



Annual Report and Accounts
31 December 2016



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

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

Summary Financial Highlights

- Net asset value per Ordinary Share at 31 December 2016 was 83.6p after payment of a 7.0p dividend (31 December 2015: 87.5p).
- Net asset value per Planned Exit Share at 31 December 2016 was 25.9p after a payment of a 14.0p dividend (31 December 2015: 36.8p).
- Net asset value per Infrastructure Share at 31 December 2016 was 81.7p after payment of 14.5p in dividends (31 December 2015: 92.4p).

Ordinary Shares fund

- An interim dividend for the year ended 31 December 2015 of 7.0p per Ordinary Share was paid on 1 April 2016.
- An interim dividend for the year ended 31 December 2016 of 5.0p per Ordinary Share was paid on 3 April 2017.
- The fund realised £0.6 million from the sale of two portfolio companies.
- The fund invested £4.8 million in two new portfolio companies.
- A further £37.0 million was raised through the issue of shares from the 2016 offer which closed on 23 December 2016.
- The Manager agreed to lower its annual management fee for the Ordinary Shares fund to 1% in respect of any cash above £20 million held within the fund.

Planned Exit Shares fund

- An interim dividend for the year ended 31 December 2016 of 14.0p per Planned Exit Share was paid on 14 October 2016.
- An interim dividend for the year ended 31 December 2017 of 18.0p per Planned Exit Share was paid on 13 April 2017.
- The fund realised £1.4 million from the sale of Trilogy Communications.
- AlwaysOn was sold after the year end, realising £2.0 million.

Infrastructure Shares fund

- An interim dividend for the year ended 31 December 2015 of 2.5p per Infrastructure Share was paid on 11 March 2016.
- An interim dividend for the year ended 31 December 2016 of 12.0p per Infrastructure Share was paid on 23 September 2016.
- The fund realised £4.0 million from the sale of FS Pentre.
- Three portfolio companies were restructured following the merger with Foresight 2 VCT, generating £3.2 million.

Dividend History

Including post year end payments

Ordinary Shares:	Dividend per share	Dividend per share (rebased)†
3 April 2017	5.0p	1.9p
1 April 2016	7.0p	2.7p
13 March 2015	6.0p	2.3p
14 March 2014	10.0p	3.8p
14 June 2013	5.0p	1.9p
23 March 2012	7.5p	2.9p
17 June 2011	5.0p	1.9p
29 May 2009	1.0p	0.7p
7 March 2008	5.0p	3.4p
26 May 2006	0.5p	0.5p
5 July 2004	52.0p	52.0p
22 September 2003	8.0p	8.0p
30 June 2003	0.5p	0.5p
8 May 2000	100.0p	100.0p
6 August 1999	1.0p	1.0p
29 January 1999	3.2p	3.2p
Total		186.7p
NAV per Ordinary Share based on 100.0p invested at launch †		30.0p
Total return per Ordinary Share (incorporating April 2017 dividend)		216.7p
Planned Exit Shares:		
13 April 2017		18.0p
14 October 2016		14.0p
25 September 2015		7.5p
22 May 2015		15.0p
12 December 2014		7.5p
25 October 2013		5.0p
31 August 2012		5.0p
17 June 2011		3.0p
Total		75.0p
NAV per Planned Exit Share		7.9p
Total return per Planned Exit Share (incorporating April 2017 dividend)		82.9p
Infrastructure Shares:		
23 September 2016		12.0p
11 March 2016		2.5p
22 May 2015		2.5p
30 September 2014		2.5p
20 December 2013		2.5p
Total		22.0p
NAV per Infrastructure Share		81.7p
Total return per Infrastructure Share		103.7p

† Rebased due to Ordinary Shares reconstruction on 1 March 2011 using conversion ratio of 0.554417986; and rebased in January 2007 due to merger of Ordinary and C Share portfolios at a ratio of 0.688075647795 new Ordinary Shares for every 1 Ordinary Share held.

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

C Shares (converted into Ordinary Shares in January 2007):	Dividend per share (rebased)†
3 April 2017	2.8p
1 April 2016	3.9p
13 March 2015	3.3p
14 March 2014	5.5p
14 June 2013	2.8p
23 March 2012	4.15p
17 June 2011	2.8p
29 May 2009	1.0p
7 March 2008	5.0p
26 January 2007	2.0p
27 May 2005	0.5p
1 August 2004	0.5p
22 September 2003	0.75p
30 June 2003	0.75p
24 March 2003	0.75p
7 June 2002	1.0p
11 March 2002	2.5p
26 July 2001	2.0p
Total	42.0p
NAV per C Share rebased*	43.6p
Total return per C Share (incorporating April 2017 dividend)	85.6p

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

Chairman's Statement

The following statement is divided into three sections, each dealing with the performance of specific share funds within the Company.

1. The Ordinary Shares Fund

Introduction and Strategy

During the period under review, the net assets of the Ordinary Shares fund increased to £107.0 million at 31 December 2016 from £75.8 million at 31 December 2015 following a successful new fund raise. The net asset value per share at 31 December 2016 was 83.6p, which, after taking into account the 7.0p per share dividend paid in April last year, is an increase of 3.5% on the 87.5p per share at 31 December 2015.

The Directors believe that the Ordinary Shares fund is beginning to demonstrate the benefits of actions taken over the past five years to significantly expand the size of the fund and refocus its investments on developing businesses. At the year end the fund held 28 investments in UK based businesses across a wide spread of sectors and had over £39 million of cash available for further investment.

The Directors believe that it is in the best interests of Ordinary Shareholders for the Company to continue to pursue its existing strategy which includes the following four key objectives:

- Further increase of the net assets of the Ordinary Shares fund to a level in excess of £150 million.
- Entering into a significant number of new and follow on qualifying investments every year.
- Paying an annual dividend to Shareholders of at least 5.0p per share and at the same time aiming to maintain or increase net asset value per share.
- Offering a programme of regular share buy backs at a discount in the region of 10% to the prevailing net asset value.

Investment Opportunities

The Directors believe that central to the Company being able to achieve its objectives in the future is the ability of Foresight Group, the Company's manager (the "Manager"), to source and complete attractive new qualifying investment opportunities. This task has not been made easier by the changes to VCT legislation which (amongst other requirements) place greater emphasis on growth or development capital investment into younger companies.

The Company is fortunate, however, in that it has pursued a policy of seeking growth capital investments for several years with the Manager having established a successful track record in this area. Foresight Group was recently awarded 'VCT House of the Year 2016' at the Unquote awards in recognition of investments made and the achievements of team members and the Manager as a whole throughout 2016.

In addition to its established reputation in the area of growth and development capital investment, the Manager has been developing a number of UK regional funds supporting early stage businesses. The first two funds which are based in Nottingham and Manchester

are already proving a useful source of attractive new investment leads for the Company. The Company completed two new investments amounting to £4.8 million last October and has concluded three further transactions totalling £6.8 million in 2017. Taking into account the current pipeline of new investment opportunities, it is the Manager's expectation that it will be able to increase the level of new investments over the coming year and beyond.

Cash Availability and Charges

By the time it closed last December, the Company's 2016 share offer raised approximately £37 million. In line with its strategy for the expansion of the overall size of the fund, the Board and the Manager are looking to build on that success and raise further funds to support the Company's investment programme. A prospectus offer to raise £20 million was launched on 2 February 2017 and was rapidly oversubscribed. The Board utilised the over-allotment facility for a further £20 million and capacity was reached, with the offer closing to further applications on 20 March 2017.

At the year end, the Ordinary Shares fund had cash and liquid resources of £39.4 million with the 2017 share offer adding significantly to this sum. The Directors believe that it is right to hold substantial funds available for future investment but in order to mitigate the full cost impact of this, the Manager recently agreed to lower the annual management charge to 1% in respect of any cash above £20 million held within the fund. This reduced rate will be reviewed by the Board on an annual basis.

Annual Running Costs

The annual management fee of the Ordinary Shares fund is 2.0% of net assets including cash balances up to £20 million. The average ongoing charges of the Ordinary Shares fund for the period to 31 December 2016, at 2.1% of net assets, compares favourably with its VCT peer group and is subject to a cap at 2.4% of net assets, which is amongst the lowest for any generalist VCT with total assets in excess of £20 million.

The Board remains committed to keeping the Company's operating costs as low as possible and the funds raised under the Offer will serve to increase the Company's net assets overall while allowing the Company's fixed administrative costs to be spread across a wider asset base, thus reducing costs per share.

Performance Incentive

As stated at the time of the merger with Foresight 2 VCT, the Directors consider that a performance incentive scheme should help to incentivise the Manager to deliver above average value for Shareholders. In addition, the Directors believe it to be advantageous to align the interests of the Manager with those of Shareholders. New arrangements were approved by Shareholders on 8 March 2017 and have been entered into whereby individual members of the Manager's private equity team and the Manager will invest alongside the Ordinary Shares fund, and may become entitled to performance incentive payments, subject to the achievement of 'per investment' and 'fund as a whole' performance hurdles.

Chairman's Statement continued

Details of these arrangements can be found on page 60.

Dividends

The Board is pleased that the Company has been able to maintain its annual dividend payments at or above its target of 5.0p per Ordinary Share for the past six years and expects to maintain this in the future. The Company's dividend policy is, and will remain wherever practical, to maintain a steady flow of tax-free dividends, generated from income or capital profits realised on the sale of investments.

In accordance with this policy an interim dividend of 5.0p was paid on 3 April 2017 based on an ex-dividend date of 16 March 2017 and a record date of 17 March 2017.

Buybacks

The Board and the Manager consider that the ability to offer to buyback shares at a discount in the region of 10% is a benefit to Shareholders as a whole and an appropriate way to help manage the share price discount to NAV at which the Ordinary Shares trade.

Outlook

The Directors are optimistic that investments currently within the Company's Ordinary Shares fund have the potential to show further growth over the coming year and that new investment opportunities being sourced by the Manager will add to this potential. The fund is well positioned to provide Shareholders with regular dividends and sustained capital value in the future.

2. Planned Exit Shares Fund

During the period under review, the net assets of the Planned Exit Shares fund decreased to £2,949,000 at 31 December 2016 from £4,248,000 at 31 December 2015. The net asset value per share at 31 December 2016 was 25.9p which, after taking into account the 14.0p per share dividend paid on 14 October 2016 is an increase of 8.4% on the 36.8p per share at 31 December 2015. Total return since launch, however, remains significantly behind expectations.

The Board was particularly pleased with the realisation of Trilogy Communications, which was sold in August 2016, as it represented a significant turnaround in Trilogy's fortunes and demonstrates the benefit of active asset management for private equity style investments. Details of the sale can be found in the Manager's Report.

Cash Availability

At the year end, the Planned Exit Shares fund had cash and liquid resources of £135,000.

Running Costs

The annual management fee of the Planned Exit Shares fund is 1.0% of net assets. The average ongoing charges ratio of the Planned Exit Shares fund for the period ended 31 December 2016 was 1.9% of net assets.

Dividends

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

In accordance with this policy an interim dividend of 18.0p per Planned Exit Share was paid on 13 April 2017 based on an ex-dividend date of 30 March 2017 and a record date of 31 March 2017.

Buybacks

The Board and the Manager consider share buybacks to be an effective way to manage the share price discount to NAV at which the Planned Exit Shares trade.

Outlook

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

Following the sale of AlwaysOn in January 2017, there is now one final investment held within the Planned Exit Shares portfolio and it continues to be the Board's policy to manage this investment in order to maximise the return for Shareholders.

The total return for Shareholders if the fund realised the remaining investment at current valuation would be 82.9p (comprising 57.0p in dividends paid to date and 25.9p representing the remaining NAV at 31 December 2016). To deliver the target return of 110p per share, a significant increase on the current valuation of the remaining investment would need to be achieved on disposal. The Directors consider that it is highly unlikely that the present total return will improve materially.

3. Infrastructure Shares Fund

During the period under review, the net assets of the Infrastructure Shares fund decreased to £26.6 million at 31 December 2016 from £30.0 million at 31 December 2015. The net asset value per share at 31 December 2016 was 81.7p which, after taking into account the 2.5p per share dividend paid on 11 March 2016 and the 12.0p per share dividend paid on 23 September 2016, represented an increase of 4.1% over the year on the 92.4p per share at 31 December 2015.

Following the merger with Foresight 2 VCT plc in December 2015, the Company had a controlling holding in four of the five currently qualifying Infrastructure Shares fund investments. Left unaddressed these holdings would have become non-qualifying under VCT rules relating to control. A one year grace period was allowed to remedy this situation. Partial or complete disposals of these four investments to reduce ownership of each of holding to below 50% were completed

during the year. Details of these disposals can be found in the Manager's Report.

Cash Availability

At the year end the Infrastructure Shares fund had cash and liquid resources of £2.8 million as a result of the partial disposals made in December 2016.

Running Costs

The annual management fee of the Infrastructure Shares fund is 1% of net assets. The ongoing charges ratio of the fund for the period ended 31 December 2016 was 1.7% of net assets.

Dividends

The Company's original objective was to provide an annual flow of dividends of 5.0p per share, tax-free to qualifying shareholders, generated from income and from capital profits realised on the sale of investments. Distributions are inevitably dependent on cash being generated from portfolio investments and successful realisations. Whilst the underlying capital value of each investment remains largely unaltered, they are not able to generate sufficient cashflows to satisfy an annual 5.0p per share dividend at current yields.

Buybacks

The Board and the Manager consider share buybacks to be an effective way to help manage the share price discount to NAV at which the Infrastructure Shares trade.

Outlook

The Board is conscious of the intention stated in the original Infrastructure Shares fund prospectus to offer Shareholders the opportunity to exit their investment after the end of the initial five year holding period and is writing to Infrastructure Shareholders regarding this intent.

Brexit

There are two principal areas where the implementation of Brexit could impact the Company:

1. Investee Companies – there has been much debate on the possible impact on trade between Europe and the UK following the Brexit vote and how this will impact UK businesses. It is too early to estimate the impact that this may have;
2. Regulation – recent additions to the current VCT legislation have resulted from EU State Aid Directives, but we do not believe that post Brexit the amending of VCT legislation will be a priority for the UK Government.

Annual General Meeting

The Company's Annual General Meeting will take place on 23 May 2017 at 10.00am. I look forward to welcoming you to the Meeting, which will be held at the offices of Foresight Group in London. Details can be found on page 70.

Outlook

The Ordinary Shares fund is now of a size that the Directors believe should more easily achieve the objectives of regular dividend payments and continuing new investment. The Directors believe sound future investment is fundamental to underpin long term performance. We are encouraged by the performance of the portfolio over the last year and pleased with the progress made by several recent investments. In addition, the pipeline of potential investments contains a number of interesting opportunities.

The Board is looking to realise and distribute the final investment in the Planned Exit Shares fund as soon as practical and has already embarked upon an exit strategy for the Infrastructure Shares fund portfolio.

John Gregory

Chairman

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24 April 2017

Manager's Report

Fund raising for the Ordinary Shares Fund

On 18 January 2016, the Board launched a full prospectus to raise up to £30 million by the issue of new Ordinary Shares. The issue was well received by both new and existing investors, and the offer was increased, raising a total of £37 million by the closing date of 23 December 2016.

While the VCT market adjusted to the changes in regulation announced in 2015, as noted in previous reports, investment activity was relatively quiet in the first half of the year. Foresight Group, however, has continued to see a flow of investment opportunities from small high quality companies and subsequently, in late 2016 and early 2017, we have seen a particularly strong pick-up in the pipeline. With the UK and US economies continuing their recovery, we believe that investing in growing, well managed private companies should, based on past experience, generate attractive returns over the longer term.

To address the large number of high quality private equity investment opportunities, we have continued to expand our private equity team, which is now based in London, Manchester and Nottingham. The team now totals 17 investment professionals with combined industry experience of more than 220 years. Foresight Group has invested in more than 20 small companies since 2012 with more than 20 follow-on investments made to fund further growth.

All members of the team spend significant time connecting with SME networks around the country, targeting advisers and marketing directly to businesses to identify high quality opportunities across a diverse range of market segments. Foresight Group's focus remains on identifying strong management teams with growing businesses across a range of sectors. The enlarged team enables efficient deal execution while maintaining and developing the flow of new opportunities via both intermediary referrals and direct targeting.

To take advantage of current investment opportunities, on 2 February 2017, the Board launched a further full prospectus to raise up to £20 million with a facility to increase by a further £20 million. The offer was closed to further applications on 20 March 2017, raising the full £40 million.

Portfolio Review: Ordinary Shares Fund

New Investments

Company	£
Idio Limited	782,500
Simulity Labs Limited	4,000,000
Total	4,782,500

In October 2016, the Company invested £782,500 in content intelligence platform **Idio**, a high growth, recurring revenue-led, enterprise Software as a Service ("SaaS") business.

Also in October 2016 the Company completed a £4 million growth capital investment in **Simulity Labs**, a specialist technology business based in Bangor, North Wales, powering the future of connected devices and the Internet of Things (IOT) through its embedded communications software for SIM, eSIM and next generation connected products.

The Ordinary Shares fund continues to focus on new opportunities, although uncertainty following the changes to VCT rules and HMRC delays on providing advance assurances resulted in a delay in the completion of new deals. Following the year end, however, a further three new investments totalling £6.8 million were completed in **Poundshop.com**, the UK's largest online pound shop, **Ollie Quinn Limited**, a designer and retailer of subscription glasses and sunglasses and **Fresh Relevance**, an ecommerce platform for online retailers. We are currently in exclusivity and in due diligence on one new investment for the Ordinary Shares fund, with offers on funding under negotiation for several other investments.

Follow-on funding

The final £94,503 tranche of an investment round to finance the development of **Biofortuna's** new molecular diagnostics products was drawn down in July 2016.

Realisations

Realisations totalling £673,176 were completed during the year.

These included the Company's interest in **O-Gen Acme Trek**, which was sold in March 2016 to Blackmead Infrastructure Limited, a subsidiary of Foresight's Inheritance Tax Solution, at book value for an initial cash consideration of £45,442 and a deferred consideration element due when certain conditions are met. The majority of this deferred consideration was received in January 2017.

In August 2016, the Company successfully completed the sale of **Trilogy Communications Limited** to California based Clear-Com LLC. The Ordinary Shares fund received £575,667 in cash following completion (as compared with a carrying value of £337,264 at 31 March 2016), with further deferred consideration payable subject to warranty claims and tax claims.

During the year, 56,538 ordinary shares in AIM listed **ZOO Digital** were sold, realising £5,036.

A short term loan of £45,000 was repaid to the fund by **Specac International**.

Loan repayments of £2,030 were received from the administrators of **The Skills Group Limited**, formerly AtFutsal Group Limited.

The final tranche of deferred consideration was received from **iCore Limited**, totalling £51,247.

Provisions to a level below cost (including take-on cost) in the year

Company	£
Autologic Diagnostics Group Limited	(3,268,957)
alwaysON Group Limited	(547,620)
Hospital Services Group Limited	(402,747)
Positive Response Communications Limited	(328,662)
TFC Europe Limited	(230,337)
ICA Group Limited	(186,648)
ABL Investments Limited	(57,889)
Total	(5,022,860)

Material valuation uplifts in the year

Company	£
Datapath Group Limited	3,614,255
Specac International Limited	2,047,328
Protean Software Limited	1,585,450
Procam Television Holdings Limited	1,167,624
Itad Limited	757,914
The Business Advisory Limited	582,014
FFX Group Limited	381,220
Total	10,135,805

Further investee company details are provided in the Portfolio Highlights section.

Portfolio Review: Planned Exit Shares Fund

In line with the fund's objective at this time, no new or follow-on investments were made during the year.

In August 2016 the Company successfully completed the sale of **Trilogy Communications Limited** to California based Clear-Com LLC. The Planned Exit Shares fund received £1,374,912 in cash following completion (compared with a carrying value of £799,029 at 31 March 2016), with further deferred consideration payable subject to warranty claims and tax claims. This result represents a remarkable turnaround in Trilogy's fortunes and demonstrates the benefit of active asset management by the Foresight Group investment management team.

The final tranche of deferred consideration was received from **Channel Safety Systems Limited**, totalling £13,367.

Following the year end the Company sold its investment in **alwaysOn Group Limited**, realising a further £2,032,608 for the Planned Exit Shares fund.

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

Company	£
Industrial Engineering Plastics Limited	831,658
Total	831,658

Slower than expected progress in the turnaround of **Industrial Engineering Plastics** has led to a further reduction in the holding value of the investment. This is the final investment held in the fund and we continue to work on securing a realisation which will maximise value for investors.

Portfolio Review: Infrastructure Shares Fund

As a consequence of the merger of the Company and Foresight 2 VCT in December 2015, at the beginning of 2016 the Infrastructure Shares Fund held controlling positions in four of its five qualifying investments. To avoid these investments becoming non-qualifying under VCT regulations, complete and partial disposals were successfully concluded within the twelve month grace period.

On 1 July 2016, the fund successfully completed the sale of **FS Pentre Limited**, the holding company of the Pentre solar farm project, for £4.0 million, which represented a premium of £0.4 million above book value. Pentre was sold to a Foresight Group managed investment vehicle for this attractive premium reflecting an independent third party valuation.

In December 2016, partial disposals of the three remaining qualifying holdings were made to a fund managed by Foresight Group at an independently verified valuation. This reduced the fund's shareholding to below the qualification threshold in the Drumglass High School PFI project in Northern Ireland, and two ground mounted solar projects, FS Tope and FS Hayford Farm.

Investee Company	Proceeds (£)	Fully Diluted
		Ownership 31 December 2016
Drumglass HoldCo Limited	1,361,685	49.99%
FS Hayford Farm Limited	388,948	49.99%
FS Pentre Limited	3,996,337	—
FS Tope Limited	1,491,673	49.99%
Total	7,238,643	

Following the fifth anniversary of the last allotment of shares in the fund in July 2017 it is proposed to offer Shareholders the opportunity to realise their holdings.

Manager's Report continued

The Board and Manager have given consideration to current investment opportunities and whether any sale proceeds should be reinvested. It was concluded that any sales proceeds should (subject to VCT implications for both the Company and Shareholders) be distributed to Shareholders. The rationale being that the asset type which can be held within the fund is of a nature suited to longer term investment. The Board and Manager believe that Shareholders individually are in the best position to decide on what form of future investment is most suited to their needs.

Portfolio Highlights

ABL Investments Limited ("ABL"), based in Wellingborough, Northants and with a manufacturing subsidiary in Serbia, manufactures and distributes office power supplies and distributes monitor arms, cable tidies and CPU holders to office equipment manufacturers and distributors across the UK. The company has continued to achieve strong growth and good profitability. Production facilities have largely been brought in house, enabling the Serbian operation to expand its production offering. ABL continues to improve its sales reach by expanding its dealer network and its range of products. The reduced valuation reflects the updated valuation methodology, which is now based on a multiple of the company's earnings. **Held in the Ordinary Shares fund.**

Aerospace Tooling Corporation ("ATL") provides repair, refurbishment and remanufacturing services for components in high-specification aerospace and turbine engines, serving the aerospace, military, marine and industrial markets. In September 2014 the company effected a recapitalisation and dividend distribution which returned the entire initial £1.5 million cost of this investment to the Ordinary Shares fund while retaining the original equity shareholding. Subsequently, ATL faced reduced orders from its two largest customers in 2015 and incurred significant EBITDA losses for its financial year to June 2016. This poor trading was reflected in the reduction in value during the year. In January 2016, a new experienced CEO was appointed, who has made solid progress, returning the company to positive EBITDA during the second half of calendar 2016. **Held in the Ordinary Shares fund.**

alwaysOn Group provides data backup services, connectivity and Microsoft's Skype for Business collaboration software to SMEs and larger enterprises. For the financial year to 30 June 2016, a small EBITDA loss was incurred on reduced sales of £5.5 million. Given the company's cash constraints, a decision was made to seek an exit rather than fund further losses. Despite challenging trading conditions the sale was completed in January 2017, with proceeds of £2.033 million going to the Planned Exit Fund. **Held in the Ordinary Shares and Planned Exit Shares funds.**

Aquasium Technology designs, manufactures and markets bespoke electron beam welding and vacuum furnace equipment and related services. The company has continued to perform well in its core markets, and there is good visibility over the pipeline for the current financial year. The company has continued the development of its

disruptive reduced pressure vacuum electron beam welding technology, Ebflow. The sales cycle for this disruptive technology is protracted in nature, requiring further investment in marketing and business development activities. The investment in Aquasium has to date returned £3.8 million, representing a multiple of over 2.0x cost. **Held in the Ordinary Shares fund.**

Autologic Diagnostics Group produces software-based automotive diagnostic tools. In May 2015, a new business model was launched to generate recurring revenues and improve the quality of the company's earnings from a new product, Assist Plus, and associated Assist Plus service. This change in strategy towards a pure recurring revenue model resulted in certain exceptional costs being incurred, impacting EBITDA during 2015 and 2016. It is likely that profits will remain depressed until revenues from the new software focused model can be delivered, which is anticipated to occur later this year. Accordingly, the valuation of the company has been reduced significantly. **Held in the Ordinary Shares fund.**

Biofortuna is a molecular diagnostics business based in the North West which develops and sells its own proprietary freeze dried DNA tests as well as developing and manufacturing products on behalf of customers. A funding round was completed in August 2013, in which the Ordinary Shares fund invested £99,066 and a further £50,929 invested in April 2014. To finance the development of new products, a £1.6 million round was concluded in January 2015, of which £890,000 was committed by the Foresight VCTs. The Ordinary Shares fund invested £128,002 in the first tranche. The final tranche for this round, totaling £94,503, was drawn down in July 2016. For the year to 31 March 2016, trading was ahead of budget, with the profitable Contract Manufacturing division helping offset investment in the proprietary products being developed by the Molecular Diagnostics division. To finance continuing growth and product development, a further funding round is expected during 2017. **Held in the Ordinary Shares fund.**

Blackstar Amplification Holdings is the number two guitar amplifier brand by units sold in the UK and USA. The company currently has a presence in over 35 countries and its products are stocked in over 2,500 stores globally. During the year, the company has been strengthening its international distributor network, and continued to invest heavily into new product development, which, while impacting short term profitability, should result in improved trading performance towards the end of this fiscal year. The company's valuation has been reduced to reflect this short term impact. **Held in the Ordinary Shares fund.**

O-Gen UK is a leading developer of Advanced Conversion Technology waste to energy projects. In March 2015, O-Gen UK and Una Group combined their two teams into a new company, **CoGen Limited** to develop their pipeline of projects. In April 2016, the company bought 42.5% of the sub-debt and 21.25% of the equity in an existing plant in Avonmouth, redeveloping the site using technology provided by Nexterra, a medium size technology provider in which the company holds 50% of the shares, while retaining the 2 ROC accreditation. The

Birmingham Bio Power plant, a 9MW waste wood gasification plant in which the company holds shares, reached take over in July 2016 and is now in the optimisation and testing period. Construction is substantially complete on the £53 million Welland project and cold commissioning is taking place. The building and civils works are also essentially complete at the £98 million Ince Park project enabling installation work to begin. CoGen is actively working on its pipeline of other projects and funding relationships, with active support from Foresight Group and the Bioenergy Infrastructure Group ("BIG") of which Foresight is a sponsor. **Held in the Ordinary Shares fund.**

Derby-based **Datapath Group** is a world leading innovator in the field of computer graphics and video-wall display technology utilised in a number of international markets. In November 2015, prior to the merger with Foresight 2 VCT, Datapath paid dividends of £6.3 million, split equally between Foresight 2 VCT, Foresight 3 VCT and Foresight 4 VCT, such that each fund has now received back 3x the original investment. The company is performing well across all product ranges, geographies and end markets, driven by the recently implemented product range refresh, and strengthening of the sales function following the recruitment of a new head of sales. **Held in the Ordinary Shares fund.**

FFX Group Limited is a Folkestone-based multi-channel distributor of power tools, hand tools, fixings and other building products. Since launching its e-commerce channel in 2011, FFX has grown rapidly supplying a wide range of tools to builders and tradesmen nationally. The company continues to benefit from the successful relocation to a larger warehouse in early 2016. Following the post-Brexit fall in sterling FFX anticipates passing price increases onto customers in line with the market. FFX's own brand range of fixings was launched in early 2017 and the team is optimistic about its potential. **Held in the Ordinary Shares fund.**

Flowrite Refrigeration Holdings provides refrigeration and air conditioning maintenance and related services nationally, principally to leisure and commercial businesses such as hotels, clubs, pubs and restaurants. In July 2015, the company completed another recapitalisation taking total cash returned on this investment to 85% of cost. Following the appointment of a new senior team, the company has reduced costs and is delivering operational improvements. **Held in the Ordinary Shares fund.**

Hospital Services Limited ("HSL"), based in Belfast and Dublin, distributes, installs and maintains high quality healthcare equipment as well as supplying related consumables. HSL has delivered organic growth through service revenues and accessory sales as well as capital sales. In July 2016, the company acquired EuroSurgical, a specialist in surgical equipment, instruments and devices. **Held in the Ordinary Shares fund.**

ICA Group is a document management solutions provider in the South East of England, reselling and maintaining office printing equipment to customers in the commercial and public sectors. Trading in the year to

31 January 2016 was in line with expectations and reflected continuing investment in developing the sales team. A new chairman, well-known to Foresight Group and with a strong sales and marketing background, joined the board in November 2016. **Held in the Ordinary Shares fund.**

Industrial Efficiency II provides energy efficiency fuel switching services, enabling customers to make significant cost savings and reduce emissions and the company receives a percentage of these savings. Following the successful completion of all sites, energy savings are broadly in-line with expectations at the time of investment, and the company is now generating revenues in line with forecasts. **Held in the Ordinary Shares fund.**

Industrial Engineering Plastics ("IEP") is a long established plastics distributor and fabricator supplying a wide range of industries nationally, principally supplying ventilation and pipe fittings, plastic welding rods, hygienic wall cladding, plastic tanks and sheets. Following increased competition in its plastics distribution and industrial fabrication markets, performance deteriorated during 2014 and a new Chairman and experienced turnaround CEO were appointed. Performance subsequently improved due to an increased focus on higher margin fabrication work. IEP continues to operate in a market where distribution sales remain under pressure due to significant competition, limited differentiation and low margin products. Reflecting this, the valuation has been reduced by £831,658, while Foresight Group continues to work with management to explore options for the business. Following the sale of alwaysOn in January 2017, the company is the final investment held in the Planned Exit Shares fund. **Held in the Planned Exit Shares fund.**

Itad Limited is a long established consulting firm which monitors and evaluates the impact of international development and aid programmes, largely in developing countries. Customers include the UK Government's Department for International Development, other European governments, philanthropic foundations, charities and international NGOs. The company continues to make strong progress, is trading ahead of budget, and has good visibility over future revenues due to the long term nature of some projects. The company has benefited from exchange rate changes following the Brexit vote and the team has carefully managed overhead increases. **Held in the Ordinary Shares fund.**

Ixaris Systems has developed EntroPay, a web-based global prepaid payment service using the VISA network. Ixaris also offers its Systems product to enable enterprises to develop their own customised global payment applications. The company has seen strong progress in both business areas, with the Systems division growing rapidly in the year and the Entropay business continuing to generate high levels of EBITDA. **Held in the Ordinary Shares fund.**

Positive Response Communications monitors the safety of people and property through its 24 hour monitoring centre. Customers include several major restaurant and retail chains. Following disappointing

Manager's Report continued

performance, a new CEO with a background in the security industry was appointed in January 2017, alongside a new FD. A review of the cost base of the business has been undertaken, with actions taken to bring the company back to positive EBITDA. **Held in the Ordinary Shares fund.**

Procam Television Holdings, headquartered in London with operations in Manchester and Scotland, is one of the UK's leading broadcast hire companies, supplying equipment and crews to broadcasters and production companies including BskyB, the BBC and ITV. Procam has acquired True Lens Services (2014), HotCam New York (2015) and the trading assets of the film division of Take 2 Films (2016). Revenues and profits have grown strongly following the introduction of new camera formats, acquisitions in both the UK and USA and increased sales and marketing efforts. The London headquarters have been successfully moved to a larger facility to support the ongoing growth of the business. **Held in the Ordinary Shares fund.**

Protean Software develops and sells business management and field service management software, together with related support and maintenance services across sectors including elevator installation, facilities management and heating, ventilation and air conditioning ("HVAC"). Protean continues to trade well, and will be launching its SaaS product during 2017. As the business sells more licences on a subscription basis, revenues, cash and operating profit will decrease in the near term but this should materially benefit medium-long term performance and shareholder value. **Held in the Ordinary Shares fund.**

In November 2016, the Company completed a £4 million growth capital investment in **Simulity Labs**, a specialist technology business, powering the future of connected devices and the Internet of Things (IoT) through its embedded communications software for SIM, eSIM and next generation connected products. The company has seen rapid growth, with revenues increasing eight fold in the past four years. The Company's investment will support Simulity's expansion into new markets which are complementary to its existing mobile network operator customers. **Held in the Ordinary Shares fund.**

Specac International, based in Kent, is a long established, leading scientific instrumentation accessories business, manufacturing sample analysis and preparation equipment used in testing, research and quality control laboratories. The company's products are primarily focused on supporting IR Spectroscopy, an important analytical technique widely used in research and commercial/ industrial laboratories. Trading in the year to 31 March 2016 exceeded expectations with profit growth ahead of forecast, reflecting the increased focus on sales and costs, with this positive momentum continuing in the current year. **Held in the Ordinary Shares fund.**

Trading at **TFC Europe**, a leading distributor of technical fasteners in the UK and Germany, suffered in the year to 31 March 2016 due to a general downturn in the UK manufacturing sector, most particularly

the oil and gas industry. In the current financial year, however, the company is trading ahead of budget and prior year. A new, experienced Chairman joined in January 2016 and key initiatives have included strengthening the sales team, development of new product ranges and supplier price renegotiations. Improvements to a number of the company's facilities are planned for Q1 2017 including larger, better located premises and the opening of a new branch in the South East to service existing customers and target new clients. **Held in the Ordinary Shares fund.**

The Bunker Secure Hosting, which operates two ultra-secure data centres, continues to deliver solid performance and the pipeline remains healthy for both new and existing clients. The Bunker commenced its core network upgrade project in the period which involved a major capex programme to be able to support customers with more resilient control systems within the data centres. The projects are now largely complete with minimal issues encountered. **Held in the Ordinary Shares fund.**

The Business Advisory Limited provides advice and support services to UK-based small businesses seeking to gain access to Government incentives, such as R&D tax credits. The company enjoys a high level of recurring income and good visibility on future revenues. The company has made good progress in improving its internal processes and the indicators are positive for the current year. **Held in the Ordinary Shares fund.**

Thermotech Solutions is a facilities management provider that designs, installs and services air conditioning and fire sprinkler systems for retail, commercial and residential properties. Since investment, good progress has been made in diversifying and rebalancing the spread of revenues, with greater emphasis placed on service and maintenance. In July 2016, Thermotech acquired Oakwood, a well-respected local competitor which continues to perform well. The combined group benefits from greater scale, a national footprint and a reduction in customer concentration. **Held in the Ordinary Shares fund.**

Russell Healey

Head of Private Equity
Foresight Group
24 April 2017

Investment Summary

Ordinary Shares Fund

Investment	31 December 2016			31 December 2015		
	Amount invested £	Valuation £	Valuation Methodology	Amount invested £	Valuation £	
Datapath Group Limited	7,563,365	11,103,999	* Discounted earnings multiple	7,563,365	7,489,744	
Protean Software Limited	2,500,000	4,085,450	* Discounted revenue multiple	2,500,000	2,500,000	
Simulity Labs Limited	4,000,000	4,000,000	* Cost	-	-	
Procam Television Holdings Limited	1,664,893	3,951,246	* Discounted earnings multiple	1,664,893	2,783,622	
Blackstar Amplification Holdings Limited	2,500,000	3,822,050	* Discounted earnings multiple	2,500,000	4,645,787	
Itad Limited	2,750,000	3,507,914	* Discounted earnings multiple	2,750,000	2,750,000	
Industrial Efficiency II Limited	2,603,260	3,349,029	* Discounted cash flow	2,603,260	3,240,141	
Specac International Limited	1,300,000	3,347,328	* Discounted earnings multiple	1,345,000	1,345,000	
FFX Group Limited	2,676,426	3,057,646	* Discounted earnings multiple	2,676,426	2,676,426	
TFC Europe Limited	3,614,612	2,960,775	* Discounted earnings multiple	3,614,612	3,191,112	
Hospital Services Group Limited	3,320,000	2,917,253	Discounted earnings multiple	3,320,000	3,320,000	
ABL Investments Limited	2,750,000	2,692,111	Discounted earnings multiple	2,750,000	2,750,000	
Ixaris Systems Limited	2,266,036	2,340,308	Discounted revenue multiple	2,266,036	2,282,403	
The Business Advisory Limited	1,650,000	2,232,014	Discounted earnings multiple	1,650,000	1,650,000	
Aquasium Technology Limited	500,000	2,230,602	Discounted earnings multiple	500,000	2,231,457	
The Bunker Secure Hosting Limited	1,537,348	1,656,835	Discounted earnings multiple	1,537,348	1,547,255	
CoGen Limited	1,603,491	1,638,117	Discounted cash flow	1,603,491	1,622,653	
Mitgjorn Limited	100	1,200,100	Net assets	100	100	
Autologic Diagnostics Group Limited	4,330,020	1,000,000	Discounted earnings multiple	4,330,020	4,268,957	
Positive Response Communications Limited	1,000,000	904,370	Discounted revenue multiple	1,000,000	1,233,032	
ICA Group Limited	885,232	880,894	Discounted earnings multiple	885,232	1,067,542	
Idio Limited	782,500	782,500	Cost	-	-	
Biofortuna Limited	685,032	685,032	Price of last funding round	590,529	590,529	
Flowrite Refrigeration Limited	209,801	471,038	Discounted revenue multiple	209,801	319,278	
Aerospace Tooling Holdings Limited	150,000	421,603	Discounted earnings multiple	150,000	986,800	
Thermotech Solutions Limited	300,000	312,373	Discounted earnings multiple	1,500,000	2,034,925	
Sindicatum Carbon Capital Limited	246,075	246,075	Price of last funding round	246,075	246,075	
Cole Henry PE 2 Limited - SPV	100,000	100,000	Cost	100,000	100,000	
Kingsclere PE 3 Limited - SPV	100,000	100,000	Cost	100,000	100,000	
Whitchurch PE 1 Limited - SPV	100,000	100,000	Cost	100,000	100,000	
ZOO Digital Group plc	40,307	53,742	Bid price	44,123	47,392	
The Skills Group Limited	391,301	-	Nil value	393,331	-	
Abacuswood Limited	478,684	-	Nil value	627,784	-	
alwaysON Group Limited	1,473,271	-	Nil value	1,473,271	547,620	
Oxonica plc	2,804,473	-	Nil value	2,804,473	-	
Trilogy Communications Limited	-	-	Sold	1,330,964	162,496	
O-Gen Acme Trek Limited	-	-	Sold	345,262	281,253	
i-plas Group Limited	-	-	Dissolved	299,716	-	
	58,876,227	66,150,404		57,375,112	58,111,599	

* Top ten investments by value shown on pages 13 to 14.

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

Investment Summary

Planned Exit Shares Fund

Investment	31 December 2016			31 December 2015		
	Amount invested £	Valuation £	Valuation Methodology	Amount invested £	Valuation £	
alwaysON Group Limited	1,839,970	2,032,608	* Disposal proceeds	1,839,970	2,091,749	
Industrial Engineering Plastics Limited	1,556,416	508,150	* Discounted earnings multiple	1,556,416	1,339,808	
Trilogy Communications Limited	—	—	Sold	914,720	390,212	
i-plas Group Limited	—	—	Dissolved	524,030	—	
	3,396,386	2,540,758		4,835,136	3,821,769	

* All investments with a value are shown on page 15.

Infrastructure Shares Fund

Investment	31 December 2016			31 December 2015		
	Amount invested £	Valuation £	Valuation Methodology	Amount invested £	Valuation £	
Criterion Healthcare Holdings Limited	4,005,616	4,878,473	* Discounted cash flow	4,005,616	4,836,401	
FS Hayford Farm Limited	3,660,070	3,994,205	* Discounted cash flow	4,049,018	4,113,376	
FS Ford Farm Limited	3,952,524	3,691,083	* Discounted cash flow	3,952,524	3,520,236	
Drumglass HoldCo Limited	2,526,475	3,025,435	* Discounted cash flow	3,888,160	4,383,579	
FS Tope Limited	2,561,418	2,793,924	* Discounted cash flow	4,053,091	4,056,070	
Stirling Gateway HC Limited	2,069,978	2,244,070	* Discounted cash flow	2,069,978	2,145,478	
Wharfedale SPV (Holdings) Limited	1,314,923	1,395,225	* Discounted cash flow	1,314,923	1,446,214	
Lochgilphead HoldCo Limited	493,186	637,969	* Discounted cash flow	493,186	494,827	
Staffordshire HoldCo Limited	1,041,077	454,860	* Discounted cash flow	1,041,077	586,817	
Sandwell HoldCo Limited	282,646	216,332	* Discounted cash flow	282,646	294,381	
Stobhill HoldCo Limited	231,987	193,738	Discounted cash flow	231,987	309,583	
FS Pentre Limited	—	—	Sold	4,556,061	4,115,819	
	22,139,900	23,525,314		29,938,267	30,302,781	

* Top ten investments by value are shown on pages 16 to 17.

Investment Summary

Ordinary Shares Fund

Top ten investments by value at 31 December 2016 are detailed below:

Datapath Group Limited: £11,103,999



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

	December 2015	Year ended	31 March 2016
First investment			£'000
% Equity/Voting Rights	12.9%	Sales	21,215
Income received and receivable in the year	—	Profit before Tax	4,995
Equity at cost	£7,563,365	Retained Profit	4,480
Loan stock at cost	—	Net Assets	16,350

Protean Software Limited £4,085,450



is a software business based in Coventry that develops and sells field service management software for organisations involved in the supply, installation, maintenance and hire of equipment, across sectors such as facilities management, HVAC maintenance and elevator installation.

	July 2015	Year ended:	31 March 2016
First investment			£'000
% Equity/Voting Rights	39.7%	Sales	2,253
Income received and receivable in the year	£90,247	Loss before Tax	(88)
Equity at cost	£1,750,000	Retained Loss	(99)
Loan stock at cost	£750,000	Net Assets	3,837

Simulity Labs Limited: £4,000,000



is a technology business focused on embedded communications software and related server based applications. They provide operating system software for SIM chips and the next generation of SIM chips, embedded SIM chips ('eUICC' or 'eSIM'), allowing chips to securely connect to mobile networks and for smart technology products to communicate with one another.

	October 2016	Year ended:	31 May 2016
First investment			£'000
% Equity/Voting Rights	23.3%	Sales	9,261
Income received and receivable in the year	—	Loss before Tax	(239)
Equity at cost	£2,800,000	Retained Loss	(283)
Loan stock at cost	£1,200,000	Net Assets	14

Procam Television Holdings Limited: £3,951,246



is one of the UK's leading broadcast hire companies, supplying equipment and crew for location TV production. Clients include major broadcasters and production companies, including the BBC, ITV, Two Four, Objective, Monkey Kingdom and Endemol. Foresight Group backed an MBO of the business in 2013.

	June 2013	Year ended:	31 December 2015
First investment			£'000
% Equity/Voting Rights	26.3%	Sales	11,454
Income received and receivable in the year	—	Profit before Tax	85
Equity at cost	£292,393	Retained Profit	141
Loan stock at cost	£1,372,500	Net Assets	366

Blackstar Amplification Holdings Limited: £3,822,050



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

	July 2012	Year ended:	30 April 2016
First investment			£'000
% Equity/Voting Rights	28.7%	Sales	8,211
Income received and receivable in the year	£225,616	Loss before Tax	(605)
Equity at cost	£250,000	Retained Loss	(605)
Loan stock at cost	£2,250,000	Net Assets	546

Investment Summary continued

Ordinary Shares Fund

Itad Limited: £3,507,914



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

31 January 2016

First investment	October 2015	Year ended:	£'000
% Equity/Voting Rights	24.1%	Sales	12,035
Income received and receivable in the year	£195,321	Profit before Tax	1,753
Equity at cost	£942,818	Retained Profit	1,426
Loan stock at cost	£1,807,182	Net Assets	857

Industrial Efficiency II Limited: £3,349,029



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

30 June 2016

First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	18.8%	Sales	1,187
Income received and receivable in the year	—	Profit before Tax	42
Equity at cost	£141,000	Retained Profit	42
Loan stock at cost	£2,462,260	Net Liabilities	(165)

Specac International Limited: £3,347,328



is a scientific instrumentation accessories business based in Orpington, Kent acquired out of Smiths Group plc in April 2015. They supply a range of infrared sampling tools to OEMs and end users such as Thermo Fisher, GSK and large research universities to enable the testing of liquids, solids and gases. The company sells accessories across the world with circa 80% being sold outside the UK.

31 March 2016

First investment	April 2015	Year ended:	£'000
% Equity/Voting Rights	37.5%	Sales	7,897
Income received and receivable in the year	£119,404	Profit before Tax	549
Equity at cost	£130,000	Retained Profit	483
Loan stock at cost	£1,170,000	Net Assets	936

FFX Group Limited: £3,057,646



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

31 March 2015

First investment	September 2015	Year ended:	£'000
% Equity/Voting Rights	25.3%	Sales	26,952
Income received and receivable in the year	£186,480	Profit before Tax	814
Equity at cost	£981,153	Retained Profit	591
Loan stock at cost	£1,695,273	Net Assets	2,025

TFC Europe Limited £2,960,775



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

31 March 2016

First investment	December 2015	Year ended:	£'000
% Equity/Voting Rights	26.7%	Sales	19,269
Income received and receivable in the year	—	Profit before Tax	729
Equity at cost	£3,614,612	Retained Profit	433
Loan stock at cost	—	Net Assets	2,848

Investment Summary

Planned Exit Shares Fund

All investments with a value at 31 December 2016 are detailed below:

alwaysON Group Limited: £2,032,608



Following the merger of alwaysON and DCG, the combined business now provides two services to corporate clients: it designs, sources, implements and maintains data storage solutions (increasingly as a managed service) and provides data VPNs, VOIP and collaboration software services. The investment was sold in January 2017.

	November 2010	Year ended:	30 June 2016
			£'000
First investment			
% Equity/Voting Rights	6.4%	Sales	5,451
Income received and receivable in the year	£67,685	Loss before Tax	(893)
Equity at cost	£489,970	Retained Loss	(718)
Loan stock at cost	£1,350,000	Net Liabilities	(754)

Industrial Engineering Plastics Limited: £508,150



is a Liphook and Birmingham-based company, established for over 25 years, which fabricates plastic materials such as plastic ducting and venting systems for large/complex buildings such as hospitals and universities as well as distributes plastics to UK industry, supplying ventilation and pipe fittings, plastic welding rods, hygienic wall cladding, plastic sheets and tanks. Across the product range, the majority of customers are either plastic fabricators, duct installers or chemical plants. Industrial Engineering Plastics ("IEP") primarily sources material from Germany, the UK and China.

	December 2011	Year ended	31 May 2016
			£'000
First investment			
% Equity/Voting Rights	44.6%	Sales	3,559
Income received and receivable in the year	—	Loss before Tax	(86)
Equity at cost	£75,000	Retained Loss	(35)
Loan stock at cost	£1,481,416	Net Assets	2,202

Investment Summary

Infrastructure Shares Fund

Top ten investments by value at 31 December 2016 are detailed below:

Criterion Healthcare Holdings Limited: £4,878,473

In March 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £3.42 million in Criterion Healthcare Holdings Limited which operates "Bishop Auckland", a secondary PFI investment in an acute hospital project near Darlington with 16.5 years of the concession remaining.

			30 April 2016
First investment	March 2013	Year ended:	£'000
% Equity/Voting Rights	20.0%	Income	7,180
Income received and receivable in the year	£230,893	Profit before Tax	2,162
Equity at cost	£3,555,616	Retained Profit	1,852
Loan stock at cost	£450,000	Net Assets	2,543

FS Hayford Farm Limited: £3,994,205

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

			30 September 2015
First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	50.0%	Income	154
Income received and receivable in the year	£107,879	Loss before Tax	(112)
Equity at cost	£2,572,670	Retained Loss	(112)
Loan stock at cost	£1,087,400	Net Liabilities	(559)

FS Ford Farm Limited: £3,691,083

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

			30 September 2015
First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	50.0%	Income	573
Income received and receivable in the year	£108,296	Loss before Tax	(1,021)
Equity at cost	£2,752,524	Retained Loss	(1,021)
Loan stock at cost	£1,200,000	Net Liabilities	(925)

Drumglass HoldCo Limited: £3,025,435

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

			31 March 2016
First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	50.0%	Income	671
Income received and receivable in the year	£347,324	Profit before Tax	196
Equity at cost	£1,685,298	Retained Profit	157
Loan stock at cost	£841,177	Net Assets	214

FS Tope Limited: £2,793,924

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

			30 September 2015
First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	50.0%	Income	339
Income received and receivable in the year	£106,701	Loss before Tax	(256)
Equity at cost	£1,792,556	Retained Loss	(256)
Loan stock at cost	£768,862	Net Liabilities	(256)

Investment Summary continued

Infrastructure Shares Fund

Stirling Gateway HC Limited: £2,244,070

Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure completed an investment in Stirling Gateway HC Limited in December 2012. The Project includes the design, redevelopment, construction, financing and operation of five secondary schools and a new Raploch Community Campus. It incorporates two primary schools, a special needs school, a nursery, community facilities, sports facilities and associated services. It has been operating for just over five years and has 23 years left on the original 30 year contract.

31 March 2016

First investment	December 2012	Year ended:	£'000
% Equity/Voting Rights	12.5%	Income	4,057
Income received and receivable in the year	£134,474	Profit before Tax	1,339
Equity at cost	£1,242,806	Retained Profit	1,067
Loan stock at cost	£827,172	Net Liabilities	(29,477)

Wharfedale SPV (Holdings) Limited: £1,395,225

In March 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested a combined £1.36 million in Wharfedale SPV Holdings Limited which operates Wharfedale Hospital, a secondary PFI investment in a hospital project near Leeds with 16.5 years of the concession remaining.

31 December 2015

First investment	March 2013	Year ended:	£'000
% Equity/Voting Rights	25.0%	Income	1,136
Income received and receivable in the year	£87,954	Profit before Tax	604
Equity at cost	£929,059	Retained Profit	596
Loan stock at cost	£385,864	Net Liabilities	(885)

Lochgilphead HoldCo Limited: £637,969

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

31 December 2015

First investment	July 2014	Year ended:	£'000
% Equity/Voting Rights	100.0%	Income	1,015
Income received and receivable in the year	—	Profit before Tax	487
Equity at cost	£493,186	Retained Profit	495
Loan stock at cost	—	Net Liabilities	(2,715)

Staffordshire HoldCo Limited: £454,860

In January 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested in Staffordshire Schools through Durham Infrastructure 5 Limited. Staffordshire Schools is a secondary PFI investment in a school project in the West Midlands with 12 years of the concession remaining.

31 March 2016

First investment	January 2013	Year ended:	£'000
% Equity/Voting Rights	100.0%	Income	1,002
Income received and receivable in the year	£215,000	Profit before Tax	293
Equity at cost	£597,509	Retained Profit	256
Loan stock at cost	£443,568	Net Liabilities	(585)

Sandwell HoldCo Limited: £216,332

In January 2013 Foresight VCT Infrastructure and Foresight 2 VCT Infrastructure invested in Sandwell Schools through the Norwich Infrastructure 4 Limited SPV. The SPV changed its name to Sandwell HoldCo Limited in 2015. Sandwell schools is a secondary PFI investment in a four school project in the West Midlands with 12 years remaining in the concession.

31 March 2016

First investment	January 2013	Year ended:	£'000
% Equity/Voting Rights	100.0%	Income	1,536
Income received and receivable in the year	£22,832	Profit before Tax	288
Equity at cost	£156,106	Retained Profit	228
Loan stock at cost	£126,540	Net Liabilities	(848)

Investment Summary

at 31 December 2016

Co-investing funds

Foresight Group also manages or advises Foresight 3 VCT plc, Foresight 4 VCT plc, Foresight Solar & Infrastructure VCT plc, Foresight Nottingham Fund LP, Foresight Environmental Fund LP, Foresight Solar Fund Limited, Foresight European Solar Fund LP, Foresight Solar EIS, Foresight Solar EIS2, Foresight Solar EIS3, Foresight Solar EIS4, Foresight Solar EIS5, Foresight Inheritance Tax Solutions, UK Waste Resources and Energy Investments LP, Foresight Sustainable UK Investment Fund, Foresight AD EIS, Recycling and Waste LP, The Waste Asset LP, Foresight Energy Infrastructure EIS and Foresight Regional Investment LP. Investments have been made by the funds that Foresight Group advises and manages, as follows:

Investee	Foresight VCT O, PE, Infra Share £	Foresight 3 £	Foresight 4 £	Foresight Inheritance Tax Solutions £	Foresight Nottingham Fund £	Total Equity Managed by Foresight Group %
ABL Investments Limited	2,750,000	475,000	1,000,000	—	—	40.0%
Aerospace Tooling Holdings Limited	150,000	50,000	150,000	—	—	53.7%
AlwaysON Group Limited	3,313,241	—	680,240	—	—	70.2%
Autologic Diagnostics Group Limited	4,330,020	2,488,966	2,488,785	—	—	20.3%
Biofortuna Limited	685,032	684,994	1,370,053	—	—	41.1%
Blackstar Amplification Holdings Limited	2,500,000	—	1,000,000	—	—	40.2%
CoGen Limited	1,603,491	351,539	390,928	—	—	19.8%
Cole Henry PE 2 Limited	100,000	200,000	—	—	—	49.9%
Datapath Group Limited	7,563,365	73,250	73,250	—	—	38.8%
Drumglass HoldCo Limited	2,526,475	—	—	2,276,685	—	100.0%
FFX Group Limited	2,676,426	—	1,372,002	—	—	38.2%
Flowrite Refrigeration Limited	209,801	85,199	295,000	—	—	49.8%
FS Ford Farm Limited	3,952,524	—	—	4,380,000	—	100.0%
FS Hayford Farm Limited	3,660,070	—	—	2,588,948	—	100.0%
FS Tope Limited	2,561,418	—	—	1,876,673	—	100.0%
Hospital Services Group Limited	3,320,000	—	1,200,000	—	—	61.5%
ICA Group Limited	885,232	670,884	—	—	—	51.9%
Idio Limited	782,500	—	—	—	782,500	13.8%
Industrial Efficiency II Limited	2,603,260	—	—	1,131,498	—	100.0%
Itad Limited	2,750,000	250,000	1,000,000	—	—	35.0%
Ixaris Systems Limited	2,266,036	866,385	1,181,432	—	—	18.2%
Kingsclere PE 3 Limited	100,000	100,000	—	—	—	49.9%
Lochgilphead HoldCo Limited	493,186	—	—	3,050,000	—	100.0%
Positive Response Communications Limited	1,000,000	500,000	500,000	—	—	60.8%
Procam Television Holdings Limited	1,664,893	423,608	1,101,385	—	—	52.7%
Protean Software Limited	2,500,000	500,000	1,000,000	—	—	63.5%
Sandwell HoldCo Limited	282,646	—	—	1,910,696	—	100.0%
Sindicatum Carbon Capital Limited	246,075	174,993	200,063	—	—	1.0%
Specac International Limited	1,300,000	650,000	650,000	—	—	75.0%
Staffordshire HoldCo Limited	1,041,077	—	—	1,130,834	—	100.0%
Stobhill HoldCo Limited	231,987	—	—	3,050,000	—	100.0%
TFC Europe Limited	3,614,612	125,096	156,370	—	—	66.7%
The Bunker Secure Hosting Limited	1,537,348	475,300	584,987	—	—	31.6%
The Business Advisory Limited	1,650,000	650,000	1,000,000	—	—	27.5%
Thermotech Solutions Limited	300,000	—	200,000	—	—	25.5%
Whitchurch PE 1 Limited	100,000	378,000	—	—	—	49.9%
ZOO Digital Group plc	40,307	1,006,348	755,605	—	—	14.8%

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

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

Investment Summary – Realisation Summary

The tables below give details of realisations during the year:

	Cost of investment disposed of £	Sales proceeds £	Realised gain/(loss) £	Valuation at 31 December 2015 £
Ordinary Shares Fund				
Abacuswood Limited	149,100	1	(149,099)^	—
i-plas Group Limited	299,716	—	(299,716)^	—
O-Gen Acme Trek Limited	345,262	45,442*	(299,820)	281,253
Specac International Limited	45,000	45,000	—	45,000
The Skills Group Limited	2,030	2,030	—	—
Thermotech Solutions Limited	1,200,000	—	(1,200,000)	1,200,000
Trilogy Communications Limited	1,330,964	575,667**	(755,297)	162,496
ZOO Digital Group plc	3,816	5,036	1,220	4,099
	3,375,888	673,176	(2,702,712)	1,692,848

*Plus deferred consideration of £218,121 still due.

**Plus deferred consideration of £104,237 still due.

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

	Cost of investment disposed of £	Sales proceeds £	Realised gain/(loss) £	Valuation at 31 December 2015 £
Planned Exit Shares Fund				
i-plas Group Limited	524,030	—	(524,030)^	—
Trilogy Communications Limited	914,720	1,374,912*	460,192	390,212
	1,438,750	1,374,912	(63,838)	390,212

*Plus deferred consideration of £248,956 still due.

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

	Cost of investment disposed of £	Sales proceeds £	Realised loss £	Valuation at 31 December 2015 £
Infrastructure Shares Fund				
Drumglass HoldCo Limited	1,361,685	1,361,685	—	1,361,685
FS Hayford Farm Limited	388,948	388,948	—	388,948
FS Pentre Limited	4,556,061	3,996,337	(559,724)	4,115,819
FS Tope Limited	1,491,673	1,491,673	—	1,491,673
	7,798,367	7,238,643	(559,724)	7,358,125

Strategic Report

Introduction

This Strategic Report, on pages 20 to 26, has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Foresight VCT plc Ordinary Shares Fund

Foresight VCT plc originally raised £10.9 million through an Ordinary Share issue in the 1997/98 tax year. At 31 December 2016, this fund had investments and assets totalling £107.2 million, of which a significant portion was held in cash and was available to make new investments. The number of Ordinary Shares in issue at 31 December 2016 was 127,985,288.

Foresight VCT plc Planned Exit Shares fund

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

The number of Planned Exit shares in the Company in issue at 31 December 2016 was 11,404,314.

Foresight VCT plc Infrastructure Shares fund

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

The number of Infrastructure Shares in the Company in issue at 31 December 2016 was 32,495,246.

Summary of the Investment Policy

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

Investment Objectives

Ordinary Shares fund

The investment objective of the Ordinary Shares fund is to provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted companies in the United Kingdom.

Planned Exit Shares fund

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

Infrastructure Shares fund

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

Performance and Key Performance Indicators (KPIs)

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

A record of some of these indicators is contained on the following page. The ongoing charges ratio for the period for the Company as a whole was 2.0% of net assets. Share buy-backs have been completed at discounts ranging from 10.1% to 11.5% for Ordinary Shares, 7.7% to 9.1% for Planned Exit Shares and 0.7% for Infrastructure Shares.

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

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

	31 December 2016			31 December 2015		
	Ordinary Shares	Planned Exit Shares	Infrastructure Shares	Ordinary Shares	Planned Exit Shares	Infrastructure Shares
Net asset value per share	83.6p	25.9p	81.7p	87.5p	36.8p	92.4p
Net asset value total return	216.7p	82.9p	103.7p	215.5p	79.8p	99.9p
	Ordinary Shares	Planned Exit Shares	Infrastructure Shares	Ordinary Shares	Planned Exit Shares	Infrastructure Shares
Share price	75.7p	26.0p	75.0p	80.0p	41.0p	90.0p
Share price total return	213.7p	83.0p	97.0p	212.6p	84.0p	97.5p
	Ordinary Shares	Planned Exit Shares	Infrastructure Shares	Ordinary Shares	Planned Exit Shares	Infrastructure Shares
Dividends paid*	184.8p	57.0p	22.0p	182.1p	43.0p	7.5p
Dividends paid in the year	7.0p	14.0p	14.5p	6.0p	22.5p	2.5p
Dividend yield %	9.2	53.8^	19.3	7.5	54.9^	2.8

* From inception to 31 December 2016

^ In realisation mode.

Ordinary Shares fund

Share price discount to NAV at 31 December 2016	9.4%
Average discount on buybacks	10.4%
Shares bought back during the year under review	1,322,684
Increase in net asset value during year (after adding back 7.0p dividend)	3.5%
Ongoing charges ratio (based on net assets at 31 December 2016)	2.1%

Planned Exit Shares fund

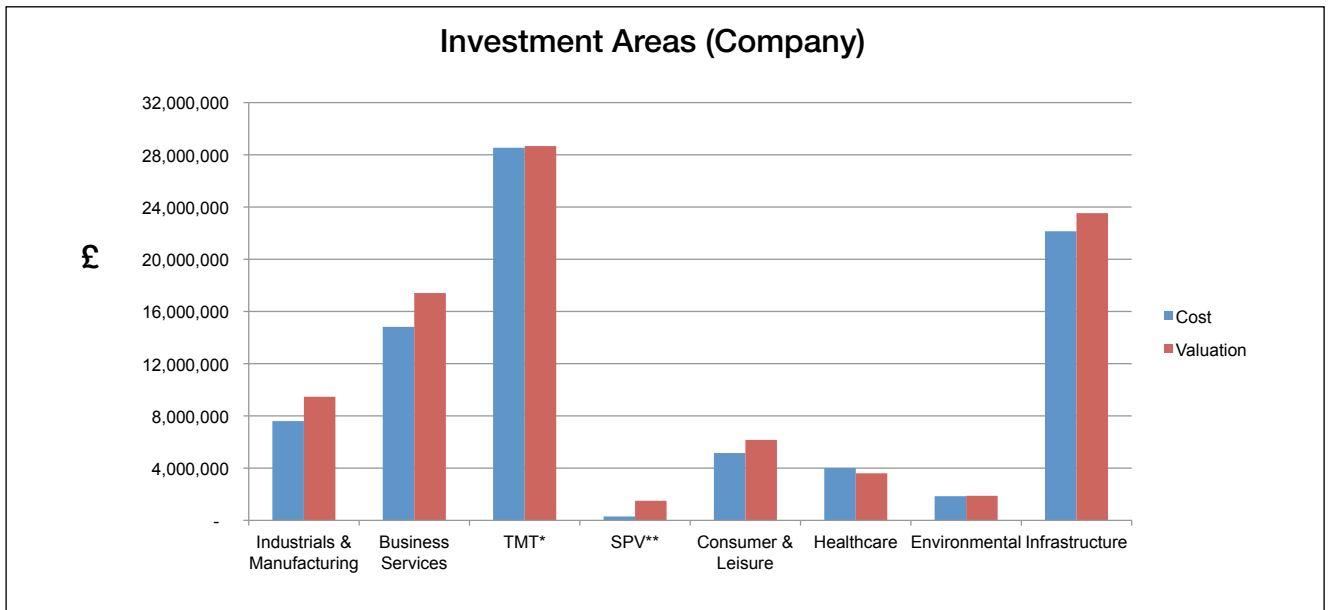
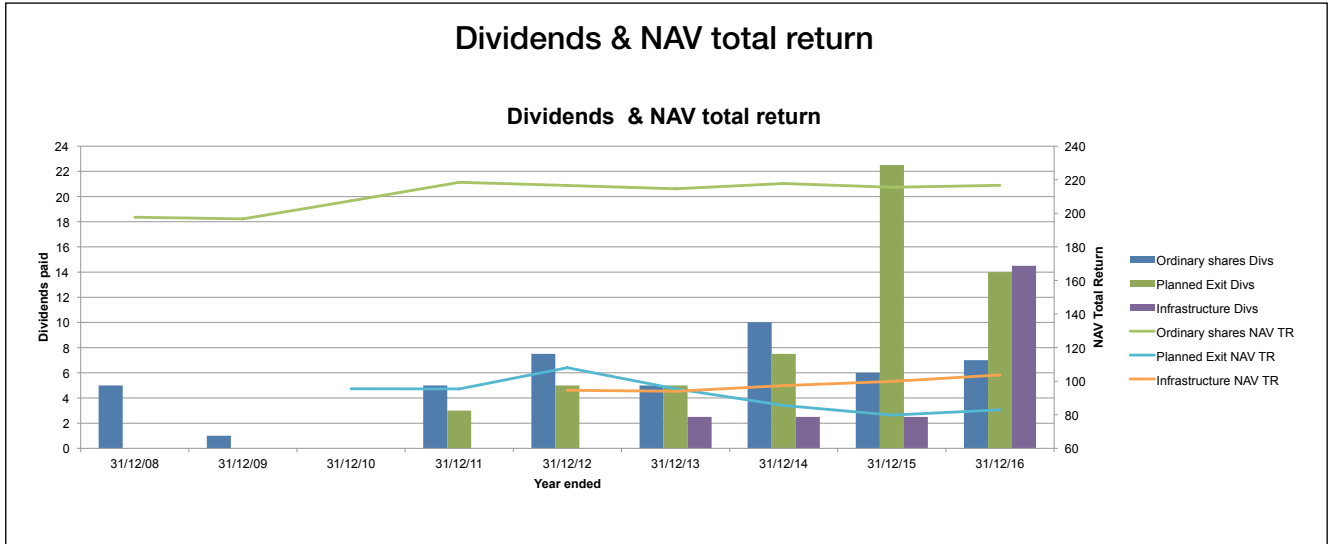
Share price premium to NAV at 31 December 2016	0.4%
Average discount on buybacks	8.5%
Shares bought back during the year under review	122,773
Increase in net asset value during year (after adding back 14.0p dividend)	8.4%
Ongoing charges ratio (based on net assets at 31 December 2016)	1.9%

Infrastructure Shares fund

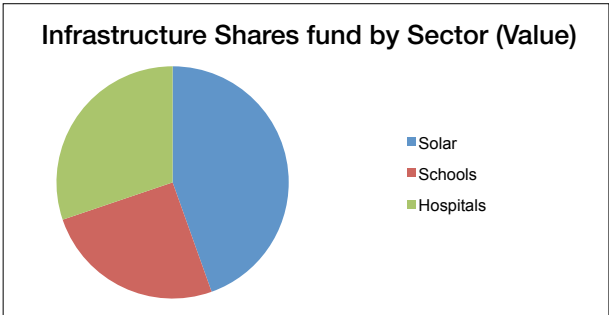
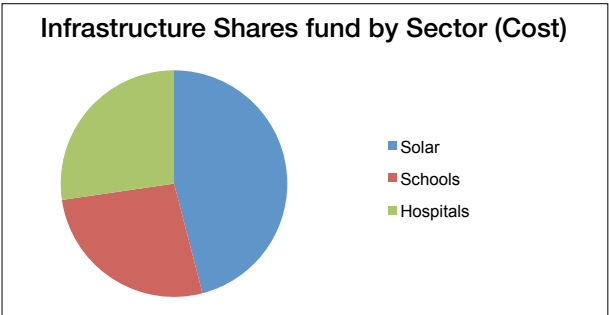
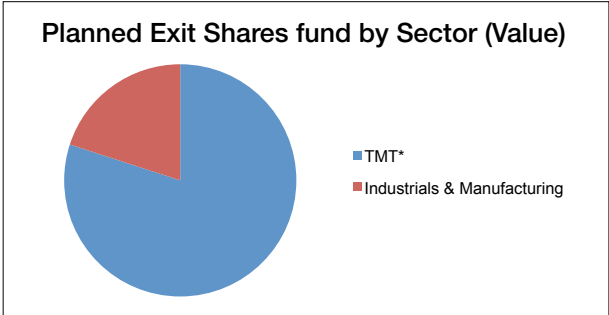
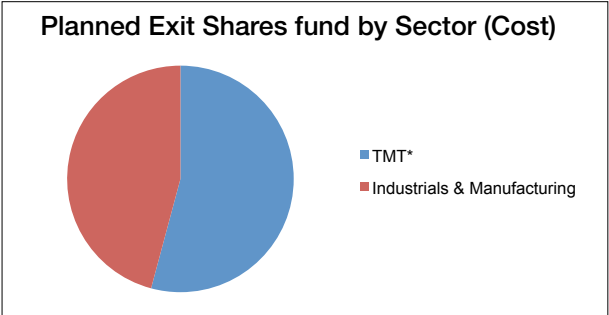
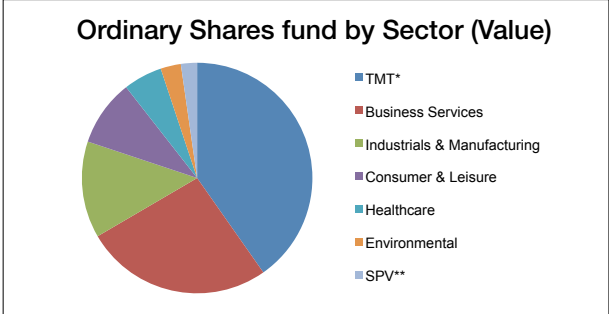
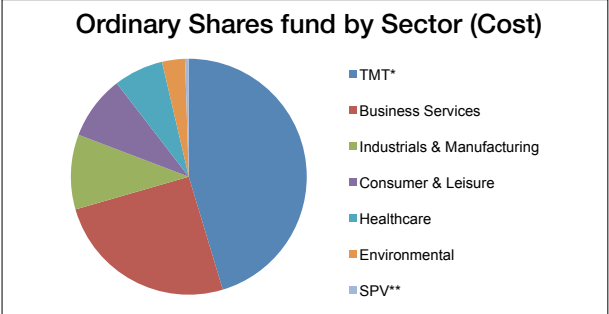
Share price discount to NAV at 31 December 2016	8.2%
Average discount on buybacks	0.7%
Shares bought back during the year under review	14,978
Increase in net asset value during year (after adding back 14.5p dividend)	4.1%
Ongoing charges ratio (based on net assets at 31 December 2016)	1.7%



Strategic Report continued



* Technology, Media and Telecommunications
 ** Special Purpose Vehicle



* Technology, Media and Telecommunications
** Special Purpose Vehicle

Strategic Report continued

Strategies for achieving objectives

Investment Policy

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

Investment securities

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

UK companies

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

Asset mix

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

Risk diversification and maximum exposures

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

Investment style

Investments are selected in the expectation that value will be enhanced by the application of private equity disciplines, including an active management style for unquoted companies through the placement of an investor director on investee company boards.

Borrowing powers

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

Co-investment

The Company invests alongside other funds managed or advised by the Manager and Foresight Group. Where more than one fund is able to participate in an investment opportunity, allocations will generally be

made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio considerations, such as the portfolio diversity and the need to maintain VCT status.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue & Customs. Amongst other conditions, the Company may not invest more than 15% of its total investments at the time of making any investment in a single company and must have at least 70% by value of its investments throughout the period in shares or securities in qualifying holdings, of which 70% by value in aggregate must be in ordinary shares which carry no preferential rights (although only 10% of any individual investment needs to be in the ordinary shares of that Company).

Management

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

Ordinary Shares fund

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

Planned Exit Shares fund

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

Infrastructure Shares fund

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

Environmental, Human Rights, Employee, Social and Community Issues

The Board recognises the requirement under Section 414 of the Act to provide information about environmental matters (including the impact of the Company's business on the environment), employee, human

rights, social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

Gender diversity

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

The Manager has an equal opportunities policy and currently employs 86 men and 59 women.

Dividend policy

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

Purchase of own shares

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

Principal risks, risk management and regulatory environment

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

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

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. **Mitigation:** Legal advice is taken for each deal to ensure all investments are qualifying. Advance assurance, where appropriate, is sought from HMRC ahead of completion. The Manager keeps the

Company's VCT qualifying status under continual review, seeking to take appropriate action to maintain it where required, and its reports are reviewed by the Board on a quarterly basis. The Board has also retained Shakespeare Martineau LLP to undertake an independent VCT status monitoring role.

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

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

Legislative and regulatory risk: in order to maintain its approval as a VCT, the Company is required to comply with current VCT legislation in the UK, which reflects the European Commission's State aid rules. Changes to the UK legislation or the State aid rules in the future could have an adverse effect on the Company's ability to achieve satisfactory investment returns whilst retaining its VCT approval. **Mitigation:** The Board and the Manager monitor political developments and where appropriate seek to make representations either directly or through relevant trade bodies.

Internal control risk: the Company's assets could be at risk in the absence of an appropriate internal control regime. This could lead to theft, fraud, and/or an inability to provide accurate reporting and monitoring. **Mitigation:** the Board carries out regular reviews of the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Financial risk: inappropriate accounting policies might lead to misreporting or breaches of regulations. **Mitigation:** the Manager is continually reviewing accounting policies and regulations, and its reports are reviewed by the Board on a quarterly basis and at least annually by the auditor.

Market risk: All investments are impacted by market risk. Investments quoted on the London Stock Exchange or AIM will potentially be subject to more immediate market fluctuations and volatility upwards and downwards. External factors such as terrorist activity can negatively impact stock markets worldwide. In times of adverse sentiment there can be very little, if any, market demand for shares in smaller companies quoted on AIM. **Mitigation:** The Board keeps the portfolio under regular review.

Credit risk: the Company holds a number of financial instruments and cash deposits and is dependent on the counterparties discharging their commitment. **Mitigation:** the directors and Manager review the creditworthiness of the counterparties to these instruments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

Strategic Report continued

Viability Statement

In accordance with principle 21 of the AIC Code of Corporate Governance published by the AIC in February 2015, the Directors have assessed the prospects of the Company over the three year period to 31 December 2019. This three year period is used by the Board during the strategic planning process and is considered reasonable for a business of its nature and size.

In making this statement, the Board carried out an assessment of the principal risks facing the Company, including those that might threaten its business model, future performance, solvency, or liquidity.

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

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

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

Based on the Company's processes for monitoring cash flow, share price discount, ongoing review of the investment objective and policy, asset allocation, sector weightings and portfolio risk profile, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three years to 31 December 2019.

Performance-related incentives

Shareholders approved a co-investment scheme and performance incentive arrangements at a General Meeting held on 8 March 2017, effective from 31 March 2017. Details can be found in note 15. There were no such arrangements in place during 2016.

Valuation Policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines (December 2015) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. Quoted investments and investments traded on AiM and ISDX Growth Market (formerly PLUS) are valued at the bid price as at 31 December 2016. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to annual review by the auditors.

VCT Tax Benefit for Shareholders

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

- Income tax relief of 30% on subscription for new shares, which is forfeit by Shareholders if the shares are not held for more than five years;
- VCT dividends (including capital distributions of realised gains on investments) are not subject to income tax in the hands of qualifying holders;
- Capital gains on disposal of VCT shares are tax-free, whenever the disposal occurs.

Venture Capital Trust Status

Foresight VCT plc has been granted approval as a Venture Capital Trust (VCT) under S274 – S280A of the Income Tax Act 2007 for the year ended 31 December 2015. The next complete review will be carried out for the year ended 31 December 2016. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Directors and the Manager have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. The Board has appointed Shakespeare Martineau LLP to monitor and provide continuing advice in respect of the Company's compliance with applicable VCT legislation and regulation. As at 31 December 2016 the Company had 75.4% (by VCT valuation) of its funds in such VCT qualifying holdings.

Future Strategy

The Board and the Manager believe that the strategy of focusing on growth private equity investments is currently in the best interests of Ordinary Shareholders and the historical information reproduced in this report is evidence of positive recent performance in this area. It is intended that the Planned Exit and Infrastructure Shares funds will be closed and funds returned to Shareholders in the medium term.

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

John Gregory

Director
24 April 2017

Board of Directors

John Gregory (68)

Chairman

John is a chartered accountant with a broad experience of banking, corporate finance and fund management; he was an executive director of Noble Fund Managers Limited until 2004. Currently, he is senior independent non-executive director of Sphere Medical Holding plc, an AIM listed medical devices company, non-executive Chairman of Social Impact VCT plc and a non-executive director or Chairman of a number of private companies. His earlier career was in the City of London and included posts as an executive director of Singer & Friedlander Holdings Limited and, before that, managing director of Henry Ansbacher & Co Limited.

Peter Frederick Dicks (74)

Director

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

Gordon James Humphries (55)

Director

Gordon is a director of Maven Income and Growth VCT 5 plc, a former director of R&H Fund Services Limited and a former member of the Institute of Chartered Accountants of Scotland Audit and Assurance Committee for the period 2005 to 2015. He has over 30 years' experience in financial services, particularly investment trusts, and was until recently an investment director and the head of investment companies at Standard Life Investments. Gordon has an MA (Hons) in Economics and Accounting from the University of Edinburgh and he joined Ivory & Sime in 1988 after qualifying as a chartered accountant with Deloitte Haskins & Sells (now PwC).

Jocelin Harris (71)

Director

Jocelin is a qualified solicitor and since 1986 has run Durrington Corporation which provides finance and advice for small businesses. Before this he was a Director of private bank Rea Brothers for 13 years. He has personally invested in over 40 development stage companies over the last 35 years and is currently Chairman or Non-Executive Director of a number of them in the UK and the USA. He is also a Director of Unicorn AiM VCT plc and a Governor of St Paul's Way Trust School in London.

Directors' Report

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2016.

Activities and status

The principal activity of the Company during the period was the making of investments in unquoted or AiM-listed companies in the United Kingdom. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. It has satisfied the requirements as a Venture Capital Trust under sections 274–280A of the Income Tax Act 2007. Confirmation of the Company's compliance as a Venture Capital Trust has been received up to 31 December 2015 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 return attributable to Shareholders for the year amounted to £5,202,000 (2015: loss of £3,798,000). The Board paid an interim dividend of 7.0p per Ordinary Share on 1 April 2016. An interim dividend of 14.0p per Planned Exit Share was paid on 14 October 2016. Interim dividends of 2.5p per Infrastructure Share and 12.0p per Infrastructure Share were paid on 11 March 2016 and 23 September 2016 respectively.

Net asset value total return

During the year ended 31 December 2016 the Company's principal indicator of performance, net asset value total return since launch on 17 November 1997 (including dividends paid since launch), increased 0.5% from 215.5p per Ordinary Share at 31 December 2015 to 216.7p per Ordinary Share at 31 December 2016.

The net asset value total return (including dividends paid since launch on 3 March 2010) per Planned Exit Share has increased 3.9% to 82.9p per share at 31 December 2016 from 79.8p per share at 31 December 2015.

The net asset value total return (including dividends paid since launch on 20 February 2012) per Infrastructure Share has increased 3.8% to 103.7p per share at 31 December 2016 from 99.9p per share at 31 December 2015.

Share issues

The Company allotted 948,272 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 81.0p per share.

Under an offer for subscription dated 18 January 2016, 41,765,910 Ordinary Shares were issued during the year, based on net asset values ranging from 80.5p to 88.0p per share.

At 31 December 2016 the Company had 127,985,288 Ordinary Shares, 11,404,314 Planned Exit Shares and 32,495,246 Infrastructure Shares in issue. There are no restrictions on the transfer of any class of share.

Share buybacks

During the year, the Company repurchased 1,322,684 Ordinary Shares, 122,773 Planned Exit shares and 14,978 Infrastructure shares for cancellation at costs of £939,000, £39,000 and £13,000 respectively. No shares bought back by the Company are held in treasury. Share buy-backs have been completed at discounts ranging from 10.1% to 11.5% for Ordinary Shares, 7.7% to 9.1% for Planned Exit Shares and 0.7% for Infrastructure Shares.

Global greenhouse gas emissions

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

Principal risks, risk management and regulatory environment

A summary of the principal risks faced by the Company is set out in the Strategic Report on page 25.

Management

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

Annually, the Management Engagement & Remuneration Committee reviews the appropriateness of the Manager's appointment. In carrying out its review, the Management Engagement & Remuneration Committee considers the investment performance of the Company and the ability of the Manager to produce satisfactory investment performance. It also considers the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include Company Secretarial services. It is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of Shareholders as a whole. The last review was undertaken on 16 March 2017. Foresight Fund Managers Limited is the Secretary of the Company. The principal terms of the management agreement is set out in note 3 to the accounts. Following the merger with Foresight 2 VCT plc the Manager agreed to reduce the annual expenses cap to 2.4%, making it one of the lowest expenses caps of any VCT with total assets over £20 million.

No Director has an interest in any contract to which the Company is a party. Foresight Group acts as manager to the Company in respect of its investments and earned fees of £2,135,000 (2015: £1,277,000) during the year. Foresight Fund Managers Limited received £110,000 excluding VAT (2015: £100,000 excluding VAT) during the year in respect of secretarial, administrative and custodian services to the Company. Foresight Group also received from investee companies arrangement fees of £147,000 (2015: £500,000).

VCF Partners, an associate of Foresight Group, received from investee companies, Directors' fees of £346,000 (2015: £168,000).

	£
Management fee	2,135,000
Directors fees	346,000
Arrangement fees	147,000
Secretarial fee	110,000
	2,738,000

At the time of writing, Foresight Group staff held a total of 2,055,899 shares in the Company.

VCT status monitoring

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

Financial instruments

Details of all financial instruments used by the Company during the year are given in note 16 to the accounts.

Directors indemnification and insurance

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

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

Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At the year end trade creditors represented an average credit period of 4 days (2015: 34 days).

Alternative Investment Fund Managers Directive (AIFMD)

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

Audit Information

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

Section 992 of the Companies Act

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

Capital Structure

The Company's issued share capital as at 24 April 2017 was 176,051,960 Ordinary Shares, 11,404,314 Planned Exit Shares and 32,495,246 Infrastructure Shares.

The Ordinary Shares represent 80.0% of the total share capital, the Planned Exit Shares represent 5.2% of the total share capital and the Infrastructure Shares represent 14.8% of the total share capital. Further information on the share capital of the Company is detailed in note 13 of the notes to the financial statements.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this report are given in note 5 in the Notice of Annual General Meeting on page 73.

Substantial/Notifiable interests in the Company's voting rights

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

Auditor

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

Companies Act 2006 Disclosures

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

- the Company's capital structure and voting rights are summarised above, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;
- the rules concerning the appointment and replacement of directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;

Directors' Report continued

- the Company does not have an employee share scheme;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur following a takeover bid or for any other reason.

Conflicts of interest

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

Whistleblowing

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 20 to 26. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Strategic Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the

foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Annual General Meeting

A formal notice convening the Annual General Meeting on 23 May 2017 can be found on pages 70 to 73. Resolutions 1 to 9 will be proposed as ordinary resolutions meaning that for each resolution to be passed more than half of the votes cast at the meeting must be in favour of the resolution. Resolutions 10 and 11 will be proposed as special resolutions meaning that for each resolution to be passed at least 75% of the votes cast at the meeting must be in favour of the resolution. Resolutions 9 to 11 supplement and renew share issue and buyback authorities for the Ordinary Shares, Planned Exit Shares and Infrastructure Shares.

Resolution 9

Resolution 9 will authorise the Directors to allot relevant securities generally, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of (i) £105,000 in respect of Ordinary Shares (representing 10.0% of the current issued Ordinary Share capital of the Company), (ii) £12,000 in respect of Planned Exit Shares (representing 10.0% of the current Planned Exit Share capital of the Company) and (iii) £33,000 in respect of Infrastructure Shares (representing 10.0% of the issued Infrastructure Share capital of the Company), which in aggregate represents 10.0% of the issued share capital of the Company. This authority will be used for the purposes listed under the authority requested under Resolution 10. This includes authority to issue shares pursuant to the dividend investment scheme, performance incentive fee arrangements with the Manager and Foresight Group LLP (as applicable) and top-up offers for subscription to raise new funds for the Company if the Board believes this to be in the best interests of the Company. Any offer is intended to be at an offer price linked to NAV. This will expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the passing of the resolution and is in addition to the authority granted pursuant to Resolution 1 passed at the general meeting of the Company on 8 March 2017, but in substitution for all other existing authorities.

Resolution 10

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

expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2018, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired. This authority is in addition to the authority granted pursuant to Resolution 2 passed at the general meeting of the Company held on 8 March 2017, but in substitution for all other existing authorities.

Resolution 11

It is proposed by Resolution 11 that the Company be authorised to make market purchases of the Company's own shares. Under this authority the Directors may purchase up to 26,390,189 Ordinary Shares, 1,709,507 Planned Exit Shares and 4,871,037 Infrastructure Shares (representing approximately 14.99% of each share class at the date of this Annual Report) or, if lower, such number of Ordinary Shares, Planned Exit Shares or Infrastructure Shares (as relevant, and in each case rounded down to the nearest whole share) as shall equal 14.99% of each share class at the date the resolution is passed. When buying shares, the Company cannot pay a price per share which is more than 105% of the average of the middle market quotation for an Ordinary Share, Planned Exit Share, or Infrastructure Share (as relevant) taken from the London Stock Exchange daily official list on the five business days immediately before the day on which shares are purchased or, if greater, the amount stipulated by Buyback and Stabilisation Regulation 2003. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2018, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may purchase its Ordinary Shares, Planned Exit Shares or Infrastructure Shares (as relevant) after this date in pursuance of a contract or contracts made prior to the expiration of this authority. This authority is in substitution for all other existing authorities.

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

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

Formal notices convening separate meetings of Ordinary Shareholders, Planned Exit Shareholders and Infrastructure Shareholders also to be held on 23 May 2017, can be found on pages 74 to 79. The resolutions proposed at these meetings, if passed, will approve the passing of Resolutions 9 and 11 to be proposed at the Annual General Meeting and will sanction any modification of the rights attaching to Ordinary Shares, Planned Exit Shares and Infrastructure Shares resulting therefrom.

The resolutions to be proposed at the separate meetings will be proposed as special resolutions meaning that for each resolution to be passed at least 75% of the votes cast at the meeting must be in favour of the resolution.

By order of the Board

Foresight Fund Managers Limited

Secretary

24 April 2017

Corporate Governance

The Directors of Foresight VCT plc confirm that the Company has taken the appropriate steps to enable it to comply with the Principles set out in Section 1 of the UK Corporate Governance Code on Corporate Governance ('UK Corporate Governance Code') issued by the Financial Reporting Council in September 2014, as appropriate for a Venture Capital Trust.

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

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

The Board

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

Division of responsibilities

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

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

Individual Directors may, at the expense of the Company, seek

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

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

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

Meeting attendance

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

In addition to the above, 9 further meetings were held in relation to the publication of corporate documents and in relation to investments.

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

Board committees

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

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

- Monitor the integrity of the financial statements of the Company and recommend the accounts to the Board for approval;
- Review the Company's internal control and risk management systems;
- Make recommendations to the Board in relation to the appointment of the external auditors;
- Review and monitor the external auditors' independence; and
- Implement and review the Company's policy on the engagement of the external auditors to supply non-audit services.

The Directors have decided to re-appoint KPMG LLP as auditor and a resolution concerning this will be proposed at the Annual General Meeting. Cornel Partners Limited have been engaged by the Board to provide taxation services.

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

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

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

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

Board evaluation

The Board undertakes a formal annual evaluation of its own performance and that of its committees, as recommended by provision B.6 of the UK Corporate Governance Code. Initially, the evaluation takes the form of a questionnaire for the Board (and its committees). The Chairman then discusses the results with the Board (and its committees) and following completion of this stage of the evaluation,

the Chairman will take appropriate action to address any issues arising from the process.

Relations with Shareholders

The Company communicates with Shareholders and solicits their views where it considers it is appropriate to do so. Individual Shareholders are welcomed to the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Remuneration and Nomination Committees. The Board may from time to time seek feedback through shareholder questionnaires and an open invitation for Shareholders to meet the Manager. The Company is not aware of any institutions owning shares in the Company.

Internal control

The Directors of Foresight VCT plc have overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The internal controls system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss.

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

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

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

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

Following publication of Internal Control: Guidance for Directors on the UK Corporate Governance Code (the Turnbull guidance), the Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the annual report and financial statements, and that this process

Corporate Governance continued

is regularly reviewed by the Board and accords with the guidance. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action that has been, or is being, taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with Foresight Group, Foresight Fund Managers Limited and Shakespeare Martineau LLP.

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

Such review procedures have been in place throughout the full financial year and up to the date of approval of the accounts, and the Board is satisfied with their effectiveness. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to its objective at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

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

The Board has concluded that, given the appointment of Foresight Group as Company accountant and the role of the Audit Committee, it is not necessary to establish an internal audit function at the current time but this policy will be kept under review.

Directors' Professional Development

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

UK Stewardship Code

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

Bribery Act 2010

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

John Gregory

Director

24 April 2017

Audit Committee Report

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

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

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

Valuation of unquoted investments

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

Existence of unquoted investments

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

Venture capital trust status

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

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

Auditor's assessment

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as auditor in a diligent and professional manner. During the year, the Audit Committee assessed the effectiveness of the current external audit process by assessing and discussing specific audit documentation presented to it in accordance with guidance issued by the Auditing Practices Board. The audit director is rotated every five years ensuring that objectivity and independence is not impaired. The current audit director assumed responsibility for the audit in 2014. KPMG LLP was appointed as auditor in October 2010, with their first audit for the year ended 31 December 2010. No tender for the audit of the Company has been undertaken since this date. As part of its review of the continuing appointment of the auditors, the Audit Committee considers the need to put the audit out to tender, its fees and independence from the Manager along with any matters raised during each audit.

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

Gordon Humphries

Audit Committee Chairman
24 April 2017

Directors' Remuneration Report

Introduction

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

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

Annual Statement from the Chairman of the Remuneration Committee.

The Board which is profiled on page 27 consists solely of non-executive directors and considers at least annually the level of the Board's fees.

Consideration by the Directors of matters relating to Directors' Remuneration

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

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

The Management Engagement & Remuneration Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards and members have access to independent advice where they consider it appropriate. During the year neither the Board nor the Management Engagement & Remuneration Committee has been provided with external advice or services by any person, but has received industry comparison information from the Manager in respect of the Directors' remuneration.

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

The Directors are not involved in deciding their own individual remuneration.

Remuneration policy

The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2016 were agreed during the year.

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

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

None of the Directors has a service contract but, under letters of appointment dated 29 September 1997 for Peter Dicks (and Board resolutions dated 9 March 2007 for Gordon Humphries, 30 July 2010 for John Gregory and 10 May 2016 for Jocelin Harris) may resign at any time. There are no set minimum notice periods and no compensation is payable to Directors leaving office. As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment but all Directors retire every year and may seek re-election.

It is the intention of the Board that the above remuneration policy will, subject to Shareholder approval, come into effect immediately following the Annual General Meeting of the Company on 23 May 2017 and will continue for the financial year ending 31 December 2017 and subsequent years.

Shareholders' views in respect of Directors' remuneration are communicated at the Company's Annual General Meeting and are taken into account in formulating the Directors' remuneration policy. At the last Annual General Meeting 92.3% of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing significant Shareholder support.

Retirement by rotation

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

P Dicks, J Gregory, J Harris, G Humphries	AGM 2017
P Dicks, J Gregory, J Harris, G Humphries	AGM 2018
P Dicks, J Gregory, J Harris, G Humphries	AGM 2019

Share Price total return

The graph on the following page charts the total shareholder return to 31 December 2016, on the hypothetical value of £100, invested by an Ordinary Shareholder since 1 January 2008, a Planned Exit Shareholder since 3 March 2010 or an Infrastructure Shareholder since February 2012. The return is compared to the total shareholder return on a notional investment of £100 in the FTSE AiM All-Share Index, which is considered an appropriate broad index against which to measure the Company's performance given that the profiles of many AiM companies being similar to those held by the Company.

Details of individual emoluments and compensation

The emoluments in respect of qualifying services of each person who served as a Director during the year and those forecast for the year ahead are shown on page 38. No Director has waived or agreed to waive any emoluments from the Company in either the current or previous year.

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

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

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

Directors' Remuneration Report continued

Directors

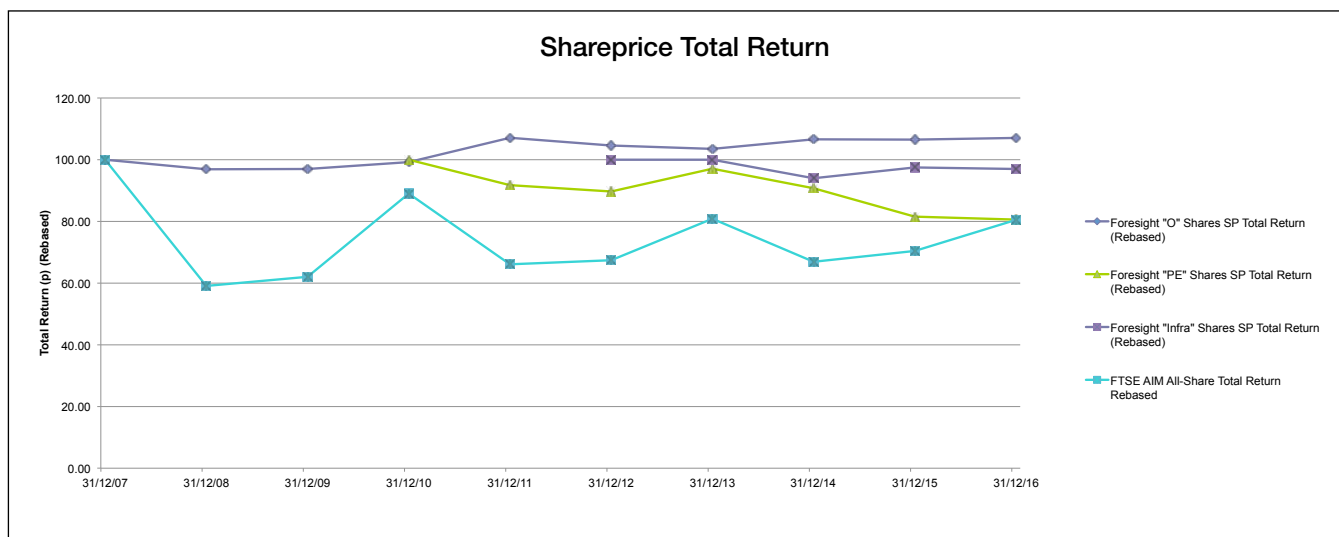
The Directors who held office during the year and their interests in the issued Ordinary Shares, Planned Exit Shares and Infrastructure Shares of 1p each of the Company were as follows:

	31 December 2016 Ordinary Shares	31 December 2016 Planned Exit Shares	31 December 2016 Infrastructure Shares	31 December 2015 Ordinary Shares	31 December 2015 Planned Exit Shares	31 December 2015 Infrastructure Shares
John Gregory (Chairman)	24,756	—	—	11,424	—	—
Peter Dicks	115,145	—	—	103,782	—	—
Gordon Humphries	12,633	—	—	9,224	—	—
Jocelin Harris	50,000	—	10,362	18,000	—	10,362

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

Post year end, John Gregory subscribed 12,064 Ordinary Shares and Gordon Humphries subscribed 3,619 Ordinary Shares based on an issue price of 83.3p. Additionally, John Gregory received 2,351 Ordinary Shares and Jocelin Harris received 3,192 Ordinary Shares through the dividend reinvestment scheme.

In accordance with the Articles of Association and the requirements of the UK Corporate Governance Code and the Board's policy, Mr Gregory, Mr Dicks, Mr Humphries and Mr Harris retire annually and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on page 27. The Board believes that Mr Gregory's, Mr Dicks', Mr Humphries' and Mr Harris' skills, experience and knowledge continue to complement each other and add value to the Company and recommends their re-election to the Board. None of the Directors has a contract of service with the Company.



Audited Information

The information below has been audited, with the exception of those fees forecasted for the year to 31 December 2017. See the Independent Auditors' Report on page 43.

	Unaudited Anticipated Directors' fees year ending 31 December 2017 (£)	Audited Directors' fees year ended 31 December 2016 (£)	Audited Directors' fees year ended 31 December 2015 (£)
John Gregory (Chairman)	30,000	29,125	28,250
Peter Dicks	22,500	21,750	21,000
Gordon Humphries	25,000	24,000	23,000
Jocelin Harris	22,500	21,750	727
Total	100,000	96,625	72,977

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

Votes cast for and against the Directors' Remuneration Report for the year ended 31 December 2015

Shares & Percentage of votes cast	Shares & Percentage of votes cast	Number of votes withheld
For	Against	
92.3%	7.7%	
12,269,035 votes	1,018,854 votes	582,023

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

	Year ended 31 December 2016	Year ended 31 December 2015
Dividends	£13,686,000	£4,797,000
Share buybacks	£991,000	£1,418,000
Total Shareholder distributions	£14,677,000	£6,215,000
Directors fees	£96,625	£72,977
Directors fees % of Shareholder distributions	0.7%	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. In addition to this, Resolution 3, which is seeking Shareholder approval for the Directors' Remuneration Policy, will, if approved, take effect from the AGM and will be valid for a period of three years unless renewed, varied or revoked by the Company at a general meeting.

This Directors' Remuneration Report was approved by the Board on 24 April 2017 and is signed on its behalf by Gordon Humphries (Director).

On behalf of the Board

Gordon Humphries

Director

24 April 2017

Statement of Directors' Responsibilities

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (which is delegated to Foresight Group and incorporated into their website). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

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

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

On behalf of the Board

John Gregory

Chairman

24 April 2017

Unaudited Non-Statutory Analysis of the Share Classes

Income Statements

for the year ended 31 December 2016

	Ordinary Shares Fund			Planned Exit Shares Fund			Infrastructure Shares Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised losses on investments	—	(2,651)	(2,651)	—	(51)	(51)	—	(560)	(560)
Investment holding gains	—	6,851	6,851	—	408	408	—	1,020	1,020
Income	1,412	—	1,412	68	—	68	1,436	—	1,436
Investment management fees	(451)	(1,351)	(1,802)	(9)	(27)	(36)	(74)	(223)	(297)
Other expenses	(436)	—	(436)	(19)	—	(19)	(141)	—	(141)
Return on ordinary activities before taxation	525	2,849	3,374	40	330	370	1,221	237	1,458
Taxation	(102)	170	68	(8)	5	(3)	(110)	45	(65)
Return on ordinary activities after taxation	423	3,019	3,442	32	335	367	1,111	282	1,393
Return per share	0.4p	2.8p	3.2p	0.3p	2.9p	3.2p	3.4p	0.9p	4.3p

Balance Sheets

at 31 December 2016

	Ordinary Shares Fund £'000	Planned Exit Shares Fund £'000	Infrastructure Shares Fund £'000
Fixed assets			
Investments held at fair value through profit or loss	66,151	2,541	23,525
Current assets			
Debtors	1,733	283	229
Money market securities and other deposits	30,901	75	—
Cash	8,454	60	2,847
	41,088	418	3,076
Creditors			
Amounts falling due within one year	(193)	(10)	(41)
Net current assets	40,895	408	3,035
Net assets	107,046	2,949	26,560
Capital and reserves			
Called-up share capital	1,280	114	324
Share premium account	96,071	2,095	14,375
Capital redemption reserve	431	3	1
Distributable reserve	5,247	1,705	11,591
Capital reserve	(3,770)	(362)	(1,116)
Revaluation reserve	7,787	(606)	1,385
Equity Shareholders' funds	107,046	2,949	26,560
Number of shares in issue	127,985,288	11,404,314	32,495,246
Net asset value per share	83.6p	25.9p	81.7p

At 31 December 2016 there was an inter-share debtor/creditor of £52,000 which has been eliminated on aggregation.

Unaudited Non-Statutory Analysis of the Share Classes

Reconciliations of Movements in Shareholders' Funds

for the year ended 31 December 2016

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Ordinary Shares Fund							
As at 1 January 2016	866	60,383	418	13,133	62	936	75,798
Share issues in the year	427	37,312	—	—	—	—	37,739
Expenses in relation to share issues*	—	(1,624)	—	—	—	—	(1,624)
Repurchase of shares	(13)	—	13	(939)	—	—	(939)
Realised losses on disposal of investments	—	—	—	—	(2,651)	—	(2,651)
Investment holding gains	—	—	—	—	—	6,851	6,851
Dividends	—	—	—	(7,370)	—	—	(7,370)
Management fees charged to capital	—	—	—	—	(1,351)	—	(1,351)
Tax credited to capital	—	—	—	—	170	—	170
Revenue return for the year	—	—	—	423	—	—	423
As at 31 December 2016	1,280	96,071	431	5,247	(3,770)	7,787	107,046

*Expenses in relation to share issues include adviser fees (£820,000) and promoters fees (£755,000) for the 2016 fund raise and trail commission in relation to prior year fund raises (£49,000).

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Planned Exit Shares Fund							
As at 1 January 2016	115	2,118	2	3,316	(289)	(1,014)	4,248
Trail commission in relation to prior year share issues	—	(23)	—	—	—	—	(23)
Repurchase of shares	(1)	—	1	(39)	—	—	(39)
Realised losses on disposal of investments	—	—	—	—	(51)	—	(51)
Investment holding gains	—	—	—	—	—	408	408
Dividends	—	—	—	(1,604)	—	—	(1,604)
Management fees charged to capital	—	—	—	—	(27)	—	(27)
Tax credited to capital	—	—	—	—	5	—	5
Revenue return for the year	—	—	—	32	—	—	32
As at 31 December 2016	114	2,095	3	1,705	(362)	(606)	2,949

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Infrastructure Shares Fund							
As at 1 January 2016	324	14,515	1	15,205	(378)	365	30,032
Trail commission in relation to prior year share issues	—	(140)	—	—	—	—	(140)
Repurchase of shares	—	—	—	(13)	—	—	(13)
Realised losses on disposal of investments	—	—	—	—	(560)	—	(560)
Investment holding gains	—	—	—	—	—	1,020	1,020
Dividends	—	—	—	(4,712)	—	—	(4,712)
Management fees charged to capital	—	—	—	—	(223)	—	(223)
Tax credited to capital	—	—	—	—	45	—	45
Revenue return for the year	—	—	—	1,111	—	—	1,111
As at 31 December 2016	324	14,375	1	11,591	(1,116)	1,385	26,560

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Foresight VCT plc for the year ended 31 December 2016 set out on pages 45 to 67. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2016):

Valuation of Unquoted Investments: £92.2m (2015: £92.2m)

Refer to page 35 (Audit Committee Report), pages 49 and 52 (accounting policy) and pages 57 to 58 and 61 to 66 (financial statements).

The risk: 67% of the Company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples, discounted cash flow measurements, and net assets. There is a significant risk over the valuation of these investments and this is one of the key judgemental areas that our audit focused on.

Our response: Our procedures included:

- Documenting and assessing the design and implementation of the investment valuation processes and controls.
- Assessing the investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determining whether they are indicative of bias or error in the Company's approach to valuations.
- Challenging the Investment Manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, challenging the appropriateness of the valuation basis selected as well as underlying assumptions, such as the choice of benchmark for earnings multiples and, where discounted cash flows were used to value any holding, the key assumptions used to produce the cash flow projections and the discount factor applied to those cash flow projections.

- Comparing key underlying financial data inputs to external sources, investee company audited accounts and management information, as applicable.
- Challenging the assumptions around the sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required.
- Where a recent transaction is used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether they were considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this report.
- Attending the year end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in Note 16 in respect of unquoted investments and the effect of changing one or more inputs to reasonable possible alternative valuation assumptions.

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

The materiality for the financial statements as a whole was set at £1.37m (2015: £1.11m). This was determined using a benchmark of Total Assets (of which it represents 1% (2015: 1%)).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £69,000 (2015: £56,000) in addition to other audit misstatements that warrant reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of the Manager, Foresight Group, The Shard, 32 London Bridge Street, London SE1 9SG.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the information given in the Corporate Governance Statement set out on pages 32 to 34 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures ("the specified Corporate Governance information") is consistent with the financial statements.

Independent Auditor's Report continued

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report, the Directors' Report and the Corporate Governance Statement:

- we have not identified material misstatements in the Strategic Report, the Directors' Report, or the specified Corporate Governance information;
- in our opinion, the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

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

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

- the directors' viability statement on page 26, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Company's continuing in operation over the 3 years to 31 December 2019; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 30, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 32 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants
15 Canada Square
London
E14 5GL
24 April 2017

Income Statement

for the year ended 31 December 2016

	Notes	Year ended 31 December 2016			Year ended 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised losses on investments		—	(3,262)	(3,262)	—	(8,649)	(8,649)
Investment holding gains		—	8,279	8,279	—	5,183	5,183
Income	2	2,916	—	2,916	1,561	—	1,561
Investment management fees	3	(534)	(1,601)	(2,135)	(319)	(958)	(1,277)
Other expenses	4	(596)	—	(596)	(616)	—	(616)
Return/(loss) on ordinary activities before taxation		1,786	3,416	5,202	626	(4,424)	(3,798)
Taxation	6	(220)	220	—	(52)	52	—
Return/(loss) on ordinary activities after taxation		1,566	3,636	5,202	574	(4,372)	(3,798)
Return/(loss) per share:							
Ordinary Share	8	0.4p	2.8p	3.2p	0.7p	(7.4)p	(6.7)p
Planned Exit Share	8	0.3p	2.9p	3.2p	(3.1)p	(4.4)p	(7.5)p
Infrastructure Share	8	3.4p	0.9p	4.3p	2.2p	0.7p	2.9p

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

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

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

The Notes on pages 49 to 67 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

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

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

The notes on pages 49 to 67 form part of these financial statements.

Balance Sheet

at 31 December 2016

Registered Number: 03421340

	Notes	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	92,217	92,237
Current assets			
Debtors	11	2,193	1,416
Money market securities and other deposits		30,976	14,888
Cash		11,361	2,881
		44,530	19,185
Creditors			
Amounts falling due within one year	12	(192)	(1,344)
Net current assets		44,338	17,841
Net assets		136,555	110,078
Capital and reserves			
Called-up share capital	13	1,718	1,305
Share premium account		112,541	77,016
Capital redemption reserve		435	421
Distributable reserve		18,543	31,654
Capital reserve		(5,248)	(605)
Revaluation reserve		8,566	287
Equity Shareholders' funds		136,555	110,078
Net asset value per share:			
Ordinary Share	14	83.6p	87.5p
Planned Exit Share	14	25.9p	36.8p
Infrastructure Share	14	81.7p	92.4p

The financial statements on pages 45 to 67 were approved by the Board of Directors and authorised for issue on 24 April 2017 and were signed on its behalf by:

John Gregory
Director

The notes on pages 49 to 67 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities		
Investment income received	2,768	1,762
Deposit and similar interest received	98	71
Investment management fees paid	(2,118)	(1,277)
Secretarial fees paid	(110)	(100)
Other cash payments	(848)	(340)
Net cash (outflow)/inflow from operating activities	(210)	116
Returns on investing activities		
Purchase of unquoted investments	(4,877)	(16,028)
Net proceeds on sale of investments	9,287	4,415
Net proceeds on deferred consideration	64	725
(Return)/receipt of cash held on behalf of investee companies	(548)	213
Net cash inflow/(outflow) from investing activities	3,926	(10,675)
Financing		
Proceeds of fund raising	36,028	18,936
Expenses of fund raising	(886)	(517)
Repurchase of own shares	(1,329)	(1,068)
Equity dividends paid	(12,961)	(4,690)
Movement in money market funds	(16,088)	(7,732)
Cash acquired on merger with Foresight 2 VCT plc	—	1,159
Net cash inflow from financing activities	4,764	6,088
Net inflow/(outflow) of cash in the year	8,480	(4,471)
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents for the year	8,480	(4,471)
Net cash and cash equivalents at start of year	2,881	7,352
Net cash and cash equivalents at end of year	11,361	2,881

Analysis of changes in net debt

	At 1 January 2016 £'000	Cash flow £'000	At 31 December 2016 £'000
Cash and cash equivalents	2,881	8,480	11,361

The notes on pages 49 to 67 form part of these financial statements.

Notes to the Accounts

for the year ended 31 December 2016

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in November 2014.

These financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

b) Assets held at fair value through profit or loss – investments

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

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

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines:

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

(i) Where a value is indicated by a material arm’s length transaction by an independent third party in the shares of a company, this value will be used.

(ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:

a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company’s historic, current or forecast pre-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Manager compared to the sector including, inter alia, a lack of marketability);

or

b) where a company’s underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after discussion with the Manager, will agree the values that reflect the extent to which a realised loss should be recognised. This is based upon an assessment of objective evidence of that investment’s future prospects, to determine whether there is potential for the investment to recover in value.

(iii) Premiums on loan stock investments are accrued at fair value when the Company has the right to receive the premium and expects to do so.

(iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow, a net asset valuation, or industry specific valuation benchmarks may be applied. An example of an industry specific valuation benchmark would be the application of a multiple to that company’s historic, current or forecast turnover (the multiple being based on data from comparable companies in the sector but with the resulting value being adjusted to reflect points of difference identified by the Manager including, inter alia, a lack of marketability).

Notes to the Accounts

for the year ended 31 December 2016

Accounting policies (continued)

c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's rights to receive payment are established and there is no reasonable doubt that payment will be received. Other income such as loan or deposit interest is included on an accruals basis. Redemption premiums are recognised on an effective interest rate basis where there is reasonable certainty that the redemption premiums will be paid. Where uncertainty exists they will be recognised on realisation of investment.

d) Expenses

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

Performance incentive payments will relate predominantly to the capital performance of the portfolio and will therefore be charged 100% to capital.

e) Financial instruments

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

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 using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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 using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

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

Cash and cash equivalents

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

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments 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.

1 Accounting policies (continued)

f) Taxation

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

g) Deferred taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. In accordance with FRS 102, paragraph 29.6, a provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes.

h) Capital reserves

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

(i) Realised

The following are accounted for in this reserve:

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

(ii) Revaluation reserve (unrealised capital reserve)

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

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

i) Investment recognition and derecognition

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

j) Cash and liquid resources

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

k) Business combinations

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

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

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

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

Notes to the Accounts

for the year ended 31 December 2016

1 Accounting policies (continued)

l) Critical accounting estimates and assumptions

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

(i) Fair value of investments

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

2 Income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loan stock interest	2,133	1,435
Dividends	685	55
Overseas based Open Ended Investment Companies ("OEICs")	98	71
	2,916	1,561

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

3 Investment management fees

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Investment management fees charged to the revenue account	534	319
Investment management fees charged to the capital account	1,601	958
	2,135	1,277

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

Foresight Group has received an annual management fee of 2% of the net assets of the Ordinary Shares fund (adjusted to reflect quoted investments at mid-market prices), 1% of the net assets of the Planned Exit Shares fund and 1% of the net assets of the Infrastructure Shares fund in the year ended 31 December 2016. The annual management fees are calculated and payable quarterly in advance. Following the launch of the current offer on 8 March 2017 the Manager agreed to lower its annual management fee for the Ordinary Shares fund to 1% in respect of any cash above £20 million held within the fund. This reduced rate will be reviewed by the Board on an annual basis.

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

Foresight Fund Managers Limited is the Company Secretary and received annual fees for the services provided of £110,000 (2015: £100,000), excluding VAT.

4 Other expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Accounting and secretarial services excluding VAT	110	100
Directors' remuneration including employer's National Insurance contributions	103	78
Auditor's remuneration excluding VAT		
– audit services	34	32
– taxation services	–	6
Taxation services	2	–
Merger costs	39	225
Other	308	175
	596	616

5 Directors' remuneration

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
John Gregory	29	28
Peter Dicks	22	21
Gordon Humphries	24	23
Jocelin Harris	22	1
	97	73
Employers' NIC on above as appropriate	6	5
	103	78

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

Further details of Directors' interests are given on page 38.

Notes to the Accounts

for the year ended 31 December 2016

6 Tax on ordinary activities

Analysis of charge in the year:

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	220	(220)	—	52	(52)	—
Total current tax	220	(220)	—	52	(52)	—
Deferred tax	—	—	—	—	—	—
Total tax	220	(220)	—	52	(52)	—

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Total return/(loss) on ordinary activities before taxation	5,202	(3,798)
Corporation tax at 20.00% (2015: 20.25%)	1,040	(769)
Capital realised losses not relieviable	652	1,751
Capital unrealised gains not taxable	(1,655)	(1,050)
Movement in unutilised expenses	100	79
Dividends not taxable	(137)	(11)
Total tax charge for the year	—	—

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015. This resulted in a weighted average rate of 20.25% for the year ended 31 December 2015. Further reductions to the UK Corporation tax rate were substantively enacted in Finance (No 2) Bill 2015, reducing the main rate to 19% from 1 April 2017. On 16 March 2016 the Chancellor announced further reductions to the UK Corporation tax rate from April 2020 to 17%.

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

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

A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised. There is an unrecognised deferred tax asset of approximately £795,000 (2015: £709,000).

7 Dividends

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Ordinary Shares		
Dividends — paid in the year	7,370	3,022
Planned Exit Shares		
Dividends — paid in the year	1,604	1,361
Infrastructure Shares		
Dividends — paid in the year	4,712	414

The Board is not recommending a final dividend for the Ordinary Shares fund for the year ended 31 December 2016 (2015: £nil). An interim dividend of 5.0p per Ordinary Share for the year ended 31 December 2016 was paid on 3 April 2017 (2015: 7.0p).

The Board is not recommending a final dividend for the Planned Exit Shares fund for the year ended 31 December 2016 (2015: £nil).

The Board is not recommending a final dividend for the Infrastructure Shares fund for the year ended 31 December 2016 (2015: £nil).

As at 31 December 2016, reserves available for dividend distribution total £13,295,000 (2015: £31,049,000) comprising the revenue, capital and distributable reserves, less the net unrealised loss on those investments whose prices are quoted in an active market and deemed readily realisable.

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

8 Return per share

	Year ended 31 December 2016			Year ended 31 December 2015		
	Ordinary Share £'000	Planned Exit Share £'000	Infrastructure Share £'000	Ordinary Share £'000	Planned Exit Share £'000	Infrastructure Share £'000
Total return after taxation	3,442	367	1,393	(3,823)	(472)	497
Total return per share (note a)	3.2p	3.2p	4.3p	(6.7)p	(7.5)p	2.9p
Revenue return from ordinary activities after taxation	423	32	1,111	391	(197)	380
Revenue return per share (note b)	0.4p	0.3p	3.4p	0.7p	(3.1)p	2.2p
Capital return from ordinary shares after taxation	3,019	335	282	(4,214)	(275)	117
Capital return per share (note c)	2.8p	2.9p	0.9p	(7.4)p	(4.4)p	0.7p
Weighted average number of shares in issue in the year	109,561,757	11,488,663	32,502,653	56,855,338	6,256,492	17,169,610

Notes:

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

Notes to the Accounts

for the year ended 31 December 2016

9 Acquisitions of businesses

Acquisition in the prior year

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

Effect of acquisition

The acquisition in 2015 had the following effect on the Company's assets and liabilities:

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

Total cost of business combination:

Consideration paid:

Consideration shares issued	42,107
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Total consideration	42,107
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Goodwill on acquisition	—
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Included in the Income Statement for the year ended 31 December 2015 is £20,000 in income from the portfolio companies acquired from Foresight 2 VCT plc, less £145,000 in income written off against underperforming investments at the year end. The loss attributable to Foresight 2 VCT plc for the period since the acquisition to 31 December 2015 totalled £143,000.

There were no acquisitions in the year ended 31 December 2016.

10 Investments

Company	2016 £'000	2015 £'000
Quoted investments	54	47
Unquoted investments	92,163	92,190
	92,217	92,237

Company	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2016	44	92,105	92,149
Investment holding gains	3	85	88
Valuation at 1 January 2016	47	92,190	92,237
Movements in the year:			
Purchases at cost	—	4,877	4,877
Disposal proceeds	(5)	(9,282)	(9,287)
Realised gains/(losses)*	1	(3,327)	(3,326)
Investment holding gains**	11	7,705	7,716
Valuation at 31 December 2016	54	92,163	92,217
Book cost at 31 December 2016	40	84,373	84,413
Investment holding gains	14	7,790	7,804
Valuation at 31 December 2016	54	92,163	92,217

Ordinary Shares Fund	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2016	44	57,331	57,375
Investment holding gains	3	734	737
Valuation at 1 January 2016	47	58,065	58,112
Movements in the year:			
Purchases at cost	—	4,877	4,877
Disposal proceeds	(5)	(668)	(673)
Realised gains/(losses)*	1	(2,703)	(2,702)
Investment holding gains**	11	6,526	6,537
Valuation at 31 December 2016	54	66,097	66,151
Book cost at 31 December 2016	40	58,837	58,877
Investment holding gains	14	7,260	7,274
Valuation at 31 December 2016	54	66,097	66,151

*Deferred consideration of £51,000 was received by the Ordinary Shares fund in the year and is included within realised losses in the income statement. This was offset by a decrease in the deferred consideration debtor of £50,000.

** Deferred consideration of £364,000 was recognised in the year and is included in investment holding gains in the income statement.

Notes to the Accounts

for the year ended 31 December 2016

10 Investments (continued)

	Quoted £'000	Unquoted £'000	Total £'000
Planned Exit Shares Fund			
Book cost as at 1 January 2016	—	4,836	4,836
Investment holding losses	—	(1,014)	(1,014)
Valuation at 1 January 2016	—	3,822	3,822
Movements in the year:			
Disposal proceeds	—	(1,376)	(1,376)
Realised losses*	—	(64)	(64)
Investment holding gains**	—	159	159
Valuation at 31 December 2016	—	2,541	2,541
Book cost at 31 December 2016	—	3,396	3,396
Investment holding losses	—	(855)	(855)
Valuation at 31 December 2016	—	2,541	2,541

* Deferred consideration of £13,000 was received by the Planned Exit Shares fund in the year and is included within realised losses in the income statement.

** A deferred consideration debtor of £249,000 was recognised in the year and is included in investment holding gains in the income statement.

	Quoted £'000	Unquoted £'000	Total £'000
Infrastructure Shares Fund			
Book cost as at 1 January 2016	—	29,938	29,938
Investment holding gains	—	365	365
Valuation at 1 January 2016	—	30,303	30,303
Movements in the year:			
Disposal proceeds	—	(7,238)	(7,238)
Realised losses	—	(560)	(560)
Investment holding gains	—	1,020	1,020
Valuation at 31 December 2016	—	23,525	23,525
Book cost at 31 December 2016	—	22,140	22,140
Investment holding gains	—	1,385	1,385
Valuation at 31 December 2016	—	23,525	23,525

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.

11 Debtors

	2016 £'000	2015 £'000
Accrued interest	1,185	1,134
Deferred consideration	823	261
Prepayments	19	21
Allotment debtor*	166	—
	2,193	1,416

* Balance owed from the Company's receiving agent for the allotment dated 23 December 2016. This was received in January 2017.

12 Creditors: amounts failing due within one year

	2016 £'000	2015 £'000
Accruals and other creditors	192	1,344
	192	1,344

13 Called-up share capital

	2016 £'000	2015 £'000
Allotted, called-up and fully paid:		
127,985,288 Ordinary Shares of 1p each (2015: 86,593,790)	1,280	866
11,404,314 Planned Exit Shares of 1p each (2015: 11,527,087)	114	115
32,495,246 Infrastructure Shares of 1p each (2015: 32,510,224)	324	324

Share Issues and Share Buybacks

Under an offer for subscription dated 18 January 2016, 41,765,910 Ordinary Shares were issued during the year, based on net values ranging from 80.5p to 88.0p per share.

On 4 April 2016 the Company allotted 948,272 Ordinary Shares under the Company's Dividend Reinvestment Scheme at 81.0p per share.

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

As part of the Company's buyback programme, during the period, 1,322,684 Ordinary Shares were purchased for cancellation at a cost of £939,000, 122,773 Planned Exit Shares for cancellation at a cost of £39,000, and 14,978 Infrastructure Shares for cancellation at a cost of £13,000.

	Ordinary Shares No.	Planned Exit Shares No.	Infrastructure Shares No.
At 1 January 2016	86,593,790	11,527,087	32,510,224
Share issues	41,765,910	—	—
Dividend reinvestment	948,272	—	—
Share buybacks	(1,322,684)	(122,773)	(14,978)
At 31 December 2016	127,985,288	11,404,314	32,495,246

Notes to the Accounts

for the year ended 31 December 2016

14 Net asset value per share

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

	31 December 2016			31 December 2015		
	Ordinary Shares Fund	Planned Exit Shares Fund	Infrastructure Shares Fund	Ordinary Shares Fund	Planned Exit Shares Fund	Infrastructure Shares Fund
Net assets	£107,046,000	£2,949,000	£26,560,000	£75,798,000	£4,248,000	£30,032,000
No. of shares at year end	127,985,288	11,404,314	32,495,246	86,593,790	11,527,087	32,510,224
Net asset value per share	83.6p	25.9p	81.7p	87.5p	36.8p	92.4p

15 Co-investment and performance incentive arrangements

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

Co-investment

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

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

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

Performance Incentive

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

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

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

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

Should both of the above hurdles be met, the Manager will receive a fee equal to 20% of the amount by which the cash proceeds received by the Company exceed the Investment Growth Hurdle.

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

No performance fees have been paid or were accrued as due during the year.

16 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 31 December 2016:

	Company	
	2016 (Fair value) £'000	2015 (Fair value) £'000
Investment portfolio	92,217	92,237
Current asset investments (money market funds)	30,976	14,888
Cash at bank	11,361	2,881
	134,554	110,006

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

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

The investment portfolio has a high concentration of risk towards small UK-based companies, the majority being unquoted sterling denominated equity and loan stock holdings (67.5% of net assets).

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

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

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

Interest rate risk

The fair value of the Company's fixed rate securities and the net revenue generated from the Company's floating rate securities may be affected by interest rate movements. Investments are often in early stage businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate investments, it may not be possible to reinvest in assets which provide the same rates as those currently held. When making investments of an equity and debt nature, consideration is given during the structuring process to the potential implications of interest rate risk and the resulting investment is structured accordingly. The maximum exposure to interest rate risk was £59,896,000 at 31 December 2016 (31 December 2015: £50,666,000).

Notes to the Accounts

for the year ended 31 December 2016

16 Financial instrument risk management (continued)

	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£'000	£'000	%	%	Days	Days
Company Portfolio						
Short-term securities						
— exposed to fixed interest rate risk	30,976	14,888	0.3	0.4	—	—
Loan stock						
— exposed to fixed interest rate risk	28,421	35,117	10.5	10.8	812	994
Loan stock						
— exposed to variable interest rate risk	499	661	10.0	8.6	—	—
Total exposed to interest rate risk	59,896	50,666				
Cash	11,361	2,881	0.3	0.5	—	—
Total	71,257	53,547				

	Total portfolio	
	31 December 2016	31 December 2015
	£'000	£'000
Maturity analysis:		
— in one year or less	53,434	25,738
— in more than one year but no more than two years	836	5,949
— in more than two years but no more than three years	4,125	4,193
— in more than three years but no more than four years	11,662	6,005
— in more than four years but no more than five years	1,200	11,662
Total	71,257	53,547

The benchmark rate, which determines the interest payments received on cash and loan balances held, is the bank base rate which was 0.25% at 31 December 2016 (0.5% at 31 December 2015).

Credit risk

Credit risk is the risk of failure by counterparties to deliver securities which the Company has paid for, or the failure by counterparties to pay for securities which the Company has delivered. The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. The Board manages credit risk in respect of the current asset investments and cash by ensuring a spread of such investments in separate money market funds such that none exceed 15% of the Company's total investment assets. These money market funds are all triple A rated or investment grade funds, and so credit risk is considered to be low. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk. The maximum exposure to credit risk at 31 December 2016 was £73,450,000 (31 December 2015: £54,963,000) based on cash, money market funds and other receivables (amounts due on investments, dividends and interest). The majority of the Company's assets are held in its own name in certificated form and therefore custodian default risk is negligible.

16 Financial instrument risk management (continued)

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

	Company	
	2016 £'000	2015 £'000
Loan stocks	28,920	35,778
Current asset investments (money market funds)	30,976	14,888
Cash at bank	11,361	2,881
Other debtors	2,193	1,416
Total	73,450	54,963

Valuation Risk

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

The investments in equity and fixed interest stocks of unquoted companies are rarely traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts. Investments are valued in accordance with IPEVC valuation guidelines, cost and various fair valuation methodologies and thus are susceptible to changes in the inputs and assumptions in the valuation models. The potential maximum exposure to market price risk, being the value of the investment portfolio as at 31 December 2016 is £92,217,000 (31 December 2015: £92,237,000).

Liquidity risk

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

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

Sensitivity analysis

Equity price sensitivity

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

All of the investments made by the Manager in unquoted companies, irrespective of the instruments the Company actually holds (whether shares or loan stock), carry a full equity risk in practice, even though some of the loan stocks may be secured on assets (and 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 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% (2015: 15%) movement in valuation, which might in part be caused by changes in interest rate levels, but it is not considered practical to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

Notes to the Accounts

for the year ended 31 December 2016

16 Financial instrument risk management (continued)

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

	2016 Return and net assets	2015 Return and net assets
If overall price fell by 15% (2015: 15%), with all other variables held constant — decrease (£'000)	(13,833)	(13,836)
Decrease in net asset value (in pence)	(8.05)p	(10.59)p

	2016 Return and net assets	2015 Return and net assets
If overall price increased by 15% (2015: 15%), with all other variables held constant — increase (£'000)	13,833	13,836
Increase in net asset value (in pence)	8.05p	10.59p

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

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

For each class of fair valued instruments, if changing one or more of the inputs or reasonably possible alternative assumptions would change the fair value significantly, FRS 102 requires an entity to state the fact and disclose the effect of those charges.

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

Interest rate sensitivity

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

	2016 Return and net assets	2015 Return and net assets
If variable interest rates were 1% lower, with all other variables held constant — decrease (£'000)	(5)	(7)
Decrease in earnings, and net asset value, per Share (in pence)	(0.00)p	(0.01)p
If variable interest rates were 1% higher, with all other variables held constant — increase (£'000)	5	7
Increase in earnings, and net asset value, per Share (in pence)	0.00p	0.01p

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

16 Financial instrument risk management (continued)

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

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

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

The significant assumptions used in the fair value measurement, together with a quantitative sensitivity analysis as at 31 December 2016, are set out below. Please note, this sensitivity analysis only refers to the impact of changes in key inputs and assumptions on the valuation of the Solar and PFI investments held in the Infrastructure Shares fund, which constitute 25% of the Company's portfolio.

Solar investments

The discounted cash flow valuations of the solar assets form 45% of the Infrastructure Shares fund portfolio.

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

Discount rate sensitivity

The range of discount rates used is 6.5% - 7.5%. The Directors do not expect to see a significant short term change in the discount rates applied within the solar infrastructure sector. Therefore a variance of +/- 0.50% is considered reasonable given the current risk profile of the Infrastructure Shares fund.

	-0.50%	-0.25%	Base	+0.25%	+0.50%
Directors DCF Valuation (£m)*	10.9	10.7	10.5	10.3	10.1

* Not including cash held in holding company investments

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

PFI investments

The discounted cash flow valuations of the PFI assets form 55% of the Infrastructure Shares fund portfolio. The PFI assets include schools and hospitals.

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

Discount rate sensitivity

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

	-0.50%	-0.25%	Base	+0.25%	+0.50%
Directors DCF Valuation (£m)*	14.0	13.5	13.0	12.6	12.2

* Not including cash held in holding company investments

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

Notes to the Accounts

for the year ended 31 December 2016

16 Financial instrument risk management (continued)

Fair value hierarchy

In accordance with amendments to FRS 102 paragraph 11.27, the following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

Company

	Level 1	Level 2	Level 3	Total
As at 31 December 2016	£'000	£'000	£'000	£'000
Quoted investments	54	—	—	54
Unquoted investments	—	—	92,163	92,163
Current asset investments (money market funds)	30,976	—	—	30,976
Financial assets	31,030	—	92,163	123,193

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

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

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

Year ended 31 December 2016

	Company Level 3 £'000
Valuation brought forward at 1 January 2016	92,190
Purchases	4,877
Disposal proceeds	(9,282)
Realised losses	(3,327)
Investment holding gains	7,705
Valuation carried forward at 31 December 2016	92,163

Transfers

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

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

17 Contingent assets and liabilities

At 31 December 2016 the Company had a contingent asset of £28,000 (2015: £120,000) relating to deferred consideration on the sale of an investment, receipt of which is considered probable but not virtually certain.

There were no contingent liabilities as at 31 December 2016 (2015: £nil).

18 Management of capital

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

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

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

19 Post-balance sheet event

Foresight VCT plc announced a £20 million prospectus offer on 2 February 2017 which was subsequently increased by a further £20 million. The Company made the following issues of Ordinary Shares of 1p each post year-end:

Date	Ordinary Shares	NAV to calculate issue price
13 March 2017	18,132,489	83.3p
17 March 2017	24,433,588	83.3p
31 March 2017	2,131,874	78.3p
7 April 2017	1,490,150	78.3p
	46,188,101	

The offer was closed to new applications on 20 March 2017 and ended on 7 April 2017.

A total of 1,878,571 Ordinary Shares were issued under the Dividend Reinvestment Scheme.

Date	Ordinary Shares	NAV to calculate issue price
5 April 2017	1,878,571	78.3p
	1,878,571	

20 Related party transactions

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

21 Transactions with the manager

Foresight Group CI Limited, which acts as manager to the Company in respect of all its investments, earned fees of £2,135,000 during the year (2015: £1,277,000). Foresight Fund Managers Limited, Company Secretary, received fees excluding VAT of £110,000 (2015: £100,000) during the year.

At the balance sheet date, there was £17,000 (2015: £nil) due to Foresight Group CI Limited and £nil (2015: £nil) due to Foresight Fund Managers Limited. No amounts have been written off in the year in respect of debts due to or from the related parties.

Shareholder Information

Dividends

Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Mandates can be obtained by telephoning the Company's registrar, Computershare Investor Services PLC (see back cover for details).

Share price

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

Investor Centre

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

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

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

Trading shares

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

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

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

Financial Conduct Authority

Beware of share fraud



Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

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

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**.

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

Indicative financial calendar

August 2017	Announcement of Interim Results for the six months ending 30 June 2017
April 2018	Announcement of annual results for the year ending 31 December 2017
April 2018	Posting of the Annual Report for the year ending 31 December 2017
May 2018	Annual General Meeting

Open invitation to meet the Manager

As part of our investor communications policy, Shareholders can arrange a mutually convenient time to come and meet the Company's investment management team at Foresight Group. If you are interested please call Foresight Group (see details below).

Enquiries

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

Telephone: 020 3667 8159

Fax: 020 3031 1383

e-mail: InvestorRelations@foresightgroup.eu

website: www.foresightgroup.eu

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



Notice of Annual General Meeting

Order of Events

10.00am	Portfolio company presentations
10.30am	Manager presentation
Immediately following the Manager presentation	Formal business of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight VCT plc (“the Company”) will be held on 23 May 2017 at 10.00am 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 2016.
- Resolution 2 To approve the Directors’ Remuneration Report.
- Resolution 3 To approve the Directors’ Remuneration Policy.
- Resolution 4 To re-elect Peter Dicks as a director.
- Resolution 5 To re-elect John Gregory as a director.
- Resolution 6 To re-elect Gordon Humphries as a director.
- Resolution 7 To re-elect Jocelin Harris as a director.
- Resolution 8 To re-appoint KPMG LLP as auditors and to authorise the directors to fix the auditor’s remuneration.
- Resolution 9 That, in addition to the authority granted pursuant to Resolution 1 passed at the general meeting of the Company on 8 March 2017, but in substitution for all other existing authorities, the directors be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (“Rights”):
- (i) in respect of the ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”), up to an aggregate nominal amount of £105,000;
 - (ii) in respect of the planned exit shares of 1p each in the capital of the Company (“Planned Exit Shares”), up to an aggregate nominal amount of £12,000; and
 - (iii) in respect of the infrastructure shares of 1p each in the capital of the Company (“Infrastructure Shares”), up to an aggregate nominal amount of £33,000,
- in each case provided that this authority shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the date of passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired.
- Resolution 10 That, in addition to the authority granted pursuant to Resolution 2 passed at the general meeting of the Company held on 8 March 2017, but in substitution for all other existing authorities, the directors be and they are empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 9 above or by way of a sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £200,000 by way of an issue of Ordinary Shares and/or £100,000 by way of an issue of Planned Exit Shares and/or £100,000 by way of an issue of Infrastructure Shares, in each case pursuant to offer(s) for subscription;

Notice of Annual General Meeting

- (b) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued Ordinary Share capital of the Company from time to time pursuant to dividend investment schemes operated by the Company at a subscription price per Ordinary Share which may be less than the net asset value per Ordinary Share, as may be prescribed by the scheme terms;
- (c) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £100,000 by way of an issue of Ordinary Shares (which may be at a subscription price per Ordinary Share which is less than the net asset value per Ordinary Share) and/or £100,000 by way of an issue of Planned Exit Shares (such shares to be issued at nominal value) and/or £100,000 by way of an issue of Infrastructure Shares (such shares to be issued at nominal value), in each case pursuant to performance incentive arrangements with Foresight Group CI Limited and Foresight Group LLP (as applicable); and
- (d) the allotment (otherwise than pursuant to sub-paragraphs (a) to (c) of this resolution) to any person or persons of equity securities with an aggregate nominal amount of up to but not exceeding 10% of the issued Ordinary Share capital from time to time and/or 10% of the issued Planned Exit Share capital from time to time and/or 10% of the issued Infrastructure Share capital from time to time

in each case where the proceeds may be used in whole or part to purchase shares in the capital of the Company, and shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2018, or, if earlier, on the date falling 15 months after the passing of this resolution save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred hereby had not expired.

Resolution 11

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

- (i) the aggregate number of Ordinary Shares to be purchased shall not exceed 26,390,189 Ordinary Shares or, if lower, such number of Ordinary Shares (rounded down to the nearest whole share) as shall equal 14.99% of the Ordinary Shares in issue at the date of passing this resolution;
- (ii) the aggregate number of Planned Exit Shares to be purchased shall not exceed 1,709,507 Planned Exit Shares or, if lower, such number of Planned Exit Shares (rounded down to the nearest whole Planned Exit Share) as shall equal 14.99% of the Planned Exit Shares in issue at the date of passing of this resolution;
- (iii) the aggregate number of Infrastructure Shares to be purchased shall not exceed 4,871,037 Infrastructure Shares or, if lower, such number of Infrastructure Shares (rounded down to the nearest whole Infrastructure Share) as shall equal 14.99% of the Infrastructure Shares in issue at the date of passing of this resolution;
- (iv) the minimum price which may be paid for an Ordinary Share, Planned Exit Share or Infrastructure Share (as the case may be) is 1 pence (in each case the nominal value thereof);
- (v) the maximum price which may be paid for an Ordinary Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for an Ordinary Share taken from the London Stock Exchange daily list for the five working days immediately preceding the day on which the Ordinary Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (vi) the maximum price which may be paid for a Planned Exit Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for a Planned Exit Share, taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Planned Exit Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
- (vii) the maximum price which may be paid for an Infrastructure Share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for an Infrastructure Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Infrastructure Shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;



Notice of Annual General Meeting

- (viii) the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2018 or, if earlier, on the date falling 15 months after the passing of this resolution;
- (ix) the Company may make a contract to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to such contract;
- (x) the Company may make a contract to purchase Planned Exit Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Planned Exit Shares pursuant to such contract; and
- (xi) the Company may make a contract to purchase Infrastructure Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Infrastructure Shares pursuant to such contract.

By order of the Board

Foresight Fund Managers Limited

Company Secretary
24 April 2017

The Shard
32 London Bridge Street
London
SE1 9SG

Notice of Annual General Meeting

Notes:

1. No Director has a service contract with the Company. Directors' appointment letters with the Company will be available for inspection at the registered office of the Company until the time of the meeting and from 15 minutes before the meeting at the location of the meeting, as well as at the meeting.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. As at 24 April 2017 (being the last business day prior to the publication of this notice), the Company's issued share capital was 219,951,520 shares, comprising 176,051,960 Ordinary Shares, 11,404,314 Planned Exit Shares and 32,495,246 Infrastructure Shares carrying one vote each. Therefore, the total voting rights in the Company as at 24 April 2017 was 219,951,520.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. The Register of Directors' Interests will be available for inspection at the meeting.
10. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.foresightgroup.eu.
11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
12. A form of proxy and reply paid envelope is enclosed. To be valid, it should be lodged with the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received no later than 48 hours (excluding non-working days) before time appointed for holding the meeting or any adjourned meeting. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
13. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information or the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
14. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website and the statement may be dealt with as part of the business of the meeting.



Notice of Separate Meeting of Ordinary Shareholders

Notice is hereby given that a separate meeting of the holders of ordinary shares of 1p each in the capital of Foresight VCT plc ("the Company") will be held on 23 May 2017 at 10.10am (or as soon thereafter as the annual general meeting of the Company convened for 10.00am on that day has been concluded or adjourned) at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution.

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

- a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable) set out in the notice of annual general meeting of the Company convened for 10.00am on 23 May 2017 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Ordinary Shares; and
- b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may, result from the passing and carrying into effect of the said resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to such Ordinary Shares.

By order of the Board

The Shard
32 London Bridge Street
London
SE1 9SG

Foresight Fund Managers Limited
Company Secretary

24 April 2017

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. A reply-paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Ordinary Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking the poll. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
5. As at 24 April 2017 (being the last business day prior to the publication of this notice), the issued share capital of the Ordinary Shares fund was 176,051,960 shares, carrying one vote each. Therefore, the total voting rights in the Ordinary Shares fund as at 24 April 2017 was 176,051,960 Ordinary Shares.

Notice of Separate Meeting of Ordinary Shareholders

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Ordinary Shares present in person or by proxy holding not less than one-third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 24 May 2017 at 9.00am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Ordinary Shares present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.

Notice of Separate Meeting of Planned Exit Shareholders

Notice is hereby given that a separate meeting of the holders of planned exit shares of 1p each in the capital of Foresight VCT plc ("the Company") will be held on 23 May 2017 at 10.15am (or as soon thereafter as the separate meeting of the holders of ordinary shares of 1p each in the capital of the Company convened for 10.10am on that day has been concluded or adjourned) at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution.

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

a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable) set out in the notice of annual general meeting of the Company convened for 10.00am on 23 May 2017 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Planned Exit Shares; and

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

By order of the Board

The Shard
32 London Bridge Street
London
SE1 9SG

Foresight Fund Managers Limited

Company Secretary

24 April 2017

Notes:

- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
- A reply paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Planned Exit Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking a poll. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
- As at 24 April 2017 (being the last business day prior to the publication of this notice), the issued share capital of the Planned Exit Shares fund was 11,404,314 shares, carrying one vote each. Therefore, the total voting rights in the Planned Exit Shares fund as at 24 April 2017 was 11,404,314 Planned Exit Shares.

Notice of Separate Meeting of Planned Exit Shareholders

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Planned Exit Shares present in person or by proxy holding not less than one-third of the paid up Planned Exit Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 24 May 2017 at 9.05am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Planned Exit Shares present in person or by proxy shall be a quorum regardless of the number of Planned Exit Shares held.



Notice of Separate Meeting of Infrastructure Shareholders

Notice is hereby given that a separate meeting of the holders of Infrastructure shares of 1p each in the capital of Foresight VCT plc (“the Company”) will be held on 23 May 2017 at 10.20am (or as soon thereafter as the separate meeting of the holders of Planned Exit shares of 1p each in the capital of the Company convened for 10.15am on that day has been concluded or adjourned) at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution.

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

a) the passing and carrying into effect of resolutions 9 and 11 (as ordinary and special resolutions of the Company, as applicable, set out in the notice of annual general meeting of the Company convened for 10.00am on 23 May 2017 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification) to the extent that such ordinary and special resolutions relate to Infrastructure Shares; and

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

By order of the Board

The Shard
32 London Bridge Street
London
SE1 9SG

Foresight Fund Managers Limited
Company Secretary
24 April 2017

Notes:

- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days (excluding non-working days) before the day of the meeting or adjourned meeting. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 703 6388. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
- A reply paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Infrastructure Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking a poll. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
- As at 24 April 2017 (being the last business day prior to the publication of this notice), the issued share capital of the Infrastructure Shares fund was 32,495,246 shares, carrying one vote each. Therefore, the total voting rights in the Infrastructure Shares fund as at 24 April 2017 was 32,495,246 Infrastructure Shares.

Notice of Separate Meeting of Infrastructure Shareholders

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Infrastructure Shares present in person or by proxy holding not less than one-third of the paid up Infrastructure Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 24 May 2017 at 9.10am at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG or as soon thereafter as may be arranged and at such adjourned meeting the holders of Infrastructure Shares present in person or by proxy shall be a quorum regardless of the number of Infrastructure Shares held.

Corporate Information

Directors

John Gregory (Chairman)
Peter Dicks
Jocelin Harris
Gordon Humphries

Company Secretary

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32 London Bridge Street
London
SE1 9SG

Manager

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Guernsey
GY1 4EU

Auditor

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15 Canada Square
London
E14 5GL

Solicitors and VCT Status Advisers

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

Registrar

Computershare Investor Services PLC
The Pavilions
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BS99 6ZZ

Market Maker

Panmure Gordon & Co
One New Change
London
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Banker

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Registered Number

03421340

Contact Numbers

Registrar's Shareholder Helpline
— Computershare (0370 703 6388)
General and Portfolio Queries
— Foresight Group (0203 667 8159)



Foresight VCT plc

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