Classes

## Income Statements

for the year ended 31 December 2015

|                                                             | Ordinary Shares Fund |                |                | Planned Exit Shares Fund |               |               | Infrastructure Shares Fund |             |             |
|-------------------------------------------------------------|----------------------|----------------|----------------|--------------------------|---------------|---------------|----------------------------|-------------|-------------|
|                                                             | Revenue              | Capital        | Total          | Revenue                  | Capital       | Total         | Revenue                    | Capital     | Total       |
|                                                             | £'000                | £'000          | £'000          | £'000                    | £'000         | £'000         | £'000                      | £'000       | £'000       |
| Realised losses on investments                              | —                    | (8,525)        | (8,525)        | —                        | (124)         | (124)         | —                          | —           | —           |
| Investment holding gains/(losses)                           | —                    | 5,120          | 5,120          | —                        | (120)         | (120)         | —                          | 183         | 183         |
| Income                                                      | 1,072                | —              | 1,072          | (150)                    | —             | (150)         | 639                        | —           | 639         |
| Investment management fees                                  | (270)                | (809)          | (1,079)        | (10)                     | (31)          | (41)          | (39)                       | (118)       | (157)       |
| Other expenses                                              | (435)                | —              | (435)          | (37)                     | —             | (37)          | (144)                      | —           | (144)       |
| <b>Return/(loss) on ordinary activities before taxation</b> | <b>367</b>           | <b>(4,214)</b> | <b>(3,847)</b> | <b>(197)</b>             | <b>(275)</b>  | <b>(472)</b>  | <b>456</b>                 | <b>65</b>   | <b>521</b>  |
| Taxation                                                    | 24                   | —              | 24             | —                        | —             | —             | (76)                       | 52          | (24)        |
| <b>Return/(loss) on ordinary activities after taxation</b>  | <b>391</b>           | <b>(4,214)</b> | <b>(3,823)</b> | <b>(197)</b>             | <b>(275)</b>  | <b>(472)</b>  | <b>380</b>                 | <b>117</b>  | <b>497</b>  |
| <b>Return/(loss) per share</b>                              | <b>0.7p</b>          | <b>(7.4)p</b>  | <b>(6.7)p</b>  | <b>(3.1)p</b>            | <b>(4.4)p</b> | <b>(7.5)p</b> | <b>2.2p</b>                | <b>0.7p</b> | <b>2.9p</b> |

## Balance Sheets

at 31 December 2015

|                                                       | Ordinary<br>Shares<br>Fund<br>£'000 | Planned<br>Exit Shares<br>Fund<br>£'000 | Infrastructure<br>Shares<br>Fund<br>£'000 |
|-------------------------------------------------------|-------------------------------------|-----------------------------------------|-------------------------------------------|
| <b>Fixed assets</b>                                   |                                     |                                         |                                           |
| Investments held at fair value through profit or loss | 58,112                              | 3,822                                   | 30,303                                    |
| <b>Current assets</b>                                 |                                     |                                         |                                           |
| Debtors                                               | 1,445                               | 91                                      | 383                                       |
| Money market securities and other deposits            | 14,812                              | 76                                      | —                                         |
| Cash                                                  | 2,138                               | 278                                     | 465                                       |
|                                                       | 18,395                              | 445                                     | 848                                       |
| <b>Creditors</b>                                      |                                     |                                         |                                           |
| Amounts falling due within one year                   | (709)                               | (19)                                    | (1,119)                                   |
| <b>Net current assets/(liabilities)</b>               | <b>17,686</b>                       | <b>426</b>                              | <b>(271)</b>                              |
| <b>Net assets</b>                                     | <b>75,798</b>                       | <b>4,248</b>                            | <b>30,032</b>                             |
| <b>Capital and reserves</b>                           |                                     |                                         |                                           |
| Called-up share capital                               | 866                                 | 115                                     | 324                                       |
| Share premium account                                 | 60,383                              | 2,118                                   | 14,515                                    |
| Capital redemption reserve                            | 418                                 | 2                                       | 1                                         |
| Distributable reserve                                 | 13,133                              | 3,316                                   | 15,205                                    |
| Capital reserve                                       | 62                                  | (289)                                   | (378)                                     |
| Revaluation reserve                                   | 936                                 | (1,014)                                 | 365                                       |
| <b>Equity shareholders' funds</b>                     | <b>75,798</b>                       | <b>4,248</b>                            | <b>30,032</b>                             |
| Number of shares in issue                             | 86,593,790                          | 11,527,087                              | 32,510,224                                |
| <b>Net asset value per share</b>                      | <b>87.5p</b>                        | <b>36.8p</b>                            | <b>92.4p</b>                              |

At 31 December 2015 there was an inter-share debtor/creditor of £503,000 which has been eliminated on aggregation.



# Unaudited Non-Statutory Analysis of the Share Classes

## Reconciliations of Movements in Shareholders' Funds

for the year ended 31 December 2015

|                                                | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Distributable<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>£'000 |
|------------------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------------|-----------------------------------|-----------------------------|---------------------------------|----------------|
| <b>Ordinary Shares Fund</b>                    |                                        |                                      |                                           |                                   |                             |                                 |                |
| As at 1 January 2015                           | 445                                    | 21,032                               | 401                                       | 17,118                            | 9,396                       | (4,184)                         | 44,208         |
| Share issues in the year                       | 438                                    | 39,950                               | —                                         | —                                 | —                           | —                               | 40,388         |
| Expenses in relation to share issues           | —                                      | (599)                                | —                                         | —                                 | —                           | —                               | (599)          |
| Repurchase of shares                           | (17)                                   | —                                    | 17                                        | (1,354)                           | —                           | —                               | (1,354)        |
| Net realised losses on disposal of investments | —                                      | —                                    | —                                         | —                                 | (8,525)                     | —                               | (8,525)        |
| Investment holding gains                       | —                                      | —                                    | —                                         | —                                 | —                           | 5,120                           | 5,120          |
| Dividends                                      | —                                      | —                                    | —                                         | (3,022)                           | —                           | —                               | (3,022)        |
| Management fees charged to capital             | —                                      | —                                    | —                                         | —                                 | (809)                       | —                               | (809)          |
| Revenue return for the year                    | —                                      | —                                    | —                                         | 391                               | —                           | —                               | 391            |
| <b>As at 31 December 2015</b>                  | <b>866</b>                             | <b>60,383</b>                        | <b>418</b>                                | <b>13,133</b>                     | <b>62</b>                   | <b>936</b>                      | <b>75,798</b>  |

|                                                | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Distributable<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>£'000 |
|------------------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------------|-----------------------------------|-----------------------------|---------------------------------|----------------|
| <b>Planned Exit Shares Fund</b>                |                                        |                                      |                                           |                                   |                             |                                 |                |
| As at 1 January 2015                           | 61                                     | —                                    | 1                                         | 4,909                             | (134)                       | (894)                           | 3,943          |
| Share issues in the year                       | 55                                     | 2,137                                | —                                         | —                                 | —                           | —                               | 2,192          |
| Expenses in relation to share issues           | —                                      | (19)                                 | —                                         | —                                 | —                           | —                               | (19)           |
| Repurchase of shares                           | (1)                                    | —                                    | 1                                         | (35)                              | —                           | —                               | (35)           |
| Net realised losses on disposal of investments | —                                      | —                                    | —                                         | —                                 | (124)                       | —                               | (124)          |
| Investment holding losses                      | —                                      | —                                    | —                                         | —                                 | —                           | (120)                           | (120)          |
| Dividends                                      | —                                      | —                                    | —                                         | (1,361)                           | —                           | —                               | (1,361)        |
| Management fees charged to capital             | —                                      | —                                    | —                                         | —                                 | (31)                        | —                               | (31)           |
| Revenue loss for the year                      | —                                      | —                                    | —                                         | (197)                             | —                           | —                               | (197)          |
| <b>As at 31 December 2015</b>                  | <b>115</b>                             | <b>2,118</b>                         | <b>2</b>                                  | <b>3,316</b>                      | <b>(289)</b>                | <b>(1,014)</b>                  | <b>4,248</b>   |

|                                      | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Distributable<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>£'000 |
|--------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------------|-----------------------------------|-----------------------------|---------------------------------|----------------|
| <b>Infrastructure Shares Fund</b>    |                                        |                                      |                                           |                                   |                             |                                 |                |
| As at 1 January 2015                 | 165                                    | —                                    | 1                                         | 15,268                            | (312)                       | 182                             | 15,304         |
| Share issues in the year             | 159                                    | 14,587                               | —                                         | —                                 | —                           | —                               | 14,746         |
| Expenses in relation to share issues | —                                      | (72)                                 | —                                         | —                                 | —                           | —                               | (72)           |
| Repurchase of shares                 | —                                      | —                                    | —                                         | (29)                              | —                           | —                               | (29)           |
| Investment holding gains             | —                                      | —                                    | —                                         | —                                 | —                           | 183                             | 183            |
| Dividends                            | —                                      | —                                    | —                                         | (414)                             | —                           | —                               | (414)          |
| Management fees charged to capital   | —                                      | —                                    | —                                         | —                                 | (118)                       | —                               | (118)          |
| Tax credited to capital              | —                                      | —                                    | —                                         | —                                 | 52                          | —                               | 52             |
| Revenue return for the year          | —                                      | —                                    | —                                         | 380                               | —                           | —                               | 380            |
| <b>As at 31 December 2015</b>        | <b>324</b>                             | <b>14,515</b>                        | <b>1</b>                                  | <b>15,205</b>                     | <b>(378)</b>                | <b>365</b>                      | <b>30,032</b>  |

# Independent Auditor's Report to the members of Foresight VCT plc only

## Opinions and conclusions arising from our audit

### 1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Foresight VCT plc for the year ended 31 December 2015 set out on pages 55 to 76. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

### 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2014):

#### Valuation of Unquoted Investments: £92.2m (2014: £43.4m)

Refer to page 45 (Audit Committee Report), pages 59 and 61 (accounting policy) and pages 66 to 67 and 69 to 75 (financial statements).

The risk: 83% 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 price of recent orderly transactions, earnings multiples, discounted cash flow measurements, and net assets. There is a significant risk over the valuation of these investments and this is one of the key judgemental areas that our audit focused on.

#### Our response: Our procedures included:

- Documenting and assessing the design and implementation of the investment valuation processes and controls.
- 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.
- Challenging the Investment Manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, challenging the appropriateness of the valuation basis selected as well as underlying assumptions, such as the choice of benchmark for earnings multiples and, where discounted cash flows were used to value any holding, the key assumptions used to produce the cash flow projections and the discount factor applied to those cash flow projections.
- Comparing key underlying financial data inputs to external sources, investee company audited accounts and management information, as applicable.

- Challenging 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.
- Where a recent transaction is used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether they were considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this report.
- Attending the year end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in Note 16 in respect of unquoted investments and the effect of changing one or more inputs to reasonable possible alternative valuation assumptions.

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

The materiality for the financial statements as a whole was set at £1.11 million (2014: £1.27m). This was determined using a benchmark of Total Assets (of which it represents 1% (2014: 2%)), reflecting industry consensus levels.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £56,000 (2014: £64,000) in addition to other audit 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 Manager, Foresight Group, The Shard, 32 London Bridge Street, London SE1 9SG.

### 4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 5 We have nothing to report on the disclosures of principal risks

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

- the directors' viability statement on page 13, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the 3 years to 31 December 2018; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.



## Independent Auditor's Report continued

### **6 We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

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.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 40, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 42 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

### **Scope and responsibilities**

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is

provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

### **Philip Merchant (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

27 April 2016

# Income Statement

for the year ended 31 December 2015

|                                                             |   | Year ended<br>31 December 2015 |                  |                | Year ended<br>31 December 2014 |                  |                |
|-------------------------------------------------------------|---|--------------------------------|------------------|----------------|--------------------------------|------------------|----------------|
|                                                             |   | Revenue<br>£'000               | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000               | Capital<br>£'000 | Total<br>£'000 |
| Realised losses on investments                              |   | —                              | (8,649)          | (8,649)        | —                              | (2,460)          | (2,460)        |
| Investment holding gains                                    |   | —                              | 5,183            | 5,183          | —                              | 5,219            | 5,219          |
| Income                                                      | 2 | 1,561                          | —                | 1,561          | 2,215                          | —                | 2,215          |
| Investment management fees                                  | 3 | (319)                          | (958)            | (1,277)        | (250)                          | (750)            | (1,000)        |
| Other expenses                                              | 4 | (616)                          | —                | (616)          | (374)                          | —                | (374)          |
| <b>Return/(loss) on ordinary activities before taxation</b> |   | <b>626</b>                     | <b>(4,424)</b>   | <b>(3,798)</b> | <b>1,591</b>                   | <b>2,009</b>     | <b>3,600</b>   |
| Taxation                                                    | 6 | (52)                           | 52               | —              | (250)                          | 250              | —              |
| <b>Return/(loss) on ordinary activities after taxation</b>  |   | <b>574</b>                     | <b>(4,372)</b>   | <b>(3,798)</b> | <b>1,341</b>                   | <b>2,259</b>     | <b>3,600</b>   |
| <b>Return/(loss) per share:</b>                             |   |                                |                  |                |                                |                  |                |
| Ordinary Share                                              | 8 | 0.7p                           | (7.4)p           | (6.7)p         | 1.9p                           | 7.4p             | 9.3p           |
| Planned Exit Share                                          | 8 | (3.1)p                         | (4.4)p           | (7.5)p         | 2.6p                           | (12.0)p          | (9.4)p         |
| Infrastructure Share                                        | 8 | 2.2p                           | 0.7p             | 2.9p           | 2.8p                           | 1.0p             | 3.8p           |

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 recognised gains and losses has been presented.

The Notes on pages 59 to 76 form part of these financial statements.



## Reconciliation of Movements in Shareholders' Funds

|                                                | Called-up<br>share<br>capital | Share<br>premium<br>account | Capital<br>redemption<br>reserve | Distributable<br>reserve | Capital<br>reserve | Revaluation<br>reserve | Total          |
|------------------------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------|--------------------|------------------------|----------------|
| Year ended 31 December 2015                    | £'000                         | £'000                       | £'000                            | £'000                    | £'000              | £'000                  | £'000          |
| As at 1 January 2015                           | 671                           | 21,032                      | 403                              | 37,295                   | 8,950              | (4,896)                | 63,455         |
| Share issues in the year                       | 652                           | 56,674                      | —                                | —                        | —                  | —                      | 57,326         |
| Expenses in relation to share issues           | —                             | (690)                       | —                                | —                        | —                  | —                      | (690)          |
| Repurchase of shares                           | (18)                          | —                           | 18                               | (1,418)                  | —                  | —                      | (1,418)        |
| Net realised losses on disposal of investments | —                             | —                           | —                                | —                        | (8,649)            | —                      | (8,649)        |
| Investment holding gains                       | —                             | —                           | —                                | —                        | —                  | 5,183                  | 5,183          |
| Dividends                                      | —                             | —                           | —                                | (4,797)                  | —                  | —                      | (4,797)        |
| Management fees charged to capital             | —                             | —                           | —                                | —                        | (958)              | —                      | (958)          |
| Tax credited to capital                        | —                             | —                           | —                                | —                        | 52                 | —                      | 52             |
| Revenue return for the year                    | —                             | —                           | —                                | 574                      | —                  | —                      | 574            |
| <b>As at 31 December 2015</b>                  | <b>1,305</b>                  | <b>77,016</b>               | <b>421</b>                       | <b>31,654</b>            | <b>(605)</b>       | <b>287</b>             | <b>110,078</b> |

|                                                      | Called-up<br>share<br>capital | Share<br>premium<br>account | Capital<br>redemption<br>reserve | Distributable<br>reserve | Capital<br>reserve | Revaluation<br>reserve | Total         |
|------------------------------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------|--------------------|------------------------|---------------|
| Year ended 31 December 2014                          | £'000                         | £'000                       | £'000                            | £'000                    | £'000              | £'000                  | £'000         |
| As at 1 January 2014                                 | 535                           | 7,660                       | 397                              | 46,512                   | 6,415              | (10,115)               | 51,404        |
| Share issues in the year                             | 142                           | 13,964                      | —                                | —                        | —                  | —                      | 14,106        |
| Expenses in relation to share issues                 | —                             | (592)                       | —                                | (101)                    | —                  | —                      | (693)         |
| Repurchase of shares                                 | (6)                           | —                           | 6                                | (576)                    | —                  | —                      | (576)         |
| Net realised losses on disposal of investments       | —                             | —                           | —                                | —                        | (2,460)            | —                      | (2,460)       |
| Investment holding gains                             | —                             | —                           | —                                | —                        | —                  | 5,219                  | 5,219         |
| Dividends                                            | —                             | —                           | —                                | (4,406)                  | —                  | —                      | (4,406)       |
| Reallocation of dividends*                           | —                             | —                           | —                                | (8,432)                  | 8,432              | —                      | —             |
| Investment transaction costs                         | —                             | —                           | —                                | 20                       | —                  | —                      | 20            |
| Management fees charged to capital                   | —                             | —                           | —                                | —                        | (750)              | —                      | (750)         |
| Reallocation of management fees charged to capital** | —                             | —                           | —                                | 2,937                    | (2,937)            | —                      | —             |
| Tax credited to capital                              | —                             | —                           | —                                | —                        | 250                | —                      | 250           |
| Revenue return for the year                          | —                             | —                           | —                                | 1,341                    | —                  | —                      | 1,341         |
| <b>As at 31 December 2014</b>                        | <b>671</b>                    | <b>21,032</b>               | <b>403</b>                       | <b>37,295</b>            | <b>8,950</b>       | <b>(4,896)</b>         | <b>63,455</b> |

\* Dividends were reallocated to the Distributable reserve in 2014, which the Directors felt was more appropriate treatment.

\*\* Management fees charged to capital were reallocated to the Capital reserve in 2014, which the Directors felt was more appropriate treatment.

The notes on pages 59 to 76 form part of these financial statements.

# Balance Sheet

at 31 December 2015

Registered Number: 03421340

|                                                       | Notes | As at<br>31 December<br>2015<br>£'000 | As at<br>31 December<br>2014<br>£'000 |
|-------------------------------------------------------|-------|---------------------------------------|---------------------------------------|
| <b>Fixed assets</b>                                   |       |                                       |                                       |
| Investments held at fair value through profit or loss | 10    | 92,237                                | 43,370                                |
| <b>Current assets</b>                                 |       |                                       |                                       |
| Debtors                                               | 11    | 1,416                                 | 5,849                                 |
| Money market securities and other deposits            |       | 14,888                                | 7,156                                 |
| Cash                                                  |       | 2,881                                 | 7,352                                 |
|                                                       |       | 19,185                                | 20,357                                |
| <b>Creditors</b>                                      |       |                                       |                                       |
| Amounts falling due within one year                   | 12    | (1,344)                               | (272)                                 |
| Net current assets                                    |       | 17,841                                | 20,085                                |
| <b>Net assets</b>                                     |       | 110,078                               | 63,455                                |
| <b>Capital and reserves</b>                           |       |                                       |                                       |
| Called-up share capital                               | 13    | 1,305                                 | 671                                   |
| Share premium account                                 |       | 77,016                                | 21,032                                |
| Capital redemption reserve                            |       | 421                                   | 403                                   |
| Distributable reserve                                 |       | 31,654                                | 37,295                                |
| Capital reserve                                       |       | (605)                                 | 8,950                                 |
| Revaluation reserve                                   |       | 287                                   | (4,896)                               |
| <b>Equity shareholders' funds</b>                     |       | 110,078                               | 63,455                                |
| <b>Net asset value per share:</b>                     |       |                                       |                                       |
| Ordinary Share                                        | 14    | 87.5p                                 | 99.4p                                 |
| Planned Exit Share                                    | 14    | 36.8p                                 | 65.0p                                 |
| Infrastructure Share                                  | 14    | 92.4p                                 | 92.4p                                 |

The financial statements on pages 55 to 76 were approved by the Board of Directors and authorised for issue on 27 April 2016 and were signed on its behalf by:

John Gregory  
Director

The notes on pages 59 to 76 form part of these financial statements.



# Cash Flow Statement

for the year ended 31 December 2015

|                                                                 | Year<br>ended<br>31 December<br>2015<br>£'000 | Year<br>ended<br>31 December<br>2014<br>£'000 |
|-----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Cash flow from operating activities</b>                      |                                               |                                               |
| Deposit and similar interest received                           | 71                                            | 32                                            |
| Investment management fees paid                                 | (1,277)                                       | (980)                                         |
| Secretarial fees paid                                           | (100)                                         | (100)                                         |
| Other cash payments                                             | (340)                                         | (118)                                         |
| Taxation                                                        | —                                             | —                                             |
| <b>Net cash outflow from operating activities</b>               | <b>(1,646)</b>                                | <b>(1,166)</b>                                |
| <b>Returns on investing activities</b>                          |                                               |                                               |
| Purchase of unquoted investments and investments quoted on AiM  | (16,028)                                      | (10,652)                                      |
| Net proceeds on sale of investments                             | 4,415                                         | 7,615                                         |
| Net proceeds on deferred consideration                          | 725                                           | 644                                           |
| Investment income received                                      | 1,762                                         | 1,483                                         |
| Cash held on behalf of investee companies                       | 213                                           | —                                             |
| <b>Net capital outflow from investing activities</b>            | <b>(8,913)</b>                                | <b>(910)</b>                                  |
| <b>Financing</b>                                                |                                               |                                               |
| Proceeds of fund raising                                        | 18,936                                        | 9,613                                         |
| Expenses of fund raising                                        | (517)                                         | (453)                                         |
| Repurchase of own shares                                        | (1,068)                                       | (579)                                         |
| Equity dividends paid                                           | (4,690)                                       | (4,290)                                       |
| Cash acquired on merger with Foresight 2 VCT plc                | 1,159                                         | —                                             |
| Movement in money market funds                                  | (7,732)                                       | (26)                                          |
|                                                                 | <b>6,088</b>                                  | <b>4,265</b>                                  |
| <b>Net (outflow)/inflow of cash in the year</b>                 | <b>(4,471)</b>                                | <b>2,189</b>                                  |
| <b>Reconciliation of net cash flow to movement in net funds</b> |                                               |                                               |
| (Decrease)/increase in cash and cash equivalents for the year   | (4,471)                                       | 2,189                                         |
| Net cash and cash equivalents at start of year                  | 7,352                                         | 5,163                                         |
| <b>Net cash and cash equivalents at end of year</b>             | <b>2,881</b>                                  | <b>7,352</b>                                  |

## Analysis of changes in net debt

|                           | At 1<br>January<br>2015<br>£'000 | Cash flow<br>£'000 | At 31<br>December<br>2015<br>£'000 |
|---------------------------|----------------------------------|--------------------|------------------------------------|
| Cash and cash equivalents | 7,352                            | (4,471)            | <b>2,881</b>                       |

The notes on pages 59 to 76 form part of these financial statements.

# Notes to the Accounts

for the year ended 31 December 2015

## 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) and the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in January 2009.

All old UK GAAP Financial Reporting Standards have been withdrawn for reporting periods starting on or after 1 January 2015 and replaced with FRS 102 under new UK GAAP. As a result, these accounts have been prepared under FRS 102. There were no adjustments to the Company's Income Statement or Balance Sheet at 1 January 2014 or 31 December 2014 on transition to FRS 102. The Company's Cash Flow Statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1.

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.

### 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 Valuation ("IPEVCV") guidelines, as updated in December 2012. 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.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV 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 arm's 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 Investment 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 discussion with the Investment Manager, will agree the values that reflect 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 has the right to receive the premium and expects to do so.

(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 data from comparable companies in the sector but with the resulting value being adjusted to reflect points of difference identified by the Investment Manager including, inter alia, a lack of marketability).



# Notes to the Accounts

for the year ended 31 December 2015

## 1 Accounting policies (continued)

### 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 loan or deposit interest is included on an accruals basis. Redemption premiums are recognised on an effective interest rate basis where there is reasonable certainty that the redemption premiums will be paid. Where uncertainty exists they will be recognised on realisation of investment.

### 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 will relate predominantly to the capital performance of the portfolio and will therefore be charged 100% to capital. The liability is recognised when the related distribution to shareholders is made.

### e) Financial instruments

During the course of the year the Company held non-current asset investments, shares in OEICs ('Open Ended Investment Companies'), money-market funds and cash balances and derivatives. The Company holds financial assets that comprise investments in unlisted companies, qualifying loans, and shares in companies on the Alternative Investment Market. The carrying value for all financial assets and liabilities is fair value.

### f) 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.

### g) Deferred taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. In accordance with FRS 19 'Deferred Tax', a provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes.

### h) 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;
- Transaction costs incurred in the acquisition 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.

## 1 Accounting policies (continued)

### i) 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 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.

### j) Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at their carrying values. Liquid resources comprise money market funds.

### k) Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control of the acquiree is transferred to the Company.

At the acquisition date, the Company recognises goodwill as the difference between the cost of the business combination and the Company's interest in the net amount of the identifiable assets, liabilities and provisions for contingent liabilities (at their fair values).

The cost of the business combination is the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, in exchange for control of the acquiree.

Directly attributable transaction costs have been recognised in the Income Statement.

### l) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year, or in the year of the revision and future years if the revision affects both current and future years. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (i) Fair value of investments

The fair value of the investments is determined by using valuation techniques. The Directors base the fair value of the investments based on information received from the Manager. The Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines, as described more fully in accounting policy 1(b) and note 16.

## 2 Income

|                                                          | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|----------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Loan stock interest                                      | 1,435                                      | 1,869                                      |
| Dividends                                                | 55                                         | 314                                        |
| Overseas based Open Ended Investment Companies ("OEICs") | 71                                         | 32                                         |
|                                                          | 1,561                                      | 2,215                                      |

The Directors are of the opinion that the Company is engaged in a single segment of business and therefore no segmental reporting is provided.



# Notes to the Accounts

for the year ended 31 December 2015

## 3 Investment management fees

|                                                           | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|-----------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Investment management fees charges to the revenue account | 319                                        | 250                                        |
| Investment management fees charges to the capital account | 958                                        | 750                                        |
|                                                           | <b>1,277</b>                               | <b>1,000</b>                               |

Foresight Group 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.

Foresight Group has received an annual management fee of 2% of the net assets of the Ordinary Shares fund (adjusted to reflect quoted investments at mid-market prices), 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 2015. The annual management fees are calculated and payable quarterly in advance.

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 portfolio companies in which the Company invests.

Foresight Fund Managers Limited is the Company Secretary and received annual fees for the services provided of £100,000 (2014: £100,000), excluding VAT. Following the merger, the annual secretarial fee for the enlarged entity is now £110,000 excluding VAT.

## 4 Other expenses

|                                                                               | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|-------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Accounting and secretarial services excluding VAT                             | 100                                        | 100                                        |
| Directors' remuneration including employer's National Insurance contributions | 78                                         | 76                                         |
| Auditor's remuneration excluding VAT                                          |                                            |                                            |
| — audit services                                                              | 32                                         | 24                                         |
| — taxation services                                                           | 6                                          | 6                                          |
| Merger costs                                                                  | 225                                        | —                                          |
| Other                                                                         | 175                                        | 168                                        |
|                                                                               | <b>616</b>                                 | <b>374</b>                                 |

## 5 Directors' remuneration

|                                                | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|------------------------------------------------|--------------------------------------------|--------------------------------------------|
| John Gregory                                   | 28                                         | 28                                         |
| Peter Dicks                                    | 21                                         | 21                                         |
| Gordon Humphries                               | 23                                         | 23                                         |
| Jocelin Harris                                 | 1                                          | —                                          |
|                                                | <b>73</b>                                  | <b>72</b>                                  |
| Employers' NIC and VAT on above as appropriate | 5                                          | 4                                          |
|                                                | <b>78</b>                                  | <b>76</b>                                  |

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 48.

## 6 Tax on ordinary activities

Analysis of charge in the year:

|                   | Year ended<br>31 December 2015 |                  |                | Year ended<br>31 December 2014 |                  |                |
|-------------------|--------------------------------|------------------|----------------|--------------------------------|------------------|----------------|
|                   | Revenue<br>£'000               | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000               | Capital<br>£'000 | Total<br>£'000 |
| Current tax       |                                |                  |                |                                |                  |                |
| Corporation tax   | (52)                           | 52               | —              | (250)                          | 250              | —              |
| Total current tax | (52)                           | 52               | —              | (250)                          | 250              | —              |
| Deferred tax      | —                              | —                | —              | —                              | —                | —              |
| Total tax         | (52)                           | 52               | —              | (250)                          | 250              | —              |

|                                                            | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Total (loss)/return on ordinary activities before taxation | (3,798)                                    | 3,600                                      |
| Corporation tax at 20.25% (2014: 21.5%)                    | (769)                                      | 774                                        |
| Capital realised losses not relivable                      | 1,751                                      | 529                                        |
| Capital unrealised gains not taxable                       | (1,050)                                    | (1,122)                                    |
| Movement in unutilised expenses                            | 79                                         | (113)                                      |
| Dividends not taxable                                      | (11)                                       | (68)                                       |
| <b>Current tax charge for the year</b>                     | <b>—</b>                                   | <b>—</b>                                   |

The UK corporation tax rate reduced from 21% to 20% (effective 1 April 2015). This resulted in a weighted average rate of 20.25% for the year ended 31 December 2015 (2014: 21.49%). Further reductions to the UK Corporation tax rate were substantively enacted in Finance (No 2) Bill 2015, reducing the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. 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.



# Notes to the Accounts

for the year ended 31 December 2015

## 7 Dividends

|                              | Year ended<br>31 December<br>2015<br>£'000 | Year ended<br>31 December<br>2014<br>£'000 |
|------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Ordinary Shares</b>       |                                            |                                            |
| Dividends — paid in the year | 3,022                                      | 3,535                                      |
| <b>Planned Exit Shares</b>   |                                            |                                            |
| Dividends — paid in the year | 1,361                                      | 456                                        |
| <b>Infrastructure Shares</b> |                                            |                                            |
| Dividends — paid in the year | 414                                        | 415                                        |

The Board is not recommending a final dividend for the Ordinary Shares fund for the year ended 31 December 2015 (2014: £nil). An interim dividend of 7.0p per Ordinary Share was paid on 1 April 2016 (2014: 6.0p).

The Board is not recommending a final dividend for the Planned Exit Shares fund for the year ended 31 December 2015 (2014: £nil).

The Board is not recommending a final dividend for the Infrastructure Shares fund for the year ended 31 December 2015 (2014: £nil). An interim dividend of 2.5p per Infrastructure Share was paid on 11 March 2016 (2014: 2.5p).

As at 31 December 2015, reserves available for dividend distribution total £31,757,000 (2014: £41,752,000) comprising the revenue, capital and distributable reserves, less the net unrealised loss on those investments whose prices are quoted in an active market and deemed readily realisable.

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 interim dividends satisfies this requirement.

## 8 Return per share

|                                                        | Year ended 31 December 2015 |                                |                                  | Year ended 31 December 2014 |                                |                                  |
|--------------------------------------------------------|-----------------------------|--------------------------------|----------------------------------|-----------------------------|--------------------------------|----------------------------------|
|                                                        | Ordinary<br>Share<br>£'000  | Planned Exit<br>Share<br>£'000 | Infrastructure<br>Share<br>£'000 | Ordinary<br>Share<br>£'000  | Planned Exit<br>Share<br>£'000 | Infrastructure<br>Share<br>£'000 |
| Total return after taxation                            | (3,823)                     | (472)                          | 497                              | 3,551                       | (576)                          | 625                              |
| <b>Total return per share (note a)</b>                 | <b>(6.7)p</b>               | <b>(7.5)p</b>                  | <b>2.9p</b>                      | 9.3p                        | (9.4)p                         | 3.8p                             |
| Revenue return from ordinary activities after taxation | 391                         | (197)                          | 380                              | 713                         | 158                            | 470                              |
| <b>Revenue return per share (note b)</b>               | <b>0.7p</b>                 | <b>(3.1)p</b>                  | <b>2.2p</b>                      | 1.9p                        | 2.6p                           | 2.8p                             |
| Capital return from ordinary shares after taxation     | (4,214)                     | 275                            | 117                              | 2,838                       | (734)                          | 155                              |
| <b>Capital return per share (note c)</b>               | <b>(7.4)p</b>               | <b>(4.4)p</b>                  | <b>0.7p</b>                      | 7.4p                        | (12.0)p                        | 1.0p                             |
| Weighted average number of shares in issue in the year | 56,855,338                  | 6,256,492                      | 17,169,610                       | 38,040,734                  | 6,095,558                      | 16,613,023                       |

Notes:

a) Total return per share is total return after taxation divided by the weighted average number of shares in issue during the year.

b) Revenue return per share is revenue return after taxation divided by the weighted average number of shares in issue during the year.

c) Capital return per share is capital return after taxation divided by the weighted average number of shares in issue during the year.

## 9 Acquisitions of businesses

### Acquisition in the year

On 18 December 2015, the Company acquired all of the assets and liabilities of Foresight 2 VCT plc for the issue of consideration shares on a relative net asset basis.

### Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

|                                                       | Book values in<br>Foresight 2 VCT<br>plc<br>£'000 | Fair value<br>adjustments<br>£'000 | Recognised<br>values<br>on acquisition<br>£'000 |
|-------------------------------------------------------|---------------------------------------------------|------------------------------------|-------------------------------------------------|
| <b>Acquiree's net assets at the acquisition date:</b> |                                                   |                                    |                                                 |
| Investments                                           | 40,808                                            | —                                  | 40,808                                          |
| Trade and other debtors                               | 597                                               | —                                  | 597                                             |
| Money market securities                               | 2                                                 | —                                  | 2                                               |
| Cash                                                  | 1,159                                             | —                                  | 1,159                                           |
| Trade and other creditors                             | (459)                                             | —                                  | (459)                                           |
| <b>Net identifiable assets and liabilities</b>        | <b>42,107</b>                                     | <b>—</b>                           | <b>42,107</b>                                   |

### Total cost of business combination:

|                             |               |
|-----------------------------|---------------|
| Consideration paid:         |               |
| Consideration shares issued | 42,107        |
| <b>Total consideration</b>  | <b>42,107</b> |
| Goodwill on acquisition     | —             |

Included in the Income Statement for the year ended 31 December 2015 is £20,000 in income from the portfolio companies acquired from Foresight 2 VCT plc, less £145,000 in income written off against underperforming investments at the year end. The loss attributable to Foresight 2 VCT plc from the period since the acquisition totalled £143,000.



# Notes to the Accounts

for the year ended 31 December 2015

## 10 Investments

| Company              | 2015<br>£'000 | 2014<br>£'000 |
|----------------------|---------------|---------------|
| Quoted investments   | 47            | —             |
| Unquoted investments | 92,190        | 43,370        |
|                      | <b>92,237</b> | <b>43,370</b> |

| Company                              | Quoted<br>£'000 | Unquoted<br>£'000 | Total<br>£'000 |
|--------------------------------------|-----------------|-------------------|----------------|
| Book cost as at 1 January 2015       | —               | 48,647            | 48,647         |
| Investment holding losses            | —               | (5,277)           | (5,277)        |
| Valuation at 1 January 2015          | —               | 43,370            | 43,370         |
| Movements in the period:             |                 |                   |                |
| Purchases at cost*                   | —               | 16,182            | 16,182         |
| Acquired on merger                   | 44              | 40,764            | 40,808         |
| Disposal proceeds                    | —               | (4,415)           | (4,415)        |
| Realised losses**                    | —               | (9,073)           | (9,073)        |
| Investment holding gains**           | 3               | 5,362             | 5,365          |
| <b>Valuation at 31 December 2015</b> | <b>47</b>       | <b>92,190</b>     | <b>92,237</b>  |
| Book cost at 31 December 2015        | 44              | 92,105            | 92,149         |
| Investment holding gains             | 3               | 85                | 88             |
| <b>Valuation at 31 December 2015</b> | <b>47</b>       | <b>92,190</b>     | <b>92,237</b>  |

| Ordinary Shares Fund                 | Quoted<br>£'000 | Unquoted<br>£'000 | Total<br>£'000 |
|--------------------------------------|-----------------|-------------------|----------------|
| Book cost as at 1 January 2015       | —               | 29,339            | 29,339         |
| Investment holding losses            | —               | (4,565)           | (4,565)        |
| Valuation at 1 January 2015          | —               | 24,774            | 24,774         |
| Movements in the period:             |                 |                   |                |
| Purchases at cost*                   | —               | 16,180            | 16,180         |
| Acquired on merger                   | 44              | 23,662            | 23,706         |
| Disposal proceeds                    | —               | (2,901)           | (2,901)        |
| Realised losses**                    | —               | (8,949)           | (8,949)        |
| Investment holding gains**           | 3               | 5,299             | 5,302          |
| <b>Valuation at 31 December 2015</b> | <b>47</b>       | <b>58,065</b>     | <b>58,112</b>  |
| Book cost at 31 December 2015        | 44              | 57,331            | 57,375         |
| Investment holding gains             | 3               | 734               | 737            |
| <b>Valuation at 31 December 2015</b> | <b>47</b>       | <b>58,065</b>     | <b>58,112</b>  |

\*Capitalised interest of £153,000 was recognised by the Ordinary Shares fund in the year, and is included within purchases at cost.

\*\*Deferred consideration of £725,000 was received by the Ordinary Shares fund in the year and is included within realised losses in the income statement. This was offset by a decrease in the deferred consideration debtor of £483,000, of which £182,000 is included within investment holding gains in the income statement.

**10 Investments (continued)**

|                                      | Quoted<br>£'000 | Unquoted<br>£'000 | Total<br>£'000 |
|--------------------------------------|-----------------|-------------------|----------------|
| <b>Planned Exit Shares Fund</b>      |                 |                   |                |
| Book cost as at 1 January 2015       | —               | 4,514             | 4,514          |
| Investment holding losses            | —               | (894)             | (894)          |
| Valuation at 1 January 2015          | —               | 3,620             | 3,620          |
| Movements in the period:             |                 |                   |                |
| Purchases at cost                    | —               | 2                 | 2              |
| Acquired on merger                   | —               | 1,958             | 1,958          |
| Disposal proceeds                    | —               | (1,514)           | (1,514)        |
| Realised losses                      | —               | (124)             | (124)          |
| Investment holding losses            | —               | (120)             | (120)          |
| <b>Valuation at 31 December 2015</b> | <b>—</b>        | <b>3,822</b>      | <b>3,822</b>   |
| Book cost at 31 December 2015        | —               | 4,836             | 4,836          |
| Investment holding losses            | —               | (1,014)           | (1,014)        |
| <b>Valuation at 31 December 2015</b> | <b>—</b>        | <b>3,822</b>      | <b>3,822</b>   |
|                                      |                 |                   |                |
|                                      | Quoted<br>£'000 | Unquoted<br>£'000 | Total<br>£'000 |
| <b>Infrastructure Shares Fund</b>    |                 |                   |                |
| Book cost as at 1 January 2015       | —               | 14,794            | 14,794         |
| Investment holding gains             | —               | 182               | 182            |
| Valuation at 1 January 2015          | —               | 14,976            | 14,976         |
| Movements in the period:             |                 |                   |                |
| Acquired on merger                   | —               | 15,144            | 15,144         |
| Investment holding gains             | —               | 183               | 183            |
| <b>Valuation at 31 December 2015</b> | <b>—</b>        | <b>30,303</b>     | <b>30,303</b>  |
| Book cost at 31 December 2015        | —               | 29,938            | 29,938         |
| Investment holding gains             | —               | 365               | 365            |
| <b>Valuation at 31 December 2015</b> | <b>—</b>        | <b>30,303</b>     | <b>30,303</b>  |

As permitted by Financial Reporting Standard 9, "Associates and Joint Ventures", 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.

**11 Debtors**

|                        | 2015<br>£'000 | 2014<br>£'000 |
|------------------------|---------------|---------------|
| Accrued interest       | 1,134         | 945           |
| Deferred consideration | 261           | 744           |
| Prepayments            | 21            | 17            |
| Allotment debtor*      | —             | 4,143         |
|                        | <b>1,416</b>  | <b>5,849</b>  |

\* Amounts owed from the Company's receiving agent for the allotment dated 22 December 2014. This was received in February 2015.

# Notes to the Accounts

for the year ended 31 December 2015

## 12 Creditors: amounts falling due within one year

|                              | 2015<br>£'000 | 2014<br>£'000 |
|------------------------------|---------------|---------------|
| Accruals and other creditors | 1,344         | 272           |
|                              | 1,344         | 272           |

## 13 Called-up share capital

|                                                                | 2015<br>£'000 | 2014<br>£'000 |
|----------------------------------------------------------------|---------------|---------------|
| Allotted, called-up and fully paid:                            |               |               |
| 86,593,790 Ordinary Shares of 1p each (2014: 44,485,151)       | 866           | 445           |
| 11,527,087 Planned Exit Shares of 1p each (2014: 6,063,626)    | 115           | 61            |
| 32,510,224 Infrastructure Shares of 1p each (2014: 16,567,066) | 324           | 165           |

### Other Share Issues and Share Buybacks

Under an offer for subscription dated 31 October 2014, 15,080,040 Ordinary Shares were issued during the year, based on net values ranging from 93.4p to 101.1p per share.

On 23 March 2015 the Company allotted 106,287 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 99.4p per share.

On 18 December 2015 the Company merged with Foresight 2 VCT plc by way of a scheme of reconstruction. The assets and liabilities of Foresight 2 VCT plc were transferred to the Company for the issue of consideration shares as follows: 28,590,057 Ordinary Shares, 5,535,509 Planned Exit Shares and 15,975,510 Infrastructure Shares.

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 active buyback programme, during the period, 1,667,745 Ordinary Shares were purchased for cancellation at a cost of £1,354,000, 72,048 Planned Exit Shares for cancellation at a cost of £35,000, and 32,352 Infrastructure Shares for cancellation at a cost of £29,000.

|                            | Ordinary<br>Shares<br>No. | Planned Exit<br>Shares<br>No. | Infrastructure<br>Shares<br>No. |
|----------------------------|---------------------------|-------------------------------|---------------------------------|
| At 1 January 2015          | 44,485,151                | 6,063,626                     | 16,567,066                      |
| Share issues               | 15,080,040                | —                             | —                               |
| Dividend reinvestment      | 106,287                   | —                             | —                               |
| Consideration share issues | 28,590,057                | 5,535,509                     | 15,975,510                      |
| Share buybacks             | (1,667,745)               | (72,048)                      | (32,352)                        |
| At 31 December 2015        | 86,593,790                | 11,527,087                    | 32,510,224                      |

## 14 Net asset value per share

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

|                           | 31 December 2015           |                                |                                  | 31 December 2014           |                                |                                  |
|---------------------------|----------------------------|--------------------------------|----------------------------------|----------------------------|--------------------------------|----------------------------------|
|                           | Ordinary<br>Shares<br>Fund | Planned<br>Exit Shares<br>Fund | Infrastructure<br>Shares<br>Fund | Ordinary<br>Shares<br>Fund | Planned<br>Exit Shares<br>Fund | Infrastructure<br>Shares<br>Fund |
| Net assets                | £75,798,000                | £4,248,000                     | £30,032,000                      | £44,208,000                | £3,943,000                     | £15,304,000                      |
| No. of shares at year end | 86,593,790                 | 11,527,087                     | 32,510,224                       | 44,485,151                 | 6,063,626                      | 16,567,066                       |
| Net asset value per share | 87.5p                      | 36.8p                          | 92.4p                            | 99.4p                      | 65.0p                          | 92.4p                            |

## 15 Performance-related incentive

As noted in the prospectus (and the merger documentation between the Company and Foresight 2 VCT plc) the Board are considering what, if any, performance incentive arrangements with the Manager should be implemented relating to the Ordinary Shares fund. If, following these deliberations, the Board believes a performance incentive arrangement with the Manager is appropriate, it will seek Shareholder approval for any such arrangements before they are implemented. The Board expects to write to Shareholders definitively on any proposals (or confirmation of lack thereof) during 2016.

## 16 Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Company are:

- Economic risk — events such as an economic recession and movement in interest rates could affect smaller companies' performance and valuations.
- Loss of approval as a Venture Capital Trust — the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from corporation tax on investment gains. Any breach of these rules may lead to: the Company losing its approval as a VCT; qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained; and future dividends paid by the Company becoming subject to tax in the hands of investors. The Company would also lose its exemption from corporation tax on capital gains.
- Investment and strategic — inappropriate strategy, poor asset allocation or consistently weak stock selection leading to under performance and poor returns to shareholders.
- Regulatory — the Company is required to comply with the Companies Acts 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Reputational — inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.
- Operational — failure of the Manager's or Company Secretary's accounting systems or disruption to its business leading to an inability to provide accurate reporting and monitoring.
- Financial — inadequate controls might lead to misappropriation or loss of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Additional financial risks, including interest rate, credit, market price and currency, are detailed later in this note.
- Market risk — investment in AiM traded, ISDX Growth Market traded and unquoted companies by its nature involves a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.
- Liquidity risk — the Company's investments, both unquoted and quoted, may be difficult to realise. Furthermore, the fact that a share is traded on AIM or ISDX Growth Markets does not guarantee that it can be realised. The spread between the buying and selling price of such shares may not reflect the price that any realisation is actually made.

The Board regularly reviews the principal risks and uncertainties facing the Company which the Board and the Manager have identified and the Board sets out delegated controls designed to manage those risks and uncertainties. Key risks within investment strategy are managed by the Board through a defined investment policy, with guidelines and restrictions, and by the process of oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered at least annually and regulatory compliance is reviewed at each Board meeting. The Directors have adopted a robust framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and provide a monitoring system to enable the Directors to mitigate these risks as far as possible. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections.



# Notes to the Accounts

for the year ended 31 December 2015

## 16 Principal risks, risk management and regulatory environment (continued)

### 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.

The Company's financial instruments comprise:

### Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 December 2015:

|                                                | Company      |              |
|------------------------------------------------|--------------|--------------|
|                                                | 2015         | 2014         |
|                                                | (Fair value) | (Fair value) |
|                                                | £'000        | £'000        |
| Investment portfolio                           | 92,237       | 43,370       |
| Current asset investments (money market funds) | 14,888       | 7,156        |
| Cash at bank                                   | 2,881        | 7,352        |
|                                                | 110,006      | 57,878       |

Loans to investee companies are treated as fair value through profit and loss and are included in the investment portfolio.

The investment portfolio consists of unquoted investments and qualifying loan stock valued at fair value. Current asset investments are money market funds, discussed under credit risk management below.

The investment portfolio has a high concentration of risk towards small UK-based companies, the majority being unquoted sterling denominated equity and loan stock holdings (83.7% of net assets).

An analysis of the maturity of the assets of the Company above, where this is relevant, is provided on the next page. These are assets subject to interest rate risk. There are no liabilities of significance to these accounts that mature beyond one month from the balance sheet date.

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

Detailed below is a summary of the financial risks to which the Company is exposed.

### 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 £50,666,000 at 31 December 2015 (31 December 2014: £26,048,000).

## 16 Principal risks, risk management and regulatory environment (continued)

### Financial instrument risk management (continued)

| Company Portfolio                         | Total portfolio  |                  | Weighted average interest rate |                  | Weighted average time for which rate is fixed |                  |
|-------------------------------------------|------------------|------------------|--------------------------------|------------------|-----------------------------------------------|------------------|
|                                           | 31 December 2015 | 31 December 2014 | 31 December 2015               | 31 December 2014 | 31 December 2015                              | 31 December 2014 |
|                                           | £'000            | £'000            | %                              | %                | Days                                          | Days             |
| Short-term fixed interest securities      |                  |                  |                                |                  |                                               |                  |
| — exposed to cash flow interest rate risk | 14,888           | 7,156            | 0.4                            | 0.4              | —                                             | —                |
| Loan stock                                |                  |                  |                                |                  |                                               |                  |
| — exposed to fixed interest risk          | 35,117           | 18,628           | 10.8                           | 10.6             | 994                                           | 1,031            |
| Loan stock                                |                  |                  |                                |                  |                                               |                  |
| — exposed to variable interest rate risk  | 661              | 264              | 8.6                            | 4.5              | —                                             | —                |
| Total exposed to interest rate risk       | 50,666           | 26,048           |                                |                  |                                               |                  |
| Loan stock                                | —                | —                | —                              | —                | —                                             | —                |
| — not exposed to interest rate risk       |                  |                  |                                |                  |                                               |                  |
| Cash                                      | 2,881            | 7,352            | —                              | —                | —                                             | —                |
| Total                                     | 53,547           | 33,400           |                                |                  |                                               |                  |

| Maturity analysis:                                     | Total portfolio  |                  |
|--------------------------------------------------------|------------------|------------------|
|                                                        | 31 December 2015 | 31 December 2014 |
|                                                        | £'000            | £'000            |
| — in one year or less                                  | 25,738           | 18,595           |
| — in more than one year but no more than two years     | 5,949            | 1,076            |
| — in more than two years but no more than three years  | 4,193            | 5,380            |
| — in more than three years but no more than four years | 6,005            | 1,344            |
| — in more than four years but no more than five years  | 11,662           | 7,005            |
| Total                                                  | 53,547           | 33,400           |

The benchmark rate, which determines the interest payments received on cash and loan balances held, is the bank base rate which was 0.5% at 31 December 2015 (0.5% at 31 December 2014).

#### Credit risk

Credit risk is the risk of failure by counterparties to deliver securities which the Company has paid for, or the failure by counterparties to pay for securities which the Company has delivered. 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 such that none exceed 15% of the Company's total investment assets. These money market funds are all triple A rated 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 2015 was £54,963,000 (31 December 2014: £39,249,000) based on cash, money market funds and other receivables (amounts due on investments, dividends and interest). The majority of the Company's assets are held in its own name in certificated form and therefore custodian default risk is negligible.



# Notes to the Accounts

for the year ended 31 December 2015

## 16 Principal risks, risk management and regulatory environment (continued)

### Financial instrument risk management (continued)

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

|                                                | Company |        |
|------------------------------------------------|---------|--------|
|                                                | 2015    | 2014   |
|                                                | £'000   | £'000  |
| Loan stocks                                    | 35,778  | 18,892 |
| Current asset investments (money market funds) | 14,888  | 7,156  |
| Cash at bank                                   | 2,881   | 7,352  |
| Other debtors                                  | 1,416   | 5,849  |
| Total                                          | 54,963  | 39,249 |

### Valuation 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 techniques and investment structuring delegated to its Manager, Foresight Group.

The investments in equity and fixed interest 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 may 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. Investments are valued in accordance with IPEVC valuation guidelines, cost and various fair valuation methodologies and thus are susceptible to changes in the inputs and assumptions in the valuation models. The potential maximum exposure to market price risk, being the value of the investment portfolio as at 31 December 2015 is: £92,237,000 (31 December 2014: £43,370,000).

### 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 Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are all accessible on an immediate basis.

### Sensitivity analysis

#### Equity price sensitivity

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

All of the investments made by the Investment 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% (2014: 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.

## 16 Principal risks, risk management and regulatory environment (continued)

### Financial instrument risk management (continued)

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.

|                                                                                                      | 2015<br>Return and<br>net assets | 2014<br>Return and<br>net assets |
|------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| If overall prices fell by 15% (2014: 15%), with all other variables held constant — decrease (£'000) | (13,836)                         | (6,506)                          |
| Decrease in net asset value (in pence)                                                               | (10.59)p                         | (9.69)p                          |

|                                                                                                           | 2015<br>Return and<br>net assets | 2014<br>Return and<br>net assets |
|-----------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| If overall prices Increased by 15% (2014: 15%), with all other variables held constant — increase (£'000) | 13,836                           | 6,506                            |
| Increase in net asset value (in pence)                                                                    | 10.59p                           | 9.69p                            |

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.

#### *Sensitivity analysis of changes in key inputs and assumptions which may significantly change valuations*

For each class of fair valued instruments, if changing one or more of the inputs or reasonably possible alternative assumptions would change the fair value significantly, FRS29 requires an entity to state the fact and disclose the effect of those charges.

Due to the large portfolio of investments held, and the varying methods of valuation used, Foresight has not disclosed the effect of changes on individual inputs and assumptions as it is not considered that changing individual inputs would have a significant impact on the portfolio valuation.

#### *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 Board does not consider that the impact of interest rate changes 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.

|                                                                                                      | 2015<br>Return and<br>net assets | 2014<br>Return and<br>net assets |
|------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| If variable interest rates were 1% lower, with all other variables held constant — decrease (£'000)  | (7)                              | (3)                              |
| Decrease in earnings, and net asset value, per Share (in pence)                                      | (0.01)p                          | (0.00)p                          |
| If variable interest rates were 1% higher, with all other variables held constant — increase (£'000) | 7                                | 3                                |
| Increase in earnings, and net asset value, per Share (in pence)                                      | 0.01p                            | 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.



# Notes to the Accounts

for the year ended 31 December 2015

## 16 Principal risks, risk management and regulatory environment (continued)

### Financial instrument risk management (continued)

#### *Sensitivity analysis of changes in key inputs and assumptions which may significantly change valuations (continued)*

The Infrastructure Shares fund investments are valued with reference to the discounted value of future cash flows. The Directors consider the valuation methodology used, including the key assumptions and discount rate applied, to be prudent. The Board reviews, at least quarterly, the valuation inputs and, where possible, uses observable market data to ensure valuations reflect the fair value of the investments.

A broad range of assumptions are used in the valuation models. These assumptions are based on long-term forecasts and are not affected by short term fluctuations in inputs, be it economic or technical.

The significant assumptions used in the fair value measurement, together with a quantitative sensitivity analysis as at 31 December 2015, are set out below. Please note, this sensitivity analysis only refers to the impact of changes in key inputs and assumptions on the valuation of the Solar and PFI investments held in the Infrastructure Shares fund, which constitute 33% of the Company's portfolio.

#### **Solar investments**

The discounted cash flow valuations of the solar assets form 52% of the Infrastructure Shares fund portfolio.

The key inputs and assumptions to the discounted cash flow models are discount rate, energy yield, power price, inflation and the operating costs of running the plants and a change in any of these could have a material impact on the valuation.

#### **Discount rate sensitivity**

The range of discount rates used is 6.25% - 7.25%. The Directors do not expect to see a significant change in the discount rates applied within the solar infrastructure sector. Therefore a variance of +/- 0.50% is considered reasonable given the current risk profile of the Infrastructure Shares fund.

|                               | -0.50% | -0.25% | Base  | +0.25% | +0.50% |
|-------------------------------|--------|--------|-------|--------|--------|
| Directors DCF Valuation (£m)* | 16.18  | 15.81  | 15.44 | 15.10  | 14.76  |

\* Not including cash held in holding company investments

The valuation of investments may also be impacted by changes in other inputs to the discounted cash flow models, but these have not been discussed further as they would not have a significant impact on the valuation. The assumption sensitivities are illustrative. The actual change in these assumptions could be more or less than the amount shown.

#### **PFI investments**

The discounted cash flow valuations of the PFI assets form 48% of the Infrastructure Shares fund portfolio. The PFI assets include schools and hospitals.

The key inputs and assumptions to the discounted cash flow models are discount rate, inflation and the operating costs and a change in any of these could have a material impact on the valuation.

#### **Discount rate sensitivity**

The discount rate used is 7.75%. The Directors do not expect to see a significant change in the discount rates applied within the infrastructure sector. Therefore a variance of +/- 0.50% is considered reasonable given the current risk profile of the Infrastructure Shares fund.

\* Not including cash held in holding company investments

|                               | -0.50% | -0.25% | Base  | +0.25% | +0.50% |
|-------------------------------|--------|--------|-------|--------|--------|
| Directors DCF Valuation (£m)* | 15.53  | 15.01  | 14.50 | 14.01  | 13.53  |

The valuation of investments may also be impacted by changes in other inputs to the discounted cash flow models, but these have not been discussed further as they would not have a significant impact on the valuation. The assumption sensitivities are illustrative. The actual change in these assumptions could be more or less than the amount shown.

## 16 Principal risks, risk management and regulatory environment (continued)

### Financial instrument risk management (continued)

#### Fair value hierarchy

In accordance with amendments to FRS 29, 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).

#### Company

| As at 31 December 2015                         | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|------------------------------------------------|------------------|------------------|------------------|----------------|
| Quoted investments                             | 47               | —                | —                | 47             |
| Unquoted investments                           | —                | —                | 92,190           | 92,190         |
| Current asset investments (money market funds) | 14,888           | —                | —                | 14,888         |
| <b>Financial assets</b>                        | <b>14,935</b>    | <b>—</b>         | <b>92,190</b>    | <b>107,125</b> |

| As at 31 December 2014                         | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|------------------------------------------------|------------------|------------------|------------------|----------------|
| Quoted investments                             | —                | —                | —                | —              |
| Unquoted investments                           | —                | —                | 43,370           | 43,370         |
| Current asset investments (money market funds) | 7,156            | —                | —                | 7,156          |
| <b>Financial assets</b>                        | <b>7,156</b>     | <b>—</b>         | <b>43,370</b>    | <b>50,526</b>  |

The Company primarily invests in private equity via unquoted equity and loan securities. The Company's investment portfolio is recognised in the balance sheet at fair value, in accordance with IPEVC Valuation Guidelines.

The gains/(losses) on Level 3 investments are included within investment holding gains/(losses) and realised losses on investments in the Income Statement.

#### Year ended 31 December 2015

|                                                      | Company<br>Level 3<br>£'000 |
|------------------------------------------------------|-----------------------------|
| Valuation brought forward at 1 January 2015          | 43,370                      |
| Purchases                                            | 16,182                      |
| Acquired on merger                                   | 40,808                      |
| Disposal proceeds                                    | (4,415)                     |
| Realised losses                                      | (9,073)                     |
| Investment holding gains                             | 5,365                       |
| <b>Valuation carried forward at 31 December 2015</b> | <b>92,237</b>               |

#### Transfers

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

Based on recent economic volatility, the Board and Investment Manager feel that for indicative purposes, a movement of 15% in the unquoted investments within Level 3 is appropriate to show how reasonably possible alternative assumptions change the fair value of the investments. If unquoted investments moved by 15%, this would create an increase or decrease in investments of £13.8 million.



# Notes to the Accounts

for the year ended 31 December 2015

## 17 Capital commitments and contingent liabilities

The Company had no capital commitments at 31 December 2015 (2014: £nil).

There were no contingent liabilities as at 31 December 2015 (2014: £nil).

## 18 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 within three years of capital being subscribed, the Company must invest at least 70% of that capital in qualifying investments (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. 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 on 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.

## 19 Post-balance sheet event

Foresight VCT plc announced a £30 million prospectus offer on 18 January 2016. The Company made the following issues of Ordinary Shares of 1p each post year-end:

| Date          | Ordinary Shares   | NAV to calculate issue price |
|---------------|-------------------|------------------------------|
| 16 March 2016 | 17,088,594        | 88.0p                        |
| 17 March 2016 | 1,635,114         | 88.0p                        |
| 31 March 2016 | 3,570,749         | 81.0p                        |
| 5 April 2016  | 2,452,909         | 81.0p                        |
| 7 April 2016  | 925,147           | 81.0p                        |
|               | <b>25,672,513</b> |                              |

A total of 948,272 Ordinary Shares were issued under the Dividend Reinvestment Scheme.

| Date         | Ordinary Shares | NAV to calculate issue price |
|--------------|-----------------|------------------------------|
| 4 April 2016 | 948,272         | 81.0p                        |
|              | <b>948,272</b>  |                              |

## 20 Related party transactions

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

## 21 Transactions with the manager

Foresight Group CI Limited, which acts as investment manager to the Company in respect of its venture capital and other investments, earned fees of £1,277,000 during the year (2014: £1,000,000). Foresight Fund Managers Limited, Company Secretary, received fees excluding VAT of £100,000 (2014: £100,000) during the year.

At the balance sheet date, there was £nil (2014: £159,000) due to Foresight Group CI Limited and £nil (2014: £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.

# Shareholder Information

## 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 telephoning the Company's registrar, Computershare Investor Services PLC (see back cover for details).

## Share price

The Company's Ordinary Shares, Planned Exit Shares and Infrastructure Shares are listed on the London Stock Exchange. Share price information can also be obtained from many other financial websites.

## Investor Centre

Investors are able to manage their shareholding online using Computershare's secure website — [www.investorcentre.co.uk](http://www.investorcentre.co.uk) — to undertake the following:

- **Holding Enquiry** — view balances, values, history, payments and reinvestments.
- **Payments Enquiry** — view your dividends and other payment types.
- **Address Change** — change your registered address (communications with shareholders are mailed to the registered address held on the share register).
- **Bank Details Update** — choose to receive your dividend payments directly into your bank account instead of by cheque.
- **Outstanding Payments** — reissue payments using our online replacement service.
- **Downloadable Forms** — including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

Shareholders just require their Shareholder Reference Number (SRN) to access any of these features. The SRN can be found on communications previously received from Computershare.

## Trading shares

The Company's Ordinary Shares, Planned Exit Shares and Infrastructure 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.

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 call Foresight Group (see details below) if you or your adviser have any questions about this process.

Foresight Group has been made aware that some of its shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to purchase their VCTs shares at an inflated price. These 'brokers' can be very persistent and extremely persuasive and shareholders are advised to be wary of any unsolicited approaches. Details of any share dealing facilities that are endorsed by Foresight Group as authentic are included on this page.

## Indicative financial calendar

|             |                                                                        |
|-------------|------------------------------------------------------------------------|
| August 2016 | Announcement of Interim Results for the six months ending 30 June 2016 |
| April 2017  | Announcement of annual results for the year ended 31 December 2016     |
| April 2017  | Posting of the Annual Report for the year ended 31 December 2016       |
| May 2017    | Annual General Meeting                                                 |

## Open invitation to meet the Investment Manager

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. If you are interested please call Foresight Group (see details below).

## Enquiries

Please contact Foresight Group for any queries regarding Foresight VCT plc:

Telephone: 020 3667 8100

Fax: 020 3031 1383

e-mail: [info@foresightgroup.eu](mailto:info@foresightgroup.eu)

website: [www.foresightgroup.eu](http://www.foresightgroup.eu)

Foresight VCT plc is managed by Foresight Group CI Limited, 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 the 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.



# Notice of Annual General Meeting

| Order of Events                                |                                               |
|------------------------------------------------|-----------------------------------------------|
| 1.00pm                                         | Portfolio company presentations               |
| 1.30pm                                         | 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 24 May 2016 at 1:00pm 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 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Resolution 2  | To approve the Directors' Remuneration Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Resolution 3  | To approve the Directors' Remuneration Policy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Resolution 4  | To re-elect Peter Dicks as a director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Resolution 5  | To re-elect John Gregory as a director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Resolution 6  | To re-elect Gordon Humphries as a director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Resolution 7  | To re-appoint Jocelin Harris 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  | <p>That, in addition to all other 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 shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):</p> <ul style="list-style-type: none"> <li>(i) in respect of the ordinary shares of 1p each in the capital of the Company ("Ordinary Shares"), up to an aggregate nominal amount of £105,000;</li> <li>(ii) in respect of the planned exit shares of 1p each in the capital of the Company ("Planned Exit Shares"), up to an aggregate nominal amount of £12,000; and</li> <li>(iii) in respect of the infrastructure shares of 1p each in the capital of the Company ("Infrastructure Shares"), up to an aggregate nominal amount of £33,000;</li> </ul> <p>in each case 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 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.</p> |
| Resolution 10 | <p>That, in addition to all other 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:</p> <ul style="list-style-type: none"> <li>(a) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £200,000 by way of an issue of Ordinary Shares and/or £100,000 by way of an issue of Planned Exit Shares and/or £100,000 by way of an issue of Infrastructure Shares, in each case pursuant to offer(s) for subscription;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## Notice of Annual General Meeting

- (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 Ordinary Share capital of the Company from time to time pursuant to dividend investment schemes operated by the Company at a subscription price per Ordinary Share which is less than the net asset value per Ordinary Share;
- (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 Ordinary Shares and/or £100,000 by way of an issue of Planned Exit Shares and/or £100,000 by way of an issue of Infrastructure Shares, in each case pursuant to performance incentive arrangements with Foresight Group, such shares to be issued at nominal value; 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 10% of the issued Ordinary Share capital from time to time and/or 10% of the issued Planned Exit Share capital from time to time and/or 10% of the issued Infrastructure 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 2017, 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 addition 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 Ordinary Shares to be purchased shall not exceed 12,980,409 Ordinary Shares or, if lower, such number of Ordinary Shares (rounded down to the nearest whole share) as shall equal 14.99% of the Ordinary Shares in issue at the date of passing this resolution;
- (ii) the aggregate number of Planned Exit Shares to be purchased shall not exceed 1,727,910 Planned Exit Shares or, if lower, such number of Planned Exit Shares (rounded down to the nearest whole Planned Exit Share) as shall equal 14.99% of the Planned Exit Shares in issue at the date of passing of this resolution;
- (iii) the aggregate number of Infrastructure Shares to be purchased shall not exceed 4,873,283 Infrastructure Shares or, if lower, such number of Infrastructure Shares (rounded down to the nearest whole Infrastructure Share) as shall equal 14.99% of the Infrastructure Shares in issue at the date of passing of this resolution;
- (iv) the minimum price which may be paid for an Ordinary Share, Planned Exit Share or Infrastructure Share (as the case may be) is 1 pence (in each case the nominal value thereof);
- (v) the maximum price which may be paid for an Ordinary Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for an Ordinary Share taken from the London Stock Exchange daily list for the five working days immediately preceding the day on which the Ordinary Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (vi) the maximum price which may be paid for a Planned Exit Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for a Planned Exit Share, taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Planned Exit Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (vii) the maximum price which may be paid for an Infrastructure Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for an Infrastructure Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Infrastructure Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;



## Notice of Annual General Meeting

- (viii) 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 2017 or, if earlier, on the date falling 15 months after the passing of this resolution;
- (ix) the Company may make a contract to purchase Ordinary 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 Ordinary Shares pursuant to such contract;
- (x) the Company may make a contract to purchase Planned Exit 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 Planned Exit Shares pursuant to such contract; and
- (xi) the Company may make a contract to purchase Infrastructure 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 Infrastructure Shares pursuant to such contract.

By order of the Board

**Foresight Fund Managers Limited**  
Company Secretary  
27 April 2016

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 27 April 2016 (being the last business day prior to the publication of this notice), the Company's issued share capital was 157,251,886 shares, comprising 113,214,575 Ordinary Shares, 11,527,087 Planned Exit Shares and 32,510,224 Infrastructure Shares carrying one vote each. Therefore, the total voting rights in the Company as at 27 April 2016 was 157,251,886.
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](http://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](http://www.investorcentre.co.uk/eproxy)**, in each case, so as to be received no later than 48 hours (excluding non-working days) before 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.



# Notice of Separate Meeting of Ordinary Shareholders

Notice is hereby given that a separate meeting of the holders of ordinary shares of 1p each in the capital of Foresight VCT plc ("the Company") will be held on 24 May 2016 at 1.10 pm (or as soon thereafter as the annual general meeting of the Company convened for 1.00 pm on that day has been concluded or adjourned) 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 resolution which will be proposed as a special resolution.

The holders of the ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") hereby sanction, approve and consent to:

- a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable) set out in the notice of annual general meeting of the Company convened for 1.00 pm on 24 May 2016 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Ordinary Shares; and
- b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may, result from the passing and carrying into effect of the said resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to such Ordinary Shares.

By order of the Board

The Shard  
32 London Bridge Street  
London  
SE1 9SG

**Foresight Fund Managers Limited**  
Company Secretary

27 April 2016

## Notes:

1. 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.
2. 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.
3. 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.
4. A reply-paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Ordinary Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy), in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking the poll. 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.
5. As at 27 April 2016 (being the last business day prior to the publication of this notice), the issued share capital of the Ordinary Shares fund was 113,214,575 shares, carrying one vote each. Therefore, the total voting rights in the Ordinary Shares fund as at 27 April 2016 was 113,214,575 Ordinary Shares.

## Notice of Separate Meeting of Ordinary Shareholders

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 2 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. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Ordinary Shares present in person or by proxy holding not less than one-third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 25 May 2016 at 9.00 am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Ordinary Shares present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.



# Notice of Separate Meeting of Planned Exit Shareholders

Notice is hereby given that a separate meeting of the holders of planned exit shares of 1p each in the capital of Foresight VCT plc ("the Company") will be held on 24 May 2016 at 1.15 pm (or as soon thereafter as the separate meeting of the holders of ordinary shares of 1p each in the capital of the Company convened for 1.10 pm on that day has been concluded or adjourned) 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 resolution which will be proposed as a special resolution.

The holders of the planned exit shares of 1p each in the capital of the Company ("Planned Exit Shares") hereby sanction, approve and consent to:

a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable) set out in the notice of annual general meeting of the Company convened for 1.00 pm on 24 May 2016 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Planned Exit Shares; and

b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Planned Exit Shares which will, or may, result from the passing and carrying into effect of the said resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to such Planned Exit Shares.

By order of the Board

The Shard  
32 London Bridge Street  
London  
SE1 9SG

Foresight Fund Managers Limited  
Company Secretary  
27 April 2016

## Notes:

1. 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.
2. 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.
3. 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.
4. A reply paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Planned Exit Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy), in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking a poll. 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.
5. As at 27 April 2016 (being the last business day prior to the publication of this notice), the issued share capital of the Planned Exit Shares fund was 11,527,087 shares, carrying one vote each. Therefore, the total voting rights in the Planned Exit Shares fund as at 27 April 2016 was 11,527,087 Planned Exit Shares.

## Notice of Separate Meeting of Planned Exit Shareholders

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 2 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. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Planned Exit Shares present in person or by proxy holding not less than one-third of the paid up Planned Exit Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 25 May 2016 at 9.05 am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Planned Exit Shares present in person or by proxy shall be a quorum regardless of the number of Planned Exit Shares held.



# Notice of Separate Meeting of Infrastructure Shareholders

Notice is hereby given that a separate meeting of the holders of Infrastructure shares of 1p each in the capital of Foresight VCT plc ("the Company") will be held on 24 May 2016 at 1.20 pm (or as soon thereafter as the separate meeting of the holders of planned exit shares of 1p each in the capital of the Company convened for 1.15 pm on that day has been concluded or adjourned) 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 resolution which will be proposed as a special resolution.

The holders of the infrastructure shares of 1p each in the capital of the Company ("Infrastructure Shares") hereby sanction, approve and consent to:

a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable, set out in the notice of annual general meeting of the Company convened for 1.00 pm on 24 May 2016 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Infrastructure Shares; and

b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Infrastructure Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to such Infrastructure Shares.

By order of the Board

The Shard  
32 London Bridge Street  
London  
SE1 9SG

Foresight Fund Managers Limited  
Company Secretary  
27 April 2016

## Notes:

- 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.
- 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.
- 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.
- A reply paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Infrastructure Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy), in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking a poll. 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.
- As at 27 April 2016 (being the last business day prior to the publication of this notice), the issued share capital of the Infrastructure Shares fund was 32,510,224 shares, carrying one vote each. Therefore, the total voting rights in the Infrastructure Shares fund as at 27 April 2016 was 32,510,224 Infrastructure Shares.

## Notice of Separate Meeting of Infrastructure Shareholders

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 2 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. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Infrastructure Shares present in person or by proxy holding not less than one-third of the paid up Infrastructure Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 25 May 2016 at 9.10 am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Infrastructure Shares present in person or by proxy shall be a quorum regardless of the number of Infrastructure Shares held.

# Corporate Information

## Directors

John Gregory (Chairman)  
Peter Dicks  
Jocelin Harris  
Gordon Humphries

## Company Secretary

Foresight Fund Managers Limited  
The Shard  
32 London Bridge Street  
London  
SE1 9SG

## Investment Manager

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

## Auditors and Tax Advisers

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## Solicitors and VCT Status Advisers

Shakespeare Martineau LLP  
No. 1 Colmore Square  
Birmingham  
B4 6AA

## Registrar

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

## Market Maker

Panmure Gordon & Co  
One New Change  
London  
EC4M 9AF

## Registered Number

03421340

## Contact Numbers

Registrar's Shareholder Helpline  
— Computershare (0370 703 6388)  
General and Portfolio Queries  
— Foresight Group (0203 667 8100)



## Foresight VCT plc

The Shard  
32 London Bridge Street  
London  
SE1 9SG