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COMPANIES HOUSE

Annual Report and Accounts
for the year ended 31 March 2014

Foresight 3 VCT plc
Company number: 03121772

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Important information: the Company currently conducts its affairs so that the shares issued by Foresight 3 VCT plc can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream 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 investment products because they are shares in a VCT.

Highlights

Financial Highlights

	Year ended 31 March 2014	Year ended 31 March 2013
Net asset value per Ordinary Share	74.2p	75.2p
Share price per Ordinary Share	62.5p	65.5p

Dividend History

Dividends paid since Foresight Group's appointment as manager.

Year ended	Dividend paid
31 March 2007*	2.2p
31 March 2008*	11.0p
31 March 2009*	5.5p
31 March 2010	5.0p
31 March 2011	5.0p
31 March 2012	2.5p
31 March 2014	2.0p
	33.2p

* Dividend amounts adjusted to reflect share reconstruction following the Ordinary Share and C Share conversion on 24 July 2009.

Cash Returned to Ordinary Shareholders

The table below shows the cash returned to shareholders dependent on their subscription cost, including income tax reclaimed on subscription and dependent on the year the investment was made.

Fundraising Round [1]	Subscription price (p)	Income tax reclaimed (p)	Net Asset Value at 31 March 2014 (p)	Cumulative dividends paid since fundraising (p)	NAV plus cumulative dividends paid (p)	Subscription price plus cumulative dividends paid since fundraising (p)
Ordinary Shares year ended 2005	84.7	33.9	74.2	31.5	105.7	116.2
Ordinary Shares year ended 2006	84.7	33.9	74.2	31.5	105.7	116.2
Ordinary Shares year ended 2007	–	–	74.2	31.5	105.7	31.5
Ordinary Shares year ended 2008	112.0	33.6	74.2	29.5	103.7	141.5
Ordinary Shares year ended 2009	104.0	31.2	74.2	19.5	93.7	123.5
Ordinary Shares year ended 2010	106.0	31.8	74.2	14.5	88.7	120.5
Ordinary Shares year ended 2011	109.0	32.7	74.2	9.5	83.7	118.5
Ordinary Shares year ended 2012	103.0	30.9	74.2	4.5	78.7	107.5
Ordinary Shares year ended 2013	78.7	23.6	74.2	2.0	76.2	80.7
Ordinary Shares year ended 2014	83.0	24.9	74.2	2.0	76.2	85.0

Cash Returned to C Shareholders

Fundraising Round [1]	Subscription price (p)	Income tax reclaimed (p)	Net Asset Value at 31 March 2014 (p)	Cumulative dividends paid since fundraising (p)	NAV plus cumulative dividends paid (p)	Subscription price plus cumulative dividends paid since fundraising (p)
C Shares year ended 2009	62.3	18.7	74.2	7.3	81.5	69.6
C Shares year ended 2010	54.0	16.2	74.2	7.3	81.5	61.3

The current value of a C Share would equate to a Net Asset Value per Ordinary Share at 31 March 2014 of 74.2p multiplied by the conversion ratio of 0.506068826 at 24 July 2009.

[1] Years since Foresight Group's Appointment on 30 July 2004. (Noble VCT plc merged with Foresight 3 VCT plc on 10 September 2008.)

Highlights

Performance Record

Year ended[†]	Total Net Assets (£'000)	Net Asset Value[¶] (p))	Share Price Bid (p)	Net Asset Value Total Return[†] (%)	FTSE AIM All-Share Total Return (%)	Ongoing Expense Ratio[§] (%)
31/03/2005	9,233	91.5	78.0	100.0	100.0	3.5
31/03/2006	16,700	78.9	71.5	88.9	110.9	2.8
31/03/2007	21,959	92.5	79.5	102.7	106.9	3.5
31/03/2008	25,226	101.8	86.5	119.7	90.7	3.5
31/03/2009	38,227	91.2	78.0	114.8	39.6	2.6
31/03/2010	43,595	95.1	84.5	116.4	68.4	3.3
31/03/2011	48,425	95.8	87.5	120.2	88.4	3.2
31/03/2012	38,980	77.5	73.3	107.7	75.9	3.2
31/03/2013	38,705	75.2	65.5	105.8	69.7	2.9
31/03/2014	**38,031**	**74.2**	**62.5**	**106.8**	**81.3**	**2.7**

[¶] Includes new monies raised throughout the periods.

[†] Cumulative rebased from 31 March 2005, the first year end following Foresight Group's appointment as manager on 30 July 2004.

[§] Source: Foresight Group, since Foresight Group's Appointment on 30 July 2004.

Chairman's Statement

2014 Highlights

- Net asset value per Ordinary Share at 31 March 2014 was 74.2p (31 March 2013: 75.2p).
- An interim dividend for the year ended 31 March 2014 of 2.0p per Ordinary Share was paid on 28 March 2014 based on an ex-dividend date of 12 March 2014 and a record date of 14 March 2014.
- Follow-on funding totalling £1.03 million was provided to six portfolio companies and £3.75 million for five new investments, £3 million of which was in acquisition vehicles preparing to trade at the year end.
- The Ordinary Shares fund realised £4.7 million from nine portfolio companies.
- During the year, 429,636 Ordinary Shares were allotted for gross proceeds of £339,833.

Strategic Report

This is the first time that my annual Statement has been produced under the recently introduced UK 'narrative reporting' framework. This includes a requirement to provide a separate Strategic Report with certain prescribed content in accordance with regulations made under the provisions of the Companies Act 2006. This now brings together various governance disclosures and related matters and you will find it immediately following this statement. Some of the information previously contained in my statement will therefore be found elsewhere in the Report and Accounts.

Performance

During the year, our private equity investments benefited from the recent economic upturn both in the UK and traditional export markets and their performance outweighed the poor performance of the environmental investments such that, after taking into account the payment of a dividend of 2.0p per share on 28 March 2014, the overall net asset value of the fund at 31 March 2014 increased by 1.3% to 74.2p per share from 75.2p per Ordinary Share at 31 March 2013.

It has been another difficult year for our environmental investments, although the portfolio's exposure is limited to just three remaining investments, namely Closed Loop Recycling, O-Gen Acme Trek and O-Gen UK. When our Manager, Foresight Group, started to focus on investments in environmental infrastructure in 2007 it appeared that there would be attractive opportunities to develop substantial new businesses particularly through the application of technologies used elsewhere in the world. It was envisaged that these businesses would benefit from growing regulation and awareness of the need to find ways to reduce the environmental impact of human economic activity and facilitate sustainable development. However as I said in my statement with the half year accounts, it has proved very difficult with the capital available to create viable businesses in the power generation and materials recycling sectors in which the Company has invested. This has been partly because the technology needed more development effort than any of those originally involved had anticipated and partly because following the severe problems in the banking sector the additional loan finance needed to set up full scale facilities was not forthcoming.

For a detailed review of the Company's investments I would refer you to the Manager's Report that starts on page 11.

Dividends

An interim dividend of 2.0p per Ordinary Share for the year ended 31 March 2014 was paid on 28 March 2014. The shares were quoted ex dividend on 12 March 2014 and the record date for payment was 14 March 2014. It continues to be the Company's policy to provide a flow of tax-free dividends, generated from income and from capital profits realised on the sale of investments. However distributions will inevitably be dependent on cash being generated from portfolio investments and successful realisations.

Top-up Share Issues and Share Buy-Backs

The Company launched an Ordinary Share top-up offer on 3 December 2012 and 429,636 Ordinary Shares were allotted during the year ended 31 March 2014, based on prices ranging from 75.2p to 78.3p per Ordinary Share. These allotments raised gross proceeds of £339,833.

During the period under review 675,000 Ordinary Shares were repurchased for cancellation at a cost of £429,000.

Alternative Investment Fund Management Registration

The Board has considered the impact on the Company of an EU directive regulating Alternative Investment Fund Managers (AIFM) which applies to most UK investment funds including the Company. To minimise the regulatory and financial cost of compliance as a 'full scope UK AIFM', with this legislation the Board has decided that the Company will register directly with the Financial Conduct Authority as permitted by the rules as a 'small registered UK AIFM'. The application process, which must be completed by July 2014, has been completed. This will not affect the current arrangements with the Manager which will continue to report to the Board and manage the Company's investments on a discretionary basis.

Chairman's Statement continued

Management Fees

During the year, the Board and Foresight Group agreed that investment management fees would be reduced by 0.25% to 2.25% per annum, for an initial period of 5 years. The effective date for the reduction in management fees was 1 October 2013.

Valuation Policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines (December 2012) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. Quoted investments and investments traded on AIM and ISDX Growth Market are valued at the bid price as at 31 March 2014. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to review by the auditors annually.

Annual General Meeting

The Company's Annual General Meeting will take place on 16 September 2014 at 1pm. 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 60.

Outlook

It is encouraging that the UK economy is continuing to recover and we believe that this should help the development of the businesses in which we have invested. A number of the investments in the fund are well managed and are well placed to continue their successful expansion. However many of the familiar risks, both financial and political, remain and there can be no grounds for complacency as all operate in competitive environments.

The fund is, on the back of recent realisations, considering new investment opportunities and several potential investments are currently going through the selection process. Additionally, the Manager continues to concentrate on improving the performance of the existing portfolio and continues to look for appropriate opportunities to realise gains from the disposal of successful investments.

Following the successful realisation of Alaric, the Board was pleased to resume the payment of dividends to Shareholders and future dividends to Shareholders remain a priority. This in turn should improve the liquidity of the Ordinary Shares and reduce the discount to net asset value, which continues at a higher level than the Board still feels is justified by the prospects of the underlying investments.

Graham Ross Russell
Chairman
24 July 2014

Strategic Report

Introduction

This Strategic Report, on pages 5 to 10, 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 3 VCT plc

Foresight Group was appointed manager of Advent VCT plc on 30 July 2004 and the fund was renamed Foresight 3 VCT plc.

Foresight Group was appointed manager of Noble VCT plc (formerly Enterprise VCT plc) on 1 April 2008 and the Company temporarily reverted to its former name of Enterprise VCT plc. On 10 September 2008 Foresight 3 VCT plc acquired the assets and liabilities of Enterprise VCT plc and the Company was partially merged into Foresight 3 VCT plc as a separate C Share class. On 24 July 2009 the Foresight 3 VCT plc Ordinary and C Shares were merged together to create new Ordinary shares.

The number of Ordinary Shares in issue at 31 March 2014 was 51,226,401.

Investment Policy

The Manager (Foresight Group) will target UK unquoted companies which depend to a significant extent on the application of scientific and technological skills or knowledge as a major source of competitive advantage. A proportion of realised gains will normally be retained for re-investment and to meet future costs. Subject to this, the Company will endeavour to maintain a flow of dividend payments.

Investment Objective

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

It is the intention to maximise tax free income available to investors from a combination of dividends and interest received on investments and distribution of capital gains arising from trade sales or flotations.

Performance and key performance indicators (KPIs)

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

A record of some of these indicators is contained on the following page. The on-going charges ratio in the period was 2.7%. Share buy-backs, (excluding enhanced buybacks), have been completed at discounts ranging from 11.9% to 32.2%. The level of these KPIs are then compared with the wider VCT merketplace, based on independent published information, for reasonableness.

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.

Clearly, some investments in unquoted companies at an early stage of their development are likely to disappoint, but investing the funds raised in high growth companies with the potential to become market leaders creates an opportunity for enhanced returns to shareholders. The growth of some of these companies is, however, largely dependent on the continuing level of expenditure on relevant products and services by larger corporations.

Strategic Report continued

Performance over 1, 3 and 5 years

	31 March 2014 Ordinary Shares	31 March 2013 Ordinary Shares	31 March 2011 Ordinary Shares	31 March 2009 Ordinary Shares
Net asset value per share	**74.2p**	75.2p	95.8p	91.2p
Cumulative Dividends Paid per Share since year ended	–	2.0p	4.5p	14.5p
Net asset value total return at 31 March 2014 plus cumulative dividends paid	–	76.2p	78.7p	88.7p
Performance (%) NAV Total Return	–	1.3%	(17.8%)	(2.7%)

	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Share price	**62.5p**	65.5p	87.5p	78.0p
Share price total return at 31 March 2014 plus cumulative dividends paid	–	64.5p	67.0p	77.0p
Performance (%) Share Price Total Return	–	(1.5%)	(23.4%)	(1.3%)

Ordinary Shares	
Share price discount to NAV at 31 March 2014 stood at:	15.7%
Shares bought back during the year under review:	675,000
Decrease in net asset value during year:	1.3%
Ongoing charges ratio	2.7%

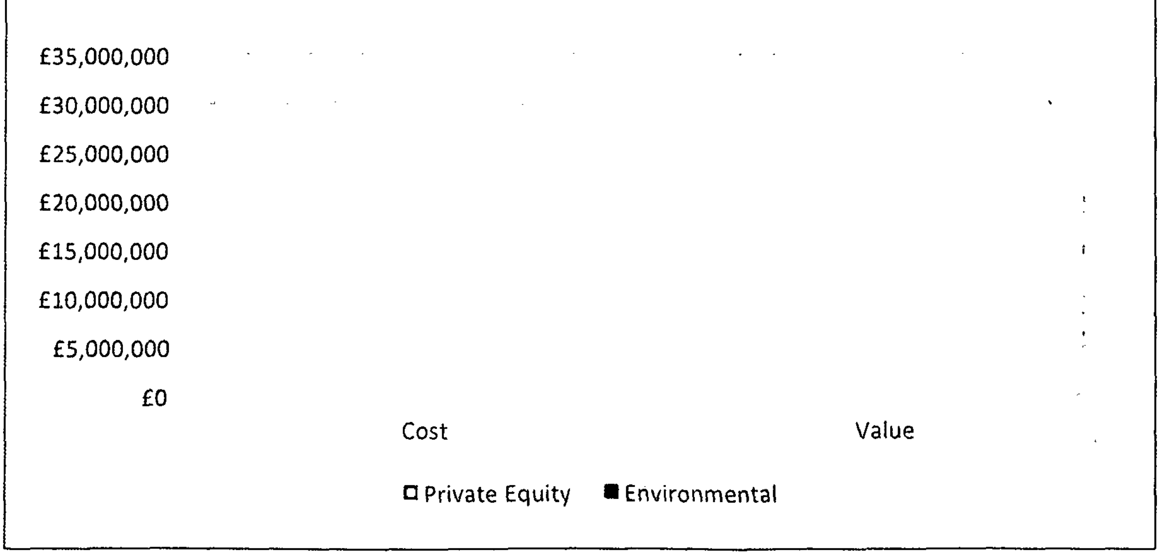
Dividends & NAV Total Return

Dividend amounts adjusted to reflect share reconstruction following the Ordinary Share and C Share conversion on 24 July 2009.

Investment Sector (Cost)

Investment Sector (Value)

Investment Areas



Strategies for achieving objectives

Investment Policy

The Investment Manager (Foresight Group) will target UK unquoted companies which depend to a significant extent on the application of scientific and technological skills or knowledge as a major source of competitive advantage. A proportion of realised gains will normally be retained for re-investment and to meet future costs. Subject to this, the Company will endeavour to maintain a flow of dividend payments.

Investment securities

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

UK companies

Investments are primarily made in companies which are based in the UK, although many will trade overseas. The companies in which investments are made must have no more than £15 million of gross assets at the time of investment (or £7 million depending on when the funds being invested were raised) to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be invested significantly in growth businesses subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash, interest bearing securities and a range of non-qualifying investments. It is intended that the significant majority of any funds raised by the Company will 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 using a mixture of securities. The maximum amount invested in any one company is generally limited to £1 million in a fiscal year (or, if lower, 15% of the portfolio at the time of investment) and generally no more than £2.5 million over time (at cost) is invested in the same company (or, if lower, 15% of the portfolio at the time of investment). The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

Investment style

Investments are selected in the expectation that the application of private equity disciplines, including an active management style for unquoted companies through the appointment of an Investor Director to investee company boards, will enhance value.

Borrowing powers

The Company's Articles of Association permit gearing to give a degree of investment flexibility. The Board's current policy is not to use gearing.

Co-investment

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

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 investments (by VCT value at the time of 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 30% by VCT value (70% for funds raised after 5 April 2011) 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 as discretionary investment manager. Foresight Group also provides or procures the provision of company secretarial, administration and custodian services to the Company. Foresight Group prefers to take a lead role in the companies in which it invests. Larger investments may be syndicated with other investing institutions or strategic partners with similar investment criteria. In considering a prospective investment in a company, particular regard will be paid to:

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

A review of the investment portfolio and of market conditions during the period is included within the Investment Manager's Report.

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 comprises three male Directors, however, the Board is 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 46 men and 23 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. It is the intention to maximise the Company's tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

Purchase of own shares

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

Principal risks, risk management and regulatory environment

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

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

Further detail on these principal risks is given in note 15 on page 51. The Board regularly reviews the principal risks and uncertainties facing the Company which the Board and the Manager have identified and the Board sets out delegated controls designed to manage those risks and uncertainties. Key risks within investment strategy are managed by the Board through a defined investment policy, with guidelines and restrictions, and by the process of oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered at least annually and regulatory compliance is reviewed at each Board meeting.

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

Performance-related incentives

Foresight Group is entitled to receive performance incentive fees representing 15% of dividends paid to shareholders, providing certain performance conditions are achieved.

The performance-related incentive fee is payable to Foresight Group if the total return (comprising net asset value plus dividends paid) exceeds 100 pence per Share, both before and immediately after the performance-related incentive fee is paid. After each distribution is made to shareholders, the total return required to be achieved to trigger a performance-related incentive fee will be amended to take account of the cumulative dividends (net of the performance incentive fee payments made to Foresight Group) paid.

The performance incentive fee may be satisfied by either a cash payment or the issue of Shares in the same class as the distribution being made (or by a combination of both) at the Board's discretion. Any new Shares to be issued to Foresight Group would be calculated by dividing the amount to be satisfied by the issue of the Shares by the latest net asset value per share.

No performance-related incentives were earned during the year (2013: nil).

Valuation Policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines (December 2012) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. Quoted investments and investments traded on AiM and ISDX Growth Market are valued at the bid price as at 31 March 2014. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to review by the auditors annually.

3

Strategic Report continued

VCT Tax Benefit for Shareholders

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

• Income tax relief of 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 3 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 March 2013. The next complete review will be carried out for the year ended 31 March 2014. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Directors have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. In addition, the Board has appointed SGH Martineau LLP as taxation adviser to the Company to provide further independent assurance of compliance with venture capital tax legislation and to provide guidance on changes in taxation legislation affecting Foresight 3 VCT plc. As at 31 March 2014 the Company had 73.6% of its funds in such VCT qualifying holdings.

Future Strategy

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

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

Graham Ross Russell
Chairman
24 July 2014

Manager's Report

When compared with the start of the year under review, economic sentiment has improved substantially in the UK. The economic climate and business confidence have improved more quickly than expected a year ago, as demonstrated by the continuing strength of the Stock Market, the volume of new issues and high level of mergers and acquisition activity. These conditions look set to continue for the present, although significant macroeconomic risks and uncertainties remain, particularly in major overseas markets.

The good performance of the private equity portfolio during the year to 31 March 2014 was held back by certain environmental investments. The net asset value per Ordinary Share increased by 1.3% (after adjusting for the interim dividend of 2.0p per Ordinary Share paid on 28 March 2014), to 74.2p from 75.2p per Ordinary Share as at 31 March 2013.

Several investments performed strongly, notably Aerospace Tooling Corporation, Datapath Group Holdings and TFC Europe, all of which achieved record sales and profits and together generated an increase in valuation of £3.7 million. The investment in Alaric Systems was sold to NCR Corporation in December 2013, with £3.17 million being received at completion with a further £589,390 held in escrow (to be released in tranches over the next four years), generating a return of over 5 times original cost of investment. Provisions totalling £3.4 million were made against four investments during the year including a provision of £2,002,057 against the cost of the investment in 2K Manufacturing which was placed into administration in November 2013 following the termination of sale and merger discussions.

Foresight Group is encouraged by the recent performances of several private equity investments and the prospects for the portfolio overall. Management are focused on achieving realisations from the existing investments which should result in further increases in net asset value, facilitate shareholder distributions and provide additional funding for new investments. A review of the portfolio is set out below.

Review

1. Follow-on funding (including capitalised interest)

Company	£
2K Manufacturing	500,000
Autologic Diagnostics Group*	101,555
Biofortuna	99,066
Flowrite Refrigeration Holdings*	6,617
Ixaris Systems	219,852
The Bunker Secure Hosting	104,161
Total	**1,031,251**

*Capitalised interest

2. New investments

Company	£
Aerospace Tooling Corporation	500,000
Procam Television Holdings	250,000
Total	**750,000**

Investments of £1,000,000 were made into each of Cole Henry PE 2 Limited, Kingsclere PE 3 Limited and Whitchurch PE 1 Limited, which are acquisition vehicles preparing to trade.

3. Exits & Realisations

As mentioned above, Alaric Systems was sold to NCR Corporation realising £3.17 million at completion with a further £589,390 held in escrow (to be released in tranches over the next four years).

Following the successful sale of the seven pub estate, the investment in Convivial London Pubs was realised, with £520,635 received in March 2014.

The investment in AIM listed Corero Network Security was sold during the year, realising proceeds of £74,298, as was the investment in AIM listed Probability, realising proceeds of £313,529.

In February 2014, the investment in Ario (formerly Provesica), a drug development company, was sold for £872. In May 2014, after the year end, the investment in Xention Pharma, a related drug development company, was sold for £10,422.

£140,186 was received from Alaric Systems during the year, comprising loan repayments (£35,047) and redemption premia (£105,139).

In May 2013, Orthoview Holdings (formerly Meridian Technique) effected a capital reorganisation, following which £283,304 of accrued preference share dividends was received along with £43,900 of loan stock repayments of capital. A further £157,255 was similarly received in October 2013.

The £233,250 6% Unsecured Loan notes in AIM listed Zoo Digital Group was sold for £177,813.

Flowrite Refrigeration repaid loans of £127,709.

A loan repayment totalling £2,242 was also received from Global Immersion in the year.

4. Material provisions

Company	£
2K Manufacturing Limited	2,002,057
Closed Loop Recycling Limited	644,459
Evance Wind Turbines Limited	626,973
Sindicatum Carbon Capital Limited	114,825
Total	**3,388,314**

During the year to 31 March 2014, several investments performed strongly, notably Aerospace Tooling Corporation, Datapath Group Holdings and TFC Europe, all of which achieved record sales and profits and together generated an increase in valuation of £3.7 million. The Bunker Secure Hosting, which provides ultra secure managed hosting services from two data centres, continued to generate record sales and profits at the EBITDA level. Other investments, such as Flowrite Refrigeration Holdings, Ixaris Systems and Procam Television Holdings also performed well.

The investment in Alaric Systems was sold to NCR Corporation in December 2013, with £3.17 million being received at completion with a further £589,390 held in escrow (to be released in tranches over the next four years), generating a return of over 5 times original cost of investment. During the year, other realisations totalling over £1.1 million were achieved.

During the year, four follow on investments were made totalling £923,079: 2K Manufacturing (£500,000), Biofortuna (£99,066), Ixaris Systems (£219,852) and The Bunker Secure Hosting (£104,161). Ixaris Systems, which provides a range of pre-paid electronic payment services integrated with the VISA network, continued to invest in developing and marketing its Ixaris Payment System to financial institutions. In January 2014, the Company invested a further £219,852 as part of a £2 million equity funding round to finance further investment in the Payment System.

New Investments

Two new investments totalling £750,000 were made in Aerospace Tooling Corporation and Procam Television Holdings. In June 2013, £500,000 was invested alongside other Foresight VCTs in a shareholder recapitalisation of Dundee based Aerospace Tooling Corporation. This company is a well established specialist engineering business providing repair, refurbishment and remanufacturing services to large international companies for components in high specification aerospace and turbine engines. A number of recent orders have underpinned growth and profitability for the current financial year. In April 2013, £250,000 was invested alongside other Foresight VCTs in a management buy-out of Battersea based Procam Television Holdings. Procam is a leading broadcast hire companies, supplying equipment and crews for location TV production. In September 2013, Procam acquired one of its competitors, Hammerhead, with facilities in London, Manchester, Edinburgh and Glasgow. This strategic acquisition will broaden the customer base and provide national coverage and also give synergistic and profitability benefits.

Evance Wind Turbines, which designed and manufactured small wind turbines, was adversely affected by the reductions in the applicable Feed-in-Tariff which started in October 2012. Despite substantial cost cuts and efforts to diversify the Company's activities, significant monthly losses continued to be incurred. As a consequence, administrators were appointed and a provision of £626,973 was made against the cost of this investment. In February 2013, Closed Loop Recycling raised loans totalling £12.8 million which enabled production capacity to be doubled to meet demand from customers under long term supply contracts. The new sorting and production equipment has been commissioned and increased production utilising this additional capacity commenced in November 2013. The ramp up to full production has, however, been slower than expected and forecast profitability reduced and a provision of £644,459 has been made against the cost of the investment. As explained below, 2K Manufacturing experienced difficulties in raising capital to expand its production facilities. Following the failure of protracted sale and merger discussions, an administrator was appointed in November 2013. A full provision of £2,002,057 has been made against the cost of this investment. Where provisions have been made against the value of underlying investments, we have also provided against the income due from such investments.

Outlook

Foresight Group believes that the improvement in business confidence is now being reflected in the trading of a number of companies across the portfolio and considers that the portfolio is now well positioned for further growth.

The Group is seeing a number of high quality private equity investment opportunities but the Company has finite cash resources at present with which to make such new investments. Foresight Group is endeavouring to realise existing investments, where appropriate, to generate cash for shareholder distributions and further funds for such new investments.

Portfolio Review

In June 2013, the Company invested £500,000 alongside other Foresight VCTs in a £3.5 million shareholder recapitalisation of Dundee based **Aerospace Tooling Corporation**, a well established specialist engineering company providing repair, refurbishment and remanufacturing services to large international companies for components in high-specification aerospace and turbine engines. The company was founded in 2007 by the former CEO, John Seaton, who, following the transaction, has assumed the role of Executive Chairman. John Green, formerly General Manager of the Dundee facility, became Operations Director, alongside a newly appointed Finance Director and Business Development Director. With a heavy focus on quality assurance, the company enjoys strong relationships with companies serving the aerospace, military, marine and industrial markets. A number of recent orders have underpinned growth, profitability and cash generation in the current financial year such that turnover is now expected to double and profits to increase significantly, supporting an increase in valuation of £420,000 during the year.

Alaric Systems, which develops and sells credit and debit card authorisation and card anti fraud software to major financial institutions and retailers worldwide, achieved an audited PBIT of £1.3 million on sales of £9.8 million for the year to 31 March 2013. Having won several significant orders during 2013 and with a number of large contracts in prospect, an exit process was initiated which resulted in a sale of the company to NCR Corporation for £51.6 million in December 2013. The Company received £3.17 million at completion with a further £589,390 held in escrow (to be released in tranches over the next four years), generating a return of over 5 times original cost of investment. £140,186 was received from Alaric Systems during the year, comprising loan repayments (£35,047) and redemption premia (£105,139).

AtFutsal Group runs government approved education programmes for students aged 16-18 years old in conjunction with a consortium made up of Football League clubs, colleges and academies and training/accreditation organisations. Funding for these programmes is sourced from the Education Funding Agency. Depending on the geographical location of the main partner football clubs, the three arenas that the company runs in Birmingham, Leeds and Swindon are used as part of the education programmes. AtFutsal is introducing a wider range of government approved BTech courses and has developed its own education software platform so that it can provide a range of educational services. AtFutsal Group has also developed a separate English Colleges education programme to provide additional futsal related courses for 16-18 year olds at sixth form colleges. For the current student year which commenced in September 2013, the company registered some 1,200 students on its futsal related courses, nearly double the number of students in the previous academic year. AtFutsal Group is also improving its capacity utilisation across its three arenas with a variety of different sports being regularly played at each arena alongside futsal at both child and adult level. New activities and sports are planned across the arenas over the coming 3-6 months. This improved utilisation has enabled the arenas to reach cash breakeven. The company is now generating operating profits, with the strongly growing Education division generating the majority of the profit and cash flow within the Group.

Following the £48 million secondary buy-out by ISIS Private Equity in January 2012, investments in equity and loan stock were retained in **Autologic Diagnostics Group**. Autologic Diagnostics Group continues to generate strong profits and for the year to December 2013 achieved an EBITDA of £5.4 million on sales of £18.6 million (an EBITDA of £5.9 million on revenues of £17.2 million in 2012). The company traded well in the first quarter and as at 31 March 2014, had a healthy cash balance of £4.5 million. In recent months, Autologic Diagnostics Group has further strengthened its management team, including recruiting a new Sales Director, to focus on the UK and European markets. The American market continues to perform well. Management continues to develop a business model to generate recurring revenues through a new service-oriented product, with the aim of launching this in Q4 2014. During the year, interest of £101,555 deferred under the terms of the loan agreement with Autologic Diagnostics Group was capitalised.

Biofortuna, a molecular diagnostics business based in the Wirral, has developed unique expertise in the important area of enzyme stabilisation, effectively hi-tech freeze drying. Its first range of products, SSPGo, is a series of genetic compatibility tests for organ transplant recipients, although the breadth of application of the technology is extremely wide. Because of the company's stabilisation and freeze drying technology, its products can be transported easily (in the post if needed) and stored at room temperature for up to two years. A £1.3 million round to finance capital expenditure and working capital was completed in August 2013, in which the Company invested £99,066. The company is progressing in a number of areas, including broadening its product range, increasing manufacturing capacity and improving internal processes.

Following successful FDA trials, Biofortuna has now obtained FDA approval for its SSPGo genetic testing product range in the USA, a particularly important milestone enabling access to the American market, the largest in the World, as well as obtaining FDA registration for its manufacturing site. The freeze-dried kit manufacturing service shows promise, with paid for feasibility studies and contract discussions occurring with a number of parties.

In February 2013, **Closed Loop Recycling** concluded a major new supply contract and new customer contracts worth £17 million per annum as well as securing £12.8 million of loan finance (of which £6 million was provided by the Foresight Environmental Fund) to double capacity at the Dagenham plant. The new sorting and production equipment has now been commissioned and increased production utilising this additional capacity commenced in November 2013. Output of rHDPE has continued to increase although this ramp up in production has taken several months longer to achieve than expected. Higher market prices for feed stock have put margins under pressure reducing forecast profitability. Additional loan capital of £1.0m was agreed with the Foresight Environmental Fund in May 2014 to provide the necessary capital to achieve the forecast production run rate. Reflecting the above factors, a provision of £644,459 has been made against the cost of the investment. Management is examining a number of avenues to improve profitability further.

Following a formal sales process in H2 2013, the Board of **Convivial London Pubs** successfully completed the sale of the seventh and final pub in the estate in December 2013, raising total proceeds ahead of expectations. The Company received £520,635 in March 2014, a small uplift on valuation.

The investment in AIM listed **Corero Network Security** was sold during the year, realising proceeds of £74,298.

Derby based **Datapath Group** is a World leading innovator in the field of computer graphics and video-wall display technology utilised in a number of international markets. The company is increasing its market share in control rooms, betting and signage and is entering other new markets. Management accounts for the year to 31 March 2014 show record profits and sales (for the year ended 31 March 2013, a record operating profit of £5.1 million was achieved on sales of £14.1 million), supporting an increase in valuation of £2.5 million during the year. The company is continuing to enjoy strong demand from its main OEM partners and distributors. The company has acquired its US distributor and has opened an office in Philadelphia to develop more US sales and distributorships.

Evance Wind Turbines, which manufactured 5kW tree sized (up to 50 feet) wind turbines, enjoyed strong sales growth during 2012, driven primarily by the introduction of the UK Feed-in-Tariff regime. Sales and profits grew well in the year to 31 March 2013, the company delivering its fifteen hundredth machine and achieving an operating profit of £354,000 on sales of £8.6 million. Trading was, however, adversely affected by the reductions in the applicable Feed-in-Tariff which started in October 2012. Despite substantial cost cuts and efforts to diversify the Company's activities, significant monthly losses continued to be incurred. As a consequence, administrators were appointed in April 2014. The reductions in the Feed-in-Tariff were essentially the principal factor in the Company going from a position of profitability to administration in less than two years. A provision of £626,973 has been made against the cost of this investment after taking into account the expected recovery proceeds.

In May 2012, £200,000 was invested in **Flowrite Refrigeration Holdings** alongside other Foresight VCTs to finance the £3.2 million management buyout of Kent based Flowrite Services Limited, which provides refrigeration and air conditioning maintenance services nationally, principally to leisure and commercial businesses such as hotels, clubs, pubs and restaurants. Management has accelerated sales efforts, won a number of significant new contracts and customers and also reviewed several potential acquisitions with the aim of broadening its national coverage. In the year to 31 October 2013, reflecting a particularly busy summer, the company traded well, achieving an operating profit of £1.06 million on sales of £10.0 million (cf. an operating profit of £852,000 on sales of £7.9 million in 2012) and also repaid loans of £127,709, representing some 75% of original cost of investment, after only 18 months from the MBO. During the year, interest of £6,617 deferred under the terms of the loan agreement was capitalised.

Ixaris Systems has developed and operates Entropay, a web based global prepaid payment service using the VISA network, and offers its new IxSol (formerly known as Opn) product on a 'Platform as a Service' basis to enable enterprises to develop their own customised global applications for payments over various payment networks. IxSol continues to demonstrate potential with a number of deployments in progress and a growing sales pipeline. IxSol is being used by companies in the affiliate marketing and travel sectors and sales efforts are now also focussing on the international e-commerce and financial services sectors.

During 2013, the company invested in developing and marketing its Ixaris Payment System, the platform that runs IxSol, to financial institutions. The platform enables financial institutions to offer payment services based on prepaid cards to their customers. The company has made good progress on building a sales pipeline. In the year to 31 December 2013, an EBITDA loss of £617k was incurred on sales of £9.5 million, reflecting the above mentioned investment in software and systems (cf. an EBITDA loss of £293,000 on sales of £8.4 million in the previous year). The management team has been strengthened by the appointments of a new Chief Operating Officer, Marketing Director and Sales Director. In January 2014, the Company invested a further £219,852 as part of a £2 million equity funding round to finance further investment in the Payment System.

In order to focus on its technology division, **Mplsystems** (formerly The Message Pad) sold its call centre outsourcing division in June 2013. The sale proceeds will be used to further develop the technology division, which offers contact centre and customer service software on a SaaS (Software as a Service) basis to improve the efficiency of its customers' call centres and customers' experience. For the year to 30 June 2013, a small operating profit of £85,000 was achieved on sales of £5.86 million. Following the above disposal, the transition to a SaaS business model is going well although the company is incurring small losses. The sales pipeline remains strong and, as a result of new contracts, the level of contracted recurring SaaS revenues is growing. The company has been accredited within the G Cloud framework enabling it to provide contact centre services over the Cloud to all government departments and the wider public sector.

In February 2014, **O-Gen Acme Trek** received planning permission for the proposed rebuild of the plant in Stoke as a 7MW waste wood to energy power plant. Management is currently working with the selected technology provider and a major EPC contractor to develop the project to the next stage, with a view to reaching financial close later this year and thereafter commence construction. Discussions are being held with potential funders to raise the required £35 million to finance the project.

O-Gen UK is a leading developer of waste wood gasification facilities in the UK and in December 2013 reached financial close on a £46 million, 10.5MW, waste wood to energy power plant project in Birmingham. Construction of the plant is progressing on schedule. The company has established a number of partnerships which have led to the development of a growing pipeline of similar opportunities, including three forecast to close during 2014 (including O-Gen Acme Trek's Stoke plant referred to above). The company continues to develop relationships with a number of technology providers and major EPC contractors. O-Gen UK will not finance the construction of these plants but will benefit from project management fees, equity shareholdings and fuel and operation and maintenance contracts.

Orthoview Holdings (formerly Meridian Technique), which develops and supplies surgery planning software to hospitals and surgeries principally in the UK and USA, completed a capital reorganisation in May 2013, following which £283,304 of accrued preference share dividends was received along with £43,900 by way of Ordinary Share and loan stock repayments of capital. Having achieved an EBITDA of £0.6 million on sales of £3.0 million for the year to 31 March 2013, the company is continuing to enjoy good trading and is highly cash generative. New partnerships have been established in Asia, further enhancing prospects. In October 2013, £157,255 was received from the company, comprising repayment of loan principal (£150,794) and interest (£6,461). In April 2014, after the year end, a further £153,954 was received, comprising repayment of loan principal (£150,794) and interest (£3,160).

The investment in AiM listed **Probability plc**, comprising 535,000 ordinary shares, was sold during the year, realising proceeds of £313,529.

In April 2013, the Company invested £250,000 alongside other Foresight VCTs in a £1.8 million round to finance a management buy-out of **Procam Television Holdings**. Procam is one of the UK's leading broadcast hire companies, supplying equipment and crews for UK location TV production to broadcasters, production companies and other businesses for over 20 years. Headquartered in Battersea, London, with additional facilities in Manchester, Edinburgh and Glasgow, Procam is a preferred supplier to BSkyB and an approved supplier to the BBC and ITV. Over the last four years revenues have doubled, following the introduction of new camera formats.

In September 2013, Hammerhead, a competitor with facilities in London, Manchester and Edinburgh and Glasgow, was acquired in order to broaden the customer base and national coverage and realise various synergistic benefits. The Hammerhead acquisition is expected to improve profits substantially.

Preliminary results for the year to 31 December 2013 show an EBITDA of £2.0 million on sales of £6.4 million, well ahead of trading in 2012. Procam plans to open a further facility and launch a mobile outdoor camera facility. Further significant growth in sales and profits is forecast in the current year.

TFC Europe, a leading distributor of technical fasteners in the UK and Germany, performed well during the year to 31 March 2014, again achieving record profits and sales (cf. a record operating profit of £2.45 million on sales of £18.1 million in 2013), supporting an increase in valuation of £820,741 during the year. In September 2013, a small Scottish distribution business was acquired, thereby improving national coverage. Management's current focus is to generate greater sales in Southern Germany. A new full service centre was opened in Bochum near Dusseldorf in October 2013 and existing customers are already discussing expanding their business with TFC. A strong physical presence will greatly assist TFC in growing its sales and profits in Europe's largest manufacturing market.

The **Bunker Secure Hosting**, which operates two ultra secure data centres, continues to generate substantial profits at the EBITDA level. For the year to 31 December 2013, a record EBITDA of £2.2 million was achieved on sales of £9.25 million (cf. in 2012, an EBITDA of £1.77 million on sales of £8.5 million). Sales growth slowed, however, reflecting increased competition. Recurring annual revenues currently exceed £9 million. In the current year to date, trading continues ahead of budget, with a much reduced attrition rate. To meet growing customer demand, a number of new Cloud based services have recently been launched while the sales and marketing strategy has been reassessed and sales efforts strengthened. Investment continues in upgrading the existing infrastructure. In April 2013, a small number of shares were purchased from two minority shareholders for £104,161.

From its fully automated Luton factory, **2K Manufacturing** produced high quality Ecosheet boards made from recycled waste plastic. Despite orders and a sales pipeline, limited production capacity constrained output and losses continued to be incurred. To meet working capital requirements, a further £500,000 was invested in loans during the year. Up to £10 million had been sought for some time to increase production capacity but these efforts proved unsuccessful, as did protracted sale and merger discussions. On 18 November 2013, these discussions ended, resulting in an administrator then being appointed. A full provision of £2,002,057 has accordingly been made against the cost of this investment.

On 31 October 2013, the investment of £233,250 6% Unsecured Convertible Redeemable Loan note in AiM listed **Zoo Digital Group** was sold for £177,813 plus interest of £5,847.

D. M. Hughes

David Hughes
Foresight Group
Chief Investment Officer
24 July 2014

Investment Summary

Investment	31 March 2014 Amount invested £	31 March 2014 Valuation £		Valuation Methodology	31 March 2013 Amount invested £	31 March 2013 Valuation £
UNQUOTED						
Datapath Group Holdings Limited	73,250	10,165,609	*	Discounted price/earnings multiple	73,250	7,667,320
Closed Loop Recycling Limited	5,848,628	4,808,994	*	Discounted cash flow	5,848,628	5,453,453
The Bunker Secure Hosting Limited	1,734,009	3,121,741	*	Discounted revenue multiple	1,629,848	2,770,944
Autologic Diagnostics Group Limited	2,231,754	2,849,713	*	Discounted price/earnings multiple	2,130,199	2,950,102
TFC Europe Limited	626,061	2,797,754	*	Discounted price/earnings multiple	626,061	1,977,013
Ixaris Systems Limited	866,385	1,592,366	*	Price of recent funding round	646,533	1,212,287
Mplsystems Limited (formerly The Message Pad Limited)	1,744,320	1,573,306	*	Discounted revenue multiple	1,744,320	1,317,994
ICA Group Limited	1,000,000	1,163,080	*	Discounted price/earnings multiple	1,000,000	1,070,157
Cole Henry PE 2 Limited	1,000,000	1,000,000	*	Cost	–	–
Kingsclere PE 3 Limited	1,000,000	1,000,000	*	Cost	–	–
Whitchurch PE 1 Limited	1,000,000	1,000,000		Cost	–	–
Aerospace Tooling Corporation Limited	500,000	919,997		Discounted price/earnings multiple	–	–
Orthoview Holdings Limited (formerly Meridian Technique Limited)	430,395	896,514		Discounted revenue multiple	666,664	1,344,924
O-Gen UK Limited	310,012	342,496		Discounted cash flow	310,012	367,000
Integrated Environmental Solutions Limited	325,000	425,000		Discounted revenue multiple	325,000	425,000
Biofortuna Limited	411,597	411,597		Price of recent funding round	312,531	312,531
O-Gen Acme Trek Limited	4,425,873	383,000		Asset basis	4,425,873	383,000
AtFutsal Limited	738,323	369,162		Cost less impairment	738,323	369,162
Sindicatum Carbon Capital Limited	174,993	344,475		Price of recent funding round	174,993	459,300
Procam Television Holdings Limited	250,000	250,000		Cost	–	–
Evance Wind Turbines Limited	1,396,728	225,000		Disposal proceeds	1,396,728	851,973
Flowrite Refrigeration Holdings Limited	86,543	206,482		Discounted price/earnings multiple	207,635	265,356
Unquoted total	**26,173,871**	**35,846,286**			**22,256,598**	**29,197,516**

* Top ten investments by value shown on pages 20 and 22.

Those unquoted companies sold, in liquidation or at £nil value are not included within the table above. At 31 March 2014 these companies represent a cost of £16,913,888 and a value of £nil (31 March 2013: Cost of £18,257,243; value of £5,151,524).

Investment	31 March 2014 Amount invested £	31 March 2014 Valuation £	Valuation Methodology	31 March 2013 Amount invested £	31 March 2013 Valuation £
QUOTED					
Zoo Digital Group plc	1,189,573	240,406	Bid price	1,422,823	497,700
Quoted total	1,189,573	240,406		1,422,823	497,700
Fund total	45,636,246	36,086,692		44,181,568	35,447,248

Those quoted companies sold, in liquidation or at £nil value are not included within the table above. At 31 March 2014 these companies represent a cost of £1,358,914 and a value of £nil (31 March 2013: Cost of £2,244,904; value of £600,508).

Investment Summary continued

New and Follow-on Investments

in the year ended 31 March 2014

Investment	Location	Investment Category	Activity	Amount invested in the year to 31 March 2014 £'000
UNQUOTED				
Cole Henry PE 2 Limited	–	–	Special purpose vechicle not yet trading	1,000
Kingsdere PE 3 Limited	–	–	Special purpose vechicle not yet trading	1,000
Whitchurch PE 1 Limited	–	–	Special purpose vechicle not yet trading	1,000
2K Manufacturing Limited	Luton	Environmental	Recycled plastics building products	500
Aerospace Tooling Corporation Limited	Dundee	Electronic & Engineering	Niche engineering company	500
Procam Television Holdings Limited	Manchester	Consumer services	Broadcast hire company	250
Ixaris Systems Limited	London	Consumer services	Prepaid payment service	220
The Bunker Secure Hosting Limited	Kent	Consumer services	Provision of high security IT hosting and co. location services	104
Autologic Diagnostics Group Limited	Oxon	Electronic & Engineering	Provider of automotive diagnostic equipment	102
Biofortuna Limited	Bromborough	Other	Molecular diagnostics	99
Flowrite Refrigeration Holdings Limited	Kent	Consumer services	Refrigeration and air conditioning maintenance and service	6
Total unquoted investments				4,781
QUOTED				
Total quoted investments				–
Total investments				4,781

Included within the amounts invested above is £108.132 of capitalised interest. This being £101,555 for Autologic Diagnostics Group Limited, and £6.617 for Flowrite Refrigeration Holdings Limited.

Disposals
in the year ended 31 March 2014

Company	Detail	Original Cost/ Take-On Value £'000	Proceeds £'000	Gain/(loss) £'000	Exit Multiple	Valuation of disposal at 31 March 2013 £'000
UNQUOTED						
Alaric Systems Limited	Full disposal	681	3,311	2,630	4.9	3,185
Convivial London Pubs plc	Full disposal	550	520	(30)	0.9	464
Orthoview Holdings Limited (formerly Meridian Technique Limited)	Part disposal	236	195	(41)	0.8	268
Flowrite Refridgeration Holdings Limited	Loan Repayment	128	128	–	1.0	128
Global Immersion Limited	Administration proceeds	2	2	–	1.0	–
Provesica Limited	Full disposal	236	1	(235)	–	–
Crumb Rubber Limited	Full disposal	373	–	(373)	–	–
Total unquoted disposals		**2,206**	**4,157**	**1,951**	**1.9**	**4,045**
QUOTED						
Probability plc	Full disposal	583	314	(269)	0.5	501
Zoo Digital Group plc	Loan repayment	234	178	(56)	0.8	234
Corero Network Security plc	Full disposal	303	74	(229)	0.2	99
Total quoted disposals		**1,120**	**566**	**(554)**	**0.5**	**834**
Total dispoals		**3,326**	**4,723**	**1,397**	**1.4**	**4,879**

Investment Summary continued

Top ten investments by value as at 31 March 2014 are detailed below:

The results included are extracted from the most recent financial statements on Companies House

Datapath Group Holdings Limited

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. Unaudited results for the year ended 31 March 2014 show an operating profit of £7.4 million on sales of £18.7 million.

First investment	September 2007	Year ended:	31 March 2013
			£'000
% Equity/Voting Rights	12.9%	Sales	14,480
Income received and receivable in the year	£–	Profit before Tax	4,090
Equity at cost	£73,250	Retained Profit	3,580
Loan stock at cost	£–	Net Assets	16,096

Closed Loop Recycling Limited

is the first plant in the UK to recycle waste PET and HDPE plastic bottles into food grade packaging material. During 2013 the company secured £12 million in expansion funding in order to increase capacity to meet the substantial demands for its high quality food grade product. Closed Loop Recycling is now generating revenues of over £1.3 million per month, with further increases due during 2014 as increased capacity comes on stream.

First investment	February 2007	Year ended:	30 June 2013
			£'000
% Equity/Voting Rights	12.1%	Sales	15,424
Income received and receivable in the year	£–	Profit before Tax	(5,666)
Equity at cost	£833,333	Retained Profit	(5,666)
Loan stock at cost	£5,015,295	Net Assets	(10,534)

The Bunker Secure Hosting Limited

provides ultra secure IT data centre and managed services to companies from owned and leased facilities in bunkers previously constructed for military use at Ash, Kent and Newbury, Berkshire. With particular expertise in Open Source and Microsoft software and systems, web and digital security, The Bunker Secure Hosting builds, hosts and manages ultra secure, high availability IT infrastructure platforms for its customers and provides secure co-location services to host customers' servers or back-up servers. The Bunker Secure Hosting is highly regarded for its technical skills by its customers, which include top financial, telecoms and web-based businesses concerned with data security which have decided to outsource their mission critical IT systems. A number of new cloud based ultra secure services have recently been introduced. The Bunker Secure Hosting has recently been accredited with the G Cloud framework to provide its service to public sector organisations, opening a large potential market. A range of new Ultra Secure Services are now being launched.

First investment	February 2002	Year ended:	31 December 2012
			£'000
% Equity/Voting Rights	10.3%	Sales	8,510
Income received and receivable in the year	£125,871	Profit before Tax	(323)
Equity at cost	£475,299	Retained Profit	(323)
Loan stock at cost	£1,258,710	Net Assets	8,368

Autologic Diagnostics Group Limited

was founded in 1999 and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. As cars have become increasingly sophisticated and more reliant on electronic systems, mechanics need to be able to communicate to the in-car computer running the process or system, which in turn requires a diagnostic tool. Autologic Diagnostics Group supplies its 'Autologic' product for use with well-known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche. Management continues to develop a business model to generate recurring revenues through a new service-orientated product, with the aim of launching in Q4 2014.

First investment	February 2009	Year ended:	31 December 2012
			£'000
% Equity/Voting Rights	14.9%	Sales	17,218
Income received and receivable in the year	£199,410	Profit before Tax	684
Equity at cost	£24,896	Retained Profit	685
Loan stock at cost	£2,206,858	Net Assets	4,648

TFC Europe Limited

is one of Europe's leading technically based suppliers of fixing and fastening products. 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.

First investment	March 2007	Year ended:	31 March 2013
			£'000
% Equity/Voting Rights	14.3%	Sales	18,054
Income received and receivable in the year	£40,077	Profit before Tax	888
Equity at cost	£125,096	Retained Profit	511
Loan stock at cost	£500,965	Net Assets	2,712

Ixaris Systems Limited

has developed and operates Entropay, a web based global prepaid payment service using the VISA network, and offers its new IxSol (formerly known as Opn) product on a 'Platform as a service' basis to enable enterprises to develop their own customised global applications for payments over various payment networks. IxSol is being used by companies in the affiliate marketing travel sectors and sales efforts are now also focussing on the international e-commerce and financial service sector. During 2013, the company invested in developing and marketing its Ixaris Payment System, the platform that runs IxSol, to financial institutions. The platform enables financial institutions to offer payment services based on prepaid cards to their customers.

First investment	March 2004	Year ended:	31 December 2012
			£'000
% Equity/Voting Rights	5.7%	Sales	8,392
Income received and receivable in the year	–	Loss before Tax	(624)
Equity at cost	£866,385	Retained Loss	(559)
Loan stock at cost	–	Net Assets	1,833

Investment Summary continued

Mplsystems Limited (formerly The Message Pad Limited)

aving completed the disposal of its owned and franchised contact centres in 2013, the company is exclusively ıcused on the provision of multi-channel contact centre technology, customer experience software and mobile orkforce operations. mplsystems was founded in 1994 as the Messagepad, a contact centre provider; in 2006 the ompany established a division to sell its intelligentContact platform directly to enterprises. The platform is solid as a ıix of enterprise licence sales and Software as a Service (Saas).

rst investment	June 1999	Year ended:	31 May 2013 £'000
Equity/Voting Rights	23.6%	Sales	5,753
come received and receivable in the year	£–	Profit before Tax	50
;uity at cost	£1,684,320	Retained Profit	50
ɔan stock at cost	£60,000	Net Assets	161

ICA Group Limited

is a leading document management solutions provider in the South East of England. Its core business is reselling and maintaining Ricoh, Toshiba and Kyocera office printing equipment to customers in both the commercial and public sectors. Management's plans include identifying small acquisitions in the South East to expand the customer base as well as generate organic sales growth.

First investment	January 2009	Year ended:	31 January 2013 £'000
Equity/Voting Rights	28.0%	Sales	3,525
ıcome received and receivable in the year	£99,000	Profit before Tax	(110)
quity at cost	£175,000	Retained Profit	(199)
oan stock at cost	£825,000	Net Assets	(174)

Cole Henry PE 2 Limited

an acquisition vechicle preparing to trade.

First investment	March 2014	
% Equity/Voting Rights	49.9%	No accounts filed since the investment was made
Income received and receivable in the year	£–	
Equity at cost	£100,000	
Loan stock at cost	£900,000	

Kingsclere PE 3 Limited

an acquisition vechicle preparing to trade.

First investment	March 2014	
% Equity/Voting Rights	49.9%	No accounts filed since the investment was made
Income received and receivable in the year	£–	
Equity at cost	£100,000	
Loan stock at cost	£900,000	

Investment Summary continued

Co-investing funds

Foresight Group also manages or advises Foresight VCT plc, Foresight 2 VCT plc, Foresight 4 VCT plc, Foresight Solar VCT plc, Albany Ventures Fund III Limited, Foresight Nottingham Fund, Foresight Environmental Fund LP, Foresight Solar Fund Limited, Foresight European Solar Fund LP, Foresight Solar EIS, Foresight Solar EIS2, Foresight Solar EIS3, Foresight Solar EIS4, Foresight Solar EIS5, Foresight Inheritance Tax Solutions, UK Waste Resources and Energy Investments LP and Foresight Sustainable UK Investment Fund. Investments have been made by the funds that Foresight Group advises and manages, as follows:

Investee	Foresight VCT O, PE & Infra Shares £	Foresight 2 VCT O, PE & Infra Shares £	Foresight 3 VCT O Shares £	Foresight 4 VCT O & C Shares £	Foresight Sustainable £	Foresight Environmental Fund	Total held by Foresight %
Aerospace Tooling Corporation Limited	1,500,000	–	500,000	1,500,000	–	–	52.6
AtFutsal Limited	369,161	2,166,693	738,323	738,323	–	–	44.1
Autologic Diagnostics Group Limited	1,673,040	2,231,975	2,231,754	2,230,696	–	–	18.4
Biofortuna Limited	411,598	–	411,598	823,194	–	–	23.2
Closed Loop Recycling Limited	2,502,986	5,423,334	5,848,628	4,025,053	2,944,127	6,000,000	55.2
Cole Henry PE 2 Limited	1,000,000	–	1,000,000	–	–	–	99.9
Datapath Group Holdings Limited	–	73,250	73,250	73,250	–	–	38.8
Evance Wind Turbines Limited	–	1,513,123	1,396,728	1,745,910	603,448	–	24.4
Flowrite Refridgeration Holdings Limited	213,112	–	86,543	299,655	–	–	35.0
ICA Limited	–	1,000,000	1,000,000	–	–	–	56.0
Ixaris Systems Limited	–	822,858	866,385	1,131,432	–	–	18.2
Kingsclere PE 3 Limited	1,000,000	–	1,000,000	–	–	–	99.9
O-Gen Acme Trek Limited	–	2,070,651	4,425,873	4,893,444	1,291,667	–	64.3
O-Gen UK Limited	–	530,007	310,012	345,014	1,315,000	–	69.3
Procam Television Holdings	800,000	100,000	250,000	650,000	–	–	47.7
Sindicatum Carbon Capital Limited	–	125,006	174,993	200,063	–	–	1.0
TFC Europe Limited	–	939,092	626,061	782,577	–	–	53.5
The Bunker Secure Hosting Limited	–	1,468,562	1,734,009	2,134,267	–	–	32.9
Whitchurch PE 1 Limited	1,000,000	–	1,000,000	–	–	–	99.9
Zoo Digital Group plc	–	196,190	1,189,573	893,384	–	–	17.2

Companies in liquidation and valued at £nil are not included in 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%.

Board of Directors

"The differing career backgrounds and experience of the Directors is designed to bring a complementary balance of skills, knowledge and experience to the management of the Company's affairs."

Graham Ross Russell Chairman

Graham Ross Russell
Chairman

was the founding Chairman of UK Business Incubation, which was initiated by HM Treasury to encourage the growth of early stage companies, formerly a trustee for the National Endowment for Science, Technology and the Arts (NESTA), Chairman of F&C Capital & Income Trust plc and Chairman of the Securities Institute. He was a partner in, and from 1988 to 1990 Chairman of, the stockbroking firm Laurence Prust, specialising in corporate finance for smaller and medium sized companies. He was a Council Member of the London Stock Exchange from 1973 to 1991 and deputy Chairman from 1984 to 1988. He has served on the boards of several UK companies and was Chairman of EMAP plc from 1990 to 1994. Graham is a member of the Audit, Nomination and Management Engagement & Remuneration Committees.

Peter Dicks
Director

was a founder Director of Abingworth plc in 1973, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Private Equity Investor plc and Unicom AiM VCT plc where he is Chairman, Graphite Enterprise Trust plc and Mears Group PLC. In addition, he has been a Director of Foresight VCT plc, Foresight 2 VCT plc and Foresight Solar Fund Limited since their respective launches in 1997, 2004 and 2013 and has been a Director of Foresight 3 VCT plc and Foresight 4 VCT plc since July 2004. Peter is a member of the Audit, Nomination and Management Engagement & Remuneration Committees.

Tom Maxwell
Director

is a member of the Chartered Institute of Bankers in Scotland and a member of the Society of Investment Professionals. He has considerable fund management and investment trust experience and is a non-executive director of Spirent Communications plc. He has held previous directorships with Martin Currie Investment Management Limited and Ivory & Sime Investment Management plc among others. Tom is Chairman of the Audit, Nomination and Management Engagement & Remuneration Committees.

Directors' Report

The Directors present their report and the audited accounts of the Company for the year ended 31 March 2014.

Activities and status

The principal activity of the Company is 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 has been received up to 31 March 2013 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 equity shareholders for the year amounted to £532,000 (2013: loss of £1,134,000). The Board paid an interim dividend of 2.0p per Ordinary Share on 28 March 2014. The dividend had a record date of 14 March 2014 and an ex-dividend date of 12 March 2014.

Net Asset Value Total Return

During the year ended 31 March 2014 the Company's principal indicator of performance, net asset value total return (including dividends paid), increased 1.3% from 130.0p per Ordinary Share at 31 March 2013 to 131.0p per Ordinary Share at 31 March 2014.

Share issues

The Company launched a small top-up offer dated 3 December 2012 for its Ordinary Share fund which raised £339,833 of gross proceeds in the year to 31 March 2014. Under this offer, 429,636 Ordinary Shares were allotted based on net asset values ranging from 75.2p to 78.3p per share.

At 31 March 2014 the Company had 51,226,401 Ordinary Shares in issue. There are no restrictions on the transfer of any class of share.

Share buybacks

During the year, the Company repurchased 675,000 Ordinary Shares for cancellation at a cost of £429,000. No shares bought back by the Company are held in treasury. Share buy-backs have been completed at discounts ranging from 11.9% to 32.2%.

Global greenhouse gas emissions

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

Principal risks, risk management and regulatory environment

A summary of the principal risks faced by the Company is set out on page 9 of the Strategic Report with further detail being given in note 15 on page 51.

Management

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

Annually, the Management Engagement and 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 17 September 2013 at which point the Manager's fees were reduced from 2.5% to 2.25% with effect from 1 October 2013. Foresight Fund Managers is the Secretary of the Company. The principal terms of the management agreement are set out in note 3 to the accounts.

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 £947,000 (2013: £983,000) during the year. No carried interest payments were made in the year. Foresight Group received fees excluding VAT of £126,000 (2013: £123,000) during the year in respect of secretarial, administrative and custodian services to the Company. Foresight Group also received from investee companies arrangement fees of £25,472 (2013: £58,563) as a result of investments made by the Ordinary Shares fund.

VCF Partners, an associate of Foresight Group, received from investee companies, Directors' fees of £175,287 (2013: £190,975).

Foresight Group is also a party to the performance incentive agreements described in Note 13 to the financial Statements. All amounts are stated, where applicable, net of Value Added Tax.

VCT status monitoring

The Company has retained SGH 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.

Substantial shareholdings

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

Financial instruments

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

Directors' Report continued

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 6 days (2013: 2 days). Foresight Group, which provides investment management services, was the only trade creditor of the Company at the year end.

Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD came into force on 22 July 2013 and sets out the rules for the authorisation and on-going regulation of managers (AIFMs) that manage alternative investment funds (AIFs) in the EU. The Company qualifies as an AIF and so will be required to comply, although additional cost and administration requirements are not expected to be material. Transitional provisions for existing AIFs are such that an extra year is allowed (until 22 July 2014) before the regulatory provisions become mandatory.

Audit Information

The Directors who held office at the date of approval of this Directors' Report confirms that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has 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 July 2014 was 51,226,401 Ordinary Shares.

Further information on the share capital of the Company is detailed in note 11 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 62.

Notifiable interests in the Company's voting rights

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

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution to reappoint KPMG LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Companies Act 2006 Disclosures

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

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

Conflicts of Interest

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

Whistleblowing

The Board has been informed that 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 5 to 10. 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 successfully despite the current uncertain economic outlook.

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 the share buy back programme and dividend policy. The Company has no external loan finance in place and therefore is not exposed to any gearing covenants.

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

Directors remuneration

Following changes to the Companies Act 2006, UK investment companies must comply with new regulations in relation to directors' remuneration. Directors' fees can only be paid in accordance with a remuneration policy which has been approved by shareholders. The company must also publish a Directors' Remuneration Report which complies with a new set of disclosure requirements. The new disclosure requirements for the Directors' Remuneration Report are applicable for financial years ending on or after 30 September 2013.

Annual General Meeting

A formal notice convening the Annual General Meeting on 16 September 2014 can be found on pages 60 to 62. Resolutions 1 to 7 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 8 and 9 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 7 to 9 will be in substitution for existing authorities and are explained below.

Resolution 7

Resolution 7 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 £200,000 (representing 28.9% of the current issued share capital of the Company) and will be used for the purposes listed under the authority requested under Resolution 8. This includes authority to issue shares pursuant to performance incentive fee arrangements with Foresight Group and top-up offers for subscription to raise new funds for the Company if the Board believes this to be in the best interests of the Company. Any offer is intended to be at an offer price linked to NAV. The authority conferred by Resolution 7 will expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the passing of the resolution.

Resolution 8

Resolution 8 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 value of up to £100,000 pursuant to offer(s) for subscription, (ii) with an aggregate nominal value of up to 10% of the issued share capital of the Company from time to time pursuant to performance incentive arrangements with Foresight Group and (iii) with an aggregate nominal value of up to 10% of the issued share capital the Company from time to time for general purposes, in each case where the proceeds of such issue may be used in whole or part to purchase the Company's shares. 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 2015, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may allot equity shares after such date in pursuance of a contract or contracts made prior to the expiration of this authority.

Resolution 9

It is proposed by Resolution 9 that the Company be authorised to make market purchases of the Company's own shares. Under this authority the Directors may purchase up to 7,678,837 shares, (representing approximately 14.99% of the Company's shares in issue at the date of this Annual Report) or, if lower, such number of shares as shall equal 14.99% of the Company's shares in issue at the date the resolution is passed. When buying shares, the Company cannot pay a price per share which is more than 105% of the average of the middle market quotation for a share, taken from the London Stock Exchange daily official list on the five business days immediately before the day on which shares are purchased or, if greater, the amount stipulated by Buyback and Stabilisation Regulation 2003. This authority will expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting to be held in 2015, or, if earlier on the date falling 15 months after the passing of the resolution, save that the Company may purchase its shares after such date in pursuance of a contract or contracts made prior to the expiration of this authority.

Whilst, generally, the Company does not expect that shareholders will want to sell their shares within five years of acquiring them because this may lead to a loss of tax relief, the Directors anticipate that from time to time a shareholder may need to sell shares within this period. Front end VCT income tax relief is only obtainable by an investor who

Directors' Report continued

makes an investment in new shares issued by the Company. This means that investors may be willing to pay more for new shares issued by the Company than they would pay to buy shares from an existing shareholder. Therefore, in the interest of shareholders who may need to sell shares from time to time, the Company proposes to renew the authority to buy-in shares as it enables the Board, when possible to facilitate a degree of liquidity in the Company's Shares. In making purchases the Company will deal only with member firms of the London Stock Exchange and at a discount to the then prevailing net asset value per share of the Company's shares to ensure that existing shareholders interests are protected.

By order of the Board

Foresight Fund Managers Limited
Secretary
24 July 2014

Corporate Governance

The Directors of Foresight 3 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 June 2010, 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 March 2014. 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

The Company has a Board of three 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 several Foresight VCTs which are all managed by Foresight Group) are considered to be independent.

Peter Dicks is also a Director of Foresight VCT plc, Foresight 2 VCT plc, Foresight 4 VCT plc and Foresight Solar Fund Limited. The Board believes, having regard to the specialist nature of VCTs and the fact that the Manager advises a number of VCTs, that it is in the best interests of shareholders if, on each of the boards of the VCTs advised by the Manager, there is a Director who is common. A common Director is able to assess how the Manager performs in respect of one fund with the valuable background knowledge of how well or badly the Manager is performing in relation to other funds for which he is also a Director. Where conflicts of interest arise between the different funds then the common Director would seek to act fairly and equitably between different groups of shareholders. Where this is difficult or others might perceive that it was so, then decisions would be taken by the Directors who are not common Directors. The most likely source of potential conflicts would normally be the allocation of investment opportunities but as these are allocated by the Manager pro rata to the cash raised by each fund, subject to the availability of funds, in practice such conflicts should not arise. Additionally, 'specialist funds' may be allocated investments specific to their investment policy in priority to more generalist funds.

Division of Responsibilities

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

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

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

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

The Board has access to the officers of the Company Secretary who also attend Board Meetings. Representatives of the Manager attends 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.

	Board	Audit	Nomination	Remuneration	Management Engagement
Graham Ross Russell	4/4	2/2	1/1	1/1	1/1
Peter Dicks	4/4	2/2	1/1	1/1	1/1
Tom Maxwell	4/4	2/2	1/1	1/1	1/1

Meeting attendance

In addition to the above, further meetings were held in relation to the publication of corporate documents and in relation to investments where Foresight Group manages more than 50% of voting rights.

In the light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight Group, Foresight Fund Managers and SGH 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.

Corporate Governance continued

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 Tom Maxwell (Chairman), Peter Dicks and Graham Ross Russell, 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 approve the accounts;
- 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.

As a result of a tender process carried out in October 2010, the Board appointed KPMG Audit Plc as the Company's auditors from 2010. The Directors decided to propose the appointment of KPMG LLP as auditors following the 2013 Annual General Meeting.

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

The Nomination Committee comprises Tom Maxwell (Chairman), Peter Dicks and Graham Ross Russell 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 by rotation.

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

The Management Engagement & Remuneration Committee (which has responsibility for reviewing the remuneration of the Directors) comprises Tom Maxwell (Chairman), Peter Dicks and Graham Ross Russell 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 and, as previously noted, amended the management fees on 17 September 2013 following a review of terms.

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 3 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.

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

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

Following publication of Internal Control: Guidance for Directors on the UK Corporate Governance Code (the Turnbull guidance), the Board confirms that there is an continuous process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the annual report and financial statements, and that this process is regularly reviewed by the Board and accords with the guidance. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action, that has been, or is being, taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with Foresight Group, Foresight Fund Managers and SGH Martineau LLP.

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

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

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

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.

Graham Ross Russell
Director
24 July 2014

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 24 consists solely of non-executive directors and considers at least annually the level of the Board's fees.

The Committee concluded following a review of the level of Directors' fees there will be no increase for the year ending 31 March 2015.

Consideration by the Directors of matters relating to Directors' Remuneration

The Management Engagement & Remuneration Committee comprises three Directors: Tom Maxwell (Chairman), Peter Dicks and Graham Ross Russell.

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 management in respect of the Directors' remuneration.

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

Directors are not involved in deciding their own individual remuneration.

Remuneration policy

The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 March 2014 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 15 February 1996 for Graham Ross Russell, 30 July 2004 for Peter Dicks and 10 September 2008 for Tom Maxwell, a Director may resign by giving six months' notice in writing to the Board or by mutual consent. No compensation is payable to Directors on leaving office.

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 16 September 2014 and will continue for the financial year ended 31 March 2015 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 78.01% of Shareholders voted for the resolution approving the Directors' Remuneration Report, showing ~~significant shareholder support.~~

Retirement by rotation

All Directors are subject to retirement by rotation. As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment. However, the Directors will retire by rotation as follows:

P Dicks, G Ross Russell	AGM 2014
P Dicks, G Ross Russell, T Maxwell	AGM 2015
P Dicks, G Ross Russell	AGM 2016

Total shareholder return

The graph on the following page charts the total shareholder return to 31 March 2014, on the hypothetical value of £100, invested by an Ordinary Shareholder. 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 forecasted for the year ahead are shown on page 34. 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 of 1p were as follows:

	31 March 2014 Ordinary Shares	31 March 2013 Ordinary Shares
Graham Ross Russell (Chairman)	108,528	108,528
Peter Dicks	40,707	16,016
Tom Maxwell	7,722	7,722

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

There have been no changes in the Directors' share interests between 31 March 2014 and the date of this report.

In accordance with the Articles of Association and the requirements of the UK Corporate Governance Code, Mr Dicks and Mr Ross Russell must retire through rotation and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on page 24. The Board believes that Mr Dicks' and Mr Ross Russell's skills, experience and knowledge continue to complement each other and add value to the Company and recommends their re-election to the Board. None of the Directors has a contract of service with the Company.

Audited Information

The information below has been audited, with the exception of those fees forecasted for the year to 31 March 2015. See the Independent Auditors' Report on page 38.

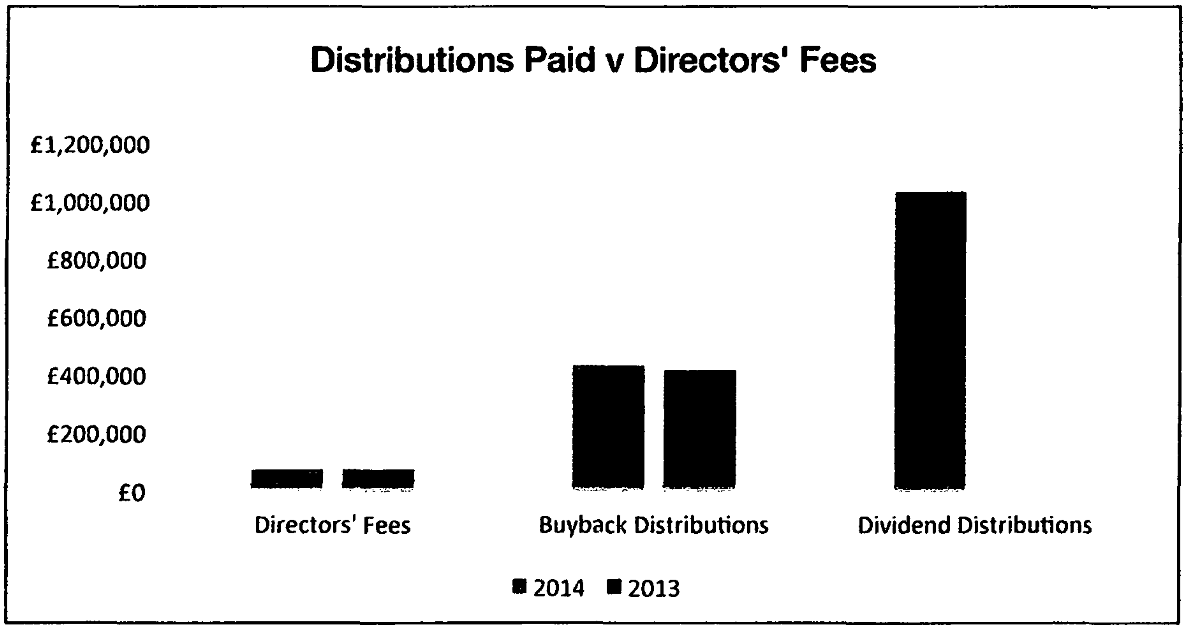
	Anticipated Directors' fees year ending 31 March 2015 (£)	Audited Directors' fees year ended 31 March 2014 (£)	Audited Directors' fees year ended 31 March 2013 (£)
Graham Ross Russell (Chairman)	27,500	27,500	27,500
Peter Dicks	22,000	22,000	22,000
Tom Maxwell	22,000	22,000	22,000
Total	71,500	71,500	71,500

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 to 31 March 2013

Shares & Percentage of votes cast	Shares & Percentage of votes cast	Number of votes withheld
For	Against	
78.0%	22.0%	178,836 votes
4,474,452 votes	1,260,954 votes	

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



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 July 2014 and is signed on its behalf by Graham Ross Russell (Chairman).

On behalf of the Board

Graham Ross Russell
Chairman
24 July 2014

Audit Committee Report

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

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

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

Valuation of unquoted investments

The Directors have met quarterly to assess the appropriateness of the estimates and judgements made by the Manager in the investment valuations. As a Venture Capital Trust the Company's investments are predominantly in unlisted securities, which can be difficult to value and requires the application of skill, knowledge and judgement by the Board and Audit Committee. During the valuation process the Board and Audit Committee and the Manager follow the valuation methodologies for unlisted investments as set out in the International Private Equity and Venture Capital valuation guidelines and appropriate industry valuation benchmarks. These valuation policies are set out in Note 1 of the accounts. These were then further reviewed by the Audit Committee. The Manager and the auditor 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.

Venture capital trust status

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

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

Auditors assessment

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as auditor in a diligent and professional manner. During the year, the Audit Committee assessed the effectiveness of the current external audit process by assessing and discussing specific audit documentation presented to it in accordance with guidance issued by the Auditing Practices Board. The audit partner is rotated every five years ensuring that objectivity and independence is not impaired. The current audit partner has been in place for four year ends. KPMG LLP was appointed as auditor in October 2010, with their first audit for the year ended 31 March 2011. 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.

Tom Maxwell
Audit Committee Chairman
24 July 2014

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 the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of 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 its 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 a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply 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' Responsibilities in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report includes 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; and
- the report and accounts, taken as a whole, are fair, balanced, and understandable and provide the necessary information for the shareholders to assess the company's performance, business model and strategy.

On behalf of the Board

Graham Ross Russell
Chairman
24 July 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORESIGHT 3 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 3 VCT plc for the year ended 31 March 2014 set out on pages 40 to 57. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; 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 risks of material misstatement that had the greatest effect on our audit were as follows:

- Valuation of Unquoted Investments: (£35.846 million)

Refer to page 36 (Audit Committee Report), page 45 (accounting policy) and pages 40 to 57 (financial statements)

The risk - 99% 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 and net assets. There is a significant risk over the valuation of unquoted companies and this is one of the key judgemental areas that our audit focused on.

Our response - Our procedures included, among others:

- enquiry of the Investment Manager to document and assess the design and implementation of the investment valuation processes and controls in place;
- assessment of the investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and consideration of 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, we focussed on the appropriateness of the valuation basis selected as well as underlying assumptions, such as discount factors and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources and investee company audited accounts and management information as applicable. We challenged the assumptions around the sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required. 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 audit 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 respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

- VCT qualifying status:

Refer to page 36 (Audit Committee Report), page 45 (accounting policy) and pages 40 to 57 (financial statements)

The risk - The Company is required at all times all times to observe the conditions of the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could result in the Company losing its exemption from corporation tax on capital gains giving rise to significant tax liabilities arising from investment gains that are currently unrecognised.

Our response – While we do not provide any specific assurance over the VCT status to the Company or its shareholders in this report, we perform the following procedures for the purposes of our audit:

- documenting and assessing the processes and controls in place at the investment manager to monitor VCT status compliance throughout the period; and
- examination of the relevant income and distribution ratios, based on the earnings in the period and the proposed final dividend recommended by the directors, to assess whether the Company's income has been derived wholly or mainly from shares or securities, and that it has not retained more than 15% of that income from shares or securities; and
- placing reliance on the third party VCT status report prepared by SGH Martineau LLP who were appointed by the board to evaluate the Trust's compliance with the VCT rules. We have evaluated the competency of Martineau and read their report, discussing any findings with SGH Martineau LLP and the Foresight management team.

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 £0.77 million. This was determined using a benchmark of Total Assets (of which it represents 2%). Total Assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we believe that it is one of the principal considerations for members of the Company in assessing its financial performance.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £38,420, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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

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

In our opinion:

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

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

Under International Standards on Auditing (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 performance, business model and strategy; or
- the section of the Statement of Corporate Governance describing the work of the Audit Committee 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 by the Company, 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' statement, set out on page 27, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 29 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 37, 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/auditscopeukco2013a, 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.

Gareth Horner

Gareth Horner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 July 2014

Income Statement

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014			Year ended 31 March 2013		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Realised gains/(losses) on investments	8	–	1,898	1,898	–	(2,536)	(2,536)
Investment holding (losses)/gains	8	–	(816)	(816)	–	2,377	2,377
Income	2	787	–	787	445	–	445
Investment management fees	3	(237)	(710)	(947)	(246)	(737)	(983)
Other expenses	4	(390)	–	(390)	(437)	–	(437)
Return/(loss) on ordinary activities before taxation		160	372	532	(238)	(896)	(1,134)
Taxation	5	–	–	–	–	–	–
Return/(loss) on ordinary activities after taxation		160	372	532	(238)	(896)	(1,134)
Return/(loss) per Ordinary Share	7	0.3p	0.7p	1.0p	(0.5)p	(1.8)p	(2.3)p

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 44 to 57 form part of these accounts.

Reconciliation of Movements in Shareholders' Funds

Year ended 31 March 2013	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
As at 1 April 2012	503	–	1,872	36.605	38,980
Share issues in the year	105	8,995	–	–	9,100
Expenses in relation to share issues	–	(125)	–	–	(125)
Repurchase of shares	(93)	(221)	93	(7.895)	(8,116)
Loss for the year	–	–	–	(1,134)	(1,134)
As at 31 March 2013	515	8,649	1,965	27,576	38,705

Year ended 31 March 2014	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
As at 1 April 2013	515	8,649	1.965	27,576	38.705
Share issues in the year	4	331	–	–	335
Expenses in relation to share issues	–	(81)	–	–	(81)
Repurchase of shares	(7)	–	7	(429)	(429)
Dividends	–	–	–	(1.031)	(1.031)
Return for the year	–	–	–	532	532
As at 31 March 2014	**512**	**8,899**	**1,972**	**26,648**	**38,031**

The notes on pages 44 to 57 form part of these accounts.

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Balance Sheet

at 31 March 2014

Registered Number: 03121772

	Notes	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	**36,086**	35,447
		36,086	35,447
Current assets			
Debtors	9	**1,762**	2,122
Money market securities and other deposits		**277**	475
Cash		**87**	739
		2,126	3,336
Creditors			
Amounts falling due within one year	10	**(181)**	(78)
Net current assets		**1,945**	3,258
Net assets		**38,031**	38,705
Capital and reserves			
Called-up share capital	11	**512**	515
Share premium account		**8,899**	8,649
Capital redemption reserve		**1,972**	1,965
Profit and loss account		**26,648**	27,576
Equity shareholders' funds		**38,031**	38,705
Net asset value per Ordinary Share	12	**74.2p**	75.2p

The accounts on pages 40 to 57 were approved by the Board of Directors and authorised for issue on 24 July 2014 and were signed on its behalf by:

Graham Ross Russell
Chairman
24 July 2014

The notes on pages 44 to 57 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2014

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Cash flow from operating activities		
Investment income received	357	171
Dividends received from investments	283	–
Deposit and similar interest received	2	9
Investment management fees paid	(922)	(993)
Secretarial fees paid	(126)	(121)
Other cash payments	(250)	(449)
Net cash outflow from operating activities and returns on investment	(656)	(1,383)
Taxation	–	–
Investing activities		
Purchase of unquoted investments and investments quoted on AiM	(4,673)	(2,163)
Net proceeds on sale of unquoted investments	4,157	847
Net proceeds on sale of quoted investments	566	159
Net capital outflow from financial investment	50	(1,157)
Equity dividends paid	(1,031)	–
Management of liquid resources		
Movement in money market funds	198	2,311
	198	2,311
Financing		
Proceeds of fund raising	1,196	1,348
Expenses of fund raising	(75)	(125)
Repurchase of own shares	(334)	(486)
	787	737
(Decrease)/increase in cash	(652)	508

Reconciliation of net cash flow to movement in net cash

(Decrease)/increase in cash for the year	(652)	508
Net cash at start of the year	739	231
Net cash at end of year	87	739

Analysis of changes in net cash

	At 1 April 2013 £'000	Cash flow £'000	As at 31 March 2014 £'000
Cash and cash equivalents	1,214	(850)	364

The notes on page 44 to 57 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2014

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 accounts have been prepared under the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in January 2009.

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 "held at fair value through profit and loss". The Directors fair value investments in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in December 2012. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

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

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

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

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

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

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

or

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

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

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

1 Accounting policies (continued)

c) Income

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

d) Expenses

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

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

e) Financial instruments

During the course of the year the Company held fixed assets, money-market funds, cash balances and derivatives. The Company holds financial assets that comprise investments in unlisted companies, qualifying loans, and shares in companies on the Alternative Investment Market. The carrying value for all financial assets and liabilities is fair value.

f) Taxation

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

g) Deferred taxation

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

h) 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.

i) Cash and liquid resources

Cash, for the purpose 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.

Notes to the Accounts continued

for the year ended 31 March 2014

2 Income

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Loan stock interest	501	438
Dividend income	283	–
Bank deposits	2	–
Overseas based Open Ended Investment Companies ("OEICs")	1	7
	787	445

3 Investment management fees

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Investment management fees charged to the revenue account	237	246
Investment management fees charged to the capital account	710	737
	947	983

Foresight Group provide investment management services to the Company under an agreement dated 30 July 2004 (and novated to Foresight Group CI Limited on 1 March 2012) and receive management fees, paid quarterly in advance, of 2.25% of net assets per annum. If the annual expenses of the Company exceed 3.5% of the Company's total assets less current liabilities, the Company is entitled to reduce the fees paid to the Investment Manager by the amount of the excess. Details of the performance-related incentive are available in note 13.

The rebate payable by Foresight Group for the period to 31 March 2014 was £nil (2013: £nil). This agreement may be terminated by either party giving to the other not less than twelve months' notice, at any time after the third anniversary.

Foresight Group also receives annual fees, paid quarterly in advance, for the secretarial services provided of £126,000 (2013: £123,000). The annual secretarial fee (which is payable together with any applicable VAT) is adjusted annually in line with the UK Retail Prices Index.

4 Other expenses

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Secretarial services (note 3)	126	123
Directors' remuneration including employer's National Insurance contributions	79	78
Auditors' remuneration excluding VAT:		
– audit services	26	24
– taxation services	4	6
Legal and professional fees	3	6
Share registrar fees	23	24
Other	129	176
	390	437

5 Tax on ordnary activities

a) Analysis of charge in the year:

	Year ended 31 March 2014			Year ended 31 March 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	–	–	–	–	–	–
Total current tax	–	–	–	–	–	–
Deferred tax	–	–	–	–	–	–
Total tax	–	–	–	–	–	–

b) Factors affecting current tax charge for the year:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a venture capital trust of 23% (2013: 24%). The differences are explained below:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Net income before taxation	532	(1,134)
Corporation tax at 23% (2013: 24%)	122	(272)
Effects of:		
Investment gains not taxable	249	38
Non-taxable dividend income	–	–
Utilisation of brought forward excess expenses	(491)	12
Excess management expenses (unutilised) for which no relief is available	120	222
	–	–
Current tax charge for the period (note (c))	–	–

c) There is an unrecognised deferred tax asset of £806,185 (2013: £1,668,000). The deferred tax asset relates to the current and prior year unutilised expenses. It is considered too uncertain that there will be taxable profits in the future against which the deferred tax assets can be offset and, therefore, in accordance with FRS 19, the asset has not been recognised.

6 Dividends

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Interim dividend of 2.0p per share (2013: £nil) paid in the year	1,031	–

The Board paid an interim dividend of 2.0p per Ordinary Share on 28 March 2014. The dividend had a record date of 14 March 2014 and an ex-dividend date of 12 March 2014.

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 accounting period. The payment of the interim dividend satisfied this requirement.

7 Return per Ordinary Share

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Total return/(loss) after taxation	532	(1,134)
Basic return/(loss) per share (note a)	1.0p	(2.3)p
Revenue return/(loss) from ordinary activities after taxation	160	(238)
Revenue return/(loss) per share (note b)	0.3p	(0.5)p
Capital return/(loss) from ordinary activities after taxation	372	(896)
Capital return/(loss) per share (note c)	0.7p	(1.8)p
Weighted average number of shares in issue in the year	51,767,674	50,804,645

Notes:
a) Total return/(loss) per share is total return after taxation divided by the weighted average number of shares in issue during the year.
b) Revenue return/(loss) per share is revenue return after taxation divided by the weighted average number of shares in issue during the year.
c) Capital return/(loss) per share is capital return after taxation divided by the weighted average number of shares in issue during the year.

8 Investments held at fair value through profit or loss

	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 April 2013	3,668	40,514	44,182
Investment holding losses	(2,570)	(6,165)	(8,735)
Valuation at 1 April 2013	1,098	34,349	35,447
Movements in the year:			
Purchases at cost	–	4,781	4,781
Disposal proceeds	(566)	(4,157)	(4,723)
Realised (losses)/gains	(554)	*1,951	1,397
Investment holding gains/(losses)	262	(1,078)	(816)
Valuation at 31 March 2014	**240**	**35,846**	**36,086**
Book cost at 31 March 2014	2,548	43,089	45,637
Investment holding losses	(2,308)	(7,243)	(9,551)
Valuation at 31 March 2014	**240**	**35,846**	**36,086**

* Included within realised gains/(losses) on investments in the Income Statement is £501,000 of deferred consideration in relation to the Alaric Systems Limited sale in the year.

9 Debtors

	2014 £'000	2013 £'000
Accrued income	**1,253**	1,220
Deferred consideration	**501**	–
Prepayments	**8**	8
Due from receiving agent re share issues	**–**	814
Amounts receivable – as a result of the linked fundraising	**–**	42
Other debtors	**–**	38
	1,762	2,122

10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**22**	(2)
Accruals and other creditors	**159**	80
	181	78

Notes to the Accounts continued
for the year ended 31 March 2014

11 Called-up share capital

	2014 £'000	2013 £'000
Allotted, called-up and fully paid:		
51,226,401 Ordinary Shares of 1p each (2013: 51,471,765)	512	515

The Company launched a small top-up on 3 December 2012 which raised £339,833 of gross proceeds in the year to 31 March 2014. Under the offer 429,636 Ordinary Shares were allotted based on net asset values ranging from 75.2p to 78.3p per share.

During the year, the Company repurchased 675,000 Ordinary Shares for cancellation at a cost of £429,000. No shares brought back by the Company are held in treasury. Share buybacks have been completed at discounts ranging from 11.9% to 32.2%.

At 31 March 2014 the Company had 51,226,401 Ordinary Shares in issue.

	Ordinary Share No.
At 1 April 2013	51,471,765
Allotment of shares	429,636
Purchase of own shares	(675,000)
At 31 March 2014	**51,226,401**

12 Net asset value per Ordinary Share
Net asset value per Ordinary Share is based on net assets at the year end of £38,031,000 (2013: £38,705,000), and on 51,226,401 Ordinary Shares (2013: 51,471,765 Ordinary Shares), being the number of Ordinary Shares in issue at that date.

13 Performance-related incentive
Foresight Group is entitled to receive performance incentive fees representing 15% of dividends paid to shareholders, providing certain performance conditions are achieved:-

The performance-related incentive fee is payable to Foresight Group if the total return (comprising net asset value plus dividends paid) exceeds 100 pence per Share, both before and immediately after the performance-related incentive fee is paid. After each distribution is made to shareholders, the total return required to be achieved to trigger a performance-related incentive fee will be amended to take account of the cumulative dividends (net of the performance incentive fee payments made to Foresight Group) paid.

The performance Incentive fee may be satisfied by either a cash payment or the issue of Shares in the same class as the distribution being made (or by a combination of both) at the Board's discretion. Any new Shares to be issued to Foresight Group would be calculated by dividing the amount to be satisfied by the issue of the Shares by the latest net asset value per share.

No performance-related incentives were earned during the year (2013: nil).

14 Capital commitments and contingent liabilities
The Company had no capital commitments or contingent liabilities at 31 March 2014 (2013: £nil).

15 Principal risks, risk management and regulatory environment

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

• Economic risk – events such as an economic recession and movement in interest rates could affect smaller companies' performance and valuations.

• Loss of approval as a Venture Capital Trust – the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from corporation tax on investment gains. Any breach of these rules may lead to: the Company losing its approval as a VCT; qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained: and future dividends paid by the Company becoming subject to tax in the hands of investors. The Company would also lose its exemption from corporation tax on capital gains.

• Investment and strategic – inappropriate strategy, poor asset allocation or consistently weak stock selection leading to under performance and poor returns to shareholders.

• Regulatory – the Company is required to comply with the Companies Acts 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

• Reputational – inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.

• Operational – failure of the Manager's or Company Secretary's accounting systems or disruption to its business leading to an inability to provide accurate reporting and monitoring.

• Financial – inadequate controls might lead to misappropriation or loss of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Additional financial risks, including interest rate, credit, market price and currency, are detailed later in this note.

• Market risk – investment in AiM traded, ISDX Growth Market traded and unquoted companies by its nature involves a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

• Liquidity risk – the Company's investments, both unquoted and quoted, may be difficult to realise. Furthermore, the fact that a share is traded on AiM or ISDX Growth Markets does not guarantee that it can be realised. The spread between the buying and selling price of such shares may not reflect the price that any realistion is actually made.

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

Notes to the Accounts continued

for the year ended 31 March 2014

15 Financial instrument risk management

The Company's financial instruments comprise:

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

Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 March 2014.

	2014 (Fair value) £'000	2013 (Fair value) £'000
Assets at fair value through profit and loss		
Investment portfolio	36,086	35,447
Current asset investments (money market funds)	277	475
Cash at bank	87	739
	36,450	36,661
Receivables		
Deferred consideration	501	—
Prepayments and other debtors	1,261	2,122
	1,762	2,122
Liabilities at amortised cost or equivalent		
Creditors	(181)	(78)
	38,031	38,705

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

The investment portfolio principally consists of unquoted investments, AIM quoted investments and qualifying loan stock valued at fair value. AIM quoted investments are valued at bid price. 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 (94.3% of net assets) or quoted on the sterling denominated UK AIM market (0.6% 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 investments in 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 £15,079,000 at 31 March 2014 (31 March 2013: £14,536,000).

15 Financial instrument risk management (continued)

Company	Total portfolio 31 March 2014 £'000	Total portfolio 31 March 2013 £'000	Weighted average interest rate 31 March 2014 %	Weighted average interest rate 31 March 2013 %	Weighted average time for which rate is fixed 31 March 2014 Days	Weighted average time for which rate is fixed 31 March 2013 Days
Short-term fixed interest securities – exposed to cash flow interest rate risk	277	475	0.3	0.4	–	–
Loan stock – exposed to fixed interest rate risk	11,711	8,640	9.9	6.5	895	550
Loan stock – exposed to variable interest rate risk	3,004	4,682	1.1	1.1	78	–
Cash	87	739	–	–	–	–
Total exposed to interest rate risk	15,079	14,536				
Loan stock – not exposed to interest rate risk	–	–	–	–	–	–
Total	15,079	14,536				

Maturity analysis:	Total portfolio 31 March 2014 £'000	Total portfolio 31 March 2013 £'000
– in one year or less	8,034	7,499
– in more than one year but no more than two years	2,717	1,220
– in more than two years but no more than three years	3,003	2,178
– in more than three years but no more than four years	419	3,097
– in more than four years but no more than five years	906	542
Total	15,079	14,536

During the course of the year the Company also held cash balances. The benchmark rate, which determines the interest payments received on cash and loan balances held, is the bank base rate which was 0.5% at 31 March 2014 (0.5% at 31 March 2013).

Credit risk

Credit risk is the risk of failure by counterparties to deliver securities which the Company has paid for, or the failure by counterparties to pay for securities which the Company has delivered. The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. The Board manages credit risk in respect of the current asset investments and cash by ensuring a spread of such investments in separate money market funds such that none exceed 15% of the Company's total investment assets. These money market funds are all triple A rated funds, and so credit risk is considered to be low. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk. The maximum exposure to credit risk at 31 March 2014 was £16,841,000 (31 March 2013: £16,658,000) 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. Several small AIM holdings held by a third party custodian in CREST are ring fenced from the assets of the custodian or other client companies.

15 Financial instrument risk management (continued)

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

	31 March 2014 £'000	31 March 2013 £'000
Loan stocks	**14,715**	13,322
Current asset investments (money market funds)	**277**	475
Deferred consideration	**501**	–
Prepayment and other debtors	**1,261**	2,122
Cash at bank	**87**	739
Total	**16,841**	16,658

Market price risk

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

The investments in equity and fixed interest stocks of unquoted companies are rarely traded (and AIM listed companies which the Company holds are thinly 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. The potential maximum exposure to market price risk, being the value of the investment portfolio as at 31 March 2014 is £36,086,000 (31 March 2013: £35,447,000).

Liquidity risk

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

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

Sensitivity analysis

Equity price sensitivity

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

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

The Board considers that even the loan stocks are 'quasi-equity' in nature, as the value of the loan stocks is determined by reference to the enterprise value of the investee company. Such value is considered to be sensitive to changes in quoted share prices, in so far as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% (2013: 15%) movement in overall share prices, which might in part be caused by changes in interest rate levels, but it is not considered practical to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

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

15 Financial instrument risk management (continued)

	2014 Return and net assets	2013 Return and net assets
If overall share prices fell by 15% (2013: 15%), with all other variables held constant – decrease (£'000)	**(5,413)**	(5,317)
Decrease in earnings, and net asset value, per share (in pence)	**(10.57)p**	(10.33)p
If overall share prices increase by 15% (2013: 15%), with all other variables held constant – increase (£'000)	**5,413**	5,317
Increase in earnings, and net asset value, per Ordinary Share (in pence)	**10.57p**	10.33p

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

Interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not believe that the value of these instruments is interest rate sensitive. This is because 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.

	2014 Profit and net assets	2013 Profit and net assets
If interest rates were 1% lower, with all other variables held constant – decrease (£'000)	(30)	(47)
Decrease in earnings, and net asset value, per share (in pence)	(0.06)p	(0.09)p
If interest rates were 1% higher, with all other variables held constant – increase (£'000)	30	47
Increase in earnings, and net asset value, per share (in pence)	0.06p	0.09p

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

Fair value hierarchy

In accordance with amendments to FRS 29, the following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

15 Financial instrument risk management (continued)

As at 31 March 2014

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted investments	240	–	–	240
Unquoted investments	–	–	35,846	35,846
Current asset investments (money market funds)	277	–	–	277
Financial assets	**517**	**–**	**35,846**	**36,363**

As at 31 March 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted investments	864	234	–	1,098
Unquoted investments	–	–	34,349	34,349
Current asset investments (money market funds)	475	–	–	475
Financial assets	1,339	234	34,349	35,922

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

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

Year ended 31 March 2014

	Level 3 £'000
Valuation brought forward at 1 April 2013	34,349
Purchases	4,781
Disposal proceeds	(4,157)
Realised gains	1,951
Investment holding losses	(1,078)
Valuation carried forward at 31 March 2014	**35,846**

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The Directors regularly review the principles applied by the Investment Manager to those valuations to ensure they comply with the Company's accounting policies and with fair value principles.

Transfers

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

Based on recent economic volatility, the Board and Investment Manager feel that for indicative purposes, a movement of 15% in the unquoted investments within Level 3 is appropriate to show how reasonably possible alternative assumptions change the fair value of the investments.

If unquoted investments moved by 15%, this would create an increase or decrease in investments of £5.4 million.

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The Directors regularly review the principles applied by the Investment Manager to those valuations to ensure they comply with the Company's accounting policies and with fair value principles.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using alternative estimates of expected cash flows and risk-adjusted discount rates that might reasonably have been considered by a market participant to price the instruments at the end of the reporting period.

16 Management of Capital

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

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

Although, as the Investment Policy implies, the Board would consider borrowing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are 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.

Financial liabilities and borrowing facilities

The Company had no committed borrowing facilities, liabilities or guarantees at 31 March 2014 or 31 March 2013.

Fair value

The fair value of the Company's financial assets and liabilities at 31 March 2014 and 31 March 2013 are not different from their carrying values.

17 Post-balance sheet events

No post balance sheet events have taken place between the year end and 24 July 2014.

18 Related party transactions

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

19 Transactions with the manager

Foresight Group, acting as investment manager to the Company in respect of its venture capital investments, earned fees of £947,000 during the year (2013: £983,000). Fees excluding VAT of £126,000 (2013: £123,000) were received during the year for company secretarial, administrative and custodian services to the Company.

At the balance sheet date, there was £317 due from Foresight Group (2013: £24,755 due from Foresight Group) and £nil due to or from Foresight Fund Managers Limited (2013: £2,000 due from Foresight Fund Managers). No amounts have been written off in the year in respect of debts due to or from the related parties.

Foresight Group also received from investee companies arrangement fees of £25,472 (2013: £58,563). VCF partners, an associate of Foresight Group, received from investee companies, Directors' fees of £175,287 (2013: £190,975).

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 (see back cover for details).

Share price

The Company's Ordinary Shares are listed on the London Stock Exchange. The mid-price of the Company's Ordinary Shares is given daily in the Financial Times in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

Fund History

Foresight Group was appointed manager of Advent VCT plc on 30 July 2004 and the fund was renamed Foresight 3 VCT plc.

Foresight Group was appointed manager of Noble VCT plc (formerly Enterprise VCT plc) on 1 April 2008 and the company temporarily reverted to its former name of Enterprise VCT plc. On 10 September 2008 Foresight 3 VCT plc acquired the assets and liabilities of Enterprise VCT plc and the company was partially merged into Foresight 3 VCT plc as a separate C share class. On 24 July 2009 the Foresight 3 VCT plc Ordinary and C shares were merged together to create new Ordinary shares.

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.

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

Trading shares

The Company's Ordinary 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 3 VCT plc is Panmure Gordon.

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

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

Indicative financial calendar

September 2014	Annual General Meeting
November 2014	Announcement of interim results for the six months to 30 September 2014
July 2015	Announcement of annual results for the year ended 31 March 2015
July 2015	Posting of the Annual Report for the year ended 31 March 2015

Open invitation to meet the Investment Manager

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

Enquiries

Foresight 3 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 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.

Any queries in respect of your investment should initially be directed to Foresight Group who can be contacted at *investorrelations@foresightgroup.eu or on 020 3667 8100.*

Information, including up to date valuations based on either the Net Asset Value or the bid price, can be obtained from the Foresight Group website – www.foresightgroup.eu – by selecting the Funds tab at the top of page and then clicking on the relevant VCT.

Please note that Foresight Group have moved to The Shard, 32 London Bridge Street, London, SE1 9SG.

Alternatively, administrative issues can be dealt with by the registrar, Computershare Investor Services plc, who can be contacted by telephone on 0870 703 6384 or in writing at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight 3 VCT plc ("the Company") will be held on 16 September 2014 at 1.00 pm at the offices of Foresight Group, 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 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions.

Resolution 1 To receive the Report and Accounts for the year ended 31 March 2014.

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 Graham Ross Russell as a director.

Resolution 6 To re-appoint KPMG LLP as auditors and to authorise the directors to fix the auditors' remuneration.

Resolution 7 That, in substitution for all existing authorities, the directors be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £200,000 provided that this authority shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the date of 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 8 That, in substitution for 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 7 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 £100,000 pursuant to offer(s) for subscription;

(b) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued share capital from time to time by way of an issue of shares pursuant to performance incentive arrangements with Foresight Group, such shares to be issued at nominal value; and

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) of this resolution) to any person or persons of equity securities with an aggregate nominal amount of up to but not exceeding an amount equal to 10% of the issued share capital from time to time

in each case where the proceeds may be used in whole or part to purchase shares in the capital of the Company, such authority to expire on the conclusion of the Annual General Meeting of the Company to be held in the year 2015 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 by this resolution had not expired.

Notice of Annual General Meeting

Resolution 9 That, in substitution for all existing authorities, the Company be empowered to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its own shares on such terms and in such manner as the directors shall from time to time determine provided that:

(i) the aggregate number of shares to be purchased shall not exceed 7,678,837 or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the Company's shares in issue at the date of the passing of this resolution;

(ii) the minimum price which may be paid for a share is 1 pence (the nominal value thereof):

(iii) the maximum price which may be paid for a share is the higher of (1) an amount equal to 105% of the average of the middle market quotation for a share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the shares are purchased, and (2) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;

(iv) the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the Annual General Meeting of the Company to be held in the year 2015 or, if earlier, on the date falling 15 months after the passing of this resolution; and

(v) the Company may make a contract to purchase shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to such contract.

By order of the Board

Foresight Fund Managers Limited
Company Secretary
24 July 2014

The Shard
32 London Bridge Street
London
SE1 9SG

Notes

1. No Director has a service contract with the Company. Directors' appointment letters with the Company will be available for inspection at the registered office of the Company until the time of the meeting and from 15 minutes before the meeting at the location of the meeting, as well as at the meeting.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the entitlement to attend and vote at the meeting and the number of votes that may be cast thereat will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days (excluding non-business days) before the day of the meeting or the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the 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 0870 703 6384. 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 July 2014 (being the last business day prior to the publication of this notice), the Company's issued share capital was 51,226,401 shares carrying one vote each. Therefore, the total voting rights in the Company as at 24 July 2014 was 51,226,401.
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 business days) before the time appointed for holding the meeting or any adjourned meeting. To appoint a proxy 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 auditors' 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.

Corporate Information

Directors
Graham Ross Russell (Chairman)
Peter Dicks
Tom Maxwell

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

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SE1 9SG

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Auditors and Tax Advisers
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London
E14 5GL

Solicitors and VCT Status Advisers
SGH Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

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

Registered Number
03121772

Contact Numbers
Registrar's Shareholder Helpline
– Computershare (0870 703 6384)
General and Portfolio Queries
– Foresight Group (020 3667 8100)

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