

FORESIGHT VCT plc

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2018



Foresight
group

Shareholder Information

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

ENQUIRIES

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

020 3667 8181

**InvestorRelations@
foresightgroup.eu**

www.foresightgroup.eu

The Manager is legally required to provide shareholders with a copy of this Report. Annual and Half-Yearly Reports, as well as quarterly Factsheets and information on new investments, can be viewed online.

As part of the Manager's investor communications policy, investor forums are held throughout the year. Shareholders can also arrange a mutually convenient time to meet the Company's investment management team at Foresight Group. Please contact Investor Relations if you are interested.

We respect your privacy and are committed to protecting your personal data. If you would like to find out more about the measures the Manager takes in processing your personal information, please refer to the privacy policy, which can be found at <http://www.foresightgroup.eu/privacy-cookies/>



KEY DATES

Annual General Meeting 2019	May 2019
Interim Results to 30 June 2019	August 2019
Annual Results to 31 December 2019	April 2020

SHARES

The Company now has one class of share, Ordinary Shares, following the removal of the Planned Exit Shares and Infrastructure Shares in January 2018.

DIVIDENDS

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

DIVIDEND REINVESTMENT SCHEME

Changes to the terms and conditions of the Dividend Reinvestment Scheme took effect on 8 April 2019. Details of the new terms were sent to participants of the Scheme and are available online.

WWW.INVESTORCENTRE.CO.UK

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

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

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

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

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

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

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

Alternatively you can contact Computershare by phone on 0370 703 6388

TRADING SHARES

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

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

You can contact Panmure Gordon by phone on 020 7886 2500

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

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

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Financial Highlights

Total Net Assets
as at 31 December 2018

£136.7m

Net Asset Value per share
as at 31 December 2018

78.1p

Dividend Paid
in year to 31 December 2018

5.0p

- Total net assets £136.7 million.
- Net Asset Value per Ordinary Share increased by 3.9% from 80.0p at 31 December 2017 to 83.1p before dividends. After payment of a 5.0p dividend made on 4 May 2018, NAV per share at 31 December 2018 was 78.1p.
- The investment portfolio has seen an uplift in valuation of £6.8 million during the year.
- Seven new investments totalling £13.2 million and five follow-on investments totalling £4.5 million made during the year.
- The Company successfully exited ICA Group, Thermotech Solutions and CoGen realising a total of £3.4 million.
- The Board has declared an interim dividend relating to the year ended 31 December 2018 of 5.0p per share, to be paid on 3 May 2019.

KEY METRICS

	1 year	5 years	10 years
NAV Total Return as at 31 December 2018 (%)^	3.9%	14.0%	75.5%

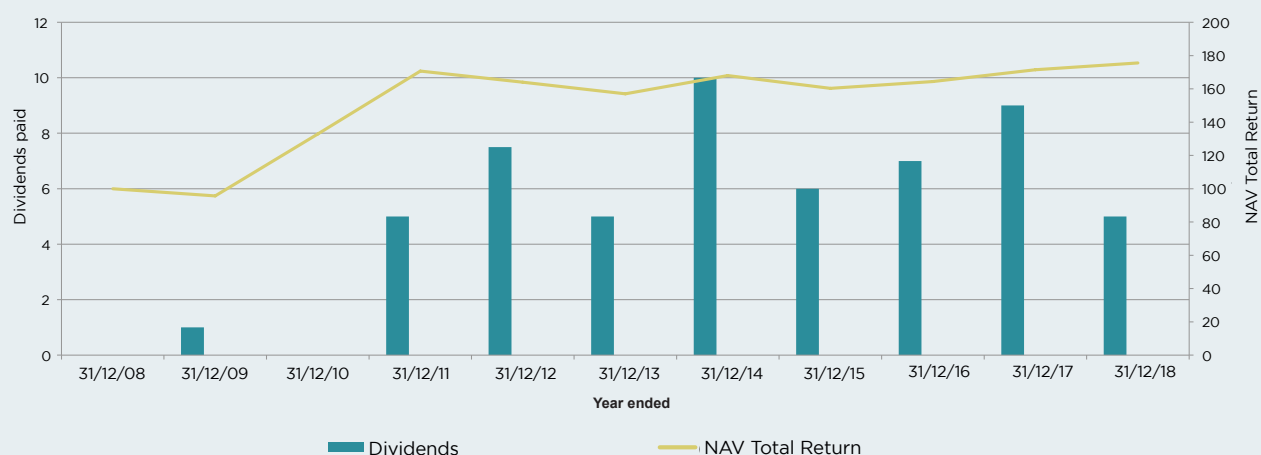
	31 December 2018	31 December 2017
Total net assets	£136.7m	£140.4m
Net asset value per share	78.1p	80.0p
Movement in net asset value total return during the year^	3.9%	6.5%
Share price	68.5p	72.0p
Share price total return*^	216.2p	215.7p
Dividends paid in the year^	5.0p	9.0p
Dividend yield	7.3%	12.5%
Shares in issue	175,051,026	175,601,977

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

	2018	2017
Discount to NAV at 31 December^	12.3%	10.0%
Average discount on buybacks	10.1%	10.1%
Shares bought back during the year under review	2,622,352	1,995,263
Shares issued under the dividend reinvestment scheme	2,071,401	3,423,851
Ongoing charges ratio (based on net assets at 31 December)	2.1%	2.2%

^Definitions of these Alternative Performance Measures (APMs) can be found in the Glossary on page 75.

Dividends Paid and NAV Total Return (pence)



*Based on an initial investment on 1 January 2009.

	Dividend per share	Dividend per share (rebased) [†]
4 May 2018	5.0p	1.9p
29 September 2017	4.0p	1.5p
3 April 2017	5.0p	1.9p
1 April 2016	7.0p	2.7p
13 March 2015	6.0p	2.3p
14 March 2014	10.0p	3.8p
14 June 2013	5.0p	1.9p
23 March 2012	7.5p	2.9p
17 June 2011	5.0p	1.9p
29 May 2009	1.0p	0.7p
7 March 2008	5.0p	3.4p
26 May 2006	0.5p	0.5p
5 July 2004	52.0p	52.0p
22 September 2003	8.0p	8.0p
30 June 2003	0.5p	0.5p
8 May 2000	100.0p	100.0p
6 August 1999	1.0p	1.0p
29 January 1999	3.2p	3.2p
Total Ordinary Share dividends paid		190.1p
NAV per share based on 100.0p invested at launch		29.8p
NAV total return per share based on 100.0p invested at launch		219.9p

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

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 on page 74.

Chairman's Statement



John Gregory
Chairman of
Foresight VCT plc

I am pleased to present the Company's Audited Annual Report and Accounts for the year ended 31 December 2018. In last year's Annual Report, I provided shareholders with detailed information on the wind-down of both the Planned Exit and Infrastructure Share classes, which were removed in January 2018. As a consequence, the issued share capital now consists solely of Ordinary Shares.

STRATEGY

The Directors, together with the Manager, have been pursuing a long-term strategy for the Company which includes the following four key objectives:

- Increasing and then maintaining the Company's net asset value (NAV) significantly above £150 million;
- Paying an annual dividend to shareholders of at least 5.0p per share and endeavouring to maintain, or increase, NAV per share year on year, after payment of dividends;
- Completing a significant number of new and follow on qualifying investments every year; and
- Offering a programme of regular share buy backs at a discount of approximately 10% to the prevailing NAV.

The Directors and the Manager believe that these key objectives remain appropriate and the Company's performance in relation to each of them over the past year is reviewed more fully below.

NET ASSET VALUE

During the year ended 31 December 2018 the NAV per share rose by 3.1p, an increase of 3.9%. However, following the payment of a 5.0p per share dividend on 4 May 2018, which came to a total of £8.7 million, including shares allotted under the dividend reinvestment scheme, the NAV

of the Company decreased from £140.4m at 31 December 2017 to £136.7 million as at 31 December 2018. The Directors believe that it would be beneficial to increase the Company's net assets over the coming years but with some £33.2 million of funds available for investment at the time of writing, it is not the Board's present intention to seek new money by way of an offer for subscription.

DIVIDENDS

The interim dividend of 5.0p per share was paid on 4 May 2018 based on an ex-dividend date of 19 April 2018, with a record date of 20 April 2018. This is in line with the Board's objective on dividend payments.

The Company has achieved or exceeded its target of paying an annual dividend of at least 5.0p per share for each of the past eight years.

If you had invested five years ago, your NAV total return per share would have increased by 14.0%. It is the combined achievement of dividend payments and the maintenance or increase in NAV per share which is now at the centre of the Company's current and future portfolio management.

The Board has declared an interim dividend relating to the year ended 31 December 2018 of 5.0p per share, to be paid on 3 May 2019 based on an ex-dividend date of 11 April 2019, with a record date of 12 April 2019.

INVESTMENT PERFORMANCE AND PORTFOLIO ACTIVITY

A detailed analysis of the investment portfolio performance over the period is given in the Manager's Review.

Before the payment of dividends, the Company's NAV increased last year by £5.0 million. The Board believes that this reflects the benefit of the enlarged and diversified portfolio of qualifying investments which the Manager has built up over the past few

years. The Company started the current year with nearly 72% of its available resources invested in a range of unquoted growth capital investments; the Board and Manager believe that, in aggregate, these investments will continue to mature and should help improve the future rate of growth in NAV.

During the year under review the Manager completed seven new investments amounting to £13.2 million and two new investments totalling £3.7 million have been made since the end of the year. Details of each of these new portfolio companies can be found in the Manager's Review.

The Manager expects that the current pipeline of opportunities should support completion of a significantly increased number of new investments during the current year.

Read more on page 6

The complexity surrounding qualification for VCT investment inevitably limits the opportunity for the Company to make new investments and the Manager's ongoing ability to source new deals is pivotal to the Company's future performance. As a consequence, investments made under the new VCT rules will change the risk profile of the portfolio because the rules now incline us towards investments in earlier stage businesses.

The Board is aware that Foresight 4 VCT plc ('Foresight 4') has over the past two years raised a considerable amount of new money, much of which needs to be invested in the near future. The Company and Foresight 4 have the same Manager and share similar investment policies. The Board closely monitors the extent and nature of the pipeline of investment opportunities and is reassured by the Manager's confidence in being able to increase the level of new investments without compromising quality during

2019 and beyond, so as to be in a position to satisfy the needs of both the Company and Foresight 4.

BUYBACKS

During the year the Company repurchased 2.6 million shares for cancellation at an average discount of 10.1%. The Board and the Manager consider that the ability to offer to buy back shares at a target discount of approximately 10% is fair to both continuing and selling shareholders and is an appropriate way to help underpin the discount to NAV at which the shares trade.

MANAGEMENT CHARGES, CO-INVESTMENT AND INCENTIVE ARRANGEMENTS

The annual management fee is an amount equal to 2.0% of net assets, excluding cash balances above £20 million, which are charged at a reduced rate of 1.0%. This has resulted in ongoing charges for the year ended 31 December 2018 being 2.1% of net assets, which is at the lower end of the range when compared to competitor VCTs.

Since March 2017, co-investments made by the Manager and individual members of Foresight Group's private equity team have totalled £0.5 million alongside the Company's investments of £32.4 million. Currently the 'Total NAV Return Hurdle', as detailed in note 14 to the accounts, has not been achieved and no performance incentive payment is due.

BOARD COMPOSITION

As announced in last year's Annual Report, Peter Dicks, a founder member of the Board and a past chairman retired at the Annual General Meeting held in May 2018.

The Board continues regularly to review its own performance and undertakes succession planning to maintain an appropriate level of independence, experience, diversity and skills in order to be in a position to discharge all its responsibilities.

OUTLOOK

Economic uncertainty is, in general, not good for UK businesses and Brexit has and will continue to cause economic uncertainty for some time. Notwithstanding this, the Manager and the Directors are confident in the ability of the current portfolio companies to produce good returns.

The Board and the Manager believe that the value of investments currently held within the portfolio should grow further during the current year and that the pipeline of new investment opportunities will provide worthwhile new investments in the months ahead. In these circumstances the Board believes that the Company is well positioned to work towards meeting its key objectives and in particular to provide shareholders with regular dividends alongside maintained growth in NAV per share.

SHAREHOLDER COMMUNICATION

As part of its commitment to high quality investor relations, Foresight Group continues to host its popular investor forums. In addition to an annual event in London, several regional investor forums have been or will be held around the country. Details of regional events will be sent to shareholders resident in the locality as and when they are organised.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will take place on 23 May 2019 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 70.

John Gregory

Chairman

Telephone: 01296 682751

Email: j.greg@btconnect.com

10 April 2019

Manager's Review

The Company has appointed Foresight Group CI Limited as its manager ("The Manager") to provide investment management and administration services. Foresight Group CI Limited has appointed Foresight Group LLP to be its investment adviser. The Manager has also delegated secretarial, accounting and other administration services to Foresight Group LLP.

References to "the Manager" throughout this report refer to the activities of Foresight Group CI Limited and include the activities of Foresight Group LLP when acting as the Manager's investment adviser and administrative delegate.

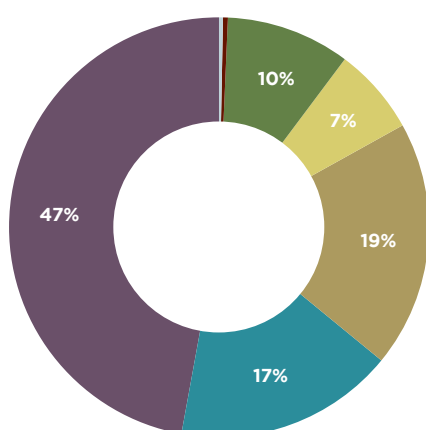
Portfolio Summary

As at 31 December 2018 the Company's portfolio comprised 33 actively managed investments with a total cost of £80.5 million and a valuation of £99.1 million. The portfolio is diversified by sector,

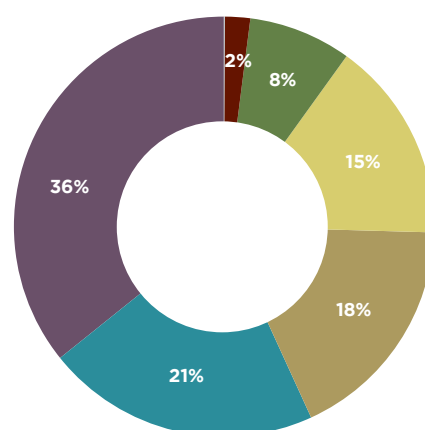
transaction type and maturity profile. Details of the ten largest investments by valuation, including an update on their performance, are provided on pages 12 to 16.

PORTFOLIO DIVERSIFICATION

Sector by Cost



Sector by Valuation



Technology, Media and Telecommunications

Business Services

Industrials and Manufacturing

Consumer and Leisure

Healthcare

General

Environmental

NEW INVESTMENTS

The Company invested a total of £13.2 million in seven new portfolio companies during 2018: Luminet Networks, a provider of fixed wireless internet access, Mologic, a health diagnostics company, The Naked Deli, a Newcastle-based group of 'clean eating' restaurants, Codeplay, a software developer and consultancy specialising in Artificial Intelligence, Accrosoft, a software provider with a focus on HR and

education, Fertility Focus, an ovulation monitoring company and most recently Spektrix, a performing arts software business. Post-year end, the Company completed a £1.3 million investment into sports management software company, ClubSpark and a £2.4 million investment into Steamforged Games, a developer and retailer of tabletop games.

Luminet

In April, the Company committed £2.4 million to a Foresight Group-led £3.0 million development capital investment into Luminet Networks, an award-winning provider of connectivity and managed IT services to businesses. Founded in 2005, Luminet was one of the first companies to offer commercial wireless broadband solutions to businesses and has grown its client base to more than 550.

MOLOGIC

Also in April, the Company committed £2.4 million to a Foresight Group-led £4.0 million growth capital investment round in Bedford-based Mologic. The business is a Point of Care diagnostics company that provides contract research and manufacturing services, as well as developing proprietary diagnostics.

THE NAKED DELI

In May, the Company completed a £1.7 million growth capital investment in The Naked Deli, a Newcastle-based group of 'clean eating' restaurants offering eat-in casual dining and grab-and-go options. Established in 2014, The Naked Deli serves a tasty range of healthy gluten and dairy-free, vegan and paleo dishes. The group uses unprocessed whole and natural state foods, with a clear pathway from origin to plate. Since investment, management have continued to extend the pipeline of new potential sites and in December 2018, opened a fifth site in Newcastle city centre.

codeplay®

In July, the Company invested £0.7 million in Codeplay, a software developer specialising in Artificial Intelligence. Building on its proven expertise in the fields of games and mobile phones, Codeplay has developed a new technology which supports the deployment of Artificial Intelligence applications into mass produced devices, with an initial focus on the automotive sector and, specifically, Advanced Driver Assistance Systems ("ADAS") and autonomous vehicles.

accrosoft

In August, the Company completed a new investment totalling £1.7 million in Accrosoft. Based in Loughborough, Accrosoft offers two Software as a Service ("SaaS") products, Vacancy Filler, an Applicant Tracking System which improves the recruitment process for organisations and Weduc, an engagement tool to enable parent-teacher communication. The business will use the investment to drive continued growth across both products through new hires and initiatives.

fertility focus

In December, the Company invested £0.9 million in Fertility Focus, a leading fertility monitoring technology company that has developed OvumSense, a registered medical device that enables women to predict ovulation. Fertility Focus was established in 2005 to commercialise the intellectual property developed by a team from Bristol University that identified the ability to determine and predict ovulation. The growth capital investment will be primarily used to invest in sales and marketing and will also fund a clinical trial to further prove the benefits of OvumSense as a tool to diagnose ovulatory issues.

SPEKTRIX

Also in December, the Company invested £3.4 million in Spektrix, the UK's leading provider of cloud-based ticketing, marketing and fundraising software for the arts sector. Founded in 2007, Spektrix was an early pioneer in bringing cloud technology to the arts. The investment will be used to accelerate product development and support Spektrix's international expansion, particularly in North America where it is already working with nearly 100 arts organisations.



ClubSpark

Post-year end the Company made a £1.3 million investment into Sportlabs Technology Limited, trading as ClubSpark, a specialist software company providing sports management software to sports clubs, venues, coaches and participants. ClubSpark was founded in 2012 by two ex-Lawn Tennis Association employees who spotted an opportunity to develop a platform to manage operations for the LTA member clubs. The investment will be used to establish an international presence, enhance the platform and expand into new sports markets.



In March 2019 the Company invested £2.4 million in Steamforged Games, a developer and retailer of tabletop games with a portfolio of miniature role playing, board and card games. Founded in 2014, Steamforged Games has successfully carved out a niche in the market developing tabletop games based on popular video game titles, as well as their own original content. The investment will be used to fund growth through product development and international expansion.

Manager's Review

FOLLOW ON INVESTMENTS

Follow-on investments totalling £4.5 million were also made in five existing portfolio companies throughout the year. Further details of each of these are provided below.

OLLIE QUINN

Portfolio company Ollie Quinn, a branded retailer of prescription glasses and sunglasses which the Company first committed to in March 2017, received four follow-on funding rounds from the Company throughout 2018, totalling £2.7 million. This supported Ollie Quinn's working capital needs and site optimisation strategy, which focuses on increasing the footprint in Canada. Management restructured towards the end of 2018 putting the business in a stronger position to improve overall site performance and develop its product range across the stores.



During the year the Company made a £0.1 million follow-on investment in data analysis software platform, Idio, as part of a larger funding round. This additional investment enabled Idio to invest in new technologies and provided support for further growth.



In August, molecular diagnostics business, Biofortuna, drew down the second tranche of the 2017 round of

investment, with the Company providing £0.2 million of capital. This investment round was focused on supporting the growth of a differentiated contract services business, under new management, and maximising value from the potential product collaboration with a global diagnostics company.



Also in August, the Company provided 200 Degrees, an artisan coffee chain headquartered in Nottingham, with c. £0.5 million of capital. This was the second tranche of committed capital from the original investment, approved in November 2017. This additional investment will support the targeted retail store expansion in the UK and associated growth in the company's B2B wholesale and B2C subscription offerings. Since investment, the business has opened two new stores with a pipeline of new sites to come.



In September, the Company made a follow-on investment of £0.9 million into Online Poundshop. This funding followed a management restructuring in May and enabled Online Poundshop to continue to fund growth, increase its product lines and stock and make several key hires with a stronger team in place.

PIPELINE

Foresight Group continues to see a strong pipeline of potential investments and has started the year with a number of opportunities under exclusivity or in due diligence. Our investment team currently consists of 24 experienced private equity professionals operating from five offices in the UK, due to be expanded to six in 2019. During 2018 we reviewed nearly 1,500 business plans of potential investee companies, with an increasing number of prospects originated directly

by our investment team, which will continue to be at the core of our investment sourcing strategy. The Company focuses on SME's in all sectors across the UK, seeking funding of £1-5 million.

At the time of writing, the Company has cash balances of £33.2 million, which will be used to fund new and follow-on investments, buybacks and running expenses.



“After five years of hard work our rapid rise has pleasantly surprised us. We now have numerous opportunities that we need to grab. The Foresight Group investment allows us to keep 200 Degrees independent but open more of our shops, do great things with online subscription and offer excellent support to our wholesale customers.

*Rob Darby,
CEO of 200 Degrees*

Manager's Review

EXITS AND REALISATIONS

During the year, total proceeds of £3.4 million were generated from the disposal of three investments.



In February, ICA, which provides document management solutions to businesses in London and the South East, was acquired by Automated Systems Ltd, a large independent print solution business. ICA became part of the Company's portfolio through the merger with Foresight 2 VCT plc in December 2015, at a holding value of £0.9 million following an original investment of £1 million made in 2009. Overall, including returns pre-merger, the ICA investment generated a 2.4x return.



Thermotech

In May, the Company completed the successful sale of facilities management provider Thermotech to Servest Group, a global facilities management group headquartered in South Africa, generating a return of 2.3x original investment of £1.5 million. Thermotech, in which the Company invested in August 2013, provides customised air conditioning and fire sprinkler systems

for retail, commercial and residential properties, with clients including M&S, John Lewis and Selfridges & Co. Under the Company's ownership Thermotech was able to expand its high-quality customer base and develop further recurring maintenance revenue streams, as well as complete a strategic acquisition.



In December, the Company disposed of CoGen, a developer of Waste to Energy plants in the UK. CoGen, largely financed to date by loans from other shareholders, carries significant costs and overheads as plants are developed and built and had been operating at a loss. Further funding would have been required from other shareholders to continue to develop the pipeline of new opportunities. In these circumstances, to avoid further dilution, the investment was realised. The Company received £0.2 million for its holding against a cost of £1.6 million.

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

DISPOSALS IN THE YEAR ENDED 31 DECEMBER 2018

Company	Detail	Accounting Cost at Date of Disposal (£)	Proceeds (£)	Realised (Loss)/gain (£)	Valuation at 31 December 2017 (£)
CoGen Limited	Full disposal	1,603,491	199,832	(1,403,659)	550,734
ICA Group Limited	Full disposal	885,232	1,200,088*	314,856	1,290,701
Thermotech Solutions Limited	Full disposal	300,000	1,980,206^	1,680,206	1,915,331
Total disposals		2,788,723	3,380,126	591,403	3,756,766

*In addition £158,411 of shareholder loan interest was received on completion and £1,029,671 had been received by Foresight 2 VCT plc pre-merger.

^£1,452,828 had also been received by way of interest and loan payments in prior years.

Deferred consideration of £257,846 was also received by the Company from the sale of Simulity Labs and £51,547 from the sale of O-Gen Acme Trek.

Final administration proceeds totalling £20,320 were received in relation to the liquidation of Evance Wind Turbines, Closed Loop Recycling and Global Immersion.

KEY PORTFOLIO DEVELOPMENTS

Overall, the value of investments held rose to £99.1 million, driven by a deployment of £17.7 million and an increase in value of the portfolio by £6.8 million

including realisations. Material changes in valuation, defined as increasing or decreasing by £1 million or more since 31 December 2017, are detailed below.

Company	Valuation Methodology	Valuation Change (£)
Itad Limited	Discounted earnings multiple	1,362,619
Fresh Relevance Limited	Discounted revenue multiple	1,281,686
Dhalia Limited	Net assets	1,251,150
TFC Europe Limited	Discounted earnings multiple	1,246,184
Specac International Limited	Discounted earnings multiple	1,212,768
FFX Group Limited	Discounted earnings multiple	1,037,397
Powerlinks Media Limited	Discounted revenue multiple	(1,168,336)

OUTLOOK

Whilst UK inflation fell to a two-year low, the jobs market remained robust as the UK reached record levels of employment. The demand for labour continued to bolster wage growth, as real wages climbed at their strongest pace since 2016. However, the backdrop of Brexit means that consumer and business confidence is weakening in the UK amid ongoing uncertainty over the UK's future trading position with Europe, and indeed the rest of the world.

At the time of writing, parliament had yet to reach a consensus on how the UK's departure from the EU is to be realised. Although the majority of MPs oppose a 'hard Brexit' this remains a near-term possibility, as does the Government's proposed deal. However, the lack of progress towards an agreed Brexit route is increasing the likelihood of a general election and a further delay to Brexit, thereby prolonging and exacerbating the current uncertainty. We will therefore continue to support portfolio management teams in planning for a variety of Brexit scenarios.

Whilst the direct impact of a 'hard' or 'soft' Brexit would vary across the portfolio, some potentially heavily impacted, some potentially benefitting, a wider recession would inevitably cause broader issues and there is likely to be a period of volatility ahead.

Nonetheless, we remain positive about the prospects for the existing portfolio and continues to see encouraging levels of activity from smaller UK companies seeking growth capital, as well as from potential acquirers of portfolio companies. We remain focused on targeting companies in markets with sound fundamentals, with attractive growth attributes and strong management teams. We will continue to monitor and adapt to market and regulatory changes to ensure the Company's portfolio is well-placed to deliver returns to its investors.

Russell Healey
Head of Private Equity
Foresight Group LLP
10 April 2019

Manager's Review

Top Ten Investments

By value as at 31 December 2018. Company results are taken from the most recent publicly available financial statements.

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



SECTOR:
TMT



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

31 December 2018 Update

Datapath continues to generate material profits and build its cash position, although trading was more challenging in the second half of 2018. The company continues to invest heavily in new product development and to increase its sales channels through Original Equipment Manufacturer customers, as well as through distributors and direct sales. Gross margin levels remain ahead of prior year, this is primarily driven by the increased proportion of software in the revenue mix, which should increase as functionality is further improved.

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

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

***Returned to F2 pre-merger.

Initial Investment*	September 2007
Amount invested (£)*	1,000,000
Accounting cost (£)**	7,563,365
Valuation (£)	8,809,944
Basis of valuation	Discounted earnings multiple
Equity held (%)	12.9%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)***	3,981,822

£000	Year ended 31 March 2018	Year ended 31 March 2017
Sales	28,076	25,443
Profit before tax	4,789	5,646
Retained profit	4,360	4,974
Net assets	25,728	21,366

OLLIE QUINN LIMITED
www.olliequinn.co.uk **LONDON**



SECTOR:
CONSUMER &
LEISURE



Ollie Quinn is a branded retailer of prescription glasses, sunglasses and non-prescription polarised sunglasses based in the UK and Canada.

31 December 2018 Update

Ollie Quinn's trading position has continued to improve following an initially challenging start to the year. Sales have grown by c.25% for the twelve months to December 2018 and gross margins are ahead of forecast. Considerable progress has also been made to drive operational efficiencies which has led to the closure of two underperforming sites in the UK. The management team has been strengthened following the promotion of the Operations Director to CEO and the appointment of a new Finance Director. They have delivered strong like-for-like sales growth in recent months, particularly in Canada.

Initial Investment	March 2017
Amount invested (£)	5,693,917
Accounting cost (£)	5,693,917
Valuation (£)	5,168,522
Basis of valuation	Cost less impairment
Equity held (%)	64.7%
Income received in the year (£)	4,164
Cash returned up to 31 December 2018 (£)	4,164

£000	Year ended 30 June 2018	Year ended 30 June 2017
Sales	6,723	5,004
Loss before tax	(2,955)	(1,116)
Retained loss	(2,955)	(1,116)
Net assets	707	2,151



TFC Europe is one of Europe's leading technically focused suppliers of fixing and fastening products to customers across a wide range of industries, including aerospace, automotive, oil & gas and mechanical engineering.

31 December 2018 Update

TFC continues to perform well, with the valuation increasing by £1.2 million over the year. The company is seeing good EBITDA growth driven through a combination of continued revenue growth in both the UK and Germany and improvements in operational efficiencies across the company. Management remain focused on their new three-year plan for organic growth across all sites and have made material progress on strengthening the balance sheet.

*The amount and date of initial investment by F2.

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

***Returned to F2 pre-merger.

Initial Investment*	March 2007
Amount invested (£)*	939,092
Accounting cost (£)**	3,614,612
Valuation (£)	5,089,131
Basis of valuation	Discounted earnings multiple
Equity held (%)	26.7%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)***	1,281,684

£000	Year ended 31 March 2018	Year ended 31 March 2017
Sales	22,579	20,281
Profit before tax	1,464	900
Retained profit	1,047	640
Net assets	4,601	3,520



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

31 December 2018 Update

FFX has maintained positive momentum, showing a pleasing increase in revenues and EBITDA, which supports the uplift in valuation. Online and wholesale channels delivered double digit revenue growth, with the marketing team successfully running a series of promotions in November supporting a strong Black Friday. The new Marketing Manager who joined mid-year has made a positive impact. The direct sales team is also generating material revenue and margin growth. The roll-out of a back-office IT system continues to be developed with adoption anticipated by June 2019.

*Including the initial investment by F2.

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

Initial Investment	September 2015
Amount invested (£)*	2,676,426
Accounting cost (£)**	2,676,426
Valuation (£)	5,087,597
Basis of valuation	Discounted earnings multiple
Equity held (%)	33.1%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)	139,477

£000	Year ended 30 September 2018	Year ended 30 September 2017
Sales	48,991	38,594
Profit/(loss) before tax	449	(967)
Retained profit/(loss)	249	(910)
Net assets	3,488	3,239

Manager's Review

Top Ten Investments continued

SPECAC INTERNATIONAL LIMITED
www.specac.com **KENT**



SECTOR:
INDUSTRIALS &
MANUFACTURING



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

31 December 2018 Update

Specac continues to trade strongly, delivering another record month for sales in December. Overall, the business achieved sales and EBITDA ahead of budget for 2018 and was recognised for its growth in overseas sales after winning a Queen's Award for International Trade. This positive performance has been driven by increased sales activity, particularly in the US and Asia. The company remains focused on further product development to address target markets and a planned office move later this year.

Initial Investment	April 2015
Amount invested (£)	1,345,000
Accounting cost (£)	1,300,000
Valuation (£)	5,047,321
Basis of valuation	Discounted earnings multiple
Equity held (%)	37.9%
Income received in the year (£)	175,660
Cash returned up to 31 December 2018 (£)	483,287

£000	Year ended 31 March 2018	Year ended 31 March 2017
Sales	10,777	9,511
Profit before tax	695	1,016
Retained profit	621	789
Net assets	2,319	1,784

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



SECTOR:
TMT



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

31 December 2018 Update

Protean continues to generate revenues and profits ahead of budget and up on prior year. Protean is advancing product development with multi-currency support added and various other modules including time-zone support and mobile payment integration in planning. Headcount has been increased across the support and technology teams with the opening of a Polish development centre and to service the high demand for installations. From a marketing perspective, the business is bringing together its offerings onto one website as well as amending its digital marketing strategy which has demonstrated a much greater click through rate.

*Including the initial investment by F2.

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

***Including £1,553 returned to F2 pre-merger.

Initial Investment	July 2015
Amount invested (£)*	2,500,000
Accounting cost (£)**	2,500,000
Valuation (£)	5,005,118
Basis of valuation	Discounted revenue multiple
Equity held (%)	39.7%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)***	150,904

£000	Year ended 31 March 2018	Year ended 31 March 2017
Sales	3,910	3,978
Loss before tax	(626)	(236)
Retained loss	(428)	(89)
Net assets	3,320	3,748



Ixaris is a payments platform enabling efficient global payments, targeted in particular at the travel sector.

31 December 2018 Update

Ixaris has continued to build traction in the travel sector, and is now entirely focused on the payments platform business, which grew by over 70% during 2018 and processed over \$2bn of payments during the year. The company has established a number of key relationships and partnerships and expects to continue to grow at a high pace in the year ahead. Following new regulations issued by Visa, Ixaris is winding down EntroPay, the B2C virtual card programme, to focus on the more scalable opportunities with the payments platform.

*The amount and date of initial investment by F2.

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

Initial Investment*	March 2006
Amount invested (£)*	822,858
Accounting cost (£)**	2,266,036
Valuation (£)	4,563,390
Basis of valuation	Discounted revenue multiple
Equity held (%)	5.6%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)	—

£000	Year ended 31 December 2017	Year ended 31 December 2016
Sales	22,486	13,204
Profit/(loss) before tax	2,429	(2,062)
Retained profit/(loss)	3,027	(1,631)
Net assets	7,572	4,357



Itad, established in 1984, is a consulting firm focused on monitoring and evaluating the impact of international development money and aid on behalf of governments, NGOs, foundations and charities in the UK and overseas. The company advises on the impact of aid programmes throughout the world, largely in developing countries.

31 December 2018 Update

Itad continues to make strong progress, with revenue and EBITDA materially ahead of prior year, which is reflected in the increase in valuation. Over the last twelve months the company has made progress on improving the average size of contracts won whilst maintaining the win rate. Diversification remains the company's key challenge. The team will likely open a US office over the next twelve months with the aim of cementing relationships with US philanthropic funds and other NGOs and increasing the amount of work sourced from existing customers such as the Bill and Melinda Gates Foundation and the Rockefeller Foundation.

*Including the initial investment by F2.

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

Initial Investment	October 2015
Amount invested (£)*	2,750,000
Accounting cost (£)**	2,750,000
Valuation (£)	4,322,121
Basis of valuation	Discounted earnings multiple
Equity held (%)	24.1%
Income received in the year (£)	223,278
Cash returned up to 31 December 2018 (£)	640,887

£000	Year ended 31 January 2018	Year ended 31 January 2017
Sales	13,985	12,304
Loss before tax	(1,028)	(613)
Retained loss	(1,146)	(858)
Net assets	441	1,712

Manager's Review

Top Ten Investments continued

INDUSTRIAL EFFICIENCY II LIMITED LONDON



SECTOR:
BUSINESS SERVICES



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

31 December 2018 Update

During the period, Industrial Efficiency II's sites have operated well with no downtime. Revenues were ahead of budget in the period owing primarily to increased energy usage. The cash position continues to grow strongly, and the business is exploring alternative opportunities for investing in asset classes with a similar risk-return profile, with a large potential investment identified. This opportunity will be assessed to establish whether it is suitable for investment during 2019.

Initial Investment	July 2014
Amount invested (£)	2,603,260
Accounting cost (£)	2,603,260
Valuation (£)	3,939,206
Basis of valuation	Discounted cash flow
Equity held (%)	18.8%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)	219,275

£000	Year ended 30 June 2018	Year ended 30 June 2017
Sales	1,631	1,409
Profit/(loss) before tax	156	(75)
Retained profit/(loss)	156	(75)
Net liabilities	(84)	(240)

HOSPITAL SERVICES GROUP LIMITED www.hsl.ie BELFAST



SECTOR:
HEALTHCARE



Hospital Services Group Limited distributes, installs and maintains high quality healthcare equipment from global partners such as Hologic, Fujifilm and Shimadzu, as well as providing associated consumables.

31 December 2018 Update

HSL maintained high levels of revenue and is investing in various parts of the business to support growth in 2019. In order to drive improved sales performance, the business recruited a sales manager who has increased the focus on activity-based reporting, making a positive impact on the business. HSL won a number of mammography installations in Ireland during the year. HSL also won a position on the framework for mobile X-ray systems in Ireland and the Ergo Viewing subsidiary is trading strongly.

*Including the initial investment by F2.

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

Initial Investment	September 2015
Amount invested (£)*	3,320,000
Accounting cost (£)**	3,320,000
Valuation (£)	3,789,657
Basis of valuation	Discounted earnings multiple
Equity held (%)	45.2%
Income received in the year (£)	—
Cash returned up to 31 December 2018 (£)	—

£000	Year ended 31 March 2018	Year ended 31 March 2017
Sales	12,310	10,140
Profit before tax	459	222
Retained profit	389	208
Net assets	4,574	4,723



“ Our continued growth, despite an unsettled economy, demonstrates that FFX is providing the right customer service at the right price for the tools market.

Mark Skinner, Operations Director, FFX



Manager's Review

Portfolio Overview

31 December 2018				
Investment (by value)	Date of First Investment	Sector	Accounting cost £	Valuation £
Datapath Group Limited*	2007	TMT	7,563,365	8,809,944
Ollie Quinn Limited*	2017	Consumer & Leisure	5,693,917	5,168,522
TFC Europe Limited*	2007	Industrials & Manufacturing	3,614,612	5,089,131
FFX Group Limited*	2015	Business Services	2,676,426	5,087,597
Specac International Limited*	2015	Industrials & Manufacturing	1,300,000	5,047,321
Protean Software Limited*	2015	TMT	2,500,000	5,005,118
Ixaris Systems Limited*	2006	Consumer & Leisure	2,266,036	4,563,390
Itad Limited*	2015	Business Services	2,750,000	4,322,121
Industrial Efficiency II Limited*	2014	Business Services	2,603,260	3,939,206
Hospital Services Group Limited*	2015	Healthcare	3,320,000	3,789,657
ABL Investments Limited	2015	Business Services	2,750,000	3,567,320
Aquasium Technology Limited	2001	Industrials & Manufacturing	333,333	3,544,404
Spektrix Limited	2018	TMT	3,448,276	3,448,276
Nano Interactive Group Limited	2017	TMT	3,448,969	3,406,761
Fresh Relevance Limited	2017	TMT	2,117,750	3,399,436
The Business Advisory Limited	2015	Business Services	1,650,000	2,444,703
Mologic Ltd	2018	Healthcare	2,434,483	2,434,483
Luminet Networks Limited	2018	TMT	2,364,532	2,364,532
Cinelabs International Limited	2017	TMT	2,216,250	2,224,046
Procam Television Holdings Limited	2013	TMT	1,664,893	2,118,078
200 Degrees Holdings Limited	2017	Consumer & Leisure	1,477,832	2,114,037
Mowgli Street Food Limited	2017	Consumer & Leisure	1,526,750	2,021,403
Online Poundshop Limited	2017	Consumer & Leisure	2,610,000	1,974,586
The Naked Deli Ltd	2018	Consumer & Leisure	1,724,139	1,724,139
Accrosoft Limited	2018	TMT	1,724,138	1,724,138
Aerospace Tooling Holdings Limited	2013	Industrials & Manufacturing	150,000	1,683,538
Powerlinks Media Limited	2017	TMT	2,709,360	1,541,024
Positive Response Communications Limited	2014	Business Services	1,000,000	1,311,234
Dhalia Limited	2015	General	100	1,251,250
Fertility Focus Limited	2018	Healthcare	862,080	862,080
Biofortuna Limited	2012	Healthcare	1,072,519	754,370
Idio Limited	2016	TMT	920,313	695,435
Codeplay Software Limited	2018	TMT	689,656	689,656
Whitchurch PE 1 Limited	2014	General	100,000	291,511
Cole Henry PE 2 Limited	2014	General	100,000	218,091
Flowrite Refrigeration Limited	2012	Business Services	209,801	194,783
Kingsclere PE 3 Limited	2014	General	100,000	178,443
Sindicatum Carbon Capital Limited	2007	Environmental	246,075	61,519
Mitgjorn Limited	2015	General	100	—
Oxonica plc	2002	TMT	2,804,473	—
Autologic Diagnostics Group Limited	2009	TMT	3,782,272	—
CoGen Limited	2008	Environmental	—	—
ICA Group Limited	2009	Business Services	—	—
Thermotech Solutions Limited	2013	Business Services	—	—
			80,525,710	99,065,283

* Top ten investments by value shown on pages 12 to 16.

31 December 2017					
Valuation Methodology	Accounting cost £	Valuation £	Additions £	Disposal proceeds £	Net valuation movement £
Discounted earnings multiple	7,563,365	9,475,569	—	—	(665,625)
Cost less impairment	2,955,000	2,216,250	2,738,917	—	213,355
Discounted earnings multiple	3,614,612	3,842,947	—	—	1,246,184
Discounted earnings multiple	2,676,426	4,050,200	—	—	1,037,397
Discounted earnings multiple	1,300,000	3,834,553	—	—	1,212,768
Discounted revenue multiple	2,500,000	4,585,683	—	—	419,435
Discounted revenue multiple	2,266,036	4,574,743	—	—	(11,353)
Discounted earnings multiple	2,750,000	2,959,502	—	—	1,362,619
Discounted cash flow	2,603,260	3,895,075	—	—	44,131
Discounted earnings multiple	3,320,000	2,880,204	—	—	909,453
Discounted earnings multiple	2,750,000	3,313,766	—	—	253,554
Discounted earnings multiple	333,333	4,044,103	—	—	(499,699)
Cost	—	—	3,448,276	—	—
Discounted revenue multiple	3,448,969	3,448,969	—	—	(42,208)
Discounted revenue multiple	2,117,750	2,117,750	—	—	1,281,686
Discounted earnings multiple	1,650,000	1,781,794	—	—	662,909
Cost	—	—	2,434,483	—	—
Cost	—	—	2,364,532	—	—
Discounted earnings multiple	2,216,250	2,216,250	—	—	7,796
Discounted earnings multiple	1,664,893	2,315,637	—	—	(197,559)
Discounted earnings multiple	935,960	935,960	541,872	—	636,205
Discounted earnings multiple	1,526,750	1,526,750	—	—	494,653
Discounted revenue multiple	1,700,000	1,700,000	910,000	—	(635,414)
Cost	—	—	1,724,139	—	—
Cost	—	—	1,724,138	—	—
Discounted earnings multiple	150,000	1,491,410	—	—	192,128
Discounted revenue multiple	2,709,360	2,709,360	—	—	(1,168,336)
Discounted revenue multiple	1,000,000	1,259,486	—	—	51,748
Net assets	100	100	—	—	1,251,150
Cost	—	—	862,080	—	—
Discounted revenue multiple	909,755	909,755	162,764	—	(318,149)
Discounted revenue multiple	816,659	830,847	103,654	—	(239,066)
Cost	—	—	689,656	—	—
Net assets	100,000	100,000	—	—	191,511
Net assets	100,000	100,000	—	—	118,091
Discounted earnings multiple	209,801	574,817	—	—	(380,034)
Net assets	100,000	100,000	—	—	78,443
Cost less impairment	246,075	61,519	—	—	—
Nil value	100	353,501	—	—	(353,501)
Nil value	2,804,473	—	—	—	—
Nil value	3,782,272	—	—	—	—
Sold	1,603,491	550,734	—	(199,832)	(350,902)
Sold	885,232	1,290,701	—	(1,200,088)	(90,613)
Sold	300,000	1,915,331	—	(1,980,206)	64,875
	65,609,922	77,963,266	17,704,511	(3,380,126)	6,777,632

Manager's Review

About the Manager

The Manager has appointed Foresight Group LLP as its investment adviser, which has won a number of awards recognising its accomplishments in this area. Foresight Group was also voted "Best VCT Investment Manager" at the 2017 Growth Investor Awards, having previously been awarded "VCT House of the Year" at the 2016 Unquote British Private Equity awards. Most recently, Foresight Group won "Best Generalist VCT" at the Investment Week Tax Efficiency Awards 2018/19.

Led by Russell Healey, Foresight Group's growing private equity investment team of 24 is pro-active and hands-on, and focused on investing typically up to £5 million in UK growth companies across a broad range of sectors.

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

The team combines executives from varying backgrounds across corporate finance, consulting, accounting, private equity and industry. Between them, they have experience of more than 500 private equity and corporate finance transactions and have

managed more than 200 investments, the majority of these during their time at Foresight Group.

This team has c. 300 years' worth of collective investment experience and combines investors' capital and its own hands-on expertise with the intention of creating long-term shareholder value and generating attractive returns for shareholders. Foresight Group takes a particularly active, hands-on approach to portfolio management and as a matter of policy, on its unquoted investments, seeks board representation and the ability to appoint a senior industry expert as chairman. Foresight Group works particularly closely with the investee companies in the following areas:

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

EVOLUTION OF FORESIGHT VCT PLC

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

Responsible Investment

To deliver sustainable growth and long-term success, Foresight Group believes it is critical to incorporate Environmental, Social and Governance factors (“ESG”) into its investment processes and asset management procedures. Often referred to as Responsible Investment, these principles provide not only a key platform to generate attractive returns for investors, but also to help build better quality businesses in the UK, creating jobs and making a positive contribution to society.

ESG values form an integral part of our day-to-day decision making and investment management, which was formalised during 2018 through an update of Foresight Group’s ESG Policy. Central to its investment approach are five ESG Principles which are used to evaluate investee companies throughout the life cycle of an investment. The evaluation is both about the company’s existing position and its potential to improve and develop with support. Noting the wide range of its investments, Foresight Group believes its approach covers the key areas that should be used to assess a company’s ESG performance, throughout the life cycle of an investment:



STRATEGY AND AWARENESS

Does the business demonstrate a good awareness of corporate social responsibility?
Is this reflected in its processes and management structure?



ENVIRONMENTAL

Does the company follow good practice for limiting or mitigating its environmental impact, in the context of its industry?
How does it encourage the responsible use of the world’s resources?



SOCIAL

What impact does the company have on its employees, customers and society as a whole?
Is it taking steps to improve the lives of others, either directly, such as through job creation, or indirectly?



GOVERNANCE

Does the company and its leadership team demonstrate integrity?
Are the correct policies and structures in place to ensure it meets its legislative and regulatory requirements?



THIRD PARTY INTERACTION

Is the principle of corporate responsibility evidenced in the company’s supply chain and customers?
How does it promote ESG values and share best practice?

The evaluation of investee companies against each principle and their improvements are supported by quantitative and qualitative data, starting at the initial review of an opportunity through to exit. This process helps identify both the risks and the opportunities that exist within the portfolio and aims to ensure that investments support positive environmental and social outcomes.

CREDENTIALS

Foresight Group has been a member of the UK Sustainable Investment and Finance Association since 2009 and a signatory to the Principles for Responsible Investing (“PRI”) since 2013.

Foresight Group is an accredited Living Wage Employer and a signatory of the HM Treasury Women in Finance Charter, committing the group to implement recommendations to improve gender diversity in financial services. Portfolio companies are encouraged to pursue similar objectives.



Manager's Review

Responsible Investment

CASE STUDY

An example of how ESG is measured is demonstrated below through the investment in Mowgli Street Food, a growing chain of fast casual Indian street food restaurants.

MOWGLI



Founder, Nisha Katona, drives Mowgli's focus on healthy, Indian dishes that differentiate it from traditional Indian restaurants. Her purpose for Mowgli is "to enrich lives in the cities that we inhabit. This means providing fulfilling, purposeful and enriching careers and trying to add social capital to high streets for our guests".



The business has reduced food waste volumes by offering a daily special "tiffin roulette" concept at lunchtime. As far as possible, food is locally sourced.



Mowgli has more than doubled its number of employees since investment, increasing to 255 from 120. This follows the opening of three new sites in Birmingham, Oxford and Nottingham. There are also new recruits in the recently formed head office function.

Nisha has a hands-on approach to training and career progression, resulting in low staff turnover and high employee engagement. There is a culture of appropriately rewarding high-performing individuals and the staff receive all tips.



Since investment a strong Board has been recruited including a new Chairwoman and Finance Director, improving oversight and management reporting. Formal policies including Health & Safety have been implemented.



The business adds a discretionary £1 charity donation to each table's bill, which in 2018 led to a total of more than £322k being donated to charities local to its restaurants including children's hospice, Claire House, the Clatterbridge Cancer Charity and Maggie's Manchester.



“

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

Nisha Katona, Founder, Mowgli

Russell Healey

PARTNER AND HEAD OF PRIVATE EQUITY



Russell is head of the Private Equity team at Foresight Group with overall responsibility for fund raising, new investments and the portfolio, and is a member of the Foresight Group Executive Committee. He has over 15 years' experience in fund management and venture capital investing. Prior to joining Foresight Group, he worked at Parkmead Group, a merchant bank, and spent ten years as CTO of a financial information company that was subsequently sold to Thomson Reuters. Russell holds a BA in Classics from the University of Exeter and an MBA with distinction from London Business School.

James Livingston

PARTNER



James joined Foresight Group in 2007 from Deloitte's Strategy Consulting team. James has 15 years of experience. At Foresight Group, he has led numerous successful transactions including growth and replacement capital transactions in a variety of sectors. James holds an MA in Natural Sciences and Management Studies from Cambridge University as well as the CIMA Advanced Diploma in Management Accounting.

Matt Smith

PARTNER



Matt joined Foresight Group in 2010 and has 15 years' venture capital investment experience. Prior to joining, he spent six years at Rothschild, advising companies in a range of sectors on a variety of transaction types. Matt has a particular focus on Environmental, Social and Governance considerations when evaluating investments and he successfully negotiated sales of a number of difficult assets. Matt graduated from the University of Oxford with an undergraduate degree in Biological Sciences and a distinction in a postgraduate degree in Physiology.

Strategic Report

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

FORESIGHT VCT PLC

Foresight VCT plc originally raised £10.9 million through an Ordinary Share issue in the 1997/98 tax year. At 31 December 2018, the Company had gross assets totalling £137.0 million, of which £37.4 million was available to make new investments. The number of Ordinary Shares in issue at 31 December 2018 was 175,051,026.

INVESTMENT OBJECTIVE

To provide private investors with regular dividends and maintained capital value from a portfolio of investments in fast-growing unquoted companies in the United Kingdom.

PERFORMANCE AND KEY PERFORMANCE INDICATORS ("KPIs")

The Board expects the Manager to deliver a performance which meets the objectives of the Company. The KPIs covering these objectives are growth in net asset value per share and dividend payments, which, when combined, give an overall NAV per share or NAV total return. Net asset value total return per share allows performance comparisons to be made between VCTs. Additional key performance indicators reviewed by the Board include the discount of the share price relative to the net asset value, which shows the percentage by which the mid-market share price of the Company is lower than the net asset value per share, and total expenses as a proportion of shareholders' funds.

A record of some of these indicators is contained in the Key Metrics section on page 2. The ongoing charges ratio for the year was 2.1% of net assets. Share buy-backs were completed at discounts ranging from 10.0% to 10.2%. Further detail of the Company's KPIs can be found in the Glossary of Terms on page 75.

A review of the Company's performance during the financial year, the position of the Company

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

Investments in unquoted companies at an early stage of their development may disappoint. However, investing the Company's funds in companies with high growth characteristics with the potential to become strong performers within their respective fields creates an opportunity for attractive returns to shareholders.

STRATEGIES FOR ACHIEVING OBJECTIVES

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 securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities, fixed-interest securities and cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stock, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM listed securities, cash is primarily held in interest bearing accounts as well as in a range of permitted liquidity investments.

UK companies

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

Asset mix

The Company aims to be significantly invested in growth businesses, subject always to the

quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash and a range of permitted liquidity investments.

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 by VCT legislation 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 articles allow it to do so.

CO-INVESTMENT

The Company may invest alongside other funds managed or advised by the Manager. Where more than one fund is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will

have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio considerations, such as the portfolio diversity and the need to maintain VCT status.

VCT REGULATION

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15% of its total investments and cash by VCT value, at the time of making the investment, in a single company and must have at least 70% by VCT value (80% for accounting periods beginning on or after 6 April 2019) of its investments and cash throughout the period in shares or securities in qualifying holdings. In addition, in aggregate, 70% of a VCT's qualifying investments (30% for investments made before 6 April 2018 from funds raised before 6 April 2011) by VCT value 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 its manager, which has appointed Foresight Group LLP as its investment adviser and to which it has delegated the company secretarial, accounting and administration services. References to 'the Manager' throughout this report refer to the activities of both Foresight Group CI Limited and Foresight Group LLP.

The Manager prefers to take a lead role in the companies in which it invests. Larger investments may be syndicated with other investing institutions, or strategic partners with similar investment criteria. In considering a prospective

investment in a company, particular regard will be paid to:

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

ENVIRONMENTAL, HUMAN RIGHTS, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

The Board recognises the requirement under Section 414 of the Companies Act 2006 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.

Please refer to the Manager's Review for more information on Foresight Group's Responsible Investment Principles.

GENDER DIVERSITY

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

Foresight Group has an equal opportunities policy and currently employs 139 men and 78 women.

Strategic Report

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

	Foresight VCT £	Foresight 4 VCT £	Foresight Inheritance Tax Solutions £	Foresight Nottingham Fund £	Foresight Regional Investment Fund £	Foresight Williams Technology EIS Fund £	Total Equity Managed by Foresight %
200 Degrees Holdings Limited	1,477,832	—	—	1,500,000	—	—	24.8
ABL Investments Limited	2,750,000	1,494,075	—	—	—	—	57.3
Accrosoft Limited	1,724,138	750,000	—	—	—	—	26.9
Aerospace Tooling Holdings Limited	150,000	415,255	—	—	—	—	50.4
Biofortuna Limited	1,072,519	3,217,535	—	—	—	—	11.5
Codeplay Software Limited	689,656	300,000	—	1,000,000	—	1,050,000	23.3
Cole Henry PE 2 Limited	100,000	200,000	—	—	—	—	49.9
Datapath Group Limited	7,563,365	11,081,243	—	—	—	—	38.8
Fertility Focus Limited	862,080	375,000	—	—	—	—	14.3
FFX Group Limited	2,676,426	1,372,002	—	—	—	—	49.9
Flowrite Refrigeration Limited	209,801	513,368	—	—	—	—	50.6
Hospital Services Group Limited	3,320,000	1,200,000	—	—	—	—	61.6
Idio Limited	920,313	—	—	920,313	—	—	12.6
Industrial Efficiency II Limited	2,603,260	—	1,131,498	—	—	—	100.0
Itad Limited	2,750,000	1,371,726	—	—	—	—	35.0
Ixaris Systems Limited	2,266,036	3,479,188	—	—	—	—	17.9
Kingsclere PE 3 Limited	100,000	100,000	—	—	—	—	49.9
Luminet Networks Limited	2,364,532	600,000	—	—	—	—	37.5
Mologic Limited	2,434,483	1,059,000	—	—	—	—	21.4
Mowgli Street Food Limited	1,526,750	—	—	—	1,900,000	—	22.7
Positive Response Communications Limited	1,000,000	1,009,195	—	—	—	—	60.8
Procam Television Holdings Limited	1,664,893	2,162,929	1,000,000	—	—	—	57.4
Protean Software Limited	2,500,000	1,795,229	—	—	—	—	63.5
Sindicatum Carbon Capital Limited	246,075	544,538	—	—	—	—	1.0
Specac International Limited	1,300,000	2,554,761	—	—	—	—	75.8
Spektrix Limited	3,448,276	1,500,000	—	—	—	—	13.5
TFC Europe Limited	3,614,612	2,149,307	—	—	—	—	66.7
The Business Advisory Limited	1,650,000	1,938,046	—	—	—	—	27.8
The Naked Deli Ltd	1,724,139	750,000	—	—	—	—	46.4
Whitchurch PE 1 Limited	100,000	378,000	—	—	—	—	49.9

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

Where the Manager controls over 50% of an investment by virtue of its discretionary management of one or more funds under management, decisions either have to be taken by the individual boards of the VCTs in respect of their individual holdings or voting is limited to 50%.

The Manager provides investment management services or advice to Foresight 4 VCT plc, Foresight Solar & Infrastructure VCT plc, Foresight Nottingham Fund LP, Foresight Environmental Fund LP, Foresight Solar Fund Limited, Foresight European Solar Fund LP, Foresight Capri Energy Fund, Foresight Inheritance Tax Solutions, Foresight Sustainable UK Investment Fund, Foresight AD EIS, Foresight Energy Infrastructure EIS, Foresight Regional Investment LP, Foresight Williams Technology EIS Fund and MEIF ESEM Equity LP.

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.

DIVIDEND POLICY

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

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

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

Economic risk: Events such as economic recession or general fluctuation in stock markets and interest rates may affect the performance and the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value.

Mitigation: The Company invests in a diversified portfolio of investments spanning various industry sectors and maintains sufficient cash reserves to be able to provide additional funding to investee companies where appropriate and to repurchase its own shares.

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

Mitigation: Legal advice is taken for each transaction to ensure all investments are qualifying. Advance assurance, where appropriate, is sought from HMRC ahead of completion. The Manager keeps the Company's VCT qualifying status under continual review, seeking to take appropriate action to maintain it where required, and its reports are reviewed by the Board on a quarterly basis. The Board has also retained Shakespeare Martineau LLP to undertake an independent VCT status monitoring role.

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

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

Valuation of unquoted investments: Unquoted companies are unlisted and there is no

published market price for their shares. The value of the shares needs to be calculated based on other available information using estimates and judgements. As a result, the values calculated can be subjective.

Mitigation: Valuations are prepared in accordance with the IPEV Valuation Guidelines, as discussed in more detail in note 1 to the accounts. The Board reviews portfolio valuations quarterly and the external auditor performs an annual review, as noted in the auditor's report.

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

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

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

Mitigation: The Board carries out regular reviews of the system of internal controls, both financial and non-financial, operated by the Manager and other service providers. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

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

Strategic Report

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

Market risk: All investments are impacted by market risk. Many factors including terrorist activity and political developments can negatively impact stock markets worldwide. In times of adverse sentiment there can be very little, if any, market demand for shares in smaller companies.

Mitigation: The Board keeps the portfolio under regular review and the Manager ensures the portfolio is diversified.

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

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

Brexit: The Board recognises that Brexit is a process that involves significant uncertainty and therefore the impact on the economy in general and the repercussions on individual businesses are difficult to anticipate.

Mitigation: The Board and the Manager follow Brexit developments closely with a view to identifying where changes could affect the areas of the market in which the Company specialises. Although hopefully this should be relatively limited as the majority of the businesses the Company invests in are largely UK focused, there will be an impact particularly where sales or purchases are outside the UK.

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 2021. This three year period is used by the Board during the strategic planning process and is considered reasonable for a business of its nature and size.

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

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

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 2021.

PERFORMANCE-RELATED INCENTIVES

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

VALUATION POLICY

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

VCT TAX BENEFIT FOR SHAREHOLDERS

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

- Income tax relief of 30% on subscription for new shares;
- VCT dividends (including capital distributions of realised gains on investments) are not subject to income tax in the hands of qualifying holders;
- Capital gains on disposal of VCT shares by qualifying investors are tax-free, whenever the disposal occurs.

The above tax reliefs will be forfeited by shareholders if the shares are not held for five years.

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 2017. The next complete review will be carried out for the year ended 31 December 2018. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Directors and the Manager have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. The Board has appointed Shakespeare Martineau LLP to monitor and provide continuing advice in respect of the Company's compliance with applicable VCT legislation and regulation. As at 31 December 2018 the Company had 87.7% (by VCT valuation) of its funds in such VCT qualifying holdings.

FUTURE STRATEGY

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

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

John Gregory
Chairman
10 April 2019

Governance

Board of Directors

John Gregory CHAIRMAN OF THE BOARD

**Position**

Chairman of the Board

Appointed

30 July 2010

Experience

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

Other positions

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

Beneficial Shareholding

43,877 Ordinary Shares

Gordon Humphries NON-EXECUTIVE DIRECTOR

**Position**

Chairman of the Audit and Nomination Committees, Non-Executive Director

Appointed

20 February 2007

Experience

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

Other positions

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

Beneficial Shareholding

16,252 Ordinary Shares

Jocelin Harris

NON-EXECUTIVE DIRECTOR

**Position**

Non-Executive Director

Appointed

18 December 2015

Experience

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

Other positions

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

Beneficial Shareholding

59,583 Ordinary Shares

Margaret Littlejohns

NON-EXECUTIVE DIRECTOR

**Position**

Chairman of the Management Engagement & Remuneration Committee, Non-Executive Director

Appointed

1 October 2017

Experience

Margaret has 19 years of experience in both commercial and investment banking, developing particular expertise in derivatives and in credit and market risk management. Between 2004 and 2006 she co-founded two start-up ventures, providing self-storage facilities to domestic and business customers in the Midlands and acted as Finance Director until the businesses were successfully sold in 2016.

Other positions

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

Beneficial Shareholding

Nil

Governance

Directors' Report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2018.

ACTIVITIES AND STATUS

The principal activity of the Company during the year was the making of investments in unquoted companies in the United Kingdom. The Company is not an investment company within the meaning of Section 833 of the Companies Act 2006. It has satisfied the requirements as a VCT under sections 274-280A of the Income Tax Act 2007. Confirmation of the Company's qualification as a VCT has been received up to 31 December 2017 and the Directors have managed and intend to continue to manage the Company's affairs in such a manner as to continue to comply with these regulations.

RESULTS AND DIVIDENDS

The total return attributable to shareholders for the year amounted to £5,384,000 (2017: £13,248,000). The Board declared an interim dividend of 5.0p per Ordinary Share which was paid on 4 May 2018.

NET ASSET VALUE TOTAL RETURN

During the year ended 31 December 2018 the Company's principal indicator of performance, NAV total return increased 3.9% (2017: 6.5%) from 80.0p per Ordinary Share to 83.1p per Ordinary Share.

SHARE ISSUES

The Company allotted 2,071,401 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 75.0p per share.

At 31 December 2018 the Company had 175,051,026 Ordinary Shares in issue.

SHARE BUYBACKS

During the year, the Company repurchased 2,622,352 Ordinary Shares for cancellation at a cost of £1,817,000. No shares bought

back by the Company are held in treasury. Share buy-backs have been completed at discounts ranging from 10.0% to 10.2%.

GLOBAL GREENHOUSE GAS EMISSIONS

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

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

A summary of the principal risks faced by the Company is set out in the Strategic Report on page 24.

MANAGEMENT

Foresight Group CI Limited is the manager of the Company and has appointed Foresight Group LLP as its investment adviser and to which it has delegated the company secretarial, accounting and administration 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 28 March 2019. The principal terms of the management agreement are set out in note 3 to the accounts. Following the launch of the offer

for subscription in January 2016 the Manager agreed to reduce the annual expenses cap to 2.4%, excluding performance incentive fees, making it one of the lower expenses caps of any VCT with total assets over £20 million.

No Director has an interest in any contract to which the Company is a party. Foresight Group CI Limited acts as manager to the Company in respect of its investments and earned fees of £2,379,000 (2017: £3,780,000 including a £863,000 performance incentive in relation to the Infrastructure Shares Fund). Foresight Group LLP indirectly received £117,000 (2017: £113,000) during the year in respect of secretarial, administrative and custodian services to the Company.

Foresight Group LLP also received from investee companies arrangement fees of £477,000 (2017: £536,000) and directors' fees of £616,000 (2017: £510,000).

	£'000
Management fee	2,379
Arrangement fees	477
Directors fees	616
Secretarial fee	117
	3,589

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

At the time of writing, staff of the Manager held a total of 1,907,222 Ordinary Shares in the Company.

VCT STATUS MONITORING

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

SUBSTANTIAL SHAREHOLDINGS

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

FINANCIAL INSTRUMENTS

Details of all financial instruments used by the Company during the year are given in note 15 to the accounts.

DIRECTORS INDEMNIFICATION AND INSURANCE

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

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

POLICY OF PAYING CREDITORS

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At the year end trade creditors represented an average credit period of 1 day (2017: 3 days).

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

The AIFMD came into force on 22 July 2013 and sets out the rules for the authorisation and on-going regulation of managers (AIFMs) that manage alternative investment funds (AIFs) in the EU. The Company qualifies as an AIF and so is required to comply, although additional cost and administration requirements are not expected to be material. The Company's approval was

confirmed in August 2014. This has not affected the current arrangements with the Manager, who continues to report to the Board and manage the Company's investments on a discretionary basis.

AUDIT INFORMATION

Pursuant to s418(2) of the Companies Act 2006, each of the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

STATUTORY INSTRUMENT 2008/410 SCHEDULE 7 PART 6

The following disclosures are made in accordance with Statutory Instrument 2008/410 schedule 7 Part 6.

Capital Structure

The Company's issued share capital as at 10 April 2019 was 175,051,026 Ordinary Shares.

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

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this report are given in note 5 in the Notice of Annual General Meeting on page 70.

Notifiable interests in the Company's voting rights

At the date of this report no notifiable interests had been

declared in the Company's voting rights.

AUDITOR

Pursuant to S487(2) of the Companies Act 2006, the Directors have decided to propose the re-appointment of KPMG LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting.

COMPANIES ACT 2006 DISCLOSURES

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

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

CONFLICTS OF INTEREST

The Directors have declared any conflicts or potential conflicts of interest to the Board which has the authority to approve such conflicts. The Company Secretary maintains the Register of Directors' Conflicts of Interest which is reviewed quarterly by the Board and when changes are notified. The Directors advise the Company Secretary and Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions concerning their own conflicts.

WHISTLEBLOWING

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

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Strategic Report and Notes to the Accounts. In addition, the accounts 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 accounts.

DIRECTORS REMUNERATION

Following changes to the Companies Act 2006, UK investment companies must comply with new regulations in relation to directors' remuneration. Directors' fees can only be paid in accordance with a remuneration policy which has been approved by shareholders. The company must also publish a Directors' Remuneration Report that complies with a new set of disclosure requirements. See page 41.

ANNUAL GENERAL MEETING

A formal notice convening the Annual General Meeting on 23 May 2019 can be found on pages 70 to 73. 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 to 12 will be proposed as special

resolutions meaning that for each resolution to be passed at least 75% of the votes cast at the meeting must be in favour of the resolution. Resolutions 9 to 11 supplement and renew share issue and buyback authorities.

RESOLUTION 9

Resolution 9 will authorise the Directors to allot relevant securities generally, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of £400,000. This authority will be used for the purposes listed under the authority requested under Resolution 10. This includes authority to issue shares pursuant to the dividend reinvestment scheme, performance incentive fee arrangements with the Manager and relevant individuals of the Foresight Group LLP investment team and top-up offers for subscription to raise new funds for the Company if the Board believes this to be in the best interests of the Company. Any offer is intended to be at an offer price linked to NAV. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the passing of the resolution and is in substitution for all existing authorities.

RESOLUTION 10

Resolution 10 will sanction, in a limited manner, the disapplication of pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal amount of up to £200,000 pursuant to offer(s) for subscription, (ii) with an aggregate nominal value of up to 10% of the issued share capital pursuant to dividend reinvestment schemes at a subscription price per share which may be less than the net asset value per share, as may be prescribed by the scheme terms, (iii) with an aggregate nominal value of up to £100,000 pursuant to performance incentive

arrangements with the Manager and relevant individuals of the Foresight Group LLP investment team and (iv) with an aggregate nominal value of up to 10% of the issued share capital for general purposes, in each case where the proceeds of such issue may be used in whole or part to purchase the Company's shares. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2020, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired. This authority is in substitution for all existing authorities.

RESOLUTION 11

It is proposed by Resolution 11 that the Company be authorised to make market purchases of the Company's own shares. Under this authority the Directors may purchase up to 26,240,149 shares, (representing approximately 14.99% of the Company's shares in issue at the date of this Annual Report) or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. When buying shares, the Company cannot pay a price per share which is more than 105% of the average of the middle market quotation for a share taken from the London Stock Exchange daily official list on the five business days immediately before the day on which shares are purchased or, if greater, the amount stipulated by Buyback and Stabilisation Regulation 2003. This authority will expire (unless

renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2020, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may purchase its shares after such date in pursuance of a contract or contracts made prior to the expiration of this authority. This authority is in substitution for all other existing authorities.

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

RESOLUTION 12

Resolution 12 seeks the authority from shareholders (as required under the Companies Act 2006) to reduce the share premium account of the Company by £21.6 million.

Cancelling share premium allows a company to create a special

reserve that can be used to write or set off losses, facilitate distributions and buybacks and for other corporate purposes. The Company has previously cancelled share premium for these purposes and has, over time, utilised the special reserves created from these cancellations.

The issue of shares pursuant to recent fundraisings has resulted in the creation of further share premium. The Board proposes to reduce the share premium account to create further special reserves.

Prior to confirming the reduction of the share premium account, the court will need to be satisfied that the reduction will not prejudice the interests of the Company's creditors. The Company will take such steps as are necessary to satisfy the court in this regard. The reduction of the share premium account will take effect once the court order confirming the reduction has been registered by the Registrar of Companies.

The amount to be cancelled is related to share premium created by the issue of shares on or before 31 December 2015 and is not, therefore, regarded under VCT legislation as restricted capital which should not be used to make, directly or indirectly, payments to shareholders.

By order of the Board

Foresight Group LLP
Company Secretary
10 April 2019

Governance

Corporate Governance

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

As a VCT, 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 2018. The Annual General Meeting for the year ended 31 December 2017 was convened on 20 business days' notice as recommended in the UK Corporate Governance Code.

The Board has also considered and observed the principles and recommendations of the 2016 AIC Code of Corporate Governance ("AIC Code"). The AIC Code 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 are considered to be independent. The Board has not appointed a Senior Independent Director.

DIVISION OF RESPONSIBILITIES

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

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

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. In view of its Non-Executive nature and the requirements of the Articles of Association that

Directors retire by rotation at the Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by provision B.2.3 of the UK Corporate Governance Code. However, the Board has agreed that each Director will retire and, if appropriate, may seek re-election annually.

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change. Although there is no formal induction programme for the Directors as recommended by provision B.4.1, new Directors meet with the Manager for an initial briefing.

The Board has access to the officers of the Company Secretary who also attend Board Meetings. Representatives of the Manager attend all formal Board Meetings although the Directors may on occasion meet without representatives of the Manager being present. Informal meetings with the Manager are also held between Board Meetings as required.

Attendance by Directors at Board and Committee meetings is detailed in the table below.

	Board	Audit	Nomination	Management Engagement & Remuneration
John Gregory	5/5	2/2	1/1	1/1
Gordon Humphries	5/5	2/2	1/1	1/1
Jocelin Harris	5/5	2/2	1/1	1/1
Margaret Littlejohns	5/5	2/2	1/1	1/1
Peter Dicks*	3/3	1/1	1/1	1/1

*Peter Dicks retired on 22 May 2018.

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.

MEETING ATTENDANCE

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

In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to the Manager 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), John Gregory, Jocelin Harris and Margaret Littlejohns, all of whom are considered to have sufficient recent and relevant financial experience to discharge the role, and meets at least twice a year to consider, amongst other things, the following:

- Review the valuation of unquoted investments;
- Monitor the integrity of the Annual and Half-Yearly Reports of the Company and recommend the accounts to the Board for approval;
- Review the Company's internal

control and risk management systems;

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

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

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

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

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

and also considers the resolutions for the annual re-election of directors.

The Management Engagement & Remuneration Committee (which has responsibility for reviewing the remuneration of the Directors) comprises Margaret Littlejohns (Chairman), John Gregory, Jocelin Harris and Gordon Humphries 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.

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. Foresight Group hosts regular investor forums for shareholders and publishes quarterly fact sheets, as well as information on new investments, on its website.

Individual shareholders are welcomed to the Annual General Meeting where they have the

Governance

opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Nomination and Management Engagement & Remuneration Committees. The Board may from time to time seek 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 Manager has delegated the financial administration of the Company to Foresight Group LLP, which has an established system of financial control, including internal financial controls, to ensure that proper accounting records are maintained and that financial information for use within the business and for reporting to shareholders is accurate and reliable and that the Company's assets are safeguarded.

Shakespeare Martineau LLP provides legal advice and assistance in relation to the maintenance of VCT tax status, the operation of the agreements entered into with the Manager and the application of the VCT legislation to the Company.

Foresight Group LLP was appointed as Company Secretary

in 2017 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 officers of the Company Secretary, who are responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

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

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

The Board is provided with reports highlighting all changes to the risk ratings and confirming the action that has been, or is being, taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks

associated with the Company's arrangements with the Manager, Foresight Group LLP, Shakespeare Martineau LLP and other service providers.

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

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

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

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Manager, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. The Board has therefore

concluded that it is not necessary to establish an internal audit function at present but this policy will be kept under review.

DIRECTORS' PROFESSIONAL DEVELOPMENT

Directors are 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

Foresight Group 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 at www.foresightgroup.eu.

BRIBERY ACT 2010

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

John Gregory

Chairman
10 April 2019

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Audit Committee Report

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

- Valuation of unquoted investments; and
- Compliance with HM Revenue & Customs conditions for maintenance of approved VCT 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 VCT the Company's investments are predominantly in unlisted securities, which are difficult to value and require the application of skill, knowledge and judgement by the Board and Audit Committee. During the valuation process the Manager follows 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 checked by the auditor and reviewed and challenged by the Audit Committee. The Manager confirmed to the Audit Committee that the investment valuations had been calculated consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data.

EXISTENCE OF UNQUOTED INVESTMENTS

For all investments made, both share certificates and loan stock

documentation are held in the Company's own name and regular reconciliations are carried out by the Manager to ensure that valid documents of title are held.

VENTURE CAPITAL TRUST STATUS

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

AUDITOR'S ASSESSMENT

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as auditor in a diligent and professional manner. During the year, the Audit Committee assessed the effectiveness of the

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

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

The Audit Committee met in March 2018 to review the annual audited accounts and the Company's risk register and in August 2018 to review the interim report, the audit plan for December 2018 and the Company's risk register.

Gordon Humphries

Audit Committee Chairman
10 April 2019

Directors' Remuneration Report

INTRODUCTION

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

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

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Board, which is profiled on pages 30 to 31, 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: Margaret Littlejohns (Chairman), John Gregory, Jocelin Harris and Gordon Humphries.

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 and industry research carried out by third parties in respect of Directors' remuneration.

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

Directors are not involved in deciding their own individual remuneration.

REMUNERATION POLICY

The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2018 were agreed during the year.

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

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

None of the Directors has a service contract but, under letters of appointment dated 10 January 2018, they may resign at any time. There are no set minimum notice periods and no compensation is payable to Directors leaving office.

As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment but all Directors retire every year and may seek re-election.

It is the intention of the Board that the above remuneration policy will, subject to shareholder approval, come into effect immediately following the Annual General Meeting of the Company on 23 May 2019 and will continue for a period of three years unless renewed, varied or revoked in a general meeting.

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 95.9% of shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder support.

RETIREMENT BY ROTATION

All Directors offer themselves for re-election every year.

DETAILS OF INDIVIDUAL EMOLUMENTS AND COMPENSATION

The emoluments in respect of qualifying services of each person who served as a Director during the year are shown on page 43. 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.

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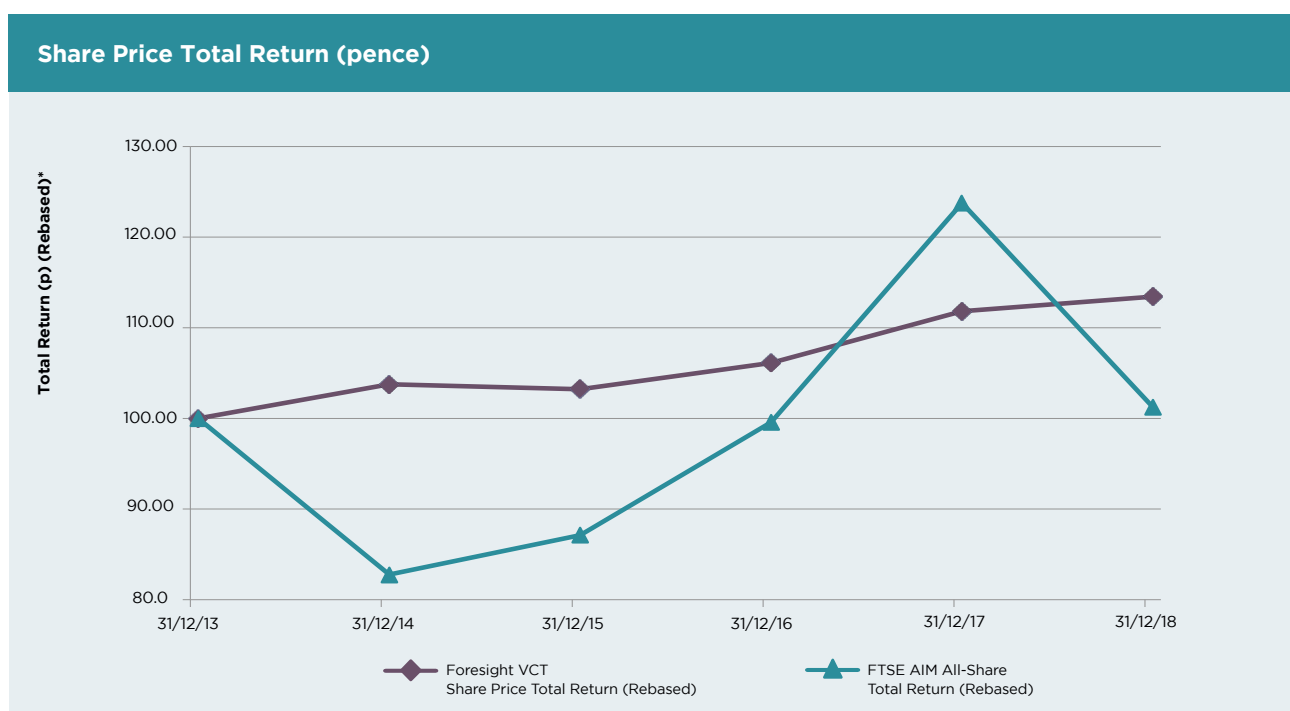
The Company's Articles of Association do not set an annual limit on the level of Directors' fees but fees must be considered within the wider Remuneration Policy noted above.

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

SHARE PRICE TOTAL RETURN

The graph below charts the total shareholder return to 31 December 2018, on the hypothetical value of £100, invested on 1 January 2014. 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 are similar to those held by the Company.



*Based on an initial investment on 1 January 2014.

DIRECTORS

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

	31 December 2018 Ordinary Shares	31 December 2017 Ordinary Shares	31 December 2017 Planned Exit Shares	31 December 2017 Infrastructure Shares
John Gregory (Chairman)	43,877	41,134	—	—
Peter Dicks	—	115,145	—	—
Jocelin Harris	59,583	55,859	—	10,362
Gordon Humphries	16,252	16,252	—	—
Margaret Littlejohns	—	—	—	—

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

In accordance with the Articles of Association and the requirements of the UK Corporate Governance Code and the Board's policy, Mr Gregory, Mr Humphries, Mr Harris and Ms Littlejohns retire annually and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on pages 30 to 31. The Board believes that Mr Gregory's, Mr Humphries', Mr Harris' and Ms Littlejohns' skills, experience and knowledge continue to complement each other and add value to the Company and recommends their re-election to the Board. None of the Directors has a contract of service with the Company.

AUDITED INFORMATION

The information below has been audited. See the Independent Auditor's Report on pages 46 to 49.

	Audited Directors' fees year ended 31 December 2018 (£)	Audited Directors' taxable benefits^ year ended 31 December 2018 (£)	Total year ended 31 December 2018 (£)	Audited Directors' fees year ended 31 December 2017 (£)
John Gregory (Chairman)	31,125	177	31,302	30,375
Jocelin Harris	23,325	—	23,325	22,775
Gordon Humphries	25,975	855	26,830	25,325
Margaret Littlejohns	23,325	—	23,325	5,763
Peter Dicks (retired in May 2018)	9,102	—	9,102	22,775
Total	112,852	1,032	113,884	107,013

^Relates to expenses incurred for attending meetings at the Company's principal place of business.

The Directors are not eligible for pension benefits, share options or long-term incentive schemes. Directors' fees are reviewed annually and fees were last increased on 1 July 2018 after consideration of fees paid to other VCT directors and available independent research.

Governance

Votes cast For and Against the Directors' Remuneration Report for the year ended 31 December 2017:

Shares and Percentage of votes cast For	Shares and Percentage of votes cast Against	Number of votes withheld
95.9%	4.1%	
16,224,620 votes	692,091 votes	392,179 votes

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

	Year ended 31 December 2018	Year ended 31 December 2017
Dividends	£8,720,000	£48,650,000*
Share buybacks	£1,817,000	£1,476,000
Total shareholder distributions	£10,537,000	£50,126,000
Directors fees	£112,852	£107,013
Directors fees % of shareholder distributions	1.1%	0.2%

*Includes final Planned Exit Share and Infrastructure Share dividends.

APPROVAL OF REPORT

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

This Directors' Remuneration Report was approved by the Board on 10 April 2019 and is signed on its behalf by Margaret Littlejohns (Director).

On behalf of the Board

Margaret Littlejohns

Director
10 April 2019

Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT

We confirm that to the best of our knowledge:

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

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

On behalf of the Board

John Gregory

Chairman
10 April 2019

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

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion is unmodified

We have audited the financial statements of Foresight VCT plc ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors in February 2011. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, (noting first the change from 2017) in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The impact of uncertainties due to UK exiting the European Union on our audit (new risk):

Refer to page 11 (Manager's Review), page 28 (Strategic Report), and page 54 (Going Concern).

Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in "Valuation of unquoted investments" below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our response:

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge** – We considered the directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.
- **Sensitivity analysis** – When addressing the valuation of unquoted investments and other areas that depend on forecasts, we compared the directors' sensitivity analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on the "Valuation of unquoted investments" we considered all of the Brexit related disclosures together, including those in the annual report, comparing the overall picture against our understanding of the risks.

Our results:

As reported under Valuation of unquoted investments, we found the resulting estimates and related disclosures of the Valuation of unquoted investments and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Valuation of Unquoted Investments (£99 million; 2017: £78 million): Refer to page 6 (Manager's Review), page 28 (Valuation Policy), page 40 (Audit Committee Report) page 54 (Accounting Policies), and page 60 (financial disclosures).

Subjective valuation

72% of the Company's total assets (by value) are 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 valuations such as prices of recent orderly transactions, earning multiples, discounted cash flow measurement, and net assets.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Company.

Our procedures included:

- **Historical comparisons:** Assessment of investment realisations in the period, if any, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the Company's approach to valuations.
- **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected.
- **Our valuations experience:** Challenging the investment manager on key judgements affecting investee Company valuations, such as maintainable earnings/revenues, comparable multiples, illiquidity discounts, and discount rates. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around 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 whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- **Comparing valuations:** Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation.
- **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our results:

We found the Company's valuation of unquoted investments to be acceptable (2017: acceptable).

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

Materiality for the financial statements as a whole was set at £1.4m (2017: £1.4m), determined with reference to a benchmark of total assets, of £136.7m (2017: 140.9m), which it represents 1.0% (2017: 1.0%).

In addition, we applied materiality of £1 (2017: n/a) to directors' fees for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £67,900 (2017: £70,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the investment manager's head office in London.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were the impact of Brexit on the underlying investment company supply chains.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually

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

and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements;
- the related statement under the Listing Rules set out on page 33 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the viability statement page 28 that they have carried out a robust assessment of the principal

risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

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

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

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- a corporate governance statement has not been prepared by the company.

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

We have nothing to report in these respects.

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

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

with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 45, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management

the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as Venture Capital Trust under UK tax legislation, any breach of which could lead to the company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
 Chartered Accountants
 15 Canada Square,
 London E14 5GL
 10 April 2019

Financial Statements

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018			Year ended 31 December 2017 [^]		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments		—	921	921	—	12,550	12,550
Investment holding gains		—	5,916	5,916	—	4,107	4,107
Income	2	1,398	—	1,398	1,570	—	1,570
Investment management fees	3	(595)	(1,784)	(2,379)	(729)	(3,051)*	(3,780)
Other expenses	4	(472)	—	(472)	(1,199)	—	(1,199)
Return/(loss) on ordinary activities before taxation		331	5,053	5,384	(358)	13,606	13,248
Taxation	6	(34)	34	—	—	—	—
Return/(loss) on ordinary activities after taxation		297	5,087	5,384	(358)	13,606	13,248
Return/(loss) per share:							
Ordinary Share	8	0.2p	2.9p	3.1p	(0.3)p	6.0p	5.7p
Planned Exit Share	8	—	—	—	(0.4)p	0.3p	(0.1)p
Infrastructure Share	8	—	—	—	0.8p	10.9p	11.7p

[^]Comparative includes Planned Exit Shares Fund and Infrastructure Shares Fund.

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

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

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

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

The notes on pages 54 to 69 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Year ended 31 December 2018							
As at 1 January 2018	2,194	97,687	455	23,169	4,251	12,673	140,429
Share issues in the year*	22	1,523	—	—	—	—	1,545
Removal of shares	(439)	—	439	—	—	—	—
Expenses in relation to share issues**	—	(95)	—	—	—	—	(95)
Repurchase of shares	(26)	—	26	(1,817)	—	—	(1,817)
Realised gains on disposal of investments	—	—	—	—	921	—	921
Investment holding gains	—	—	—	—	—	5,916	5,916
Dividends paid	—	—	—	(8,720)	—	—	(8,720)
Management fees charged to capital	—	—	—	—	(1,784)	—	(1,784)
Tax credited to capital	—	—	—	—	34	—	34
Revenue return for the year	—	—	—	297	—	—	297
As at 31 December 2018	1,751	99,115	920	12,929	3,422	18,589	136,726

*Relating to the dividend reinvestment scheme.

**Expenses in relation to share issues relate to trail commission for prior years fund raising.

Total distributable reserves at 31 December 2018 total £16,351,000 (2017: £27,420,000).

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

[^]Comparative includes Planned Exit Shares Fund and Infrastructures Share Fund.

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

The notes on pages 54 to 69 form part of these financial statements.

Financial Statements

Balance Sheet

AT 31 DECEMBER 2018

Registered number: 03421340

	Notes	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	99,065	77,963
Current assets			
Debtors	10	542	887
Money market securities and other deposits		34,723	60,482
Cash		2,696	1,517
		37,961	62,886
Creditors			
Amounts falling due within one year	11	(300)	(420)
Net current assets		37,661	62,466
Net assets		136,726	140,429
Capital and reserves			
Called-up share capital	12	1,751	2,194
Share premium account		99,115	97,687
Capital redemption reserve		920	455
Distributable reserve		12,929	23,169
Capital reserve		3,422	4,251
Revaluation reserve		18,589	12,673
Equity Shareholders' funds		136,726	140,429
Net asset value per share:			
Ordinary Share	13	78.1p	80.0p

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2019 and were signed on its behalf by:

John Gregory
Chairman

The notes on pages 54 to 69 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017^ £'000
Cash flow from operating activities		
Investment income received	1,180	2,457
Deposit and similar interest received	258	113
Investment management fees paid	(2,379)	(3,797)
Secretarial fees paid	(115)	(113)
Other cash payments	(495)	(902)
Net cash outflow from operating activities	(1,551)	(2,242)
Cash flow from investing activities		
Purchase of investments	(17,705)	(17,869)
Net proceeds on sale of investments	3,380	48,394
Net proceeds on deferred consideration	310	561
Net proceeds on liquidation of investments	20	—
Net cash (outflow)/inflow from investing activities	(13,995)	31,086
Cash flow from financing activities		
Proceeds of fund raising	—	39,384
Expenses of fund raising	(95)	(1,247)
Repurchase of own shares	(1,763)	(1,336)
Equity dividends paid	(7,176)	(45,983)
Movement in money market funds	25,759	(29,506)
Net cash inflow/(outflow) from financing activities	16,725	(38,688)
Net inflow/(outflow) of cash in the year	1,179	(9,844)
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents for the year	1,179	(9,844)
Net cash and cash equivalents at start of year	1,517	11,361
Net cash and cash equivalents at end of year	2,696	1,517

^Comparative includes Planned Exit Shares Fund and Infrastructure Shares Fund.

Analysis of changes in net debt

	At 1 January 2018 £'000	Cash flow £'000	At 31 December 2018 £'000
Cash and cash equivalents	1,517	1,179	2,696

The notes on pages 54 to 69 form part of these financial statements.

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES

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

A) BASIS OF ACCOUNTING

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

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

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

Where the Company's interest in an investment is greater than 50% of the investee company's total equity, specific clauses are included in the investee company's articles of association to prevent the Company from exercising control. Therefore, these investments are not considered to be subsidiary undertakings. The Company is exempt from preparing consolidated accounts under the investment entities exemption as permitted by FRS 102.

GOING CONCERN

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

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

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

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

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

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

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

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

C) INCOME

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 interest is included on an accruals basis. Loan interest income is calculated using the effective interest method and recognised on an accruals basis.

D) EXPENSES

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

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

E) BASIC FINANCIAL INSTRUMENTS

Trade and other debtors

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

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

E) BASIC FINANCIAL INSTRUMENTS (CONTINUED)

Trade and other creditors

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

Investments in preference and ordinary shares

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

Cash and cash equivalents

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

F) OTHER FINANCIAL INSTRUMENTS

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

G) TAXATION

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

H) DEFERRED TAXATION

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

I) CAPITAL RESERVES

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

(i) Realised

The following are accounted for in this reserve:

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

(ii) Revaluation reserve (unrealised capital reserve)

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

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

J) INVESTMENT RECOGNITION AND DERECOGNITION

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

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

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

K) CRITICAL ESTIMATES AND ASSUMPTIONS

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

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

2 INCOME

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 [^] £'000
Loan stock interest	985	820
Dividends receivable	155	637
Overseas based Open Ended Investments Companies ("OEICs")	241	113
Bank interest received	17	—
	1,398	1,570

[^]Comparative includes Planned Exit Shares Fund and Infrastructure Shares Fund.

3 INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 [^] £'000
Investment management fees charged to the revenue account	595	729
Investment management fees charged to the capital account	1,784	3,051*
	2,379	3,780

[^]Comparative includes Planned Exit Shares Fund and Infrastructure Shares Fund.

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

The Manager advises the Company on investments under an agreement dated 21 June 2012. The agreement may be terminated by not less than one year's notice in writing.

Following the launch of the most recent offer on 8 March 2017 the Manager agreed to lower its annual management fee for the Ordinary Shares Fund to 1% in respect of any cash above £20 million held within the Fund. This reduced rate is reviewed by the Board on an annual basis. The Manager has received an annual management fee of 2% of net assets (excluding cash above £20 million) in the year ended 31 December 2018.

Management fees are calculated on the most recently announced net assets and payable quarterly in advance. Supplemental management fees are paid in relation to funds raised during the quarter.

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

Financial Statements

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 OTHER EXPENSES

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 [^] £'000
Accounting and secretarial services (excluding VAT)	117	113
Directors' remuneration including employer's National Insurance contributions	120	113
Auditor's remuneration (excluding VAT) ¹	40	33
Taxation services	2	2
Other	193	938*
	472	1,199

¹There were no non-audit fees paid to the Company's auditor during the year (2017: Nil)

[^]Comparative includes Planned Exit Shares Fund and Infrastructure Shares Fund.

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

The Manager 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, the Manager retains the right to charge arrangement and syndication fees and directors' or monitoring fees ('deal fees') to companies in which the Company invests.

Foresight Group LLP is the Company Secretary and indirectly received annual fees, paid quarterly in advance, for the services provided of £117,000 (2017: £113,000). The annual secretarial fee is adjusted annually in line with the UK Retail Prices Index.

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

5 DIRECTORS' REMUNERATION

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
John Gregory	31	30
Peter Dicks	9	23
Jocelin Harris	23	23
Gordon Humphries	26	25
Margaret Littlejohns	23	6
	112	107
Employers' NIC on above as appropriate	8	6
	120	113

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 43. The Company has no employees.

6 TAX ON ORDINARY ACTIVITIES

	Year ended 31 December 2018			Year ended 31 December 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	34	(34)	—	—	—	—
Total current tax	34	(34)	—	—	—	—
Deferred tax	—	—	—	—	—	—
Total tax	34	(34)	—	—	—	—

6 TAX ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING CURRENT TAX CHARGE FOR THE YEAR:

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Total return on ordinary activities before taxation	5,384	13,248
Corporation tax at 19% (2017: 19.25%)	1,023	2,550
Effect of:		
Capital realised gains not taxable	(175)	(2,416)
Capital unrealised gains not taxable	(1,124)	(790)
Movement in unutilised expenses	305	779
Dividends not taxable	(29)	(123)
Total tax charge for the year	—	—

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 VCT.

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

A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised. There is an unrecognised deferred tax asset of approximately £1,640,000 (2017: £1,472,000).

7 DIVIDENDS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Ordinary Shares Dividends — paid in the year	8,720	15,481
Planned Exit Shares Dividends — paid in the year	—	2,932
Infrastructure Shares Dividends — paid in the year	—	30,237

The Board is not recommending a final dividend for the Ordinary Shares Fund for the year ended 31 December 2018 (2017: £nil).

As at 31 December 2018, reserves available for dividend distribution totalled £16,351,000 (2017: £27,420,000) comprising the capital and distributable reserves.

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

8 RETURN PER SHARE

	Year ended 31 December 2018	Year ended 31 December 2017		
	Ordinary Share £'000	Ordinary Share £'000	Planned Exit Share £'000	Infrastructure Share £'000
Total return after taxation	5,384	9,452	(9)	3,805
Total return per share (note a)	3.1p	5.7p	(0.1)p	11.7p
Revenue return from ordinary activities after taxation	297	(561)	(45)	248
Revenue return per share (note b)	0.2p	(0.3)p	(0.4)p	0.8p
Capital return from ordinary shares after taxation	5,087	10,013	36	3,557
Capital return per share (note c)	2.9p	6.0p	0.3p	10.9p
Weighted average number of shares in issue in the year	175,834,593	165,748,167	11,404,314	32,495,246

Notes:

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

9 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 £'000	2017 £'000
Unquoted investments	99,065	77,963

	£'000
Book cost as at 1 January 2018	65,611
Investment holding gains	12,352
Valuation at 1 January 2018	77,963
Movements in the year:	
Purchases at cost	17,705
Disposal proceeds	(3,380)
Realised gains*	591
Investment holding gains**	6,186
Valuation at 31 December 2018	99,065
Book cost at 31 December 2018	80,527
Investment holding gains	18,538
Valuation at 31 December 2018	99,065

*Realised gains in the income statement include deferred consideration received of £258,000 (Simulity) and £52,000 (O-Gen Acme Trek) as well as final administration proceeds of £10,000 (Evince Wind Turbines), £7,000 (Closed Loop Recycling) and £3,000 (Global Immersion) received in the year.

** Investment holding gains in the income statement have been reduced by the offset in the deferred consideration debtor of £258,000 (Simulity) and £19,000 (O-Gen Acme Trek) and have been increased by an adjustment to the deferred consideration debtor for Trilogy of £7,000.

10 DEBTORS

	2018 £'000	2017 £'000
Accrued interest	145	184
Deferred consideration	377	647
Prepayments	20	19
Other debtors	—	37
	542	887

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	11	40
Accruals and other creditors	289	380
	300	420

12 CALLED-UP SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called-up and fully paid: 175,051,026 Ordinary Shares of 1p each (2017: 175,601,977)	1,751	1,756
Nil Planned Exit Shares of 1p each (2017: 11,404,314)	—	114
Nil Infrastructure Shares of 1p each (2017: 32,495,246)	—	324

SHARE ISSUES AND SHARE BUYBACKS

On 24 January 2018 the Company's Planned Exit Shares and Infrastructure Shares were removed, following the realisation and distribution of these Funds during 2017.

On 8 May 2018 the Company allotted 2,071,401 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 75.0p per share.

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

As part of the Company's buyback programme, during the year, 2,622,352 Ordinary Shares were purchased for cancellation at a cost of £1,817,000.

	Ordinary Shares No.	Planned Exit Shares No.	Infrastructure Shares No.
At 1 January 2018	175,601,977	11,404,314	32,495,246
Removal of shares	—	(11,404,314)	(32,495,246)
Dividend reinvestment	2,071,401	—	—
Share buybacks	(2,622,352)	—	—
At 31 December 2018	175,051,026	—	—

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

13 NET ASSET VALUE PER SHARE

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

	31 December 2018	31 December 2017		
	Ordinary Shares Fund	Ordinary Shares Fund	Planned Exit Shares Fund	Infrastructure Shares Fund
Net assets	£136,726,000	£140,429,000	£nil	£nil
No. of shares at year end	175,051,026	175,601,977	11,404,314	32,495,246
Net asset value per share	78.1p	80.0p	0.0p	0.0p

14 CO-INVESTMENT AND PERFORMANCE INCENTIVE ARRANGEMENTS

Ordinary Shares Fund

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

Co-investment

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

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

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

Performance Incentive

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

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

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

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

14 CO-INVESTMENT AND PERFORMANCE INCENTIVE ARRANGEMENTS (CONTINUED)

The starting point for the 'Total NAV Return Hurdle' was the date of the merger with Foresight 2 VCT plc, being 18 December 2015. At that date, NAV per share was 88.0p. As at 31 December 2018, Total NAV Return per share is 96.2p (being NAV per share at 31 December 2018 of 78.1p and dividends paid since 18 December 2015 totalling 18.1p). Dividends paid since 18 December 2015 have been rebased for the number of Ordinary Shares in issue at 31 December 2018.

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

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

No performance fees have been paid or were accrued as due for the Ordinary Shares Fund during the year (2017: Nil).

Planned Exit Shares Fund

The performance incentive fee of the Planned Exit Shares Fund was conditional on distributions exceeding 110p per Planned Exit Share. Total returns for the Fund equalled 82.71p. Accordingly, no performance fee was due in December 2017 when the Fund was wound up.

Infrastructure Shares Fund

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

15 FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's financial instruments comprise:

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

Classification of financial instruments

The Company held the following categories of financial instruments at fair value as at 31 December 2018:

	2018 £'000	2017 £'000
Investment portfolio	99,065	77,963
Current asset investments (money market funds)	34,723	60,482
Cash at bank	2,696	1,517
Total	136,484	139,962

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

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

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

MARKET PRICE RISK

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

The investments in equity and loan stocks of unquoted companies are rarely traded and as such the prices are more difficult to determine than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value will at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for VCTs. The potential maximum exposure to market price risk, being the value of the investment portfolio as at 31 December of 2018 of £99,065,000 (31 December 2017: £77,963,000). Market price risk sensitivity analysis can be found on page 66.

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 £61,953,000, being the total value of the loan stock investments, money market securities and cash as at 31 December 2018 (31 December 2017: £82,700,000).

Company Portfolio	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 %	31 December 2017 %	31 December 2018 Days	31 December 2017 Days
Short-term securities — exposed to fixed interest rate risk	34,723	60,482	0.6	0.3	—	—
Loan stock — exposed to fixed interest rate risk	24,534	20,202	10.6	10.9	882	995
Loan stock — exposed to variable interest rate risk	—	499	—	10.0	—	—
Cash	2,696	1,517	0.8	0.5	—	—
Total exposed to interest rate risk	61,953	82,700				

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk is the risk of failure by counterparties to deliver securities or cash to which the Company is entitled. The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. The Board manages credit risk in respect of the current asset investments and cash by ensuring a spread of such investments in separate money market funds and cash at bank such that none exceed 15% of the Company's total investment assets. These money market funds are investment grade funds, and so credit risk is considered to be low. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk. The maximum exposure to credit risk at 31 December 2018 was £62,475,000 (31 December 2017: £83,568,000) based on cash, money market funds and other receivables (amounts due on investments, dividends and interest). As at 31 December 2018, the Company's assets are held in its own name in certificated form and therefore custodian default risk is negligible.

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

	2018 £'000	2017 £'000
Loan stock investments	24,534	20,701
Current asset investments (money market funds)	34,723	60,482
Cash at bank	2,696	1,517
Other debtors	522	868
Total	62,475	83,568

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 below indicates that these assets are also not readily realisable until dates up to five years from the year-end.

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

	Total portfolio	
	2018 £'000	2017 £'000
Maturity analysis:		
— in one year or less	41,076	64,526
— in more than one year but no more than two years	11,662	2,125
— in more than two years but no more than three years	—	11,662
— in more than three years but no more than four years	4,387	—
— in more than four years but no more than five years	4,828	4,387
Total	61,953	82,700

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FOR THE YEAR ENDED 31 DECEMBER 2018

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

SENSITIVITY ANALYSIS

Equity price sensitivity

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

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

The Board considers that even the loan stocks are 'quasi-equity' in nature, as the value of the loan stocks is determined by reference to the enterprise value of the investee company. Such value is considered to be sensitive to changes in quoted share prices, in so far as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% (2017: 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 portfolio of investments in unquoted companies.

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

Company	2018 Return and net assets	2017 Return and net assets
If overall share prices fell by 15% (2017: 15%), with all other variables held constant — decrease (£'000)	(14,860)	(11,694)
Decrease in net asset value per share (in pence)	(8.49)p	(6.66)p
	2018 Return and net assets	2017 Return and net assets
If overall share prices increased by 15% (2017: 15%), with all other variables held constant — increase (£'000)	14,860	11,694
Increase in net asset value per share (in pence)	8.49p	6.66p

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.

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 all of the interest is fixed, so not at risk of interest rate movements (2017: if interest rates on variable loans were 1% higher/lower, the impact would have been a £5,000 increase/decrease in earnings or a 0.00p increase/decrease in net asset value per share).

15 FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

FAIR VALUE HIERARCHY

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

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

As at 31 December 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000s	Total £'000
Quoted investments	—	—	—	—
Unquoted investments	—	—	99,065	99,065
Current asset investments (money market funds)	34,723	—	—	34,723
Financial assets	34,723	—	99,065	133,788

As at 31 December 2017

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

Analysis of changes between 1 January 2018 and 31 December 2018

	Level 3 £'000
Valuation brought forward at 1 January 2018	77,963
Purchases	17,705
Disposal proceeds	(3,380)
Realised gains	591
Investment holding gains	6,186
Valuation carried forward at 31 December 2018	99,065

TRANSFERS

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

16 CONTINGENT ASSETS AND LIABILITIES

At 31 December 2018 the Company had a contingent asset of £94,000 (2017: £101,000) relating to deferred consideration on the sale of Trilogy, receipt of which is considered probable but not virtually certain.

There were no contingent liabilities as at 31 December 2018 (2017: £nil).

Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 2018

17 MANAGEMENT OF CAPITAL

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

In accordance with VCT requirements the Company must have at least 70% (80% for accounting periods beginning on or after 6 April 2019) of its total investments (as measured under VCT legislation), in qualifying holdings (these being investments in a relatively high risk asset class of small UK companies meeting VCT requirements). Effective 6 April 2018, where new funds are raised, the Company must invest 30% of such funds in qualifying holdings within 12 months following the end of the accounting period in which that capital was subscribed, with the balance being invested within approximately three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

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

18 RELATED PARTY TRANSACTIONS

No Director has an interest in any contract to which the Company is a party other than their appointment as directors.

19 TRANSACTIONS WITH THE MANAGER

Foresight Group CI Limited acts as manager of the Company. During the year, services of a total cost of £2,379,000 (2017: £3,780,000 including an £863,000 performance incentive fee in relation to the Infrastructure Shares Fund) were purchased by the Company from Foresight Group CI Limited. At 31 December 2018, the amount due to Foresight Group CI Limited was £nil (2017: £nil).

During the year, services of a total cost of £117,000 (2017: £113,000) were indirectly delivered to the Company by Foresight Group LLP. At 31 December 2018, the amount due to Foresight Group LLP was £2,000 (2017: £nil).

No amounts have been written off in the year in respect of debts due to or from the Manager.

20 RELATED UNDERTAKINGS

Under Section 409 of the Companies Act 2006, the Company is required to disclose specified details of all its related undertakings, including significant holdings which are undertakings where the Company's holding amounted to 20% or more of the nominal value of any class of shares as at 31 December 2018. These are listed below. The percentage holding does not necessarily reflect the percentage voting right in the Company as a whole.

Name	Address	Direct/ indirect holding	Class and percentage of shares held
ABL Investments Limited	14 Fleming Close, Park Farm Industrial Estate, Wellingborough, NN8 6UF	Direct	A Ordinary 65.1%
Accrosoft Limited	The Gables, Bishop Meadow Road, Loughborough, LE11 5RE	Direct	A Ordinary 66.7%
Aerospace Tooling Corporation Limited	Charles Lake House, Claire Causeway, Crossways Business Park, Dartford, Kent, DA2 6QA	Direct	A Ordinary 42.9%
Aquasium Technology Limited	43 Pembroke Avenue, Denny Industrial Estate, Waterbeach, Cambridge, CB25 9QX	Direct	A Ordinary 66.7%
Biofortuna Limited	Bluebell House, Brian Johnson Way, Preston, PR2 5PE	Direct	F Ordinary 24.8% D Ordinary 14.4% C Ordinary 13.5%

20 RELATED UNDERTAKINGS (CONTINUED)

Name	Address	Direct/ indirect holding	Class and percentage of shares held
Cinelabs International Limited	715 Banbury Avenue, Slough, SL1 4LR	Direct	A Ordinary 97.0%
Cole Henry PE 2 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50.0%
Dhalia Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100.0%
Datapath Group Limited	Bemrose House, Bemrose Park, Wayzgoose Drive, Derby, DE21 6XQ	Direct	A Ordinary 33.3%
Fertility Focus Limited	Unit 12b, Warwick Innovation Centre, Warwick Technology Park, Gallows Hill, Warwick, CV34 6UW	Direct	C Ordinary 54.5%
FFX Group Limited	Dyna House, Lympe Industrial Estate, Lympe, Hythe, Kent, CT21 4LR	Direct	A Ordinary 66.2%
Flowrite Refrigeration Limited	Riverside House, 40-46 High Street, Maidstone, Kent, ME14 1JH	Direct	A Ordinary 35.6%
Fresh Relevance Limited	5 Benham Rd, Southampton Science Park, Southampton, SO16 7QJ	Direct	A Ordinary 95.0%
Hospital Services Group Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 73.5%
Industrial Efficiency II Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	B Ordinary 75.2%
Itad (2015) Limited	Preece House, Davigdor Road, Hove, East Sussex, BN3 1RE	Direct	A Ordinary 68.8%
Ixaris Systems Limited	2 Stephen Street, London, W1T 1AN	Direct	A Ordinary 20.6% Ordinary 0.8%
Kingsclere PE 3 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50.0%
Luminet Networks Limited	2 Angel Square, London, EC1V 1NY	Direct	A Ordinary 78.4%
Mologic Ltd	Building 109 Bedford Technology Park, Thurleigh, Bedford, MK44 2YA	Direct	AA Ordinary 68.7%
Mitgjorn Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 100.0%
Mowgli Street Food Group Limited	69 Bold Street, Liverpool, L1 4EZ	Direct	A Ordinary 43.2%
Nano Interactive Group Limited	Charlotte Building, 17 Gresse Street, London, W1T 1QL	Direct	A Ordinary 95.2%
Ollie Quinn Limited	10 John Street, London, WC1N 2EB	Direct	AA Ordinary 98.3% A Ordinary 98.5%
Online Poundshop Limited	Unit 8 Parkway Industrial Estate, Pacific Avenue, Wednesbury, WS10 7WP	Direct	A Ordinary 63.7%
Positive Response Corporation Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	A Ordinary 50.0%
Powerlinks Media Limited	80 Mosley Street, Manchester, M2 3FX	Direct	AA Ordinary 95.2%
Procam Television Holdings Limited	Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH	Direct	A Ordinary 50.0% Z Ordinary 50.0%
Protean Software Limited	Units 1130-40 Elliott Court Herald Avenue, Coventry Business Park, Coventry, CV5 6UB	Direct	A Ordinary 62.5%
Specac International Limited	River House, 97 Cray Avenue, Orpington, Kent, BR5 4HE	Direct	Ordinary 50.0%
TFC Europe Limited	Hale House, Ghyll Industrial Estate, Heathfield, East Sussex, TN21 8AW	Direct	AA Ordinary 40.0% A Ordinary 40.0%
The Business Advisory Limited	Experience House, 5 Port Hill, Hertford, SG14 1PJ	Direct	A Ordinary 49.2%
The Naked Deli Ltd	231 Chillingham Road, Newcastle Upon Tyne, NE6 5LJ	Direct	A Ordinary 66.7%
Whitchurch PE 1 Limited	The Shard, 32 London Bridge Street, London, SE1 9SG	Direct	Ordinary 50.0%

21 POST-BALANCE SHEET EVENTS

On 21 January 2019 the Company made a new investment into Sports Lab Technology Limited (ClubSpark) totalling £1.3 million and on 28 March 2019 the Company made a new investment into LPH Holdings Limited (Steamforged Games) totalling £2.4 million.

Notice of Annual General Meeting

23 MAY 2019

Order of Events	
1.00pm	Manager presentation
Immediately following the Manager presentation	Formal business of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight VCT plc (“the Company”) will be held on 23 May 2019 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 to 12 will be proposed as special resolutions.

- Resolution 1** To receive the Report and Accounts for the year ended 31 December 2018.
- Resolution 2** To approve the Directors’ Remuneration Report.
- Resolution 3** To approve the Directors’ Remuneration Policy.
- Resolution 4** To re-elect John Gregory as a director.
- Resolution 5** To re-elect Gordon Humphries as a director.
- Resolution 6** To re-elect Jocelin Harris as a director.
- Resolution 7** To re-elect Margaret Littlejohns as a director.
- Resolution 8** To re-appoint KPMG LLP as auditors and to authorise the directors to fix the auditor’s remuneration.
- Resolution 9** That, in substitution for all existing authorities, the directors be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares of 1p each in the capital of the Company (“Shares”) and to grant rights to subscribe for, or to convert any security into, Shares (“Rights”), up to an aggregate nominal amount of £400,000, provided that this authority shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the date of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot Shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired.
- Resolution 10** That, in substitution for all existing authorities, the directors be and they are empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 9 above or by way of a sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £200,000 pursuant to offer(s) for subscription;
 - (b) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued share capital from time to time pursuant to dividend reinvestment schemes operated by the Company at a subscription price per Share which may be less than the net asset value per Share, as may be prescribed by the scheme terms;

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

in each case where the proceeds may be used in whole or part to purchase shares in the capital of the Company, and shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2020, or, if earlier, on the date falling 15 months after the passing of this resolution save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired.

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

- (i) the aggregate number of Shares to be purchased shall not exceed 26,240,149 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Company's Shares in issue at the date of passing this resolution;
- (ii) the minimum price which may be paid for a Share is 1p (the nominal value thereof);
- (iii) the maximum price which may be paid for a Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for a Share taken from the London Stock Exchange daily list for the five business days immediately preceding the day on which the Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (iv) the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2020 or, if earlier, on the date falling 15 months after the passing of this resolution; and
- (v) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to such contract.

Resolution 12 That the share premium account of the Company be reduced by £21.6 million.

By order of the Board

Foresight Group LLP
Company Secretary
10 April 2019

The Shard
32 London Bridge
Street
London
SE1 9SG

Notice of Annual General Meeting

NOTES:

1. No Director has a service contract with the Company. Directors' appointment letters with the Company will be available for inspection at the registered office of the Company until the time of the meeting and from 15 minutes before the meeting at the location of the meeting, as well as at the meeting.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. As at 10 April 2019 (being the last business day prior to the publication of this notice), the Company's issued share capital was 175,051,026 ordinary shares of 1p each in the capital of the Company, carrying one vote each. Therefore, the total voting rights in the Company as at 10 April 2019 was 175,051,026.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. The Register of Directors' Interests will be available for inspection at the meeting.
10. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.foresightgroup.eu.
11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

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

C Shares Dividend History and NAV Total Return

The C Shares Fund was launched in 1999. To get an accurate NAV total return per C Share since inception, we have rebased dividends and NAV to account for the merger of the C Shares with the original ordinary shares class in January 2007 (conversion ratio of 1 Ordinary Share per every 1 C Share held). A reconstruction of the Ordinary Shares was subsequently completed in March 2011 (conversion ratio of 0.554417986).

C Shares (converted into Ordinary Shares in January 2007):	Dividend per share (rebased) [†]
4 May 2018	2.8p
29 September 2017	2.2p
3 April 2017	2.8p
1 April 2016	3.9p
13 March 2015	3.3p
14 March 2014	5.5p
14 June 2013	2.8p
23 March 2012	4.15p
17 June 2011	2.8p
29 May 2009	1.0p
7 March 2008	5.0p
26 January 2007	2.0p
27 May 2005	0.5p
1 August 2004	0.5p
22 September 2003	0.75p
30 June 2003	0.75p
24 March 2003	0.75p
7 June 2002	1.0p
11 March 2002	2.5p
26 July 2001	2.0p
Total	47.0p
NAV per C Share rebased*	43.3p
NAV total return per C Share *	90.3p

*Based on an original 100.0p invested at launch.

For Ordinary Shares dividend history and NAV Total Return, please refer to the Financial Highlights section.

Glossary of Terms

VCT

A Venture Capital Trust as defined in the Income Tax Act 2007.

NET ASSET VALUE OR NAV

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

NET ASSET VALUE PER SHARE OR NAV PER SHARE

Net Asset Value expressed as an amount per share.

NAV TOTAL RETURN

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

SHARE PRICE TOTAL RETURN

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

DIVIDEND YIELD

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

DISCOUNT TO NAV

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

ONGOING CHARGES RATIO

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

QUALIFYING INVESTMENT

An investment which consists of shares or securities first issued to the VCT (and held by it ever since) by a Qualifying Company and satisfying certain conditions under the VCT provisions.

QUALIFYING COMPANY

A company satisfying certain conditions under the VCT provisions. The conditions are detailed but include that the company must be unquoted (which includes AIM), have a permanent establishment in the UK, apply the money raised for the purposes of growth and development for a qualifying trade within a certain time period and not be controlled by another company. There are additional restrictions relating to the size and stage of the company to focus investment into earlier stage businesses, as well as maximum investment limits (certain of such restrictions and limits being more flexible for 'knowledge intensive' companies). VCT funds cannot be used by a Qualifying Company to acquire shares in another company or a trade.

MANAGER

The Company has appointed Foresight Group CI Limited as its manager ("The Manager") to provide investment management and administration services. Foresight Group CI Limited has appointed Foresight Group LLP to be its investment adviser. The Manager has also delegated secretarial, accounting and other administration services to Foresight Group LLP.

References to "the Manager" throughout this report refer to the activities of Foresight Group CI Limited and include the activities of Foresight Group LLP when acting as the Manager's investment adviser and administrative delegate.

Beware of share fraud

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

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

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

How to avoid share fraud

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

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

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

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

Report a scam

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

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

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

In association with:

Corporate Information

COMPANY NUMBER

03421340

DIRECTORS

John Gregory (Chairman)
Jocelin Harris
Gordon Humphries
Margaret Littlejohns
Peter Dicks (Retired 22/05/18)

COMPANY SECRETARY

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

MANAGER

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

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

SOLICITORS AND VCT STATUS ADVISERS

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

and

60 Gracechurch Street
London
EC3V 0HR

REGISTRAR

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

MARKET MAKER

Panmure Gordon & Co
One New Change
London
EC4M 9AF

BANKER

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Important information:

Foresight VCT plc currently conducts its affairs so that its shares 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.

The Company has appointed the Manager, which is licensed by the Guernsey Financial Services Commission, to provide investment management services. The Manager has, as is permitted and as approved by the Board, appointed Foresight Group LLP to act as its investment adviser. Foresight Group LLP is a subsidiary undertaking of the Manager and is authorised and regulated by the Financial Conduct Authority.

The Company has appointed the Manager to provide services which include company secretarial, accounting and other administration services required in connection with the business and the operation of the Company. All of these services have been delegated to Foresight Group LLP, the company secretary.

Past performance is not necessarily a guide to future performance. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility increases the risk to the value of, and the income from, the investment.



Foresight VCT plc

The Shard
32 London Bridge Street
London
SE1 9SG

www.foresightgroup.eu

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