

FORESIGHT ENTERPRISE VCT PLC

ANNUAL REPORT
AND ACCOUNTS

31 DECEMBER 2021

Foresight
FOR A SMARTER FUTURE

SHAREHOLDER INFORMATION

Foresight Enterprise VCT plc, formerly Foresight 4 VCT plc, is a Venture Capital Trust aiming to provide investors with regular dividends and capital growth from a portfolio of investments in fast-growing, unquoted companies in the UK.

Enquiries

The Board and Manager are always keen to hear from investors. If you have any feedback about the service you receive or any queries relating to Foresight Enterprise VCT plc, please contact the Investor Relations team:

020 3667 8181

InvestorRelations@foresightgroup.eu

www.foresightgroup.eu

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 Manager's investment team. Please contact Investor Relations if you are interested.

Dividends

All cash dividends will be credited to your nominated bank/building society account. Your options are:

- Receive your dividends in sterling via direct credit to a UK domiciled bank account
- Reinvest your dividends for additional shares in the Company through our dividend reinvestment scheme

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 Please ensure bank details are up to date in order to receive your dividends

Outstanding payments Reissue payments using our online replacement service

Downloadable forms for Dividend mandates | Stock transfer | Dividend reinvestment | Change of address

Alternatively, you can contact Computershare by phone on 0370 703 6385

Key dates

Annual General Meeting	9 June 2022
Half-Yearly results to 30 June 2022	September 2022
Annual results to 31 December 2022	April 2023

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Strategic Report

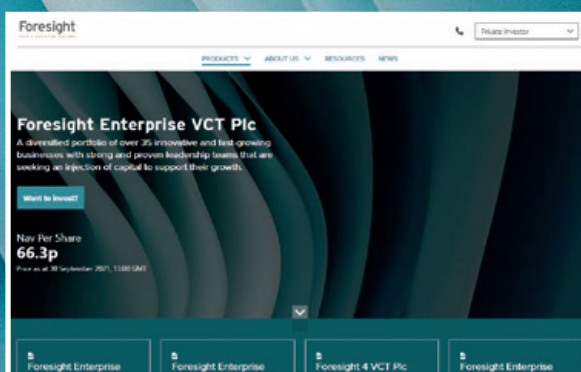
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FINANCIAL HIGHLIGHTS

“In the year, the value of the investment portfolio rose by £22.8 million as a result of an increase of £22.3 million in the valuation of investments plus £13.2 million of new investments offset by sales of investments totalling £12.7 million.”

£133.2m

Total net assets
as at 31 December 2021

69.1p

Net Asset Value per share
as at 31 December 2021

£22.3m

Uplift in portfolio value
in the year to 31 December 2021

4.2p

Dividend paid
18 June 2021

- In February 2021, the Company changed its accounting reference date from 31 March to 31 December for operational efficiency reasons. Given this change, the comparative results shown throughout the Annual Report and Accounts are for the nine-month period from 1 April 2020 to 31 December 2020
- Net Asset Value per share increased by 11.3% in the year from 62.1p at 31 December 2020 to 69.1p at 31 December 2021. After adding back the payment of a 4.2p dividend made on 18 June 2021, NAV Total Return per share at 31 December 2021 was 73.3p, representing a positive total return of 18.0% in the year
- Six new investments totalling £10.0 million and five follow-on investments totalling £3.2 million were made during the year
- The Company fully exited its investments in FFX Group Limited, Mologic Ltd. and Ixaris Systems Ltd and partially exited its investment in Accrosoft Limited, realising a total of £12.7 million during the year
- An interim dividend of 4.2p per share was paid on 18 June 2021, returning £8.1 million to Shareholders

Key metrics

	1 year	3 years	5 years
Movement in NAV Total Return as at 31 December 2021 ¹	18.0%	19.6%	19.7%

1. Definitions of these Alternative Performance Measures (“APMs”) can be found in the Glossary on page 89.

Place of business of portfolio companies

Key:

- Technology, Media & Telecommunications
- Industrials & Manufacturing
- Healthcare
- Business Services
- Consumer & Leisure
- Other



Key metrics

	31 December 2021	31 December 2020
Total net assets	£133.2m	£120.4m
Net Asset Value per share	69.1p	62.1p
Movement in NAV Total Return in the period ¹	18.0%	16.3%
Share price	61.5p	52.5p
Share Price Total Return ¹	121.0p	107.8p
Dividends per share paid in the period ¹	4.2p	2.8p
Dividend yield ¹	6.8%	5.3%
Shares in issue	192,806,963	193,859,213
	2021	2020
Discount to NAV at period end ¹	11.0%	15.5%
Average discount on buybacks ¹	7.5%	7.5%
Shares bought back during the period under review ¹	2,564,645	2,078,035
Shares issued under the dividend reinvestment scheme	1,512,395	1,111,024
Ongoing charges ratio (based on net assets at 31 December) ¹	2.25%	2.35%

1. Definitions of these Alternative Performance Measures ("APMs") can be found in the Glossary on page 89.

CHAIR'S STATEMENT



I am pleased to present the audited Annual Report and Accounts for the year ended 31 December 2021.

Raymond Abbott
Chair of Foresight Enterprise VCT plc

Impact of the COVID-19 pandemic

Whilst market conditions and the COVID-19 pandemic made 2020 and 2021 a challenging period, overall the companies within the portfolio have weathered the storm well.

After a sharp drop in portfolio value in the quarter to March 2020, this being at the peak of uncertainty around COVID-19, the Company's portfolio, in aggregate, saw a recovery by the end of 2020. Many of the portfolio companies successfully navigated the new economic landscape, with some performing extremely strongly and some continuing to be adversely impacted by COVID-19. The portfolio continued to perform well during 2021 and was supplemented with new investments and realisations referred to in the Manager's Review.

Throughout the last two years, the Manager increased its oversight of the portfolio companies by working more closely with all the businesses and guiding their management teams to minimise any adverse impact of the pandemic. It is a great credit to the quality of the management of the portfolio companies that the fallout from the pandemic on these companies has not been more significant.

The Manager had expected that many of the portfolio companies would need additional capital to support them through difficult trading conditions resulting from the various lockdowns. To date, however, there have been limited requirements for follow-on funding in order to support companies through the economic downturn as a result of the pandemic. Many companies took advantage of Government support, such as the furlough scheme and the Coronavirus Business Interruption Loan Scheme, which reduced the need for additional equity injections. As these schemes unwind, and while the economic climate remains difficult, the Manager anticipates some requirements for follow-on investment in the coming months. Overall, the portfolio has remained relatively resilient to date.

Strategy

The Board believes that it is in the best interests of Shareholders to continue to pursue a strategy of:

- Further development of Net Asset Value Total Return while continuing to grow the Company's assets
- Payment of annual dividends of at least 5% of the NAV per share per annum based on the opening NAV of that financial year
- Implementation of a significant number of new and follow-on qualifying investments every year
- Maintaining a programme of regular share buybacks

Central to the Company being able to achieve these objectives is the ability of the Manager to source and complete attractive new qualifying investment opportunities.

Whilst this task has not been made easier by the changes to VCT legislation since 2015, which (amongst other requirements) place greater emphasis on growth or development capital investment into younger companies, the Company is fortunate in that it has pursued a policy of seeking growth capital investments for several years prior to the rule changes and the Manager has an established track record in this area.

Performance and portfolio activity

During the year Net Asset Value per share increased by 11.3% from 62.1p at 31 December 2020 to 69.1p at 31 December 2021. After adding back the payment of a 4.2p dividend made on 18 June 2021, NAV Total Return per share at 31 December 2021 was 73.3p, representing a positive total return of 18.0%. This positive movement is a result of the strategy and business changes throughout the portfolio alluded to above.



During the year the Manager completed six new investments and five follow-on investments costing £10.0 million and £3.2 million respectively. The Manager also fully disposed of three investments, and partially disposed of one investment generating proceeds of £12.7 million with a further £0.9 million of deferred consideration included within debtors at the year end.

After the year end, a new investment of £1.1 million was made into Homelink Healthcare Limited and a further follow-on investment of £0.5 million was made into Rovco Limited.

The Board and the Manager are confident that a number of new and follow-on investments can be achieved this year, particularly with the increased investment activity noted above. Details of each of these new, existing and former portfolio companies can be found in the Manager's Review.

The Manager continues to see a strong pipeline of potential investments sourced through its regional networks and well developed relationships with advisers and the SME community; however, it is also focused on supporting the existing portfolio through the pandemic. Following the successful fundraises launched in May 2017 and June 2018 as well as the ongoing January 2022 offer, the Company is in a position to fully support the portfolio, where appropriate, and exploit potential attractive investment opportunities.

At the date of this report, the Company has raised gross funds of £3.0 million, all of which has been raised post year end, as detailed in the post-balance sheet events note 20. We would like to thank those existing Shareholders who have already supported this offer and welcome all new Shareholders to the Company.

In advance of the post year end allotment on 11 March 2022, the Board announced that the unaudited NAV as at 28 February 2022 was 67.6p per share.

Responsible investing

The analysis of environmental, social and governance ("ESG") issues is embedded in the Manager's investment process and these factors are considered key in determining the quality of a business and its long-term success. Central to the Manager's responsible investment approach are five ESG principles that are applied to evaluate investee companies, acquired since May 2018, throughout the lifecycle of their investment, from their initial review and acquisition to their final sale. Every year, these portfolio companies are assessed and progress measured against these principles. More detailed information about the process can be found on page 34 of the Manager's Review.

Dividends

An interim dividend of 4.2p per share was declared on 20 May 2021 based on an ex-dividend date of 3 June 2021 and a record date of 4 June 2021. The dividend was paid on 18 June 2021.

As noted in the prior Annual Report and Accounts and in light of the change in portfolio towards earlier stage, higher risk companies as required by the new VCT rules, the Board felt it prudent to adjust the dividend policy towards a targeted annual dividend yield of 5% of NAV per annum. The Board and the Manager hope that this may be enhanced by additional "special" dividends as and when particularly successful portfolio exits are made. The impact of COVID-19 will be taken into consideration when the Board considers dividends in the near term.

CHAIR'S STATEMENT CONTINUED

Buybacks

The Board is pleased to have achieved an average discount across all buybacks of 7.5% to the Net Asset Value per share in the year, but continues to have an objective of achieving and maintaining buybacks at a discount of 5% over the medium term, subject to market conditions.

Shareholder communication

We were disappointed that we were not able to meet with Shareholders in person in 2021 as a result of the travel restrictions imposed due to the pandemic. As an alternative, Shareholders were invited to our virtual AGM in July, as well as an online investor forum facilitated by the Manager in June.

We appreciate how popular such events are with our investors and hope to hold similar events in person if considered safe to do so. Details of any such future events will be communicated to investors.

Board composition

The Board continues 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.

Annual General Meeting

The Company's Annual General Meeting will take place on 9 June 2022 at 1.00pm and we look forward to meeting as many of you as possible in person, providing rules permit. Please refer to the formal notice on pages 85 to 88 for further details in relation to the format of this year's meeting, including remote attendance. We would encourage those of you who are unable to attend in person or virtually to submit your votes by proxy ahead of the deadline of 1.00pm on 7 June 2022 and to forward any questions by email to InvestorRelations@foresightgroup.eu in advance of the meeting.

Outlook

The persisting uncertainty over the full impact of COVID-19 and the ongoing changes related to Brexit create truly exceptional challenges for every business. The Company invests primarily in developing companies which by their nature benefit from general economic growth and the current environment places considerable demands upon them and their management teams. The Manager's private equity team is well aware of the management and business needs of each of the companies in the investment portfolio and is working closely with them to help them progress during these testing times.

It is likely that there will continue to be bumps in the road due to COVID-19, the economy and inflation. Notwithstanding this, the Board and the Manager have been impressed by the resilience shown by the significant majority of the Company's investments and are optimistic that the existing portfolio has potential to add value once the virus has been successfully contained.

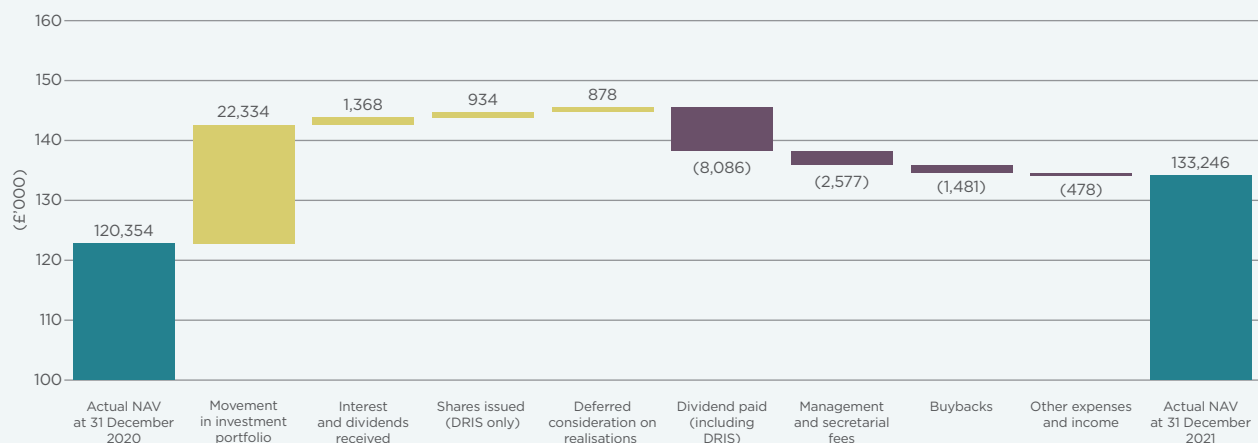
The Russian invasion of Ukraine has brought further pressure on inflation and energy prices, as well as the potential for further market turmoil and increased cyber risks. The Company's portfolio has some direct exposure to Russia and Ukraine, but this remains manageable. The Manager is working closely with management teams to ensure scenario planning for a wider economic impact has been undertaken.

Whilst of continuing concern to the Board, the Manager and portfolio companies, the impact of the crisis has not been considered material to the overall portfolio. This can be seen in the 2.2% reduction in the unaudited NAV per share of 67.6p as at 28 February 2022, announced 10 March 2022, compared to the NAV per share of 69.1p as at the date of this report.

Raymond Abbott

Chair

28 April 2022

NAV bridge (£'000)**Dividend history**

(Since share consolidation in 2005)

Ordinary Shares

Date	Dividend per share (p)
18 June 2021	4.2
28 August 2020	2.8
16 August 2019	4.0
19 October 2018	4.0
17 July 2017	4.0
18 December 2015	4.0
26 April 2013	4.0
24 February 2012	5.0
4 February 2011	5.0
18 December 2009	5.0
26 December 2008	5.0
28 December 2007	5.0
15 December 2006	2.5
30 December 2005	5.0
Cumulative	59.5
NAV per share	69.1
NAV Total Return	128.6

C Shares

Date	Dividend per share (p)
6 August 2015	25.0

COMPANY OBJECTIVES AND KPIS

Objective	Progress against objective	KPIs
Further development of Net Asset Value Total Return while continuing to grow the Company's assets 	- During the year Net Asset Value per share increased by 11.3% from 62.1p at 31 December 2020 to 69.1p at 31 December 2021. - Including the payment of a 4.2p dividend made on 18 June 2021, NAV Total Return per share at 31 December 2021 was 73.3p, representing a positive total return of 18.0%. - This positive movement is a result of the strategy and business changes throughout the portfolio alluded to in this report.	£133.2m Total net assets as at 31 December 2021 (31 December 2020: £120.4m) 18.0% Movement in NAV Total Return in year to 31 December 2021 (nine months ended 31 December 2020: 16.3%)
Payment of annual dividends of at least 5% of the NAV per share per annum based on the opening NAV of that financial year 	An interim dividend of 4.2p per share was declared on 20 May 2021 based on an ex-dividend date of 3 June 2021 and a record date of 4 June 2021. The dividend was paid on 18 June 2021.	4.2p Dividend paid 18 June 2021 (28 August 2020: 2.8p)
Implementation of a significant number of new and follow-on qualifying investments every year 	- During the year the Manager completed six new investments and five follow-on investments costing £10.0 million and £3.2 million respectively. - The Board and the Manager are confident that a number of new and follow-on investments can be achieved this year. Details of each of these new portfolio companies can be found in the Manager's Review.	£13.2m Total deployment in year to 31 December 2021 (nine months ended 31 December 2020: £6.5m) £22.3m Uplift in portfolio value in year to 31 December 2021 (nine months ended 31 December 2020: £19.7m)
Maintaining a programme of regular share buybacks 	The Board is pleased to have achieved an average discount across all buybacks of 7.5% to the Net Asset Value per share in the year but continues to have an objective of achieving and maintaining buybacks at a discount of 5% over the medium term, subject to market conditions.	2,564,645 Number of shares bought back in year to 31 December 2021 (nine months ended 31 December 2020: 2,078,035) 7.5% Average discount on buybacks in year to 31 December 2021 (nine months ended 31 December 2020: 7.5%)

Investment objective

To provide private investors with regular dividends and capital growth from a portfolio of investments in fast-growing unquoted companies in the UK. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

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. Additional KPIs and Alternative Performance Measures ("APMs") 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. KPIs and APMs allow performance comparisons to be made between VCTs.

A record of some of these indicators is contained in the Key Metrics section on page 3 and the Company Objectives and KPIs section on page 8.

The ongoing charges ratio for the year was 2.25% of net assets. The Directors note that regular share buybacks at a competitive discount to NAV is an essential KPI and also accretive for existing Shareholders. Share buybacks were completed at an average discount of 7.5%. Further details of the Company's KPIs can be found in the Glossary of Terms on page 89.

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 Review. The Board assesses the performance of the Manager in meeting the Company's objective against the primary KPIs and APMs highlighted above.

Investments in unquoted companies at an early stage of their development will involve some disappointments. 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 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. Pending investment in unquoted 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 range 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 (which includes cash) by VCT value at the time of investment.

COMPANY OBJECTIVES AND KPIS CONTINUED

Strategies for achieving objectives continued

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 50% of 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, and has no plans to do so, its Articles allow it to do so.

Other funds managed by Foresight Group

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 based on the Manager's allocation policy, 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.

The Manager provides investment management services or advice to Foresight VCT plc, Foresight Solar & Technology VCT plc, Foresight Nottingham Fund LP, Foresight Environmental Fund LP, Foresight Solar Fund Limited, Foresight Inheritance Tax Solutions, Foresight AD EIS, Foresight Energy Infrastructure EIS, Foresight Regional Investment LP, Foresight Williams Technology EIS Fund, Foresight Italian Green Bond Fund, MEIF ESEM Equity LP, Scottish Growth Scheme – Foresight Group Equity Partners LP, NI Opportunities LP, JLEN Group Limited, Foresight Regional Investment II LP, Foresight Energy Infrastructure Partners S.C.Sp, Foresight Regional Investment III LP, NI Opportunities II LP and Foresight Sustainable Forestry Company plc.

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 80% by VCT value 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 to assets on a winding up or to dividends (apart from certain non-cumulative fixed preferential rights). For each individual investment, a minimum of 10% of the investment must be in ordinary shares of that company.

Dividend policy

The Board will endeavour to pay annual dividends of at least 5% of the NAV per share based on the opening NAV of that financial year. The aim of the Board and the Manager is for future investment performance to support this level of distribution, whilst also enhancing the NAV per share at around its current level. In the event that significant realised gains arise on sales of investments, the Board will consider payment of special dividends.

Share buyback policy

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



MANAGER'S REVIEW

As at 31 December 2021 the Company's portfolio comprised 39 investments with a total cost of £64.6 million and a valuation of £115.2 million.

Portfolio summary

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 20 to 24.

During the year there was an increase in the value of existing investments of £22.3 million, new and follow-on investments of £13.2 million and four disposals which returned £12.7 million. This resulted, in aggregate, in an increase in the value of the portfolio of £22.8 million. Overall, the portfolio has performed well as markets reopened following the impact of COVID-19.

In line with the Board's strategic objectives, the Investment Manager remains focused on growing the Company through further development of NAV whilst paying an annual dividend to Shareholders of at least 5% of the NAV per share. In the year, net assets increased 11.3% to £133.2 million and an annual dividend of at least 5% of the NAV per share as at 31 December 2020 was paid, meaning that the Company successfully met these objectives.

New investments

The Investment Manager was able to meet prospective companies in person again, an important part of assessing investments and developing relationships with management teams. Many management teams have successfully steered their businesses through the pandemic whilst developing clearer medium and longer-term growth plans. The Manager has also invested further in its origination capabilities and identified a large number of appropriate investment opportunities during the year.

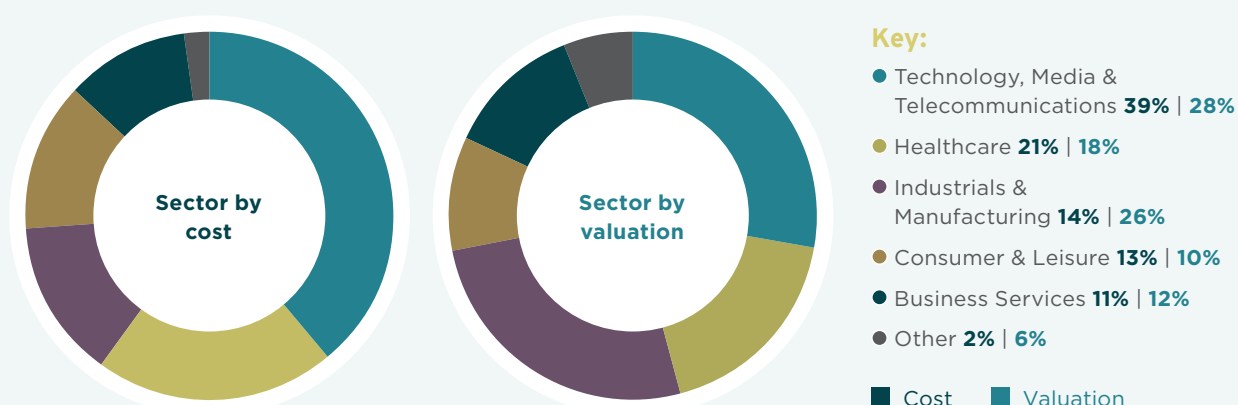
Over the course of 2021, six new investments were completed; a total investment of £10 million. Behind these, there continues to be a strong pipeline of opportunities that Foresight expects to convert during the next 12 months.



Additive Manufacturing Technologies

In June 2021, the Company invested £1.7 million into Additive Manufacturing Technologies ("AMT"), which manufactures systems that automate the post-processing of 3D printed parts. AMT originally received seed funding from Foresight Williams EIS in September 2019. The additional investment, made alongside further investment from Foresight Williams and other institutions, will be used to further accelerate its commercial progress.

Portfolio diversification





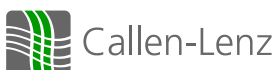
Hexarad Group

In June 2021, the Company invested £0.85 million into Hexarad Group, an early-stage, high-growth healthcare technology company, providing teleradiology services to NHS Trusts and UK private healthcare customers. Headquartered in London, the company was founded in 2016 by a team of NHS consultant radiologists and differentiates itself through its clinical leadership and technology-led proposition. The investment into Hexarad Group will enable the company to support more NHS and private healthcare customers and further improve how they use the technology which is core to its customer and radiologist experience.



NorthWest EHealth

In June 2021, the Company invested £1.5 million into NorthWest EHealth, which provides software and services to the clinical trials market, allowing pharmaceutical companies and contract research organisations to conduct feasibility studies, recruit patients and run trials. The investment will be used to expand the current data network, enabling the company to support a larger number of trials at a global level, increase product development and expand the sales and marketing team to help build long-term, strategic relationships.



Callen-Lenz Associates

In August 2021, the Company made a £2.4 million investment into Callen-Lenz Associates, a developer, designer and manufacturer of high performance unmanned aerial vehicles ("UAVs") as well as components and navigation and communication software for UAVs. Callen-Lenz Associates delivers research and development contracts for large public and private sector clients, which create regulatory-approved technologies that are made into products and sold to other commercial customers. Founded in 2007, it has four revenue segments: research and development, hardware, software and services which are mutually supportive to clients as they move through the design and sales process with the engineering team. The investment will enable Callen-Lenz Associates to scale the business through new hires in key operating and engineering functions.



Newsflare

In December 2021, the Company invested £2.0 million into Newsflare, a marketplace for the monetisation of user generated video ("UGV") and which currently has one of the largest fully rights cleared video libraries in the world, with over 244,000 licensable videos on its platform. Newsflare was founded in 2011 and is headquartered in London, with staff in Los Angeles, New York and a technology team in Bulgaria. This investment will allow the company to focus on building its video library, attract new customers by expanding the sales and marketing teams as well as improving their platform and technology.



Crosstown Dough

In December 2021, the Company invested £1.5 million into Crosstown Dough, a premium sweet treat brand offering a range of doughnuts, recently complemented by cookies and ice cream, with a growing vegan offering. Founded in 2014, it has 14 bricks-and-mortar stores and 12 market stalls and food trucks, plus its goods are sold online through its website, providing customers with an on-demand or pre-order delivery service, which traded well during the pandemic. The investment will support the further rollout of the retail network as well as growing the digital, wholesale and corporate/events revenue streams.



HomeLink Healthcare Limited

Post year end, in March 2022, £1.1 million of growth capital was invested into HomeLink Healthcare, a specialist provider of Hospital-at-Home and Virtual Ward services. The company employs highly qualified and experienced nurses and rehabilitation teams to provide services to patients in their own homes, through contracts with the NHS. These services deliver a range of clinical interventions, including wound care, intravenous therapies, physiotherapy, and rehabilitation. The clinical services offered alleviate pressure on the NHS by freeing up vital bed space, saving time and reducing costs.

MANAGER'S REVIEW CONTINUED

Follow-on investments

Foresight had expected that more portfolio companies would need additional capital to support them through continued difficult trading conditions resulting from the lockdown, driving an increase in follow-on investment. However, the portfolio has remained relatively resilient, supported by the Investment Manager.

Foresight made follow-on investments into five companies during 2021, totalling £3.2 million. Further details of each of these are provided below.

The additional equity injections in the period were mainly used to support each company's further growth plans, such as launching new products or to expand into new markets. As markets continue to open up, the Manager remains cautiously optimistic about the health of the rest of the portfolio and the need for follow-on funding over the coming months.



Clubspark

In March 2021, Clubspark, a software platform that provides sports clubs and centres with the ability to manage operations such as court and equipment booking, received a £1.0 million follow-on investment from the Company. The investment will be used to push further into international markets, including the US.



Biotherapy Services

In July 2021, a follow-on investment of £0.75 million was made into Biotherapy Services ("BTS"), a leading pharmaceutical biotech company. BTS has developed a wound care treatment for diabetic foot ulcers and the additional funds will be used to support its clinical development through trials.



Vio Healthtech (formerly Fertility Focus)

In August 2021, a £0.15 million follow-on investment was made into Vio Healthtech, a leading fertility monitoring technology company that has developed registered medical devices that enable women to predict ovulation. The funding will be used to support a new product launch over the next 12 months.



Fourth Wall Creative

In November 2021, an additional £0.9 million was invested into Fourth Wall Creative ("FWC"). FWC designs, procures and fulfils branded merchandise for use in membership welcome packs, season-ticket presentation boxes and hospitality gifts for sports clubs and organisations, predominantly football clubs in the UK, but increasingly cricket and rugby clubs. The investment will be used to invest further in its technology to enable the company to add more customers, allowing it to secure long-term licence agreements with sports teams to directly engage with the fans on their behalf. This will allow FWC to drive fan engagement on behalf of the clubs.



Ten Health & Fitness

In December 2021, Ten Health, a multi-site operator in the boutique health, wellbeing and fitness market, received an additional investment of £0.4 million. The funding will be used for the rollout strategy of more sites as consumers return to in-person studio offerings, with an increased focus on health and wellbeing.



Rovco Limited

Post year end, in March 2022, Rovco received a £0.5 million follow-on growth capital investment, part of a funding round totalling £15.2 million. Rovco is a leading provider of autonomy and cloud managed robotics for subsea surveys in offshore wind and oil field decommissioning. The investment will allow Rovco, and its technology division Vaarst, to further tech development and continue global expansion to Austin, Texas and Tokyo, Japan, as well as increasing its presence across Europe.

Realisations

The M&A climate has been robust in certain sectors, particularly in healthcare, technology and ecommerce. Foresight continues to engage with a range of potential acquirers of several portfolio companies, with demand for these high-growth businesses demonstrated by both private equity and trade buyers.



FFX Group

In January 2021, the Company successfully sold its investment in FFX Group, one of the UK's largest multi-channel, independent suppliers of high-quality power tools, fixings and building supplies. The transaction generated proceeds of £5.7 million at completion and the Company will receive up to £0.2 million of deferred consideration after 18 months, subject to certain conditions. This generated a cash-on-cash return of 4.3x the initial investment of £1.4 million, made in October 2015, which is equivalent to an IRR of c.32%. During the investment period, FFX opened a new 60,000 sq ft distribution centre and a new head office in Kent. The business updated its brand and launched an extensive range of its own products. During the Company's investment, FFX more than tripled revenues and increased headcount by over 125.



Ixaris Systems

In August 2021, the Company sold its holding in Ixaris, an award-winning leader in B2B travel payment technology, to Nium, a global B2B payments platform based in Singapore, resulting in proceeds of c.£2.4 million with an additional deferred amount of £0.3 million representing a return of 1.3x initial cost. Ixaris' main product is a pre-paid debit card providing flexible funding and payment methods. Ixaris has clients in over 50 countries, ranging from the world's largest travel brands to independent travel agencies.

The decision was made to exit this investment as it would likely have needed considerable further investment to continue trading given the depressed travel industry. Without a clear timeline on market recovery, a process was undertaken to find the best acquirer for Ixaris led by a new Executive Chair brought in with Foresight's support.

Since investment, the Manager helped recruit key senior team members as well as helping the business establish partnerships with Visa and Mastercard and increase headcount by over 75.



Mologic

In July 2021, the Company successfully sold its investment in Mologic, a health diagnostics company providing both contract research services for clients and developing its own range of proprietary point-of-care diagnostics products. It was sold to Global Access Health, a not-for-profit company financed by the Soros Economic Development Fund, the impact investing arm of the Open Society Foundations, and a group of other philanthropic organisations and investors. The proceeds of £3.2 million including deferred consideration equals a return multiple of 3.1x, reflecting an IRR of c.38%. During the investment period, the Mologic team had worked with the Manager to strengthen the business and develop the product portfolio, increasing turnover by over 165% and employee numbers by over 40%. The business has also developed a presence in the US, opening an office on the East Coast, and also a manufacturing partnership in West Africa.



Accrosoft

In October 2021, the Company completed the sale of Accrosoft, a recruitment and employee onboarding software company, to Acendre Technologies Inc., an HR software business headquartered in the US. One of its main products is Vacancy Filler ("VF"), software which streamlines talent acquisition and recruitment management for organisations. It helps millions of candidates to apply for jobs easily and empowers recruiters and hiring managers to recruit better and faster. Acendre and Accrosoft's VF product are complementary businesses and by joining forces they will be able to offer a recruitment and HR management software platform across a much wider customer base as well as establishing a presence in Europe.

Prior to the sale of Accrosoft, its subsidiary, Weduc, was spun out, with the Company retaining its 8.6% shareholding. Weduc is a leading communication platform sold into the education sector and was initially launched in 2017. The company has grown significantly since Foresight's original investment, doubling its customer numbers over the past year.

This transaction generated proceeds of £1.9 million, which represents a return of 1.8x and IRR of 25.9% over a period of three years, with further upside possible given the ongoing investment in Weduc.

MANAGER'S REVIEW CONTINUED

Realisations in the year ended 31 December 2021

Company	Detail	Accounting cost at date of disposal (£)	Proceeds (£)	Realised gain/(loss) (£)	Valuation at 31 December 2020 (£)
FFX Group Limited	Full disposal	1,372,002	5,651,756	4,279,754	5,723,459
Mologic Ltd.	Full disposal	1,059,000	2,732,940	1,673,940	2,202,147
Entropay Limited (formerly Ixaris Systems Ltd)	Full disposal	3,479,188	2,441,478	(1,037,710)	1,388,932
Accrosoft Limited	Partial disposal	1,026,250	1,873,640	847,390	1,469,901
Total disposals		6,936,440	12,699,814	5,763,374	10,784,439

Pipeline

At 31 December 2021, the Company had cash reserves of £17.1 million, which will be used to fund new and follow-on investments, buybacks and running expenses. Foresight is seeing its pipeline of potential investments grow and has a number of opportunities under exclusivity or in due diligence, which it continues to progress.

The onset of COVID-19 and the resulting economic downturn resulted in lower new investment activity in 2020 while 2021 saw an increased flow of opportunities as restrictions changed throughout the year. Depending on the length and severity of any potential COVID-19 variants and associated restrictions, Foresight expects to see a higher proportion of the Company's deployment focused on new investments in the short to medium term.

As the economy recovers from the worst effects of the virus, Foresight expects the demand for funding to increase. However, given reasonably high levels of liquidity in the market, investment opportunities are likely to be reasonably competitive. Therefore, Foresight remains focused on using its direct origination strategy to identify off-market companies and supplement traditional sources of deal flow.

Key portfolio developments

Overall, the value of unquoted investments held rose by £22.8 million in the year, driven by deployment of £13.2 million and an increase of £22.3 million in the value of existing investments, offset by realisations of £12.7 million.

Material changes in valuation, defined as increasing or decreasing by £1.0 million or more since 31 December 2020, are detailed below. Updates on these companies are included above, or in the Top Ten Investments section on pages 20 to 24.

Key valuation changes in the year

Company	Valuation methodology	Valuation change (£)
Specac International Limited	Discounted earnings multiple	4,076,456
TFC Europe Limited	Discounted earnings multiple	3,790,499
TLS Holdco Limited (formerly Galinette Limited)	Net assets	2,620,430
Hospital Services Group Limited	Discounted earnings multiple	2,452,563
Roxy Leisure Ltd	Discounted earnings multiple	2,450,148
Aerospace Tooling Corporation Limited	Discounted earnings multiple	1,300,990
NorthWest EHealth Limited	Discounted revenue multiple	1,177,901
Innovation Consulting Group Limited	Discounted earnings multiple	1,127,075
Datapath Group Limited	Discounted earnings multiple	(1,506,801)
Biofortuna Ltd	Discounted revenue multiple	(1,589,453)

CASE STUDY

IMMJ SYSTEMS

In December 2020, the Company invested in IMMJ Systems, a provider of electronic document clinical management solutions for the NHS.

IMMJ Systems is aligned to Sustainable Development Goal 3 (Good Health and Wellbeing).

Awareness

The company's product significantly improves patient outcomes by having better, easily accessible information at the point of care.

Since investment, ESG awareness has improved, with topics now regularly discussed at board level.

Environment

The company's electronic system replaces old inefficient paper-based record systems in the clinical process, improving efficiency and speed while reducing the consumption of energy and paper required to house medical records safely and securely. Health systems account for c.5% of global emissions.

Having a long-term plan around the management and digitisation of health records is key to helping the large-scale operations that support the country's health service reduce their carbon emissions.

By removing the need for couriers to transport medical records, this also reduces the carbon footprint from vehicles used for transportation.

To date, the company has digitised over 10 million patient records for the NHS.

Social

The company now conducts twice annual employee feedback surveys to ensure continual engagement amongst staff. Communications with staff have also improved, with a focus on the wellbeing of all employees. The company has also introduced a policy to align annual performance reviews and feedback.

Governance

In 2021, with the Manager's support, IMMJ Systems established a remuneration committee. The company's board has 50% female representation.

Third-party interactions

The company undertook due diligence to ensure that its chosen cloud provider is the most energy efficient. The company also has a responsible purchasing policy, and this is communicated to all its providers.

The company is accredited with ISO 27001 (information security management), ISO 9001 (quality management) and ISO 14001 (environmental management).

MANAGER'S REVIEW CONTINUED

Outlook

The direct impact of COVID-19 is gradually receding but the combination of loose fiscal policy and relaxation of restrictions globally is resulting in other challenges for businesses. In the UK, the success of the vaccination rollout has enabled the Government to remove restrictions and now “live with the virus”. There is an expectation that the UK's return to normal should continue at least until next winter. This, combined with the gradual easing of COVID-19 related border security measures, will provide a welcome boost to hospitality, travel and leisure. The Manager remains cautiously optimistic but will keep the situation under review and will support the portfolio as required at the first sign of any relapse caused by new emerging COVID-19 variants.

The gradual opening up of the global economy and the consequential increase in demand for resources and staff are putting pressure on supply chains and resulting in staffing concerns across some industries. Several of Foresight Group's portfolio companies have been impacted by the global computer chip shortage amongst other raw material price rises and delays in delivery. Businesses are also struggling with both staff retention and hiring new staff as the number of vacancies in the market is driving both churn and wage inflation. However, such is the demand in several markets, many companies are successfully passing cost increases on to the end customer, protecting margins but adding to the global consumer squeeze.

Hospitality, which had a particularly torrid 2020, enjoyed a strong summer 2021 and festive period, as consumers relieved pent-up demand and returned to a pre-pandemic trend of increased levels of experiential spend. This has resulted in positive results at portfolio companies including Roxy Leisure. Similarly, technology businesses with clear revenue visibility and a differentiated product, and healthcare services businesses, continue to trade strongly and are the current focus of the Manager's origination efforts.

Inflation across the western world is at levels that have not been seen for many years. The majority of Foresight Group's portfolio CEOs and finance directors have worked in a high inflation environment and the Manager is encouraging a prudent approach to cost inflation and supply chain management and requesting scenario analyses to model the impact of medium-term inflation on margins.

The Russian invasion of Ukraine, in recent weeks, has brought further pressure on inflation and energy prices, as well as the potential for further market turmoil and increased cyber risks. The Company's portfolio has some direct exposure to Russia and Ukraine, but this remains manageable. We are working closely with management teams to ensure scenario planning for a wider economic impact has been undertaken.

The Manager is pleased with the overall performance of the portfolio over the past 12 months, especially in these challenging times, and looks forward to a further improvement as conditions return to normal.

During the pandemic, in addition to taking advantage of the Coronavirus Job Retention (or “furlough”) Scheme, many small businesses turned to Government-supported debt facilities including “Bounce Back Loans”, the Future Fund and the Coronavirus Business Interruption Loan Scheme. As companies come to the end of their repayment holidays, the drain on operating cash flow of interest and capital repayments is making companies look to alternative sources of funding for support or growth which should support VCT deal flow.

Global equity markets are currently highly volatile with a number of lockdown “winners” such as Amazon, Peloton and Netflix beginning to lose their shine, whilst mining stocks and traditional sectors including banking and utilities are showing record profits. The threat of war in Europe is looming over capital markets; however, M&A activity remains relatively buoyant and both international buyers and domestic investors have high levels of deployable capital which should provide support for a continued steady flow of realisations.

Notwithstanding the continued uncertainty, the Manager expects to see a sustained high level of activity from UK companies seeking growth capital, given VCTs remain an attractive source of capital for entrepreneurs.

Russell Healey

Partner and Head of Private Equity
Foresight Group LLP

28 April 2022

CASE STUDY

TITANIA GROUP

In December 2020, the Company invested £1.3 million growth capital into Titania Group, a Worcestershire-based cyber security software business.

Awareness

The World Economic Forum has recognised that cyber security is a systemic risk, particularly more so with increased numbers of employees working from home because of the pandemic. In 2019, Accenture reported that cyber security breaches had risen by over 65% over the last five years. Cyber security breaches create financial and reputational damage. They can also result in disruption to key services. Winner of multiple cyber security industry awards, as well as the Queen's Award for Enterprise in Innovation, Titania Group has over 1,000 customers globally, particularly within governments, critical infrastructure and the penetration testing market.

Third-party interactions

Titania Group is Cyber Essentials certified and holds the ISO 9001 (quality management) accreditation.

During the year, Titania Group introduced a new product to market, the Nipper Enterprise, an auditing tool which quickly identifies undiscovered vulnerabilities in firewalls, switches and routers, and which will increase its customers' network resilience and security compliance.

Social

The Company's investment supports the creation of new jobs at Titania Group, which already employs a number of highly skilled professionals and graduates. Titania Group has close links with the local university, offering a £200 prize to students that complete a cyber security computing project as part of a computing degree.

As part of its community engagement, Titania Group works with the local foodbank, allowing it to use the company's outbuildings for storage.

Governance

With the Manager's support, Titania Group has strengthened its governance processes since the Company's investment, with board meetings now held monthly. Anti-bribery and corruption policies have now been added to the employee handbook.

Environment

Titania Group has a formalised environmental policy that includes recycling, remote working etc. The company's electricity is all from renewable sources.

TOP TEN INVESTMENTS

BY VALUE AS AT 31 DECEMBER 2021

Portfolio

For the investments below held by Foresight 3 VCT plc ("F3") pre-merger, the amount invested refers to the initial amount invested by F3 and the Company. The accounting cost includes both the initial investment by both funds and also the valuation of the F3 investment at the point it was transferred to the Company.



DATAPATH GROUP LIMITED	
DERBYSHIRE	www.datapath.co.uk

SECTOR: TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

Datapath Group is a UK manufacturer of multiscreen computer graphics cards and video capture hardware, specialising in video wall and data wall technology. More than 50% of all video walls installed worldwide use Datapath Group equipment.

31 December 2021 update

Despite reasonable trading, Datapath Group's results are still expected to see some volatility as the company slowly shifts its business model to incorporate larger projects using its new product, Aetria, which has a longer sales cycle. The pipeline continues to build, although at a slower pace than forecast, partly due to delays in the R&D programme. Supply chain shortages have had an impact on revenues and some suppliers have increased prices significantly. Despite this short-term pressure, demand remains strong and, over the medium term, the outlook should improve.

Initial investment	September 2007
Amount invested (£)	2,000,000
Accounting cost (£)	11,081,243
Valuation (£)	14,163,526
Basis of valuation	Discounted earnings multiple
Equity held (%)	26.7%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	10,770,283

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Sales	21,845	29,923
Profit before tax	2,265	6,697
Retained profit	2,473	6,007
Net assets	26,111	23,527



SPECAC INTERNATIONAL LIMITED	
KENT	www.specac.com

SECTOR: INDUSTRIALS & MANUFACTURING

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

31 December 2021 update

Specac International had a positive year, especially during the last few months, as supplier costs were successfully passed onto customers. The business has been operating at a higher level of efficiency since an organisation redesign during 2021, resulting in sales ahead of budget and group overheads reduced. The company still has a number of key roles to fill, including an engineering lead, marketing director and technical director.

Initial investment	April 2015
Amount invested (£)	1,300,000
Accounting cost (£)	2,554,761
Valuation (£)	11,339,823
Basis of valuation	Discounted earnings multiple
Equity held (%)	43.7%
Income received in the year (£)	117,000
Cash returned up to 31 December 2021 (£)	786,701

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Sales	11,093	12,545
Profit before tax	733	971
Retained profit	597	863
Net assets	4,673	4,126

Company results are taken from the most recent publicly available financial statements.



TFC EUROPE LIMITED

SUSSEX

www.tfc.eu.com

SECTOR: INDUSTRIALS & MANUFACTURING

TFC Europe is one of Europe's leading suppliers of technical fasteners and springs, with an exclusive relationship with Smalley Springs, one of the world's major manufacturers of springs.

31 December 2021 update

TFC Europe continues to trade exceptionally strongly, supported by increased demand from existing customers, with a few additional new customers being won over the past year. All sites across the UK and Germany continue to outperform. With supply chain challenges, TFC Europe is actively managing customers' expectations by proactively communicating with them on realistic lead times where shipments have been delayed from the US.

Initial investment	March 2007
Amount invested (£)	1,408,638
Accounting cost (£)	2,149,307
Valuation (£)	10,330,550
Basis of valuation	Discounted earnings multiple
Equity held (%)	42.5%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	2,148,968

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Sales	19,734	22,730
Profit before tax	1,024	1,757
Retained profit	746	1,283
Net assets	7,934	7,232



INNOVATION CONSULTING GROUP LIMITED

HERTFORDSHIRE

www.govgrant.co.uk

SECTOR: BUSINESS SERVICES

Innovation Consulting Group provides support services and advice to UK-based SME businesses seeking to gain access to Government tax incentives.

31 December 2021 update

The sales and business development teams have seen some churn, resulting in some revenue from repeat customers being delayed. However, the company saw a strong contribution from the new intellectual property services ("IPS") side of the business, providing product diversification and a new channel of customers for its main services.

Initial investment	September 2015
Amount invested (£)	1,650,000
Accounting cost (£)	1,938,046
Valuation (£)	7,129,563
Basis of valuation	Discounted earnings multiple
Equity held (%)	36.7%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	656,248

£'000	Year ended 30 September 2021	Year ended 30 September 2020
Sales	N/A	N/A
Profit before tax	N/A	N/A
Retained profit	N/A	N/A
Net assets	2,647	3,384

In accordance with Section 444 of the Companies Act 2006, a statement of income has not been delivered in the financial statements available on Companies House.

TOP TEN INVESTMENTS CONTINUED

BY VALUE AS AT 31 DECEMBER 2021



HOSPITAL SERVICES GROUP LIMITED

BELFAST

www.hsl.ie

SECTOR: HEALTHCARE

Hospital Services Group ("HSL") distributes, installs and maintains high-quality healthcare equipment and consumables from global partners such as Hologic, Fujifilm and Shimadzu. HSL has strengths in the radiology, ophthalmic, endoscopy and surgical sectors, as well as a building presence in telehealth and broader healthcare IT.

31 December 2021 update

HSL had an excellent year of trading which included revenues from MDI Medical, which was acquired in March 2021. Revenues remain strong although are below FY2020. However, the performance is now more sustainable as PPE sales now make up a small fraction of the previous year.

Initial investment	April 2015
Amount invested (£)	1,200,000
Accounting cost (£)	1,200,000
Valuation (£)	5,676,313
Basis of valuation	Discounted earnings multiple
Equity held (%)	16.3%
Income received in the year (£)	98,257
Cash returned up to 31 December 2021 (£)	123,023

£'000	Year ended 30 September 2020	18-month period ended 30 September 2019
Sales	44,965	21,170
Profit/(loss) before tax	6,113	(1,516)
Retained profit/(loss)	5,028	(1,397)
Net assets/(liabilities)	3,663	(1,365)



BIOFORTUNA LTD

WIRRAL

www.biofortuna.com

SECTOR: HEALTHCARE

Biofortuna is a molecular diagnostics business, based in the North West since 2008. It has developed unique expertise in the development and manufacture of freeze-dried, stabilised assays.

31 December 2021 update

Non-COVID-19-related trading has seen an improved level of performance, although overall revenues have reduced from the COVID-19 peak when the company was manufacturing COVID-19 PCR tests. The applications for these new projects are broad and include food safety assays, bladder cancer diagnostics and third-world infectious diseases. The company continues to explore a range of new custom manufacturing opportunities with large clients. The company paid a significant dividend in the year, with a mirrored reduction in cash on balance sheet.

Initial investment	April 2012
Amount invested (£)	3,517,537
Accounting cost (£)	3,517,537
Valuation (£)	5,591,851
Basis of valuation	Discounted revenue multiple
Equity held (%)	45.0%
Income received in the year (£)	997,040
Cash returned up to 31 December 2021 (£)	997,040

£'000	Year ended 31 March 2021	Year ended 30 March 2020
Sales	N/A	N/A
Profit before tax	N/A	N/A
Retained profit	N/A	N/A
Net assets	7,704	486

In accordance with Section 444 of the Companies Act 2006, a statement of income has not been delivered in the financial statements available on Companies House.



ROXY LEISURE LTD

LEEDS

www.roxyleisure.co.uk

SECTOR: CONSUMER & LEISURE

Roxy Leisure is a social entertainment bar group, which on investment operated eight venues in four cities across the North of England. The venues offer a range of entertainment facilities including pool tables, ping-pong, bowling, shuffleboard, mini golf, arcade gaming and karaoke.

31 December 2021 update

Roxy Leisure has had an extremely strong year since the lifting of restrictions and with customers returning in force. It is also benefiting significantly from the ongoing investments in new sites made during the pandemic. The search for potential new sites in other key target cities continues.

Initial investment	December 2019
Amount invested (£)	2,500,000
Accounting cost (£)	2,500,000
Valuation (£)	4,972,145
Basis of valuation	Discounted earnings multiple
Equity held (%)	5.6%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	—

£'000	Year ended 31 December 2020	Year ended 31 December 2019
Sales	108	210
Loss before tax	(813)	(36)
Retained loss	(813)	(38)
Net (liabilities)/assets	(842)	177



AEROSPACE TOOLING CORPORATION LIMITED

DUNDEE

www.atlturbineservices.co.uk

SECTOR: INDUSTRIALS & MANUFACTURING

Founded in 2007, Aerospace Tooling Corporation ("ATL") is a niche engineering company based in Dundee. The company provides specialist inspection, maintenance, repair and overhaul ("MRO") services for components in high-specification aerospace and turbine engines.

31 December 2021 update

Recent performance was affected by the Omicron variant, with a number of staff self-isolating and having to work from home, affecting ATL and also its customers. Similarly, the difficulty in getting work approved resulted in a backlog of committed orders being much higher than normal. However, this has now improved and management remain confident for the remainder of the financial year's trading.

Initial investment	June 2013
Amount invested (£)	2,000,000
Accounting cost (£)	415,255
Valuation (£)	4,297,489
Basis of valuation	Discounted earnings multiple
Equity held (%)	47.0%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	1,536,849

£'000	Year ended 30 June 2021	Year ended 30 June 2020
Sales	7,391	7,226
Profit before tax	1,120	971
Retained profit	1,207	851
Net assets	2,353	3,625

TOP TEN INVESTMENTS CONTINUED

BY VALUE AS AT 31 DECEMBER 2021



TLS HOLDCO LIMITED

(FORMERLY GALINETTE LIMITED)

LONDON

www.truelens.co.uk

SECTOR: OTHER

TLS is based in Barwell, Leicestershire and is a specialist provider of lens manufacturing, refurbishment and servicing to the film and television markets.

31 December 2021 update

Performance in the lens rehousing business, representing 82% of 2021 full-year revenue, continued to underpin the company's impressive performance. Demand from domestic and international customers remains strong with a robust order book providing revenue visibility for the next two years, driven by the high levels of production activity returning in the film and TV markets.

Initial investment	December 2015
Amount invested (£)	100
Accounting cost (£)	100
Valuation (£)	3,880,846
Basis of valuation	Net assets
Equity held (%)	49.0%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	—

£'000	Year ended 31 December 2020	Year ended 31 December 2019
Sales	—	—
Profit before tax	167	10
Retained profit	136	8
Net assets	291	155



CLUBSPARK GROUP LTD

LONDON

www.clubspark.com

SECTOR: TECHNOLOGY, MEDIA
& TELECOMMUNICATIONS

Clubspark is a sports club management and reporting platform for local organisations and national governing bodies.

31 December 2021 update

The company has had a buoyant year, growing the number of active accounts on its platform. It continues to make progress towards its strategic goals of global dominance in tennis and increasing its valuable, high-margin recurring revenues. Its rollout in the US remains a major focus, with a large number of venues on the platform and customer satisfaction levels improving with each new version release.

Initial investment	January 2019
Amount invested (£)	1,860,000
Accounting cost (£)	1,860,000
Valuation (£)	3,269,395
Basis of valuation	Discounted revenue multiple
Equity held (%)	12.2%
Income received in the year (£)	—
Cash returned up to 31 December 2021 (£)	—

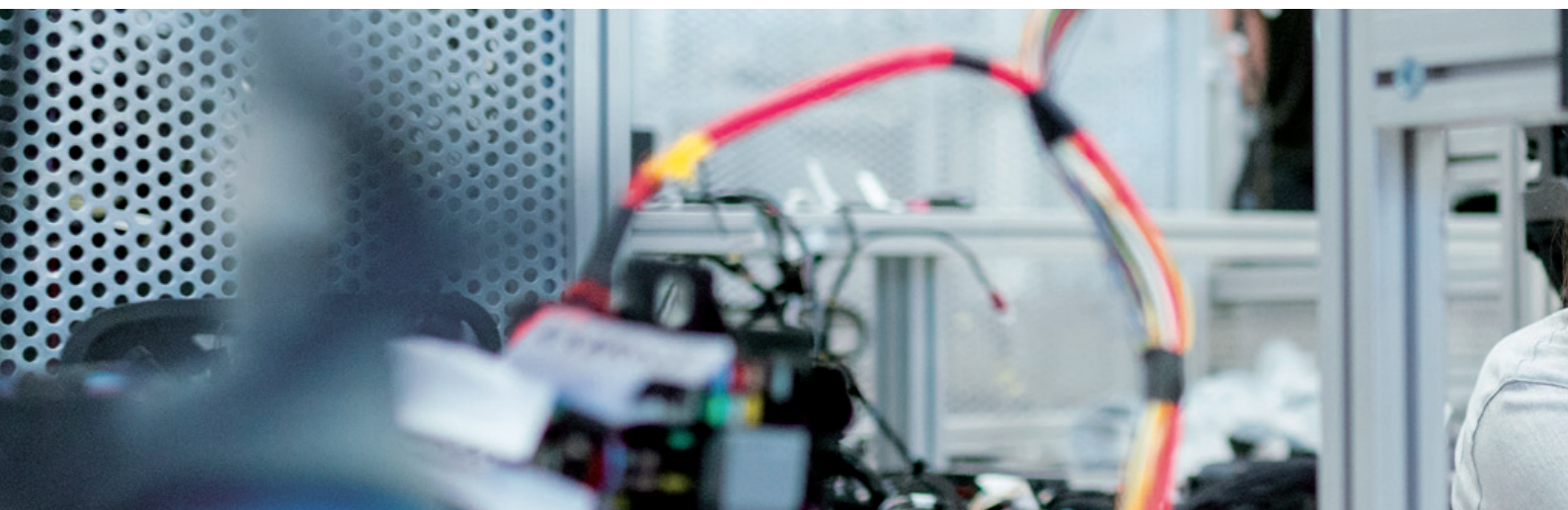
£'000	Year ended 31 March 2021	Year ended 31 March 2020
Sales	N/A	N/A
Profit before tax	N/A	N/A
Retained profit	N/A	N/A
Net assets	3,600	1,610

In accordance with Section 444 of the Companies Act 2006, a statement of income has not been delivered in the financial statements available on Companies House.



PORTFOLIO OVERVIEW

Investment (by value)	Date of first investment	Sector	Valuation methodology
1. Datapath Group Limited	2007	Technology, Media & Telecommunications	Discounted earnings multiple
2. Specac International Limited	2015	Industrials & Manufacturing	Discounted earnings multiple
3. TFC Europe Limited	2007	Industrials & Manufacturing	Discounted earnings multiple
4. Innovation Consulting Group Limited	2015	Business Services	Discounted earnings multiple
5. Hospital Services Group Limited	2015	Healthcare	Discounted earnings multiple
6. Biofortuna Ltd	2012	Healthcare	Discounted revenue multiple
7. Roxy Leisure Ltd	2019	Consumer & Leisure	Discounted earnings multiple
8. Aerospace Tooling Corporation Limited	2013	Industrials & Manufacturing	Discounted earnings multiple
9. TLS Holdco Limited ²	2015	Other	Net assets
10. Clubspark Group Ltd	2019	Technology, Media & Telecommunications	Discounted revenue multiple
11. Protean Software Limited	2015	Technology, Media & Telecommunications	Discounted revenue multiple
12. Spektrix Limited	2018	Technology, Media & Telecommunications	Discounted revenue multiple
13. Fourth Wall Creative Limited	2019	Consumer & Leisure	Discounted earnings multiple
14. NorthWest EHealth Limited	2021	Healthcare	Discounted revenue multiple
15. PH Realisations 2020 Limited ³	2013	Technology, Media & Telecommunications	Discounted earnings multiple
16. Callen-Lenz Associates Limited	2021	Industrials & Manufacturing	Discounted revenue multiple
17. Biotherapy Services Limited	2019	Healthcare	Price of last funding round
18. Itad (2015) Limited	2015	Business Services	Discounted earnings multiple
19. Newsflare Limited	2021	Technology, Media & Telecommunications	Price of last funding round
20. Ten Health & Fitness Limited	2019	Healthcare	Discounted revenue multiple
21. IMMJ Systems Limited	2020	Healthcare	Discounted revenue multiple
22. iMIST Group Limited	2020	Industrials & Manufacturing	Discounted revenue multiple
23. Titania Group Limited	2020	Business Services	Discounted revenue multiple
24. Steamforged Holdings Limited	2018	Consumer & Leisure	Discounted revenue multiple



Investment (by value)	31 December 2021		31 December 2020		Additions £	Disposal proceeds £	Net valuation movement £
	Accounting cost £	Valuation £	Accounting cost £	Valuation £			
1.	11,081,243	14,163,526 ¹	11,081,243	15,670,327	—	—	(1,506,801)
2.	2,554,761	11,339,823 ¹	2,554,761	7,263,367	—	—	4,076,456
3.	2,149,307	10,330,550 ¹	2,149,307	6,540,051	—	—	3,790,499
4.	1,938,046	7,129,563 ¹	1,938,046	6,002,488	—	—	1,127,075
5.	1,200,000	5,676,313 ¹	1,200,000	3,223,750	—	—	2,452,563
6.	3,517,537	5,591,851 ¹	3,517,537	7,181,304	—	—	(1,589,453)
7.	2,500,000	4,972,145 ¹	2,500,000	2,521,997	—	—	2,450,148
8.	415,255	4,297,489 ¹	415,255	2,996,499	—	—	1,300,990
9.	100	3,880,846 ¹	100	1,260,416	—	—	2,620,430
10.	1,860,000	3,269,395 ¹	860,000	1,639,281	1,000,000	—	630,114
11.	1,795,229	3,047,422	1,795,229	2,964,339	—	—	83,083
12.	2,118,000	2,986,004	2,118,000	2,472,661	—	—	513,343
13.	2,900,000	2,760,611	2,000,000	1,323,157	900,000	—	537,454
14.	1,500,000	2,677,901	—	—	1,500,000	—	1,177,901
15.	2,162,929	2,633,592	2,162,929	2,314,634	—	—	318,958
16.	2,375,000	2,537,284	—	—	2,375,000	—	162,284
17.	2,250,000	2,378,376	1,500,000	1,981,234	750,000	—	(352,858)
18.	1,371,726	2,355,950	1,371,726	1,950,547	—	—	405,403
19.	2,000,000	2,000,000	—	—	2,000,000	—	—
20.	2,000,000	1,856,781	1,600,000	953,191	400,000	—	503,590
21.	1,750,000	1,817,836	1,750,000	1,750,000	—	—	67,836
22.	1,614,500	1,761,491	1,614,500	1,614,500	—	—	146,991
23.	1,250,000	1,753,007	1,250,000	1,250,000	—	—	503,007
24.	1,600,000	1,751,287	1,600,000	1,321,506	—	—	429,781



PORTFOLIO OVERVIEW CONTINUED

Investment (by value)	Date of first investment	Sector	Valuation methodology
25. Additive Manufacturing Technologies Ltd	2021	Technology, Media & Telecommunications	EV of last funding round
26. Codeplay Software Limited	2018	Technology, Media & Telecommunications	Discounted revenue multiple
27. Positive Response Corporation Ltd	2014	Business Services	Discounted revenue multiple
28. Crosstown Dough Ltd	2021	Consumer & Leisure	Price of last funding round
29. Iphigenie Limited	2015	Other	Net assets
30. Hexarad Group Limited	2021	Healthcare	Price of last funding round
31. ABL Investments Limited	2015	Business Services	Discounted earnings multiple
32. Rovco Limited	2019	Technology, Media & Telecommunications	Discounted revenue multiple
33. Whitchurch PE 1 Limited	2014	Other	Net assets
34. Vio Healthtech Limited ⁴	2018	Healthcare	Discounted revenue multiple
35. Luminet Networks Limited	2018	Technology, Media & Telecommunications	Discounted earnings multiple
36. Cole Henry PE 2 Limited	2014	Other	Net assets
37. Kingsclere PE 3 Limited	2014	Other	Net assets
38. Weduc Holdings Limited ⁵	2018	Technology, Media & Telecommunications	Discounted revenue multiple
39. Sindicatum Carbon Capital Limited	2007	Other	Price of last funding round
40. FFX Group Limited	2015	Business Services	Sold
41. Mologic Ltd.	2018	Healthcare	Sold
42. Ixaris Systems Ltd	2006	Consumer & Leisure	Sold

1. Top Ten investments by value shown on pages 20 to 24.

2. TLS Holdco Limited (formerly Galinette Limited).

3. PH Realisations 2020 Limited (formerly Procam Television Holdings Limited).

4. Vio Healthtech Limited (formerly Fertility Focus Limited).

5. Weduc Holdings Limited (formerly Accrosoft Limited). Accrosoft Limited previously had two trading subsidiaries, being Vacancy Filler Limited and Weduc Limited. As part of the transaction in October 2021, Weduc Limited was demerged from the Accrosoft Group. This allowed for the sale of Vacancy Filler and the retention of the holding in Weduc by the Company.



Investment (by value)	31 December 2021		31 December 2020		Additions £	Disposal proceeds £	Net valuation movement £
	Accounting cost £	Valuation £	Accounting cost £	Valuation £			
25.	1,737,499	1,737,499	—	—	1,737,499	—	—
26.	300,000	1,697,425	300,000	1,019,912	—	—	677,513
27.	1,009,195	1,592,454	1,009,195	1,384,180	—	—	208,274
28.	1,500,000	1,500,000	—	—	1,500,000	—	—
29.	100	1,272,341	100	1,262,665	—	—	9,676
30.	850,000	850,000	—	—	850,000	—	—
31.	1,494,075	769,483	1,494,075	732,495	—	—	36,988
32.	950,000	652,316	950,000	786,105	—	—	(133,789)
33.	378,000	650,320	378,000	651,062	—	—	(742)
34.	675,578	384,544	525,569	649,868	150,009	—	(415,333)
35.	960,000	380,334	960,000	395,203	—	—	(14,869)
36.	200,000	367,766	200,000	368,505	—	—	(739)
37.	100,000	210,887	100,000	211,628	—	—	(741)
38.	23,750	204,355	1,050,000	1,469,901	—	(1,873,640)	608,094
39.	544,538	—	544,538	—	—	—	—
40.	—	—	1,372,002	5,723,459	—	(5,651,756)	(71,703)
41.	—	—	1,059,000	2,202,147	—	(2,732,940)	530,793
42.	—	—	3,479,188	1,388,932	—	(2,441,478)	1,052,546
	64,626,368	115,238,767	58,400,300	92,441,311	13,162,508	(12,699,814)	22,334,762



ABOUT THE MANAGER

In 2021, the Manager was voted “Venture & Growth Capital House of the Year” at the Unquote British Private Equity Awards and “ESG Champion of the Year” at the Growth Investor Awards.



Russell Healey
Partner and Head
of Private Equity

Russell is head of the private equity team with overall responsibility for fundraising, new investments and the portfolio, and is a member of Foresight Group's Executive Committee. He has over 25 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 16 years' venture capital investment 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 16 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 has 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.



Claire Alvarez
Partner

Claire joined Foresight Group in 2016 and has 11 years' experience managing SME investments across the North West of England and North Wales. Prior to joining, Claire worked at Deloitte where she spent six years advising banks and company directors on returning value from distressed SMEs. Claire is based in the Manchester office and as an active proponent of diversity and inclusion, Claire is involved with Fund Her North and the 6% Club, groups that promote diversity and the removal of barriers for women in finance and entrepreneurship in the North West.

Claire graduated from the University of Lancaster with an undergraduate degree in Management and holds an MBA with distinction from Manchester Business School.

Management

The Company has appointed Foresight Group LLP (“the Manager”) to provide investment management and administration services.

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

Foresight Group LLP was most recently shortlisted for “UK House of the Year” by Real Deals Private Equity Awards 2022. Recent awards also include “Fund Manager of the Year 2018” by the PLC Awards and “Generalist VCT of the Year” in 2018/19 by Investment Week Tax Efficient Awards. The Manager was also shortlisted for “Best EIS Investment Manager 2018” by EISA Awards and “Best Venture Capital Trust Provider 2018” by Moneyfactors Investment Life & Pensions.

The growing private equity investment team of 32 is proactive and hands-on, with a focus on investing up to £5 million in UK growth companies across a broad range of sectors.

The team, based out of offices in London, Manchester, Nottingham, Edinburgh and Cambridge, with smaller satellite offices in Leicester and Milton Keynes, searches for investment opportunities across the whole of the UK.

Since inception, the Manager has worked intensively to invest in, manage and exit a large number of investments. The team completes a considerable number of new deals and exits each year and supports investee companies pursuing various different strategies, including organic growth, buy & builds and turnarounds. 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.

Evolution of Foresight Enterprise VCT plc

The strength and depth of Foresight Group LLP’s private equity team has enabled the Group to win the management mandates of established VCTs from other investment managers.

2004	In August 2004, Foresight Group LLP’s private equity team was appointed to manage Advent 2 VCT plc, which was subsequently renamed Foresight 4 VCT plc.
2011	Foresight Group LLP’s private equity team was appointed manager of Acuity Growth VCT (formerly Acuity 2 VCT plc and previously Electra Kingsway VCT 2 plc) on 24 February 2011, which was renamed Foresight 5 VCT plc. Foresight Group was also appointed manager of Acuity VCT 3 plc (formerly Electra Kingsway VCT 3 plc) on 1 April 2011.
2012	Foresight 4 VCT plc acquired the assets and liabilities of both Foresight 5 VCT plc and Acuity VCT 3 plc. On 6 February 2012, Foresight 5 VCT plc and Acuity 3 VCT plc were merged into Foresight 4 VCT plc as a separate C share class.
2012	At the same time, Foresight Clearwater VCT plc was merged into the ordinary share class of Foresight 4 VCT plc.
2015	The C shares were converted into ordinary shares on 10 August 2015.
2017	On 22 June 2017, Foresight 3 VCT plc was merged into Foresight 4 VCT plc. The enlarged Foresight 4 VCT plc had combined net assets of £77.0 million.
2019	On 12 April 2019, the Company closed its latest offer for subscription after raising £51.1 million.

This team has c.300 years’ worth of collective investment experience and combines investors’ capital and its own expertise with the intention of creating long-term Shareholder value and generating attractive returns for Shareholders. The Manager has an active and direct portfolio management approach, taking a non-executive directorship position on each investee company board. The Foresight Investor Director will influence, support and, where necessary, strengthen or change management, in order to protect and build Shareholder value. This hands-on role involves regular dialogue with the executive and non-executive team on growth, markets, strategy, products and tactics and a continuous evaluation of the performance of the team as a whole. As a matter of policy, the Manager also has the right to appoint a senior industry expert as chair.

The Manager 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
- Proactive monitoring
- Merger, acquisition and exit planning
- ESG compliance

CO-INVESTMENTS

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

Investment	Foresight Enterprise VCT £	Foresight VCT £	Other Foresight funds £	Total equity managed by Foresight %
ABL Investments Limited	1,494,075	2,750,000	—	57.3
Additive Manufacturing Technologies Ltd	1,737,499	1,720,296	5,275,002	25.0
Aerospace Tooling Corporation Limited	415,255	150,000	—	82.2
Biofortuna Ltd	3,517,537	1,172,517	—	59.8
Biotherapy Services Limited	2,250,000	2,220,408	—	41.6
Callen-Lenz Associates Limited	2,375,000	2,351,485	—	25.0
Clubspark Group Ltd	1,860,000	2,756,085	—	30.6
Codeplay Software Limited	300,000	689,656	2,050,000	35.0
Cole Henry PE 2 Limited	200,000	100,000	—	50.0
Crosstown Dough Ltd	1,500,000	1,485,149	—	20.0
Datapath Group Limited	11,081,243	7,563,365	—	40.0
Fourth Wall Creative Limited	2,900,000	4,292,299	—	41.5
Hexarad Group Limited	850,000	841,585	—	18.5
Hospital Services Group Limited	1,200,000	3,320,000	3,500,000	81.6
iMIST Group Limited	1,614,500	1,598,515	1,271,000	39.7
IMMJ Systems Limited	1,750,000	1,732,674	—	21.0
Innovation Consulting Group Limited	1,938,046	1,605,000	—	72.4
Itad (2015) Limited	1,371,726	2,750,000	—	35.0
Kingsclere PE 3 Limited	100,000	100,000	—	50.0
Luminet Networks Limited	960,000	3,783,251	—	47.9
Newsflare Limited	2,000,000	1,980,198	—	16.3
NorthWest EHealth Limited	1,500,000	1,485,149	—	27.8
PH Realisations 2020 Limited ¹	2,162,929	1,664,893	1,000,000	57.7
Positive Response Corporation Ltd	1,009,195	1,000,000	—	65.1
Protean Software Limited	1,795,229	2,500,000	—	63.5
Rovco Limited	950,000	935,961	2,000,000	22.6
Roxy Leisure Ltd	2,500,000	2,467,933	4,500,000	27.9
Specac International Limited	2,554,761	1,300,000	—	87.4
Spektrix Limited	2,118,000	4,875,999	—	17.6
Steamforged Holdings Limited	1,600,000	2,364,532	1,000,000	31.9
Ten Health and Fitness Limited	2,000,000	2,958,591	—	39.3
TFC Europe Limited	2,149,307	3,614,612	—	70.9
Titania Group Limited	1,250,000	1,237,624	—	16.7
Vio Healthtech Limited ²	675,578	1,648,334	—	18.4
Weduc Holdings Limited	23,750	54,145	—	28.7
Whitchurch PE 1 Limited	378,000	100,000	—	50.0

1. Formerly Procam Television Holdings Limited.

2. Formerly Fertility Focus Limited.

Companies valued at Enil 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 shareholding companies in respect of their individual holdings or voting is limited to 50%.

STAKEHOLDERS AND S172

DIRECTORS' DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

The Directors have a duty to promote the success of the Company for the benefit of Shareholders as a whole and to describe how they have performed this duty having regard to matters set out in Section 172(1) of the Companies Act 2006.

In fulfilling this duty, the Directors consider the likely consequences of their actions over the long term and on other stakeholders.

As a third-party managed VCT, the Company does not have employees. Its main stakeholders therefore comprise its Shareholders, who are also its customers, portfolio companies, the environment and society and a small number of suppliers. These suppliers are external firms engaged by the Board to provide, amongst others, investment management, secretarial, registrar and legal services.

The Manager

The principal relationship is with the Manager and the Manager's Review contains further information on this. Its investment management service is fundamental to the long-term success of the Company through the pursuit of the investment objective. The Board reviews the investment performance of the Company and the ability of the Manager to produce satisfactory investment performance. It seeks to maintain a constructive working relationship with the Manager and, on an annual basis, the Management Engagement & Remuneration Committee reviews the appropriateness of the Manager's appointment.

The Board receives and reviews detailed presentations and reports from the Manager to enable the Directors to exercise effective oversight of the Company's activities.

Other suppliers

The Manager seeks to maintain constructive relationships with the Company's other suppliers on behalf of the Company, typically through regular communications and provision of relevant information.

Shareholders

To help the Board in its aim to act fairly between the Company's members, it encourages communications with all Shareholders. The Annual and Half-Yearly Reports are issued to Shareholders and are available on the Company's website, together with other relevant information including quarterly factsheets.

The Manager and members of the Board are available to meet the Shareholders at investor forums held throughout the year. Directors are also available to meet with Shareholders at the AGM.

Shareholders' views are considered during the Board's annual strategy reviews. The Board has also established guidelines in accordance with which the Manager implements share buybacks at a target discount to NAV. In addition, the Board has adopted a target dividend policy of 5% of NAV per share per annum.

Portfolio companies

As described in more detail within the Corporate Governance Report, the Board is committed to maintaining and demonstrating high standards of corporate governance in relation to the Company's business conduct. The Board also expects high standards at the companies in which the Company is invested. In this regard, it is satisfied that the Manager consistently and proactively engages with investee companies on environmental, social and governance matters, where these are material to the investment case and therefore to the long-term success of the Company. More detail on this can be found in the Responsible Investment section of the Manager's Review.

Where environmental, social and governance matters impinge upon the investment case, the Manager engages with investee companies to encourage the issues to be addressed through that company's "100-day plan". The Manager is well placed to undertake this activity, which has always been an integrated element of its investment process. The team of 32 investment professionals is well resourced and, collectively, has a deep knowledge and understanding across corporate finance, consulting, accountancy and private equity.

The Manager supports the aims and objectives of the FRC's Stewardship Code (the "Stewardship Code"). While the Manager is not currently a signatory to the Stewardship Code it is working to ensure alignment with it and it is expected that an application will be made by no later than 30 April 2023. A statement to that effect is noted on the Manager's website and can be found at: <https://www.foresightgroup.eu/stewardship-code>.

In summary, the Board's primary focus is to promote the long-term success of the Company for the benefit of its Shareholders, with a view to achieving the investment objective in a manner consistent with its stated investment policy and strategy. In doing so, and as described above, it has due regard to the impact of its actions on other stakeholders and the wider community.

RESPONSIBLE INVESTMENT

In order to deliver sustainable growth and long-term success, the Manager believes it is critical to incorporate environmental, social and governance factors (“ESG”) into its investment management processes.

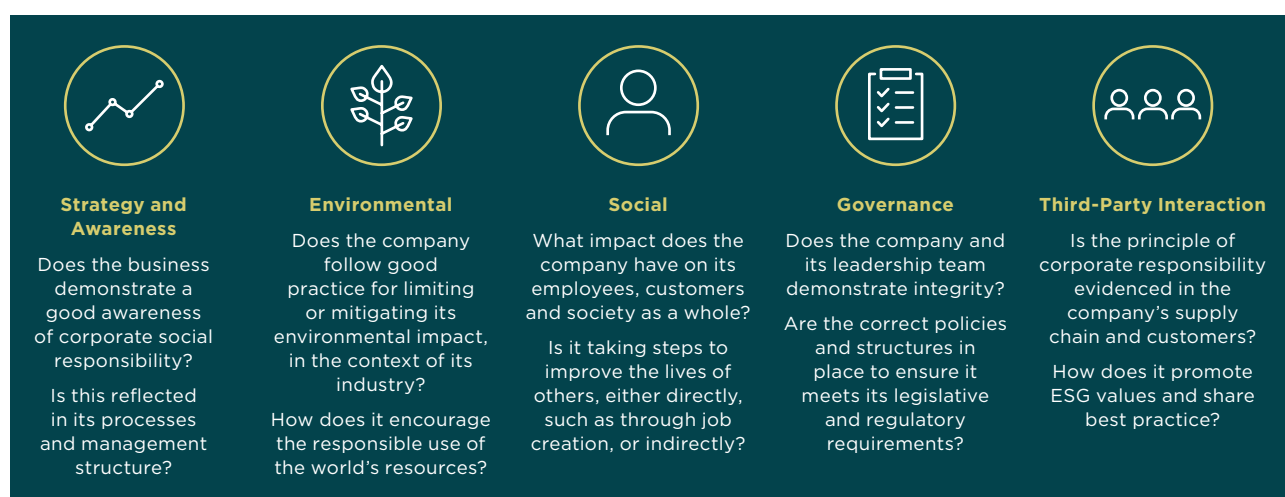
Often referred to as Responsible Investment, these principles provide not only a key basis for generating attractive returns for investors, but also to help build better quality businesses in the UK, creating jobs and making a positive contribution to society.

ESG values form an integral part of the Manager’s day-to-day decision making, with all new investments made since May 2018 subject to ESG due diligence and ongoing ESG monitoring.

This accounts for 51% of the current portfolio, with the view of reaching 100% as legacy investments are sold. Central to its investment approach are five ESG Principles which are used to evaluate investee companies.

Overall, 40 individual key performance indicators are considered under the five Principles.

The Manager invests in a wide range of sectors and believes its approach covers the key tests that should be applied to assess a company’s ESG performance, throughout the life cycle of an investment:



The UN’s Sustainable Development Goals (“SDGs”) also represent a key driver and important lens through which corporate and investment activities are reviewed.

In May 2021, the Manager formalised its Impact Themes for private equity investments into four areas:

- Health
- Quality Employment at Scale
- Research and Innovation
- Sustainable, Inclusive, Local Infrastructure and the Environment

These outcome-focused themes are aligned with the UN’s SDGs. They help the Manager assess any opportunities in the business model, and by mapping its investments to them, the private equity team can identify the value and benefits for the companies, society and the environment.

Each portfolio company is subject to an annual assessment where progress against each of the five Principles and four Impact Themes are measured and an evaluation matrix updated to allow progress to be tracked and continuous improvement encouraged.

The diagram shows the specific SDGs that the Manager has scope to contribute to across all of its activities.



We believe in delivering sustainable growth and incorporate ESG into our management process.

Credentials

The Manager 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.

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

Climate Change Statement

The Manager has a long-term investing vision and its strategy aligns with the UN’s Sustainable Development Goals and the decarbonisation targets set out in the Paris Agreement of 2015. As such, taking actions to mitigate the risks posed by climate change, whilst also investing to generate commercial returns for our investors, must be done hand in hand. The Manager has been a signatory to the United Nations-backed Principles for Responsible Investment (“PRI”) since 2013. PRI is a globally recognised voluntary framework concerned with the incorporation of ESG considerations into the investment decision-making process. It provides a basis for potential and existing investors to judge the quality of a company’s ESG processes and positioning within an industry sector. In 2020, the Manager received an “A+” for Strategy and Governance, and “A” for Private Equity and Infrastructure investments.

The Board supports the Manager’s views on climate change and ESG and its vigorous process in the evaluation of an asset’s environmental and social impact during due diligence and thereafter. For each material risk identified during due diligence, a mitigation plan is proposed in the investment submission and these actions form part of each portfolio company’s “100-day plan” post-investment.

From an environmental perspective, analysis relating to the implementation of good industry practice in limiting and mitigating the potentially adverse environmental impact of a company’s operations has four principal components:

- Environmental policy and track record
- Energy and resource usage and environmental impact
- Environmental impact of products and services
- Environmental performance improvements

Regular monitoring post-investment ensures that standards are maintained in respect of ESG issues where there is a change in either the regulatory or operating environment or the composition of the management team.

The FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures (“TCFD”) commencing from 1 January 2021 do not currently apply to the Company but will be kept under review, the Board and Manager being mindful of any recommended changes.

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; and information about any policies it has in relation to these matters and the effectiveness of these policies.

The Company does not have any policies in place for human rights, environmental, social and community issues due to having no office premises, no employees and its purchases being services as opposed to tangible products. The Manager’s policies in respect of all the above issues can be found on its website www.foresightgroup.eu.

Diversity

The Board currently comprises one female and three male Directors. There is no formal diversity policy in place, however the Board is conscious of the need for diversity and will actively seek and encourage male and female candidates from all ethnic backgrounds when appointing new Directors.

The Manager has an equal opportunities policy and, as at 31 December 2021, employed 165 men and 103 women.

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.

RISKS

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

The Board carries out half-yearly reviews of the risk environment, including emerging risks, 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 set out below. Emerging risks that have also been considered include that of climate change and the Russian invasion of Ukraine.

Further details of the Board's climate change considerations are provided in the Climate Change Statement in the Responsible Investment section on page 35. The potential political and economic risks associated with the invasion of Ukraine and the impact on the companies in which the Company invests is under continuous assessment by the Manager.

MARKET RISK

Risk description:

Macroeconomic changes, political developments or external shocks affect the investment community in general and lead to a fall in the valuation of investee companies, a drop in the Company's share price or widening discount to Net Asset Value, resulting in capital losses for Shareholders.

Key controls and mitigation:

The Manager ensures the portfolio is diversified and the Board reviews it at least quarterly. The Company also maintains sufficient cash reserves to be able to provide additional funding to investee companies where appropriate and to repurchase its own shares.

STRATEGIC AND PERFORMANCE RISK

Risk description:

The Board fails to set appropriate strategic objectives and fails to monitor the Company's implementation of strategy which leads to poor performance.

Unattractive objectives or prolonged poor performance leads to a lack of investor demand for the Company's shares, resulting in difficulty raising new capital, a lack of cash available to fund buybacks and an inability to control a widening discount.

Key controls and mitigation:

The Board and the Manager meet on an annual basis for a specific session to assess the Company's strategy. This is further monitored at quarterly Board meetings.

INTERNAL CONTROL RISK

Risk description:

The control environments at service providers, including the Manager, have inadequate procedures for the identification, evaluation and management of risks, cyber security and GDPR, putting the Company's assets and data at risk.

Key controls and mitigation:

The Board carries out semi-annual reviews of the system of internal controls, both financial and non-financial, operated by the Manager and other service providers and asks the external auditor to report on the Manager's internal controls. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

LEGISLATIVE AND REGULATORY RISK

Risk description:

The Company fails to comply with applicable laws and regulations including VCT Rules, UK Listing Authority Rules, AIC Code on Corporate Governance, Stewardship Code, Companies Act, Bribery Act, Market Abuse Regulations, GDPR, Criminal Finances Act and relevant Taxes Acts and as a result loses its approval as a VCT.

Radical changes to VCT rules limit satisfactory investment returns and the ability to issue new shares causing a reluctance to sell investee companies. This leads to a cash flow issue which restricts dividend payments or share buybacks and the Company's ability to control a widening discount. In extreme circumstances, the current VCT regime ending on 5 April 2025 is not renewed or extended, causing Shareholders to cease to benefit from tax free dividends and capital gains tax exemption after that date.

Key controls and mitigation:

The Manager is contracted to provide company secretarial, accounting and administration services through qualified professionals and the Board receives regular updates on compliance with relevant regulations. The Company, the Manager and the VCT status adviser are, between them, members of the VCT Managers Association, EIS Association and the AIC and are regularly consulted by HMRC and Treasury, or reply to consultations, before changes in legislation take place, often enabling a middle ground to be agreed on legislative changes.

The Board and Manager review corporate governance and regulatory changes on a continual basis and seek additional advice as and when required.

VCT QUALIFYING STATUS RISK

Risk description:

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 ceasing to be exempt 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.

Key controls and 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 VALUATION AND LIQUIDITY RISK

Risk description:

Most 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, subjective valuations and lower liquidity than investments in larger quoted companies. 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 information using estimates and judgements, and is reliant on the accuracy and completeness of some information provided by investee companies.

The Company may not be able to sell its investments in unquoted companies. Insufficient capital realisations and the Company's inability to raise new capital could prevent the Company from meeting its financial commitments and restrict dividends and buybacks.

Key controls and 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 quarterly basis.

Valuations are prepared in accordance with the IPEV Valuation Guidelines, as discussed in more detail in note 1 to the accounts. Sensitivity analysis is disclosed in note 15. The Board reviews portfolio valuations quarterly and the external auditor performs an annual review, as noted in the auditor's report.

VIABILITY STATEMENT

In accordance with principle 21 of the AIC Code of Corporate Governance published by the AIC in February 2019, the Directors have assessed the prospects of the Company over the three-year period to 31 December 2024. 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 a robust 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.

Stress testing on the cash flow forecast has not been performed, due to the discretionary nature of the main inflows and outflows. If fewer funds are raised, and fewer realisations achieved, then fewer investments and buybacks can be made and reduced dividends can be paid. The contracted ongoing costs of the Company are sufficiently covered for the next three years.

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 2024.

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.

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.

This Strategic Report has been approved for issue by the Board.

Raymond Abbott

Chair

28 April 2022

GOVERNANCE

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BOARD OF DIRECTORS



Raymond Abbott

Chair of the Board



Appointed

22 June 2017

Experience

Raymond previously served as chair of Foresight 3 VCT plc from 2014 until the merger with the Company. Prior to this he was a Non-Executive Director of the Company.

Raymond has over 30 years' experience in private equity covering fund investment, direct venture investment, growth capital and buyouts. This includes as managing director of Alliance Trust Equity Partners, developing a £300 million fund of funds programme for Alliance Trust focused on Western European lower to mid-market buyout funds. Raymond founded Albany Ventures, with a focus on software and healthcare investments, which was acquired by Alliance Trust.

Raymond has gained extensive experience as a non-executive director in public and private companies helping with strategy, finance and governance.

Other positions

Chair of Scottish Building Society. Chair of Integrated Environmental Solutions Limited. Non-executive director of Schroder UK Public Private Trust PLC.

Beneficial shareholding

60,818 shares



Gaynor Coley

Non-Executive Director



Appointed

10 September 2020

Experience

Gay is a Chartered Accountant with over 30 years of experience in private and public sector finance. She is Chair of the Audit Committee and has extensive experience of governance, compliance and risk management.

She is very familiar with the challenges of stakeholder management, business growth and development. She was part of the founding team at the £140 million award-winning Eden Project, leading the funding and setting up the innovative social enterprise structure. After 13 years as managing director at Eden she went on to join the Royal Botanic Gardens, Kew as director of public programmes, responsible for rebranding the gardens and growing the commercial income streams. She was director of finance at Plymouth University for five years prior to joining Eden, encouraging spin-out companies and enterprise initiatives.

Other positions

Director of Lowland Investment Company plc, director of Asia Dragon Trust plc and director of the Secured Income Fund plc.

Beneficial shareholding

Nil shares

- A** Audit Committee
- M** Management Engagement & Remuneration Committee
- N** Nomination Committee
- Chair



Simon Jamieson

Non-Executive Director



Appointed

3 October 2014

Experience

Simon spent 28 years at Robert Fleming Holdings and subsequently at Fleming Family and Partners where he focused on private equity investing. Prior to this he joined Glenwood Management, a Californian-based venture capital fund, and subsequently joined Robert Fleming on the fund management side. He then joined Fleming Family and Partners Asset Management Limited ("FF&P") where he was responsible for \$500 million of private equity investments, including both fund investments and directly held co-investments.

Simon served as Chair of the Company from 31 March 2017 to 22 June 2017.

Other positions

Simon chairs an investment committee of a US family office and co-chairs an investment committee of an African-focused private equity manager, 54 Capital.

Beneficial shareholding

34,841 shares



Michael Gray

Non-Executive Director



Appointed

14 February 2017

Experience

Michael has extensive experience in funds, banking and other capital markets. He was most recently the regional managing director, corporate banking for RBS International with responsibility for The Royal Bank of Scotland's Corporate Banking Business in the Crown Dependencies and British Overseas Territories. In a career spanning 31 years with The Royal Bank of Scotland Group plc, Michael has undertaken a variety of roles including that of auditor, and has extensive general management and lending experience across a number of industries.

Michael is a fellow of The Chartered Institute of Bankers in Scotland and a qualified corporate treasurer.

Other positions

Michael is a non-executive director of Triton Investment Management Ltd, a non-executive director of JTC plc, an advisory board member of Japanese private equity group, J-Star, and a non-executive director of the FTSE 250 listed GCP Infrastructure Investments Limited.

Beneficial shareholding

28,448 shares

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 December 2021.

Activities and status

The principal activity of the Company during the year was the making of investments in unquoted companies in the UK. 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 2020 and the Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with these regulations.

Results and dividends

The total profit attributable to Shareholders for the year amounted to £21,577,000 (nine-month period to 31 December 2020: £17,591,000). The Board paid an interim dividend of 4.2p per share on 18 June 2021.

Net Asset Value Total Return

During the year ended 31 December 2021, the Company's principal indicator of performance, NAV Total Return, increased 18.0% (2020: 16.3%) from 62.1p per share as at 31 December 2020 to 73.3p per share as at 31 December 2021.

Share issues

During the year 1,512,395 shares were issued pursuant to the dividend reinvestment scheme at an issue price of 61.7p per share. At 31 December 2021, the Company had 192,806,963 shares in issue.

Share buybacks

During the year the Company repurchased 2,564,645 shares for cancellation at a cost of £1,481,000. No shares bought back by the Company are held in treasury. Share buybacks have been completed at an average discount of 7.5%.

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 pages 36 and 37.

Financial instruments

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

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 less than one day (nine-month period to 31 December 2020: one day).

Management

The Company has appointed Foresight Group LLP ("the Manager") to provide investment management, 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 Board's 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 in April 2022. The principal terms of the management agreement are set out in note 3 to the accounts.

The annual expenses cap is 2.35% of net assets, which is one of the lower expenses caps of any VCT with total assets over £50 million.

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

Foresight Group LLP was appointed as Manager on 27 January 2020 and earned fees of £2,416,000 in the year to 31 December 2021 (nine-month period to 31 December 2020: £1,735,000). Foresight Group LLP received £161,000 excluding VAT (nine-month period to 31 December 2020: £119,000) during the year in respect of secretarial, administrative, accounting and custodian services to the Company.

Foresight Group LLP also received from investee companies arrangement fees of £395,000 (nine-month period to 31 December 2020: £196,000) and Directors' fees of £554,000 (nine-month period to 31 December 2020: £353,000).

All amounts are stated, where applicable, net of VAT. The Manager is also a party to the performance incentive agreements described in note 13 to the accounts.

At the time of writing, staff of the Manager held a total of 254,117 shares in the Company.

Performance-related incentives

The Manager is entitled to a payment equal to 15% of dividends paid to Shareholders, subject to the total return (Net Asset Value plus cumulative dividends paid per share) exceeding 100.0p ("High Watermark"), both immediately before and after the performance incentive fee is paid.

After each distribution is made to Shareholders where a performance incentive is paid, the High Watermark required to be achieved by the Company to trigger a further performance incentive fee will be amended to take account of the dividend paid. As a result of performance incentive fee payments made in previous years, the High Watermark at as 31 December 2021 was 108.5p (2020: 108.5p). Further details can be found in note 13 to the accounts.

The performance incentive fee may be satisfied by either a cash payment or the issue of shares (or by a combination of both) ultimately at the Board's discretion and, as such, qualifies as a share-based payment. Any new shares to be issued to the Manager would be calculated by dividing the performance fee cash equivalent amount by the latest Net Asset Value per share after adding the cumulative dividends to be paid.

No performance incentive fee was paid in the year (nine-month period to 31 December 2020: £nil). No performance incentive fee has been accrued in the year as the Company does not expect the total return will reach the High Watermark in the foreseeable future.

Venture Capital Trust status

Foresight Enterprise VCT plc has been granted approval as a Venture Capital Trust ("VCT") under Sections 274-280A of the Income Tax Act 2007 for the nine-month period ended 31 December 2020. The next complete review will be carried out for the year ended 31 December 2021. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Board 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. Reviews of prospective investments are carried out by advisers assisting on the relevant investment transaction. As at 31 December 2021, the Company had 100.0% (by VCT value) of its applicable funds in such VCT qualifying holdings.

DIRECTORS' REPORT CONTINUED

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

The upfront income tax relief will be forfeited by Shareholders if the shares are not held for five years or the Company loses its approval as a VCT in that period.

The other tax reliefs will similarly be lost if the Company loses its approval as a VCT.

Substantial shareholdings

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

Likely future developments

Please refer to the Manager's Review on page 18 for more details on likely future developments.

Alternative Investment Fund Managers Directive ("AIFMD")

The AIFMD came into force on 22 July 2013 and sets out the rules for the authorisation and ongoing 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 costs and administration requirements are not 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.

Valuation policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines (December 2018 and further COVID-19 guidance for March 2020) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at "fair value". Where the investment being valued was made recently, its cost would normally provide a good starting point for estimating fair value. At each measurement date, fair value is estimated using appropriate valuation techniques. Investments quoted or traded on a market are valued at bid price. The portfolio valuations are prepared by the Manager, reviewed and approved by the Board quarterly and are subject to annual review by the external auditor.

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 28 April 2022 was 197,096,261 ordinary shares of 1 penny each. Further information on the share capital of the Company is detailed in note 11 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 87.

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 Section 487(2) of the Companies Act 2006, the Board has decided to propose the reappointment of Deloitte LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting.

Audit information

Pursuant to Section 418(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 auditor is 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 auditor is aware of such information.

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
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur following a takeover bid or for any other reason

Conflicts of interest

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

Whistleblowing

The Board has been informed that the Manager has arrangements in place in accordance with the UK Corporate Governance Code's recommendations by which staff 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.

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 Chair's Statement, Strategic Report and Notes to the Accounts. In addition, the Annual Report and 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.

DIRECTORS' REPORT CONTINUED

Going concern continued

The Company has adequate financial resources together with investments and income generated therefrom across a variety of industries and sectors. As a consequence, the Board believes 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 buybacks 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 considered the impact of COVID-19, Brexit and Russia's invasion of Ukraine during their assessment of going concern and 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.

Post-balance sheet events are disclosed in note 20.

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 pages 54 to 57.

Directors' indemnification and insurance

To the extent permitted by law, the Directors have the benefit of indemnities under the Articles of Association of the Company against 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.

Annual General Meeting

A formal notice convening the Annual General Meeting on 9 June 2022 can be found on pages 85 to 88.

Resolutions 1 to 9 will be proposed as ordinary resolutions, meaning that for each resolution to be passed more than half of the votes cast at the meeting must be in favour of the resolution. Resolutions 10 and 11 will be proposed as special resolutions, meaning that for each resolution to be passed at least 75% of the votes cast at the meeting must be in favour of the resolution. Resolutions 9 to 11 renew general share issue and buyback authorities granted at previous annual general meetings of the Company and are explained in further detail below. The Directors believe that the proposed resolutions are in the interests of Shareholders and accordingly recommend Shareholders to vote in favour of each resolution.

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 £1,020,000 (representing 51.8% of the issued share capital of the Company as at the date of this Annual Report). 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 operated by the Company, performance incentive fee arrangements with Foresight Group LLP 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. The authority conferred by Resolution 9 is in addition to existing authorities and will expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the passing of the resolution save that the Company may allot equity shares after such date in pursuant of a contract or contracts made prior to the expiration of this authority.

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 £520,000 pursuant to offer(s) for subscription, (ii) with an aggregate nominal amount of up to 10% of the issued share capital pursuant to the dividend reinvestment scheme 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, (iii) with an aggregate nominal amount of up to £100,000 pursuant to performance incentive arrangements with Foresight Group LLP and relevant individuals of the Foresight Group LLP investment team at a subscription price which may be less than the Net Asset Value per share and (iv) with an aggregate nominal amount of up to 10% of the issued share capital from time to time 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. The authority conferred by Resolution 10 is in addition to existing authorities and 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 2023 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.

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 29,544,729 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 Article 5(6) of the Market Abuse Regulation (EU) 596/2014 (as such Regulation forms part of UK law and as amended). The authority conferred by Resolution 11 is in substitution for all existing authorities and 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 2023 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. Front-end VCT income tax relief is only obtainable by an investor who makes an investment in new shares issued by the Company. This means that investors may be willing to pay more for new shares issued by the Company than they would pay to buy shares from an existing Shareholder. Therefore, in the interest of Shareholders who may wish to sell shares from time to time, the Company proposes to renew the authority to buy-in shares, as it enables the Board to provide a degree of liquidity in the Company's shares.

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 a Shareholder may need to sell shares within this period. 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.

This report has been approved for issue by the Board.

Foresight Group LLP

Secretary

28 April 2022

CORPORATE GOVERNANCE

The Board of Foresight Enterprise VCT plc has considered the Principles and Provisions of the AIC Code of Corporate Governance (“AIC Code”).

The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (“the AIC Code”) issued by the Financial Reporting Council, as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to Shareholders.

The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the AIC Code to make them relevant for investment companies.

Unless noted as an exception below, the requirements of the AIC Code were complied with throughout the year ended 31 December 2021.

The Board

The Board comprises four Directors, all of whom are non-executive and independent in accordance with AIC guidelines and Listing Rules. The Chair has served on the Board for less than nine years from the date of his appointment in June 2017. The Board therefore considers the Chair independent in character and judgement and his re-election is sought every year. The Nomination Committee meets annually to discuss the appropriateness of the Board appointments and considers there to be no circumstances which are likely to impair the Chair’s independence.

The Directors have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investing in small companies.

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 the 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.

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.

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 opposite.

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.

In addition to the meetings below, five further meetings were held in relation to the change in accounting period, publication of corporate documents, investments and Company strategy.

	Board	Audit	Nomination	Management Engagement & Remuneration
Raymond Abbott	4/4	2/2	1/1	1/1
Gaynor Coley	4/4	2/2	1/1	1/1
Michael Gray	4/4	2/2	1/1	1/1
Simon Jamieson	4/4	2/2	1/1	1/1

In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to the Manager, Shakespeare Martineau LLP and other service providers, the Company has not appointed a chief executive officer, deputy chair or a senior independent non-executive director as recommended by the AIC Code. The provisions of the AIC Code which relate to the division of responsibilities between a chair 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 Gaynor Coley (Chair), Raymond Abbott, Michael Gray and Simon Jamieson, 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 auditor
- Review and monitor the external auditor's independence
- Implement and review the Company's policy on the engagement of the external auditor to supply non-audit services

In the prior year, the Board re-appointed Deloitte LLP as the Company's auditor.

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 the re-appointment of Deloitte LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting. Blick Rothenberg Limited provides the Company's taxation services.

The Management Engagement & Remuneration Committee comprises Michael Gray (Chair), Raymond Abbott, Gaynor Coley and Simon Jamieson and meets at least annually to consider the levels of remuneration of the Directors. More details can be found in the Directors' Remuneration Report. The Management Engagement & Remuneration Committee also reviews the appointment and terms of engagement of the Manager. The Board has decided that the entire Board of Directors should fulfil the role of the Management Engagement & Remuneration Committee due to its size.

CORPORATE GOVERNANCE CONTINUED

Board committees continued

The Nomination Committee comprises Michael Gray (Chair), Raymond Abbott, Gaynor Coley and Simon Jamieson 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. The Board has decided that the entire Board of Directors should fulfil the role of the Nomination Committee due to its size.

The Board believes that, as a whole, it has an appropriate balance of skills, experience and knowledge. The Board 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 Board currently comprises three male Directors and one female Director. There is no formal diversity policy in place, however the Board is conscious of the need for diversity and will consider both male and female candidates from all ethnic backgrounds 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 re-election of Directors.

Board evaluation

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

Additionally, the Board intends for an external evaluation of its own performance and that of its committees to take place in 2022.

Internal control

The Directors 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 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.

The Manager 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 is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

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

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 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 counter 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, Shakespeare Martineau LLP and other service providers.

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

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

UK Stewardship Code

The Manager supports the aims and objectives of the FRC's Stewardship Code (the "Stewardship Code"). While the Manager is not currently a signatory to the Stewardship Code it is working to ensure alignment with it and it is expected that an application will be made by no later than 30 April 2023. A statement to that effect is noted on the Manager's website and can be found at: <https://www.foresightgroup.eu/stewardship-code>.

Relations with Shareholders

The Company communicates with Shareholders and solicits their views where it considers it is appropriate to do so. The Manager hosts regular investor forums for Shareholders and publishes quarterly factsheets, as well as information on new investments, on the Company's website.

Individual Shareholders are welcomed, when not prevented by temporary regulations, to the Annual General Meeting, where they have the opportunity to ask questions of the Directors, including the Chair, as well as the Chairs of the Audit, Nomination and Management Engagement & Remuneration Committees. The Board may from time to time seek feedback through Shareholder questionnaires and there is an open invitation for Shareholders to meet the Manager. For more information on the Directors' relations with Shareholders please refer to the Section 172(1) statement in the Strategic Report on page 33.

Raymond Abbott

Chair

28 April 2022

AUDIT COMMITTEE REPORT



Gaynor Coley
Chair of the Audit Committee

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
- Existence of unquoted investments
- Venture Capital Trust status

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

Valuation of unquoted investments

The Directors have met quarterly to assess the appropriateness of the estimates and judgements made by the Manager in the investment valuations. As a VCT, the Company's investments are predominantly in unlisted securities, which can be 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 IPEV 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 by the Manager 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 legal advice 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 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 Deloitte 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 partner is rotated every five years, ensuring that objectivity and independence is not impaired.

The current audit partner, Chris Hunter, assumed responsibility for the audit in 2019. Deloitte LLP was appointed as auditor in November 2019, with its first audit for the year ended 31 March 2020. No tender for the audit of the Company has been undertaken since this date and the Audit Committee does not intend to put the audit out to tender during the current financial year. 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. Deloitte LLP is not engaged for non-audit services.

The Audit Committee considered the performance of the auditor during the year and agreed that Deloitte LLP continued to provide a good 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 April 2021 to review the Annual Report and Accounts for the nine-month period ended 31 December 2020 and the Company's risk register, in September 2021 to review the Half-Yearly Report, the audit plan for the year ended 31 December 2021 and the Company's risk register, and in April 2022 to review the Annual Report and Accounts for the year ended 31 December 2021.

Gaynor Coley

Chair of the Audit Committee

28 April 2022

DIRECTORS' REMUNERATION REPORT



Michael Gray

Chair of the Management Engagement & Remuneration Committee

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

Annual statement from the Chair of the Management Engagement & Remuneration Committee

The Board, which is profiled on pages 40 and 41, consists solely of Non-Executive Directors and considers at least annually the level of the Directors' fees.

During the year, remuneration for the Directors was increased following Shareholder approval of the remuneration policy and remuneration report at the Annual General Meeting.

In April 2022, the Committee concluded, following a review of the level of Directors' fees, there would be an increase of 4.0% to the base salary of Directors effective 1 July 2022.

Consideration by the Directors of matters relating to Directors' remuneration

The Management Engagement & Remuneration Committee comprises four Directors: Michael Gray (Chair), Raymond Abbott, Gaynor Coley and Simon Jamieson.

The Management Engagement & Remuneration Committee 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 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 on the following page. Individual remuneration packages are determined by the Management Engagement & 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 2021 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 have a service contract but, under letters of appointment dated 22 June 2017 for Raymond Abbott, 10 September 2020 for Gaynor Coley, 14 February 2017 for Michael Gray and 3 October 2014 for Simon Jamieson, they may resign by giving six months' notice in writing to the Board or by mutual consent. No compensation is payable to Directors on leaving office.

The above remuneration policy was last approved by Shareholders at the Annual General Meeting on 7 July 2021 and 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 9 June 2022.

Shareholders' views in respect of Directors' remuneration may be 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, 88.4% of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant Shareholder support.

Please refer to page 57 for the Directors' remuneration tables.

Retirement by rotation

All Directors retire and may 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 57. No Director has waived or agreed to waive any emoluments from the Company in either the current or previous year.

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

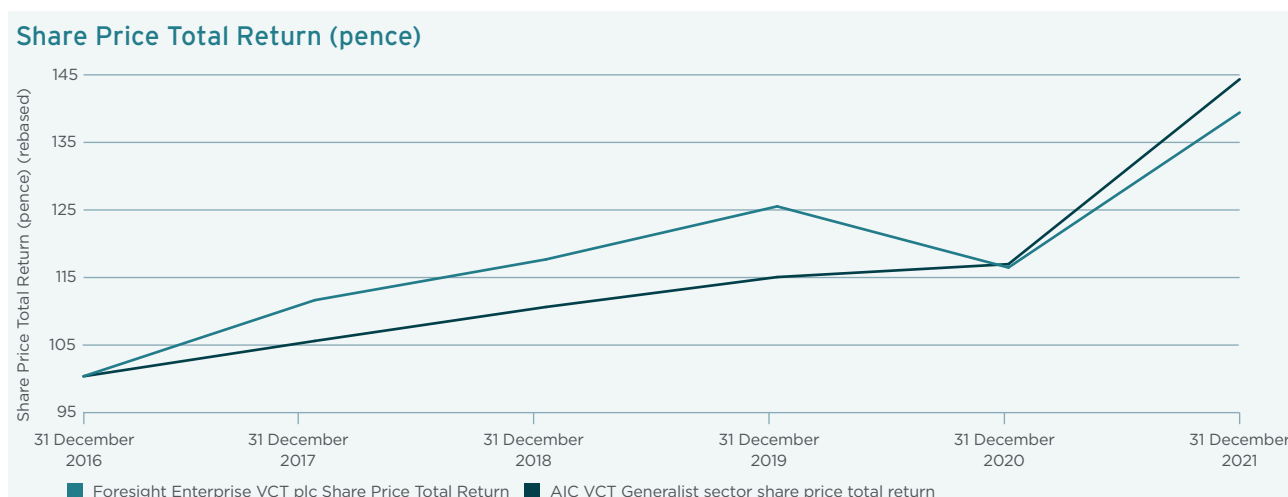
The Company's Articles of Association do not set an annual limit on the level of Directors' fees but fees must be considered within the wider remuneration policy noted above.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

Share Price Total Return

The graph below charts the total Shareholder return to 31 December 2021, on the hypothetical value of £100 invested on 1 January 2016. The return is compared to the total Shareholder return on a notional investment of £100 in the AIC VCT Generalist sector.



Directors

The Directors who held office during the year or up to the date of signing the Annual Report and their interests in the issued shares of 1p each of the Company were as follows:

	31 December 2021 Shares	31 December 2020 Shares
Raymond Abbott	60,818 ¹	60,818 ¹
Gaynor Coley	—	—
Michael Gray	28,448	28,448
Simon Jamieson	34,841	34,841
Total	124,107	124,107

1. 10,744 shares held by Raymond Abbott's wife and 17,837 shares held through an Alliance Trust account.

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

There have been no changes in the Directors' share interests between 31 December 2021 and the date of this report.

In accordance with the UK Corporate Governance Code and the Board's policy, Mr Abbott, Ms Coley, Mr Gray and Mr Jamieson retire annually and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on pages 40 and 41.

The Board believes that Mr Abbott's, Ms Coley's, Mr Gray's and Mr Jamieson's 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 60 to 65.

	Directors' fees year ended 31 December 2021 (£)	Directors' taxable benefits ¹ year ended 31 December 2021 (£)	Total remuneration year ended 31 December 2021 (£)	Directors' fees for the nine months ended 31 December 2020 (£) ³
Raymond Abbott	32,950	—	32,950	24,487
Gaynor Coley ²	29,775	—	29,775	9,077
Michael Gray	25,650	—	25,650	19,050
Simon Jamieson	23,983	—	23,983	22,125
Total	112,358	—	112,358	74,739

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

2. Gaynor Coley was appointed to the Board on 10 September 2020.

3. There were no taxable benefits received by Directors in the period.

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 2021 after consideration of fees paid to other VCT directors and available independent research.

Votes cast For and Against the Directors' Remuneration Report for the period ended 31 December 2020:

Shares and percentage of votes cast For	Shares and percentage of votes cast Against	Number of votes withheld
88.4%	11.6%	
10,530,709 votes	1,377,459 votes	306,765 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 2021	Nine months ended 31 December 2020
Dividends	£8,086,000	£5,413,000
Share buybacks	£1,481,000	£1,085,000
Total Shareholder distributions	£9,567,000	£6,498,000
Directors' fees	£112,358	£74,739
Directors' fees % of Shareholder distributions	1.2%	1.2%

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.

This Directors' Remuneration Report was approved by the Board on 28 April 2022 and is signed on its behalf by Michael Gray (Director).

On behalf of the Board

Michael Gray

Chair of the Management Engagement & Remuneration Committee

28 April 2022

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 have elected 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 its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable
- 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
- 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 the 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 accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company
- 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

Raymond Abbott

Chair

28 April 2022

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FORESIGHT ENTERPRISE VCT PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Foresight Enterprise VCT plc (the Company):

- Give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its return for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"
- Have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements which comprise:

- The Income Statement
- The Balance Sheet
- The Statement of Changes in Equity
- The Cash Flow Statement
- The related notes 1 to 20

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year was the valuation of early-stage unlisted investments.

Within this report, key audit matters are identified as follows:

Newly identified	!
Increased level of risk	↑
Similar level of risk	↔
Decreased level of risk	↓

Materiality

The materiality that we used in the current year was £2.66 million (2020: £2.37 million), which was determined on the basis of 2% of the Net Asset Value of the Company at year end.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the engagement team.

Significant changes in our approach

There were no significant changes to our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Considering as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control
- Evaluating the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment through review of forecasted cash flows and the impact of external market forces, and evaluating the Directors' plans for future actions in relation to their going concern assessment
- Assessing the relevant disclosures about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF FORESIGHT ENTERPRISE VCT PLC

5. Key audit matters continued

5.1. Valuation of unquoted investments <>

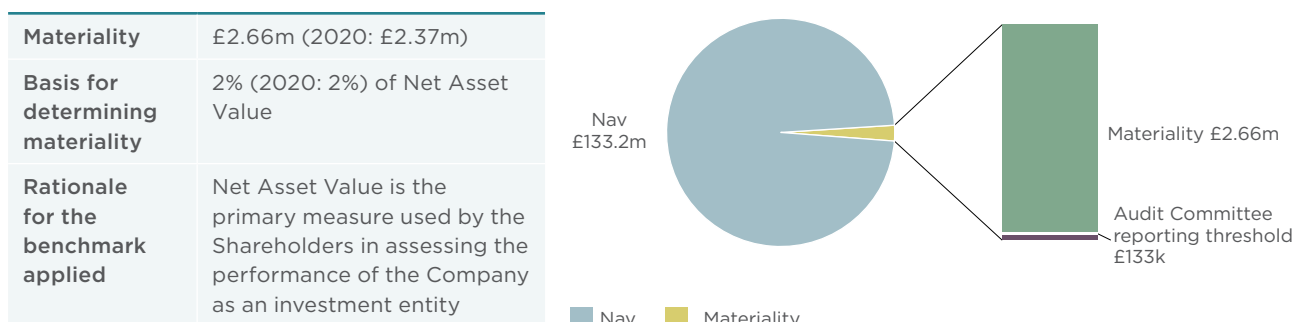
Key audit matter description	The Company holds unquoted investments of £115.2 million representing 86.5% of the entity's net assets (2020: £92.4 million, 76.8%). The valuation of the investments held by the Company, due to materiality in the context of the financial statements as a whole, is considered to be one of the areas which has the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit. The unquoted investments are valued in line with IPEV Valuation Guidelines and carry a higher degree of judgement. In particular, investments held by the Company that are in the retail, leisure and hospitality industries have been highlighted as being particularly judgemental due to the adverse impact that the COVID-19 pandemic has had on these industries. Therefore, we have pinpointed the key audit matter of material misstatement to the valuation of unquoted investments operating in these sectors. Refer to note 1b to the financial statements for the accounting policy on unquoted investments and details of the investments are disclosed in note 8 to the financial statements. Critical accounting judgement and key sources of estimation uncertainty is disclosed in note 1l. The valuation of investment risk is included within the Audit Committee Report on pages 52 and 53.
How the scope of our audit responded to the key audit matter	Our testing included: - Obtaining an understanding of controls in place over the valuation of unquoted investments through enquiry of management and detailed review of documentation of relevant controls - Assessing the valuation methodology applied for compliance with the IPEV Valuation Guidelines and assessed the assumptions adopted, enquiring with and challenging the Manager on the assumptions where appropriate - Testing the judgemental inputs around maintainable revenue/EBITDA adjusted for the impact of COVID-19 as relevant, against management accounts and latest audited accounts where available. We have reviewed the suitability and accuracy of the multiple from a basket of comparable transactions/quoted companies - Challenging the Manager on any adjustments made in relation to the impact of COVID-19 on the performance of the investee companies, scrutinising cash position and forecasts as relevant - Testing a sample of unquoted investee company data (e.g. financial information and capital structures) to supporting documentation - Assessing whether any critical judgement or sources of estimation uncertainty were applied and appropriately disclosed
Key observations	Based on our testing, we concluded that the valuation of the early-stage unlisted investments is reasonable.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the quality of the Company's overall control environment and management's willingness to correct identified errors in previous audits.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £133k (2020: £118k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The investment management and accounting and reporting operations were undertaken by the Manager, whilst the safeguarding of assets resides with the Manager. We have obtained an understanding of the Manager's systems of internal control and reviewed the Manager's controls report. We have not relied on the controls at the Manager. However, in the current year, we took a controls reliance strategy over investment income. This consisted of testing the relevant controls over the processing and review of investment income. In addition, we reperformed the calculation of investment income for a sample of investments.

8. Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF FORESIGHT ENTERPRISE VCT PLC

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets
- Results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities
- Any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
 - The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations
- The matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of early-stage unlisted investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's compliance with VCT regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of early-stage unlisted investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements
- Enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- Reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC and the FCA
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' Report in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 45
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 38
- The Directors' statement on fair, balanced and understandable set out on page 58
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 and 37
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on pages 50 and 51
- The section describing the work of the Audit Committee set out on pages 52 and 53

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us
- The financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 30 August 2019 to audit the Financial Statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 March 2019 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

Chris Hunter CA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

28 April 2022

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December 2021			Nine months ended 31 December 2020 ¹		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains/(losses) on investments	8	—	5,763	5,763	—	(623)	(623)
Investment holding gains	8	—	17,449	17,449	—	20,372	20,372
Income	2	1,408	—	1,408	67	—	67
Investment management fees	3	(604)	(1,812)	(2,416)	(434)	(1,301)	(1,735)
Other expenses	4	(627)	—	(627)	(490)	—	(490)
Return/(loss) on ordinary activities before taxation		177	21,400	21,577	(857)	18,448	17,591
Taxation	5	—	—	—	—	—	—
Return/(loss) on ordinary activities after taxation		177	21,400	21,577	(857)	18,448	17,591
Return/(loss) per share	7	0.1p	11.1p	11.2p	(0.4)p	9.5p	9.1p

1. The Company changed its accounting reference date from 31 March to 31 December. Given this change, the comparative results shown in this report are for the nine months ended 31 December 2020.

The total columns of this statement are 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 period.

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 Company has only one class of business and one reportable segment, the results of which are set out in the Income Statement and Balance Sheet.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted earnings per share figures are relevant. The basic and diluted earnings per share are, therefore, identical.

The notes on pages 70 to 84 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2021	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve ¹ £'000	Capital reserve ¹ £'000	Revaluation reserve £'000	Total £'000
As at 1 January 2021		1,939	67,458	523	68,307	(51,914)	34,041	120,354
Share issues in the year ²	11	15	918	—	—	—	—	933
Expenses in relation to share issues ³		—	(51)	—	—	—	—	(51)
Repurchase of shares	11	(26)	—	26	(1,481)	—	—	(1,481)
Cancellation of share premium		—	(15,329)	—	15,329	—	—	—
Realised gains on disposal of investments	8	—	—	—	—	5,763	—	5,763
Investment holding gains	8	—	—	—	—	—	17,449	17,449
Dividends paid	6	—	—	—	(8,086)	—	—	(8,086)
Management fees charged to capital	3	—	—	—	—	(1,812)	—	(1,812)
Revenue return for the year		—	—	—	177	—	—	177
As at 31 December 2021		1,928	52,996	549	74,246	(47,963)	51,490	133,246

Nine months ended 31 December 2020	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve ¹ £'000	Capital reserve ¹ £'000	Revaluation reserve £'000	Total £'000
As at 1 April 2020		1,948	79,443	503	63,127	(49,990)	13,669	108,700
Share issues in the period ²	11	—	578	—	—	—	—	589
Expenses in relation to share issues ³		—	(28)	—	—	—	—	(28)
Repurchase of shares		(20)	—	20	(1,085)	—	—	(1,085)
Cancellation of share premium		—	(12,535)	—	12,535	—	—	—
Realised losses on disposal of investments		—	—	—	—	(623)	—	(623)
Investment holding gains		—	—	—	—	—	20,372	20,372
Dividends paid	6	—	—	—	(5,413)	—	—	(5,413)
Management fees charged to capital	3	—	—	—	—	(1,301)	—	(1,301)
Revenue loss for the period		—	—	—	(857)	—	—	(857)
As at 31 December 2020		1,939	67,458	523	68,307	(51,914)	34,041	120,354

1. Reserve is available for distribution; total distributable reserves at 31 December 2021 total £26,283,000 (2020: £16,393,000).

2. Relating to the dividend reinvestment scheme.

3. Expenses in relation to share issues relate to trail commission for prior years' fundraising.

The notes on pages 70 to 84 form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2021

Registered number: 03506579

	Notes	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	115,238	92,441
Current assets			
Debtors	9	1,028	162
Cash and cash equivalents		17,113	27,862
		18,141	28,024
Creditors			
Amounts falling due within one year	10	(133)	(111)
Net current assets		18,008	27,913
Net assets		133,246	120,354
Capital and reserves			
Called-up share capital	11	1,928	1,939
Share premium account		52,996	67,458
Capital redemption reserve		549	523
Distributable reserve		74,246	68,307
Capital reserve		(47,963)	(51,914)
Revaluation reserve		51,490	34,041
Equity Shareholders' funds		133,246	120,354
Net Asset Value per share	12	69.1p	62.1p

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2022 and were signed on its behalf by:

Raymond Abbott

Chair

28 April 2022

The notes on pages 70 to 84 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Cash flow from operating activities			
Loan interest received from investments	2	346	136
Dividends received from investments	2	1,022	—
Deposit and similar interest received	2	2	28
Investment management fees paid	3	(2,416)	(1,283)
Secretarial fees paid	4	(161)	(119)
Other cash payments	4	(447)	(349)
Net cash outflow from operating activities		(1,654)	(1,587)
Cash flow from investing activities			
Purchase of investments	8	(13,163)	(6,532)
Net proceeds on sale of investments	8	12,700	46
Net cash outflow from investing activities		(463)	(6,486)
Cash flow from financing activities			
Expenses of fundraising		(36)	(28)
Repurchase of own shares		(1,444)	(1,085)
Equity dividends paid	6	(7,152)	(4,824)
Net cash outflow from financing activities		(8,632)	(5,937)
Net outflow of cash for the period		(10,749)	(14,010)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash and cash equivalents for the period		(10,749)	(14,010)
Net cash and cash equivalents at start of period		27,862	41,872
Net cash and cash equivalents at end of period		17,113	27,862

Analysis of changes in net debt

	At 1 January 2021 £'000	Cash flow £'000	At 31 December 2021 £'000
Cash and cash equivalents	27,862	(10,749)	17,113

The notes on pages 70 to 84 form part of these financial statements.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is 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 October 2019.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments.

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 Chair's Statement, Strategic Report and Notes to the Accounts. In addition, the Annual Report and 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 Board believes 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 buybacks 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 considered both the impact of COVID-19 and Brexit during their assessment of going concern and 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 Board values investments in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines, as updated in December 2018 and further COVID-19 guidance for March 2020. 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.

Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Unquoted investments are stated at fair value by the Board in accordance with the following rules, which are consistent with the IPEV Valuation Guidelines. When valuing an unquoted investment at fair value 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 earnings before interest, tax, depreciation and amortisation ("EBITDA") (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 under-performance against plan indicates a diminution in the value of the investment, a write down against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent write down 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, a price of a recent or the last funding round, venture capital method 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 including, inter alia, illiquidity). The venture capital method ("VC Method") of valuation calculates and discounts the present value of the expected exit proceeds from an investment, taking account of both time and risk.
- (v) In estimating the fair value of the investments held, the Manager has considered the potential impact the COVID-19 pandemic may have on the general economic outlook which may impact the fair value of the investments and the sectors in which they operate. The COVID-19 pandemic has had a significant impact in many sectors across the globe, and at the date of this report there is a high level of uncertainty about this impact. The Manager has applied assumptions based on a best estimate of likely outcome for each individual investment and applied discounts where it is considered necessary.

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.

e) Share-based payments

The Manager is entitled to a performance incentive fee equal to 15% of dividends paid to Shareholders, subject to the total return (Net Asset Value plus cumulative dividends paid per share) exceeding a High Watermark, both immediately before and after the performance incentive fee is paid.

The performance incentive fee may be satisfied by either a cash payment or the issue of shares (or by a combination of both) ultimately at the Board's discretion, and therefore falls within the definition of a share-based payment under FRS 102.26. However, the Board considers that the incentive fee arrangement should be accounted for as a cash-settled transaction; with the option of settling in shares in the event of any cash flow restrictions.

The fair value of the amount payable to the Manager is recognised as an expense, with a corresponding increase in liabilities (or equity if the share-based payment is settled by the issue of shares), over the period in which the Manager becomes unconditionally entitled to payment. The liability (or equity) is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability (or equity) are recognised as a performance incentive fee in the Income Statement.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies continued

f) 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 interest for a similar debt instrument.

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 interest for a similar debt instrument.

Investments in preference and ordinary shares

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and other highly liquid equivalent assets classified as cash due to insignificant risk of valuation movements. 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.

g) Other financial instruments

Other financial instruments not meeting the definition of basic financial instruments include non-current investments 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.

h) 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.

i) 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.

j) Reserves

The capital and revenue reserves are made up of the following elements:

(i) Capital reserve

The following are accounted for in this reserve:

- Gains and losses on realisation of investments, including the reversal of prior year revaluation reserves
- 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
- 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.

(iii) Distributable reserve

The following are accounted for in this reserve:

- Repurchase of shares
- Cancellation of share premium
- Dividends paid
- Income and costs for the period (revenue items)

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

k) Investment recognition and derecognition

Investments are recognised at the trade date, being the date that the risks and rewards of ownership are transferred to the Company. Upon initial recognition, investments are held at the fair value of the consideration payable. Transaction costs in respect of acquisitions made are recognised directly in the Income Statement. Investments are derecognised when the risks and rewards of ownership are deemed to have transferred to a third party. Upon realisation, the gain or loss on disposal is recognised in the Income Statement.

l) Critical accounting judgement and key sources of estimation uncertainty

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. In the Board's opinion, there was no critical accounting judgement applied. 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. Trading results of investee companies may differ from the estimates made. The underlying assumptions are reviewed on each valuation date.

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 auditor review the Manager's valuations in detail. Sensitivity analysis is performed on the portfolio as a whole and for more detail on this please refer to note 15.

The Board notes that the Manager also makes estimates relating to the share-based payment expense and liability but does not consider this to have a significant effect on the financial statements.

2 Income

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Dividends receivable	1,025	—
Loan stock interest	381	19
Deposit and similar interest received	2	28
Other income	—	20
	1,408	67

3 Investment management fees

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Investment management fees charged to the revenue account	604	434
Investment management fees charged to the capital account	1,812	1,301
	2,416	1,735

The Manager advises the Company on investments under an agreement dated 27 January 2020. The Manager receives an annual investment management fee, paid quarterly in advance, of an amount equal to 2% of net assets of the Company. If the annual expenses of the Company exceed 2.35% of the Company's net assets, the excess is borne by the Manager through a reduction in its fees. The excess at 31 December 2021 was £nil (2020: £nil).

This agreement may be terminated by either party giving to the other not less than 12 months' notice, at any time after the third anniversary, being 27 January 2023.

Details of the performance incentive fees are given in note 13.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Other expenses

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Accounting and secretarial services (excluding VAT)	161	119
Directors' remuneration including employer's National Insurance contributions	117	75
Auditor's remuneration (excluding VAT) ¹	50	48
Other	299	248
	627	490

1. The auditor's remuneration relates to the audit of the financial statements. There were no non-audit fees paid to the Company's auditor during the year (nine months ended 31 December 2020: £nil).

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 to companies in which the Company invests.

The Manager is the Company Secretary and received annual fees, paid quarterly in advance, for administration services provided of £161,000 (nine months ended 31 December 2020: £119,000). The annual administration fee is adjusted annually in line with the UK Retail Prices Index.

The normal annual running costs of the Company are capped at an amount equal to 2.35% of the net assets of the Company as at the end of each financial year, with any excess being borne by the Manager.

5 Tax on ordinary activities

	Year ended 31 December 2021			Nine months ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	—	—	—	—	—	—
Total current tax	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Total tax	—	—	—	—	—	—

Factors affecting the total tax charge for the year:

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Profit on ordinary activities before taxation	21,577	17,591
Corporation tax at 19% (2020: 19%)	4,100	3,342
Effect of:		
Realised capital (gains)/losses not allowable	(1,095)	118
Unrealised capital gains not taxable	(3,315)	(3,870)
Unutilised management expenses	505	410
Dividend income not taxable	(195)	—
Total tax charge for the period	—	—

As a qualifying VCT the Company is exempt from tax on capital gains; therefore, no provision for deferred tax has been recognised in respect of any capital gains or losses arising on the revaluation or disposal of investments.

No deferred tax asset has been recognised in the period 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. At year end, there is an unrecognised deferred tax asset of approximately £4,916,000 (2020: £3,234,000).

6 Dividends

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Dividends – paid in the period	8,086	5,413

The dividends paid in the period were split between a cash dividend of £7,152,000 (2020: £4,824,000) and the value of the dividend reinvestment scheme of £934,000 (2020: £589,000).

The Board is not recommending a final dividend for the year ended 31 December 2021 (nine months ended 31 December 2020: £nil).

As at 31 December 2021, reserves available for dividend distribution total £26,283,000 (2020: £16,393,000) comprising the capital and distributable reserves.

In accordance with Section 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.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Return per share

	Year ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Total profit after taxation	21,577	17,591
Total profit per share (note a)	11.2p	9.1p
Revenue profit/(loss) from ordinary activities after taxation	177	(857)
Revenue profit/(loss) per share (note b)	0.1p	(0.4)p
Capital profit from ordinary activities after taxation	21,400	18,448
Capital profit per share (note c)	11.1p	9.5p
Weighted average number of shares in issue in the period	193,445,500	194,099,123

Notes:

- Total profit per share is total profit after taxation divided by the weighted average number of shares in issue during the period.
- Revenue profit/(loss) per share is revenue profit/(loss) after taxation divided by the weighted average number of shares in issue during the period.
- Capital profit per share is capital profit after taxation divided by the weighted average number of shares in issue during the period.

8 Investments held at fair value through profit or loss

	31 December 2021 £'000	31 December 2020 £'000
Unquoted investments	115,238	92,441
		£'000
Book cost at 1 January 2021		58,400
Investment holding gains		34,041
Valuation at 1 January 2021		92,441
Movements in the year:		
Purchases at cost		13,163
Disposal proceeds ¹		(12,700)
Realised gains		5,763
Investment holding gains ²		16,571
Valuation at 31 December 2021	115,238	
Book cost at 31 December 2021	64,626	
Investment holding gains		50,612
Valuation at 31 December 2021	115,238	

- The Company received £12,700,000 (2020: £46,000) from the disposal of investments during the year. The book cost of these investments when they were purchased was £6,937,000 (2020: £669,000). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.
- Investment holding gains in the Income Statement include the deferred consideration debtor of £878,000 with £72,000 relating to FFX Group Limited, £525,000 relating to Mologic Ltd., £249,000 relating to Ixaris Systems Limited and £32,000 relating to Accrosoft Limited.

9 Debtors

	31 December 2021 £'000	31 December 2020 £'000
Accrued interest	46	8
Prepayments	17	16
Deferred consideration	878	—
Other debtors	87	138
	1,028	162

10 Creditors: amounts falling due within one year

	31 December 2021 £'000	31 December 2020 £'000
Trade creditors	3	3
Accruals	90	108
Other creditors	40	—
	133	111

11 Called-up share capital

	31 December 2021 £'000	31 December 2020 £'000
Allotted, called up and fully paid:		
192,806,963 shares of 1p each (2020: 193,859,213)	1,928	1,939

Share issues and share buybacks

During the year 1,512,395 shares were issued pursuant to the dividend reinvestment scheme at an issue price of 61.7p per share.

This share issue was 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, 2,564,645 shares were purchased for cancellation at a cost of £1,481,000.

	Shares No.
Share capital at 1 January 2021	193,859,213
Dividend reinvestment	1,512,395
Share buybacks	(2,564,645)
Share capital at 31 December 2021	192,806,963

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Net Asset Value per share

Net Asset Value per share is based on net assets at the end of the year of £133,246,000 (2020: £120,354,000) and on 192,806,963 (2020: 193,859,213) shares, being the number of shares in issue at that date.

13 Share-based payments

The Manager is entitled to a performance incentive fee, designated a share-based payment due to its nature, equal to 15% of dividends paid to Shareholders, subject to the total return (Net Asset Value plus cumulative dividends paid per share on or after 11 January 2011) exceeding 100p ("High Watermark"), both immediately before and after the performance incentive fee is paid.

After each distribution is made to Shareholders where a performance incentive is paid, the High Watermark required to be achieved by the Company to trigger a further performance incentive fee will be amended to take account of the dividend paid.

As a result of performance incentive fee payments made in previous years, the High Watermark as at 31 December 2021 was 108.5p (2020: 108.5p). The total return as at 31 December 2021 was 106.1p (2020: 94.9p). Therefore, no performance incentive fee or share-based payment was paid during the year (nine-month period 31 December 2020: £nil). As at 31 December 2021, no expense or liability has been recognised for the future performance incentive fee payable as it is considered unlikely any payments will be accrued or become due over the medium term.

The terms and conditions of the grant are as follows:

Grant date: Date that the total return is greater than the High Watermark.

Vesting conditions: Expected total return is greater than the High Watermark both before and after the performance incentive fee. Vesting period: 24 February 2012 – 31 December 2024.

Method of settlement accounting: Cash (with the option of settling in shares in the event of any cash flow restrictions).

The expected volatility is based on the historical performance and dividends of the fund, adjusted for any expected changes to future performance and dividends of the fund.

The vesting period is limited to three years from the balance sheet date as the Directors do not consider that the future performance of the fund and the future dividends to be paid by the fund can be accurately estimated beyond that date.

The Directors have prepared a calculation incorporating estimated future dividends over the vesting period and do not expect a performance incentive fee to become payable during the vesting period. Therefore, no expense or liability has been recognised as at 31 December 2021 (2020: £nil).

14 Contingent assets and liabilities

The Company had no contingent assets or contingent liabilities at 31 December 2021 (2020: £nil).

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 2021:

	31 December 2021 £'000	31 December 2020 £'000
Investment portfolio	115,238	92,441
Cash and cash equivalents	17,113	27,862
Total	132,351	120,303

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.

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 which are summarised below.

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of adverse 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 2021, was £115,238,000 (2020: £92,441,000). Market price risk sensitivity analysis can be found on page 81.

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 £31,026,000, being the total value of the loan stock investments and cash as at 31 December 2021 (2020: £42,340,000). Floating rate investments relate to the interest-bearing deposit account which earned interest based on the Bank of England rate of 0.25% at 31 December 2021. As at 31 December 2021, if the interest rate increased or decreased by 10 basis points the interest earned would increase or decrease by £4,000.

	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December 2021 £'000	31 December 2020 £'000	31 December 2021 %	31 December 2020 %	31 December 2021 Days	31 December 2020 Days
Company portfolio						
Loan stock						
– exposed to fixed interest rate risk	13,913	14,478	9.8	9.9	502	559
Loan stock						
– exposed to variable interest rate risk	—	—	—	—	—	—
Cash	17,113	27,862	0.1	0.1	—	—
Total exposed to interest rate risk	31,026	42,340				

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

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 cash and cash equivalents by ensuring a spread of cash balances such that none exceed 15% of the Company's total investment assets. These cash and cash equivalents 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 Manager's 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 2021 was £32,037,000 (2020: £42,486,000) based on cash and cash equivalents and other receivables (amounts due on investments, dividends and interest). As at 31 December 2021, 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:

	31 December 2021 £'000	31 December 2020 £'000
Loan stock investments	13,913	14,478
Deferred consideration	878	—
Other debtors	133	146
Cash and cash equivalents	17,113	27,862
Total	32,037	42,486

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 Company may not be able to realise the investments at their carrying value 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 high quality money market and fixed-term funds which are all accessible within seven days, in line with VCT regulations.

	31 December 2021 £'000	31 December 2020 £'000
Maturity analysis:		
— in one year or less	25,426	36,278
— in more than one year but no more than two years	675	735
— in more than two years but no more than three years	1,763	1,112
— in more than three years but no more than four years	2,362	1,763
— in more than four years but no more than five years	800	2,452
Total	31,026	42,340

Sensitivity analysis

Equity price sensitivity

The Board believes the Company's investments are mainly exposed to equity price risk, as the Company holds 100% of its investments in the form of sterling-denominated investments in small companies.

All of the investments made in unquoted companies, irrespective of the instruments the Company 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% (2020: 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 portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. This percentage reflects a number of factors, including the performance of the underlying investee companies as well as the wider market uncertainties associated with Brexit, the spread of COVID-19 and Russia's invasion of Ukraine. 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.

	31 December 2021 Return and net assets	31 December 2020 Return and net assets
If overall share prices fell by 15% (2020: 15%), with all other variables held constant – decrease (£'000)	(17,286)	(13,866)
Decrease in Net Asset Value per share (in pence)	(8.97)p	(7.15)p
	31 December 2021 Return and net assets	31 December 2020 Return and net assets
If overall share prices increased by 15% (2020: 15%), with all other variables held constant – increase (£'000)	17,286	13,866
Increase in Net Asset Value per share (in pence)	8.97p	7.15p

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 (2020: no interest rate risk).

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

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)
- Inputs for the instrument that are not based on observable market data (unobservable inputs) (Level 3)

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investments	—	—	115,238	115,238
Financial assets	—	—	115,238	115,238
As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investments	—	—	92,441	92,441
Financial assets	—	—	92,441	92,441

Transfers

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

16 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 80% 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 may 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.

17 Related party transactions

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

18 Transactions with the Manager

Foresight Group LLP was appointed as Manager in January 2020 and earned fees of £2,416,000 in the year ended 31 December 2021 (nine months ended 31 December 2020: £1,735,000). No performance fee was paid or accrued for the year (nine months ended 31 December 2020: £nil).

Foresight Group LLP is the Company Secretary (appointed in November 2017) and received accounting and company secretarial services fees of £161,000 during the year (nine months ended 31 December 2020: £119,000).

At 31 December 2021, the amount due to Foresight Group LLP was £nil (2020: £nil).

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

19 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 2021. These are listed below. The percentage holding does not reflect the percentage voting right in the Company as a whole. All holdings are direct.

Please note that where holdings stated are above 50%, this is as a result of (i) holding 50% or more of a particular share class as opposed to the entire share capital, (ii) holding 50% or more of the share capital but with restricted rights, or (iii) is a legacy, historic, permitted non-qualifying holding and, therefore, not in breach of VCT rules.

Investee company name	Latest accounts year end	Profit/(loss) after tax for year £'000	Aggregate capital and reserves £'000	Class and percentage of shares held
ABL Investments Limited	31/12/2020	(243)	(2,011)	A Ordinary 34.9%
Aerospace Tooling Corporation Limited	30/06/2021	1,207	2,353	A Ordinary 57.1%
Biofortuna Ltd	31/03/2021	N/A ¹	7,704	A Ordinary 86.8% B Ordinary 39.4%
Biotherapy Services Limited	30/06/2021	N/A ¹	(675)	A Ordinary 50.0%
Callen-Lenz Associates Limited	28/02/2021	N/A ¹	1,593	A Ordinary 50.0%
Clubspark Limited	31/03/2021	N/A ¹	3,600	A Ordinary 40.0% AA Ordinary 39.7%
Cole Henry PE 2 Limited	31/03/2021	(2)	485	Ordinary 50.0%
Crosstown Dough Limited	31/01/2021	432	1,516	A Ordinary 50.0%
Datapath Group Limited	31/03/2021	2,473	26,111	A Ordinary 66.7%
Fourth Wall Creative Limited	30/09/2020	N/A ¹	10,562	A Ordinary 40.0%
Hexarad Group Limited	30/06/2021	N/A ¹	1,943	AA Ordinary 50.0% AB Ordinary 50.0%
Hospital Services Group Limited	30/09/2020	4,893	3,663	A Ordinary 26.5%
iMIST Limited	N/A ²	N/A	N/A	A Ordinary 35.9%
IMMJ Systems Limited	31/03/2021	N/A ¹	(3,702)	A Ordinary 50.0%
Innovation Consulting Group Limited	30/09/2021	N/A ¹	2,647	A Ordinary 50.8%
Iphigenie Limited	31/12/2020	61	463	A Ordinary 100.0%
Itad (2015) Limited	31/01/2021	(441)	(1,324)	A Ordinary 31.2%
Kingsclere PE 3 Limited	31/03/2021	(2)	389	Ordinary 50.0%
Luminet Networks Limited	31/03/2020	(1,803)	(3,489)	A Ordinary 20.0%
Newsflare Limited	31/07/2020	N/A ¹	(162)	Series B Ordinary 38.2%
NorthWest EHealth Limited	31/12/2020	N/A ¹	3,675	AB Ordinary 50.0%
PH Realisations 2020 Limited (formerly Procram Television Holdings Limited)	31/12/2018 (in administration)	(1,522)	(3,361)	A Ordinary 50.0%
Positive Response Corporation Limited	31/03/2021	N/A ¹	241	A Ordinary 50.0%

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Related undertakings continued

Investee company name	Latest accounts year end	Profit/(loss) after tax for year £'000	Aggregate capital and reserves £'000	Class and percentage of shares held
Protean Software Limited	31/03/2021	N/A ¹	1,657	A Ordinary 37.5%
Rovco Limited	31/12/2020	N/A ¹	1,327	A Ordinary 24.4%
Roxy Leisure Limited	31/12/2020	(813)	(842)	A Ordinary 20.0%
Specac International Limited	31/03/2021	597	4,673	A Ordinary 50.0%
Spektrix Limited	31/12/2020	(1,882)	1,179	A Ordinary 30.0%
Steamforged Games Limited	31/03/2021	1,131	(1,035)	A Ordinary 32.0%
Ten Health & Fitness Limited	31/12/2020	N/A ¹	(234)	A Ordinary 40.0% AA Ordinary 40.0%
TFC Europe Limited	31/03/2021	702	7,934	A Ordinary 60.0%
Titania Group Limited	30/04/2021	N/A ¹	2,520	A Ordinary 50.0%
TLS Holdco Limited (formerly Galinette Limited)	31/12/2020	136	291	A Ordinary 100.0%
Vio Healthtech Limited (formerly Fertility Focus Limited)	31/12/2020	N/A ¹	113	C Ordinary 21.7%
Weduc Holdings Limited	N/A ²	N/A	N/A	A Ordinary 30.0% AB Ordinary 30.0%
Whitchurch PE 1 Limited	31/03/2021	(2)	663	Ordinary 50.0%

1. In accordance with Section 444 of the Companies Act 2006, a statement of income has not been delivered in the financial statements available on Companies House.

2. The company is yet to deliver financial statements to Companies House.

20 Post-balance sheet events

The Company announced a £20 million prospectus offer on 11 January 2022 and made the following issues of ordinary shares post year end:

Date	Ordinary shares	NAV to calculate issue price
11 March 2022	1,403,478	67.6p
28 March 2022	1,173,118	67.6p
5 April 2022	1,712,702	67.6p
	4,289,298	

The offer remains open with gross funds raised to the date of this report of £3.0 million.

NOTICE OF ANNUAL GENERAL MEETING

9 JUNE 2022

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 Enterprise VCT plc ("the Company") will be held on 9 June 2022 at 1pm at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 9 will be proposed as ordinary resolutions and Resolutions 10 and 11 will be proposed as special resolutions.

Resolution 1

To receive the Report and Accounts for the year ended 31 December 2021.

Resolution 2

To approve the Directors' Remuneration Report.

Resolution 3

To approve the Directors' Remuneration Policy.

Resolution 4

To re-elect Raymond Abbott as a Director.

Resolution 5

To re-elect Gaynor Coley as a Director.

Resolution 6

To re-elect Michael Gray as a Director.

Resolution 7

To re-elect Simon Jamieson as a Director.

Resolution 8

To reappoint Deloitte LLP as auditor and to authorise the Directors to fix the auditor's remuneration.

Resolution 9

That, in addition to existing authorities, the Directors be and they are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares 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 £1,020,000, 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 addition to 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:

- the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £520,000 pursuant to offer(s) for subscription
- 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 the dividend reinvestment scheme 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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

9 JUNE 2022

Resolution 10 continued

(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 LLP and relevant individuals of the Foresight Group LLP investment team

(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 2023, 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 on such terms and in such manner as the Directors shall from time to time determine, provided that:

- (i) the aggregate number of Shares to be purchased shall not exceed 29,544,729 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 of 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 official list for the five business days immediately preceding the day on which the Shares are purchased and (2) the amount stipulated by Article 5(6) of the Market Abuse Regulation (EU) 596/2014 (as such Regulation forms part of UK law and as amended)
- (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 2023 or, if earlier, on the date falling 15 months after the passing of this resolution
- (v) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to such contract

By order of the Board.

Foresight Group LLP

Company Secretary

28 April 2022
The Shard
32 London Bridge Street
London
SE1 9SG

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 that may be cast thereat will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days (excluding non-working days) before the end of the meeting or adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline 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 chair 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 chair) 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 6385. 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 28 April 2022 (being the last business day prior to the publication of this notice), the Company's issued share capital was 197,096,261 shares of 1p each in the capital of the Company, carrying one vote each. Therefore, the total voting rights in the Company as at 28 April 2022 was 197,096,261.
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.

NOTES CONTINUED

12. A form of proxy and reply paid envelope is enclosed. To be valid, it should be lodged with the Company's registrar, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case so as to be received no later than 48 hours (excluding non-business 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.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that EUI does not take available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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 auditor 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.

GLOSSARY OF TERMS

VCT	A Venture Capital Trust as defined in the Income Tax Act 2007.	Shares bought back in the year	The total number of shares which were bought back in the year, being 2,564,645 (nine-month period to 31 December 2020: 2,078,035).
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.	Average discount on buybacks	The average of the percentage by which the buyback price is lower than the Net Asset Value per share at the point of the buyback.
Net Asset Value per share or NAV per share	Net Asset Value expressed as an amount per share.	Ongoing charges ratio	The sum of expenditure incurred in the ordinary course of business being £3.0m (nine-month period to 31 December 2020: £2.1m) expressed as a percentage of the Net Asset Value at the end of the year being £133.2 million (31 December 2020: £120.4 million), adjusted for the number of months in the period in order to give an annual figure.
Movement in NAV Total Return	This is the movement in the NAV per share at the start of the year to the NAV per share at the end of the year plus all dividends paid per share in the year. The NAV at the start of the year was 62.1p (2020: 55.8p), dividends paid during the year were 4.2p (2020: 2.8p) with NAV at the end of the year being 69.1p (2020: 62.1p). As such, NAV Total Return at the end of the year was 73.3p (2020: 64.9p). Therefore, the movement in NAV Total Return in the year was 18.0% (nine months to 31 December 2020: 16.3%).	Qualifying Company	A company satisfying certain conditions under the VCT legislation. The conditions are detailed but include that the company must be unquoted (companies listed on AIM can qualify), have a permanent establishment in the UK, apply the money raised for the purposes of growth and development of 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.
Share Price Total Return	The sum of the current share price of 61.5p (2020: 52.5p) plus all dividends paid per share since the share consolidation in 2005 being 59.5p (2020: 55.3p). This giving a share price total return of 121.0p (2020: 107.8p).		
Discount to NAV	A discount to NAV is the percentage by which the mid-market share price of the Company of 61.5p (2020: 52.5p) is lower than the Net Asset Value per share of 69.1p (2020: 62.1p). This giving a discount to NAV of 11.0% (2020: 15.5%).	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 legislation.
Dividends paid in the year	The total dividends paid in the year per share of 4.2p (nine-month period to 31 December 2020: 2.8p).	Manager	Foresight Group LLP.
Dividend yield	The sum of dividends paid during the year of 4.2p (nine-month period to 31 December 2020: 2.8p) expressed as a percentage of the mid-market share price at the year-end date of 61.5p (2020: 52.5p). This giving a dividend yield of 6.8% (2020: 5.3%).		

FINANCIAL CONDUCT AUTHORITY

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



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

- 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.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- 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.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- 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.
- Think about getting independent financial and professional advice before you hand over any money.
- **Remember:** if it sounds too good to be true, it probably is!

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

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03506579

DIRECTORS

Raymond Abbott (Chair)
Gaynor Coley
Michael Gray
Simon Jamieson

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SE1 9SG

MANAGER

Foresight Group LLP

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SE1 9SG

AUDITOR

Deloitte LLP

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Edinburgh
EH1 2DB

SOLICITORS AND VCT STATUS ADVISERS

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B4 6AA
and
60 Gracechurch Street
London
EC3V 0HR

REGISTRAR

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

MARKET MAKER

Panmure Gordon & Co

One New Change
London
EC4M 9AF

ADDITIONAL INFORMATION

Privacy policy

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 www.foresightgroup.eu/privacy-policy.



Trading shares

The Company's shares are listed on the London Stock Exchange. Share price information is available on the Manager'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 Enterprise VCT plc is Panmure Gordon & Co.

You can contact Panmure Gordon by phone on 0207 886 2716 or 0207 886 2717

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 the Manager if you or your adviser have any questions about this process.

Important information

Foresight Enterprise 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.

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.



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Foresight

FOR A SMARTER FUTURE

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