

**Final results**  
**31 December 2022**

Foresight Enterprise VCT plc, managed by Foresight Group LLP, today announces the final results for the year ended 31 December 2022.

These results were approved by the Board of Directors on 28 April 2023.

The Annual Report will shortly be available in full at [www.foresightenterprisevct.com](http://www.foresightenterprisevct.com). All other statutory information can also be found there.

**Highlights**

- After adding back the payments of a 3.5p dividend made on 30 June 2022 and a 3.8p dividend made on 30 December 2022, NAV Total Return per share at 31 December 2022 was 72.2p, representing a positive total return of 4.5% in the year
- Four new investments costing  $\text{£}6.9$  million and three follow-on investments costing  $\text{£}2.1$  million were made during the year
- The Company fully exited its investments in TFC Europe Limited and Codeplay Software Limited, realising gains of  $\text{£}17.3$  million in the year and returning proceeds of  $\text{£}19.7$  million to the Company
- In the year, the valuation of investments increased by  $\text{£}8.7$  million (2021:  $\text{£}22.3$  million)
- An interim dividend of 3.5p per share was paid on 30 June 2022, returning  $\text{£}6.9$  million to Shareholders
- A special interim dividend of 3.8p per share was paid on 30 December 2022 following successful realisations of TFC Europe and Codeplay Software, returning  $\text{£}8.1$  million to Shareholders
- The offer for subscription launched in October 2022 was closed on 26 April 2023 and raised a total of  $\text{£}21.7$  million after expenses

**Chair's statement**

I am pleased to present the audited Annual Report and Accounts for the year ended 31 December 2022 and to report a Net Asset Value Total Return of 4.5% for the year including a dividend yield of 12.5%.

**Overview of 2022**

The business environment remains challenging after the substantial impact of the COVID-19 pandemic receded, with the war in Ukraine, supply chain issues, rapidly rising inflation and energy prices, and the threat of recession the new economic reality. I believe that the careful planning, help and advice the Manager provided the portfolio companies during the pandemic will continue to be relevant to the current and future economic situations. While there will be bumps in the road, the Board believes that the portfolio is in good shape to withstand what we currently see ahead.

The Company's portfolio in aggregate has remained resilient amid economic and political turmoil that has plagued 2022. Many of the portfolio companies have successfully adapted to the new economic landscape, with some performing extremely well and demonstrating the strength of their management teams. A minority struggled as a result of a fall in consumer demand, inflationary pressures and a surge in the cost of energy prices. However, these businesses are now beginning to show signs of recovery.

In the year ended 31 December 2022, 23 companies in the portfolio recorded a combined increase in valuation of  $\text{£}20.0$  million, offset by 14 companies recording an aggregate fall in valuation of  $\text{£}11.3$  million.

**Strategy**

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

- Growth in Net Asset Value Total Return above a 5% target while continuing to grow the Company's assets
- Payment of annual dividends of at least 5% of the NAV per share per annum based on the opening NAV of that financial year
- Implementation of a significant number of new and follow-on qualifying investments every year, exceeding deployment requirements to maintain VCT status
- Maintaining a programme of regular share buybacks at a discount of 7.5%

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

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

**Performance and portfolio activity**

During the year Net Asset Value per share decreased by 6.1% from 69.1p at 31 December 2021 to 64.9p at 31 December 2022. After adding back the payments of a 3.5p dividend made on 30 June 2022 and a 3.8p dividend made on 30 December 2022, NAV Total Return per share at 31 December 2022 was 72.2p, representing a positive total return of 4.5%. This positive movement is a result of the strategy and business changes throughout the portfolio alluded to above.

During the year the Manager completed four new investments and three follow-on investments costing  $\text{£}6.9$  million and  $\text{£}2.1$  million

respectively. The Manager also fully disposed of two investments, generating proceeds of £19.7 million with a further £0.4 million of deferred consideration included within debtors at the year end, representing a combined return multiple of 13.0x.

After the year end, the Company made four new investments totalling £5.0 million in Sprintroom Limited (£1.0 million), Firefish Software Limited (£1.5 million), Five Wealth Limited (£0.7 million) and Red Flag Alert Limited (£1.8 million). The Company also completed four follow-on investments with an aggregate cost of £2.7 million in IMMJ Systems Limited (£0.7 million), NorthWest EHealth Limited (£1.5 million), Ten Health & Fitness Limited (£0.4 million) and Additive Manufacturing Technologies Ltd (£0.1 million). Furthermore, the Company realised its holdings in Innovation Consulting Group Limited and Datapath Group Limited. The two exits combined generated proceeds of £17.0 million at completion with a further £2.3 million of deferred consideration due over the next 24 months. Including cash returned to the date of this report, the exits have delivered an impressive aggregate return multiple of 8.4 times the original investment. Further details of these investments and realisations can be found in the Manager's Report.

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

The Manager continues to see a strong pipeline of potential investments sourced through its regional networks and well-developed relationships with advisers and the SME community; however, it is also focused on supporting the existing portfolio through the current economic climate. Following the successful fundraise launched in October 2022, the Company is in a position to fully support the portfolio, where appropriate, and exploit potential attractive investment opportunities.

The offer was closed on 26 April 2023 having raised gross proceeds of £22.6 million, £21.7 million after expenses, as detailed in the post-balance sheet events in note 20 of the Annual Report and Accounts. The Board would like to thank those existing Shareholders who have already supported this offer and welcome all new Shareholders to the Company.

### **Responsible investing**

The analysis of environmental, social and governance (ESG) issues is embedded in the Manager's investment process and these factors are considered key in determining the quality of a business and its long-term success. Central to the Manager's responsible investment approach are five ESG principles that are applied to evaluate investee companies, acquired since May 2018, throughout the lifecycle of their investment, from their initial review and acquisition to their final sale. Every year, these portfolio companies are assessed and progress measured against these principles. More detailed information about the process can be found on pages 42 to 44 of the Manager's Review of the Annual Report and Accounts.

### **Dividends**

An interim dividend of 3.5p per share was declared on 27 May 2022 based on an ex-dividend date of 16 June 2022 and a record date of 17 June 2022. The dividend was paid on 30 June 2022, returning £6.9 million to Shareholders.

Following the successful realisations of TFC Europe and Codeplay Software, a special interim dividend of 3.8p per share was declared on 8 November 2022 based on an ex-dividend date of 15 December 2022 and a record date of 16 December 2022. The dividend was paid on 30 December 2022, returning £8.1 million to Shareholders.

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

### **Buybacks**

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

### **Management charges and performance incentive**

The annual management fee is an amount equal to 2.0% of net assets. This has resulted in ongoing charges for the period ended 31 December 2022 of 2.30% after adding back special dividends paid during the year to the year end net assets and adding back the performance incentive accrual to total expenses for the year, which is at the lower end of the range when compared to competitor VCTs.

As explained in note 13 of the Annual Report and Accounts, the Directors have prepared a calculation incorporating estimated future dividends over the vesting period and expect a performance incentive fee to become payable during the vesting period. Therefore, a liability of £280,000 has been recognised as at 31 December 2022 (2021: £nil).

### **Shareholder communication**

We were delighted to meet once again with some Shareholders in person at the AGM on 9 June 2022, having long been unable to do so as a result of the travel restrictions due to COVID-19. Following the disappointing remote attendance at the hybrid event, the Board will be reverting to an in-person event only in the future. Additionally, the Manager once again reintroduced in-person investor forum events in the year which have proven popular with our Shareholders in the past.

### **Board composition**

The Board continues to review its own performance and undertakes succession planning to maintain an appropriate level of independence, experience, diversity and skills in order to be in a position to discharge all its responsibilities. We are in the process of adding new Board members

in view of the retirement of Simon Jamieson at the AGM and we hope to be able to make an announcement at that time.

I thank Simon for his dedication to the Company and the Board over the last nine years, having overseen a transformation of the Company strategy through previously difficult times. I wish him all the best for the future.

### **Annual General Meeting**

The Company's Annual General Meeting will take place on 8 June 2023 at 1.00pm and we look forward to meeting as many of you as possible in person. Please refer to the formal notice on pages 96 to 99 of the Annual Report and Accounts for further details in relation to the format of this year's meeting. We would encourage you to submit your votes by proxy ahead of the deadline of 1.00pm on 6 June 2023 and to forward any questions by email to [InvestorRelations@foresightgroup.eu](mailto:InvestorRelations@foresightgroup.eu) in advance of the meeting.

### **Sunset clause**

The "Sunset Clause" for EIS and VCT reliefs has to be reviewed by the government by 6 April 2025. The clause provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent, or the "sunset clause" is extended. The government has the power to extend or remove the sunset clause through secondary legislation, which would allow the VCT & EIS schemes to operate in their current form beyond the current expiry date of the scheme. The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 that venture capital schemes will be safeguarded beyond 2025 but no further details were given as to how this will be implemented. To date, the now Chancellor Jeremy Hunt has yet to clarify. However, through correspondence with the Treasury Select Committee, the Chancellor has stated that it is the government's firm intention to extend the VCT and EIS schemes beyond the sunset on 6 April 2025 and that further details will be provided in due course. The Treasury Select Committee also notes that the UK should be able to extend the scheme without European Commission approval, clarified by the recently announced Northern Ireland Protocol, the Windsor Framework.

### **Outlook**

As mentioned in my introduction, while the impact of the pandemic has lessened, other economic impacts are being seen after Russia invaded Ukraine, including, but not limited to, the significant rise in energy prices, rapid inflation, the cost of living crisis and the potential for a global recession. Supply chains remain under pressure post-Brexit and pandemic, and after the Russian invasion, such issues are unlikely to be resolved soon. While the Company's portfolio has not been materially exposed to either Russia or Ukraine, it is very likely that the economic impacts we are currently experiencing will raise issues and concerns for the individual investee company management teams and the Manager.

However, the portfolio is showing signs of resilience and the Manager has been working with management teams to assess business plans, consider funding requirements and help navigate through these difficult times. The portfolio is well diversified in terms of sector, size and number and the Manager's approach through the pandemic will continue to be valuable to tackle the challenges ahead.

The Company is well positioned to continue to support the portfolio and the fundraising that we are making will also provide the opportunity to seek new investments and take advantage of the opportunities that will emerge from the current economic situation.

### **Raymond Abbott**

Chair

28 April 2023

### **Manager's review**

As at 31 December 2022 the Company's portfolio comprised 41 investments with a total cost of £69.9 million and a valuation of £112.0 million.

### **Portfolio summary**

The portfolio is diversified by sector, transaction type and maturity profile. Details of the ten largest investments by valuation, including an update on their performance, are provided on pages 26 to 30 of the Annual Report and Accounts.

In the year, the valuation of investments increased by £8.7 million. Overall, the portfolio has performed well despite uncertainty in the markets following the impact of COVID-19 and subsequent geopolitical uncertainty and price inflation.

In line with the Board's strategic objectives, the Investment Manager remains focused on growing the Company through further development of NAV whilst paying an annual dividend to Shareholders of at least 5% of the NAV per share. In the year, net assets increased 3.9% to £138.5 million and an annual dividend of at least 5% of the NAV per share as at 31 December 2021 was paid, meaning that the Company successfully met these objectives.

### **New investments**

2022 was a mixed year in the markets, with the technology sector in particular performing strongly early in 2022 but then seeing a significant softening. Many investee management teams have successfully steered their businesses through the uncertainty of 2022, whilst developing clearer medium and longer-term growth plans. The Manager has invested further in its origination capabilities and identified a large number of potentially attractive investment opportunities during the year.

Over the course of 2022, four new investments were completed; a total investment of £6.9 million. New investments were across compliance technology, health services, advanced materials and insure-tech. Behind these, there continues to be a strong pipeline of opportunities that the Manager expects to convert during the next 12 months. Follow-on investments totalling £2.1 million were also made

### ***Homelink Healthcare Limited***

In March 2022, the Company invested £1.1 million in Homelink Healthcare, a specialist provider of hospital at home and virtual ward services. The business employs highly qualified and experienced nurses and rehabilitation teams to provide services to patients in their own homes through contracts with the NHS. These services deliver a range of clinical interventions, including wound care, intravenous therapies, physiotherapy and rehabilitation. The nurses are paid in-line with NHS remuneration and the clinical services offered alleviate pressure on the NHS by freeing up vital bed space, saving time and reducing costs.

### ***So-Sure Limited***

In May 2022, the Company invested £1.6 million in So Sure, a digital tech platform that operates across the entire insurance supply chain, automating much of the process from distribution and policy administration to fraud detection and claim management. The investment will be used to scale up the business by investing into marketing, technology and to improve platform automation.

### ***Strategic Software Applications Ltd***

In August 2022, the Company invested £1.7 million in Strategic Software Applications, which trades under the name Ruleguard, a London-based SaaS technology provider supporting financial institutions in meeting their regulatory compliance obligations. The platform enables customers to navigate the ever growing challenges of increasing regulatory compliance requirements with efficiency, reduced risk and lower audit compliance costs. The investment will help the company to develop additional platform capabilities while scaling up sales and marketing functions to capitalise on a large and growing market opportunity.

### ***Copptech UK Limited***

In August 2022, the Company made a £2.5 million investment in Copptech, a developer of environmentally friendly antimicrobial technologies that kill bacteria, fungi and viruses. Applications for the technology are wide ranging and include diminishing the transmission of viruses in medical facilities, extending the shelf life of perishable goods, reducing discolouration and odour in clothing and providing mould, fungi and termite resistant properties to building materials. The business has proven itself to be highly scalable across Latin America and is already seeing meaningful traction in the large North American and European markets, where it is expanding its sales teams and operations. The investment will enable Copptech to scale the business and operate globally.

### **Follow-on investments**

The Manager had expected that more portfolio companies would need additional capital to support them through continued difficult trading conditions resulting from macroeconomic challenges and political uncertainty affecting energy and supply prices. However, the portfolio has remained relatively resilient.

The Company made follow-on investments in three companies during 2022, totalling £2.1 million. Further details of each of these are provided below.

The additional equity injections in the year were mainly used to support each company's further growth plans, such as launching new products or to expand into new markets. In view of the difficult economic outlook, the Manager remains vigilant about the health of the rest of the portfolio and the need for follow-on funding over the coming months.

### ***Rovco Ltd***

In March 2022, Rovco, a leading provider of autonomous and cloud-managed robotics for subsea surveys in offshore wind and oil field decommissioning, received a £0.5 million follow-on investment from the Company as part of a larger round with various new institutional investors. The investment will be used to further develop Rovco's technical capabilities and alleviate pressure on working capital requirements.

### ***Hexarad Group Limited***

In August 2022, a £0.7 million follow-on investment was made in Hexarad Group, an early-stage, high-growth healthcare technology company, providing teleradiology services to NHS Trusts and UK private healthcare customers. The investment will be used to accelerate the company's growth plans in response to significant market demand.

### ***Spektrix Limited***

In November 2022, a follow-on investment of £0.9 million was made in Spektrix, alongside a US institutional investor. Spektrix is an enterprise software company providing ticketing, CRM, marketing and fundraising software to companies in the performing arts sector. The investment will be used to support growth plans for the business.

### **Realisations**

The M&A climate was robust, particularly in the first half of 2022 and the Manager was pleased to report some particularly strong realisations. The Manager continues to engage with a range of potential acquirers of several portfolio companies, with demand for these high-growth businesses demonstrated by both private equity and trade buyers.

### ***TFC Europe Limited***

In June 2022, the Company sold its holding in TFC, a market-leading manufacturing operations services provider, to AFC, an Ohio-based distributor of fasteners backed by Bertram Capital, a California based mid market private equity house. This resulted in proceeds of £15.4 million at completion, representing a particularly strong return of 12.4x the original investment made by the Company and Foresight 3 VCT plc, which merged in June 2017.

With offices in the UK and Germany, TFC is predominantly a supplier of technical fasteners across Europe. Since the original investment, the Manager had taken a proactive approach to supporting TFC, helping to extend its network in the UK and Germany. TFC rapidly expanded its

vendor managed inventory service, grew its customer base, and became a market-leading service provider to SMEs and international global brands operating across a range of industries. The Manager supported three acquisitions as well as considerable investment in new and existing facilities, opening new sites in England, Northern Ireland and Czechia.

### ***Codeplay Software Limited***

In June 2022, the Company completed the sale of Codeplay, one of the UK's leading providers of solutions for the semiconductor industry, to a leading US chip manufacturer.

Since the Manager's investment in 2018, Codeplay continued to develop a suite of high-performance software assets and is positioned at the centre of an increasingly important ecosystem that improves the performance of chips, used in high-performance and low-power environments, from supercomputers to self-driving cars. It has also developed new routes to market, selling its solutions to chip companies and downstream users, such as manufacturers of diagnostic healthcare equipment.

This transaction generated proceeds of £4.3 million, representing an exceptional return of 15.9x and an IRR of nearly 100%.

### **Realisations in the year ended 31 December 2022**

Company	Detail	Accounting cost at date of disposal (£)	Proceeds (£)	Realised gain (£)	Valuation at 31 December 2021 (£)
TFC Europe Limited	Full disposal	2,149,307	15,407,883	13,258,576	10,330,550
Codeplay Software Limited <sup>1</sup>	Full disposal	300,000	4,300,599	4,000,599	1,697,425
Spektrix Limited	Loan repayment	618,000	618,000		618,000
Specac International Limited	Loan repayment	500,000	500,000		500,000
Positive Response Corporation Ltd	Loan repayment	125,000	125,000		125,000
<b>Total disposals</b>		<b>3,692,307</b>	<b>20,951,482</b>	<b>17,259,175</b>	<b>13,270,975</b>

1. A further £418,000 of deferred consideration has been reflected in the accounts.

### **Pipeline**

At 31 December 2022, the Company had cash reserves of £24.8 million, which will be used to fund new and follow on investments, buybacks and running expenses. The Manager is seeing its pipeline of potential investments grow and has a number of opportunities under exclusivity or in due diligence, which continue to progress.

The volatility caused by political uncertainty, rising energy costs and broader price inflation resulted in a challenging period for many companies, with staff retention and exaggerated wage expectations causing concern for many. This does, however, create opportunities, and the Manager is well placed to consider these as they arise, whilst supporting existing portfolio companies with follow-on investments as needed.

In the medium term and long term, the Manager expects that current unpredictability will present attractive investment opportunities. It is able to access these opportunities through its wide and proprietary network of contacts around the country, and considers the Company's strategy to be well-suited to market volatility, due to its balanced mix of companies across sectors and stages, experienced investment team and network of high quality chairs.

### **Post-year end activity**

#### ***Sprintroom Limited***

In January 2023, £1.0 million of growth capital was invested in Sprintroom, which trades as Sprint Electric. The business designs and manufactures drives for controlling electric motors in light and heavy industrial applications, as well as recovering and reusing otherwise lost energy. The investment will be used to further develop and commercialise novel alternating current variable speed drive technology.

#### ***IMMJ Systems Limited***

In February 2023, £0.7 million was invested in IMMJ, a clinical electronic document management solution supplier to the NHS. The investment will be used to grow the leadership team and bolster the business abilities to support the digitisation of records, providing easy and efficient access to patient records for clinical care across the NHS.

#### ***Firefish Software Limited***

In March 2023, the Company invested £1.5 million in Firefish Software Limited, a Glasgow based customer relationship management and marketing software platform targeting the recruitment sector. The funding will be used to further develop the platform in order to attract a larger enterprise level customer base and expand its outbound sales team.

#### ***NorthWest EHealth Limited***

In March 2023, the Company invested £1.5 million in NorthWest EHealth, which provides software and services to the clinical trials market, allowing pharmaceutical companies and contract research organisations to conduct feasibility studies, recruit patients and run trials. The investment will be used to support the delivery of a 100% growth in real world trial delivery in FY23, while completing building the company's Connexion platform; to be compatible with all UK healthcare data sources by year end.

### **Ten Health & Fitness Limited**

In March 2023, Ten Health, a multi-site operator in the boutique health, wellbeing and fitness market, received an additional investment of £0.4 million. The funding will enable the company to complete its new flagship Kings Cross site and support the company's transition to profitability from Q1 2023.

### **Five Wealth Limited**

In March 2023, the Company invested £0.7 million in Five Wealth, an established boutique financial planning business operating across the North West of England, headquartered in Manchester. This growth capital investment will be used to support increased marketing and advertising to drive top line growth and greater regulatory and compliance costs which are forecast to increase commensurately with AUM.

### **Red Flag Alert Limited**

In March 2023, the Company invested £1.8 million in Reg Flag Alert, a Manchester based proprietary SaaS intelligence platform with modular capabilities spanning compliance, prospecting, risk management and financial health assessments. The growth capital will be used to expand the sales team and alongside an increased marketing budget is expected to accelerate new client acquisition.

### **Additive Manufacturing Technologies Ltd ("AMT")**

In April 2023, the Company invested £0.1 million in AMT, which manufactures systems that automate the post-processing of 3D printed parts. The investment will be used to cover short-term working capital requirements, as the business continues to grow sales and pushes towards sustainable profitability.

### **Innovation Consulting Group Limited ("GovGrant")**

In March 2023, the Company announced the impressive exit of GovGrant to Source Advisors, a US corporate buyer backed by BV Investment Partners. GovGrant is one of the UK's leading providers of R&D tax relief, patent box relief and other innovation services. The transaction generated proceeds of £6.8 million at completion. When added to £0.7 million of cash returned to date, this implies a total cash-on-cash return of 4.5 times the capital of £1.65 million invested in October 2015, equivalent to an IRR of 25%.

Since the original investment in 2015, the Manager had helped GovGrant through a period of material growth during which it supported the R&D activities of a growing number of customers. GovGrant's high levels of service and innovative products, such as the growing patent box offering, have contributed to driving innovation in the UK economy. The Manager had taken a proactive approach to supporting the exceptional senior management team, all of whom were introduced to the business during the investment period.

### **Datapath Group Limited**

In March 2023, the Company announced the notable exit of Datapath, a global leader in the provision of visual solutions. The transaction generated proceeds of £10.2 million at completion with an additional £2.3 million payable over the next 24 months. When added to £10.8 million of cash returned to date, this implies a total cash-on-cash return of 11.7 times the original investment, equivalent to an IRR of 38% since the initial investment in 2007.

Since the original investment, the Manager had supported Datapath through a period of material growth with revenues growing from approximately £7 million to £25 million. Datapath has developed a market leading hardware and software product suite for the delivery of multi-screen displays and video walls which are sold globally to a diverse customer base across a range of sectors.

### **Key portfolio developments**

In the year, the valuation of investments increased by £8.7 million.

Material changes in valuation, defined as increasing or decreasing by £1.0 million or more since 31 December 2021, are detailed below. Updates on these companies are included below, or in the Top Ten Investments section on pages 26 to 30 of the Annual Report and Accounts.

### **Key valuation changes in the year**

Company	Valuation methodology	Valuation change (£)
Callen-Lenz Associates Limited	Discounted revenue multiple	2,865,819
Hospital Services Group Limited	Discounted earnings multiple	1,174,683
Spektrix Limited	Price of last funding round	1,047,483
Innovation Consulting Group Limited <sup>1</sup>	Discounted offer received	(1,702,886)
Biofortuna Ltd	Discounted revenue multiple	(1,845,281)
Biotherapy Services Limited	Nil value	(2,378,376)
Datapath Group Limited <sup>2</sup>	Discounted offer received	(3,672,136)

1. £904,000 of this valuation decrease was recovered upon final exit in March 2023.

2. £1,941,000 of this valuation decrease was recovered upon final exit in March 2023.

### **Biotherapy Services Limited**

Biotherapy Services is an early-stage biopharma company that has developed a platform treatment for use in wound healing, initially for the treatment of diabetic foot ulcers but with additional use in cardiac issues and lung treatments. The company had been progressing a clinical trial.

Recruitment into the RAPID gel trial has now been stopped as a result of continued slow progress. The trial will be formally closed to allow the publication of positive interim data. The company is still attempting to raise funds; however, despite several positive meetings, no heads of terms have been received and there is a substantial risk that no additional funding can be secured. If no funding is received, the company will pursue a sale.

## Outlook

2022 has been a year of volatility for most asset classes, as rising inflation, increased energy costs and higher interest rates impacted business performance, particularly in the second half of the year. In global equity markets, the MSCI World Index fell by 10% over the 12 months, while the tech-heavy NASDAQ fell by more than 30%.

In the UK, business and consumer confidence was dented by political uncertainty and broader price inflation. Russia's invasion of Ukraine had a particularly acute effect on the UK economy as the price of electricity rose sharply due to the country's reliance on natural gas for power generation. In many markets, businesses began to invest in growth after an uncertain COVID-19 period at the same time that global supply chain issues resulted in long lead times for products, weighing on sales and increasing working capital requirements. Many businesses in the Company's portfolio faced challenges with both staff retention and hiring, as the number of vacancies and wage inflation drove staff churn. This required careful attention from management teams and the Manager's board members, but often presented an opportunity to focus on efficiency by retaining the best talent.

Despite this backdrop, the Company's portfolio performed strongly in the year, achieving a 4.5% NAV Total Return for its Shareholders, with exceptional exits from the likes of TFC and Codeplay contributing in the Company's dividend of 7.3p per share for the year, representing an attractive 12.5% dividend yield. The Company's strategy is well-suited to market volatility, given its diverse sector allocation and the mix of later and earlier stage growth companies in the portfolio, many of which are profitable and so typically more resilient in a downturn.

Looking forward to 2023, the UK market is likely to remain unpredictable. While some forecasters are expecting interest rates to peak in the summer, the labour market remains stubbornly tight and inflation persistent, meaning that rates may remain elevated for a longer period. While a recession has been avoided to date, balancing rate increases with current low growth and productivity rates is a difficult task for politicians and rate-setters. The range of outcomes for SMEs is likely to be wide, and so a balanced approach to portfolio construction is prudent, alongside providing hands-on support for management teams as they navigate this environment.

This is not a reason to be pessimistic. The UK remains a dynamic economy, attracting some of the best global talent in technology, life sciences, engineering and financial services among many others, while its cities remain a destination for workers and tourists alike. The Manager believes that the UK has great potential in the medium and long term with many competitive advantages over its neighbours and more distant trading partners, and this temporary pullback is already presenting unique investment opportunities, which we are able to access through our wide and proprietary network of contacts around the country. A weaker sterling also attracts overseas acquirers to the UK, such as the US trade buyers for Codeplay, TFC and other exits.

The Manager is pleased with the overall performance of the portfolio over the past 12 months, especially in these challenging times, and looks forward to a further improvement as labour markets loosen, inflation reduces and interest rates peak and reverse. While the market remains uncertain, the Manager expects to see a sustained high level of activity from UK companies seeking growth capital and expects VCTs to remain an attractive source of capital for entrepreneurs. This is driven by good relative performance of the Company, supported by its diverse portfolio and high-touch approach to supporting management teams and SMEs in achieving their full potential.

## James Livingston

on behalf of Foresight Group LLP  
Co-Head of Private Equity

28 April 2023

## Income statement for the year ended 31 December 2022

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue £ 000	Capital £ 000	Total £ 000	Revenue £ 000	Capital £ 000	Total £ 000
Realised gains on investments		17,493	17,493		5,763	5,763
Investment holding (losses)/gains		(8,465)	(8,465)		17,449	17,449
Income	871		871	1,408		1,408
Investment management fees	(681)	(2,323)	(3,004)	(604)	(1,812)	(2,416)
Other expenses	(673)		(673)	(627)		(627)
<b>(Loss)/return on ordinary activities before taxation</b>	<b>(483)</b>	<b>6,705</b>	<b>6,222</b>	177	21,400	21,577
Taxation						
<b>(Loss)/return on ordinary activities after taxation</b>	<b>(483)</b>	<b>6,705</b>	<b>6,222</b>	177	21,400	21,577
<b>(Loss)/return per share</b>	<b>(0.2)p</b>	<b>3.3p</b>	<b>3.1p</b>	0.1p	11.1p	11.2p

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

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

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

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

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

The notes on pages 80 to 95 of the Annual Report and Accounts form part of these financial statements.

#### Reconciliation of movements in shareholders' funds

Year ended 31 December 2022	Called-up share capital Â£ 000	Share premium account Â£ 000	Capital redemption reserve Â£ 000	Distributable reserve <sup>1</sup> Â£ 000	Capital reserve <sup>1</sup> Â£ 000	Revaluation reserve Â£ 000	Total Â£ 000
As at 1 January 2022	1,928	52,996	549	74,246	(47,963)	51,490	133,246
Share issues in the year <sup>2</sup>	229	15,681					15,910
Expenses in relation to share issues <sup>3</sup>		(474)					(474)
Repurchase of shares	(24)		24	(1,471)			(1,471)
Realised gains on disposal of investments	Â	Â	Â	Â	Â	Â	Â
Investment holding losses					17,493		17,493
Dividends paid				(14,983)		(8,465)	(14,983)
Management fees charged to capital	Â	Â	Â	Â	Â	Â	Â
Revenue loss for the year				(483)	(2,323)		(2,323)
<b>As at 31 December 2022</b>	<b>2,133</b>	<b>68,203</b>	<b>573</b>	<b>57,309</b>	<b>(32,793)</b>	<b>43,025</b>	<b>138,450</b>

Year ended 31 December 2021	Called-up share capital Â£ 000	Share premium account Â£ 000	Capital redemption reserve Â£ 000	Distributable reserve <sup>1</sup> Â£ 000	Capital reserve <sup>1</sup> Â£ 000	Revaluation reserve Â£ 000	Total Â£ 000
As at 1 January 2021	1,939	67,458	523	68,307	(51,914)	34,041	120,354
Share issues in the year <sup>2</sup>	15	918					933
Expenses in relation to share issues <sup>3</sup>		(51)					(51)
Repurchase of shares	(26)		26	(1,481)			(1,481)



Cancellation of share premium	(15,329)	15,329					
Realised gains on disposal of investments					5,763		5,763
Investment holding gains						17,449	17,449
Dividends paid			(8,086)				(8,086)
Management fees charged to capital					(1,812)		(1,812)
Revenue return for the year				177			177
As at 31 December 2021	1,928	52,996	549	74,246	(47,963)	51,490	133,246

1. Reserve is available for distribution; total distributable reserves at 31 December 2022 total £24,516,000 (2021: £26,283,000).
2. Includes the dividend reinvestment scheme.
3. Expenses in relation to share issues includes trail commission for prior years fundraising.

The notes on pages 80 to 95 of the Annual Report and Accounts form part of these financial statements.

## Balance sheet

### At 31 December 2022

Registered number: 03506579

	As at 31 December 2022	As at 31 December 2021
	£ 000	£ 000
<b>Fixed assets</b>	<b>£</b>	<b>£</b>
Investments held at fair value through profit or loss	111,966	115,238
<b>Current assets</b>	<b>£</b>	<b>£</b>
Debtors	2,152	1,028
Cash and cash equivalents	24,814	17,113
	26,966	18,141
<b>Creditors</b>	<b>£</b>	<b>£</b>
Amounts falling due within one year	(482)	(133)
Net current assets	26,484	18,008
<b>Net assets</b>	<b>£</b>	<b>£</b>
	138,450	133,246
<b>Capital and reserves</b>	<b>£</b>	<b>£</b>
Called-up share capital	2,133	1,928
Share premium account	68,203	52,996
Capital redemption reserve	573	549
Distributable reserve	57,309	74,246
Capital reserve	(32,793)	(47,963)
Revaluation reserve	43,025	51,490
<b>Equity Shareholders funds</b>	<b>£</b>	<b>£</b>
	138,450	133,246
<b>Net Asset Value per share</b>	<b>64.9p</b>	<b>69.1p</b>

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023 and were signed on its behalf by:

**Raymond Abbott**

Chair

28 April 2023

The notes on pages 80 to 95 of the Annual Report and Accounts form part of these financial statements.

## Cash flow statement

### For the year ended 31 December 2022

	Year ended ended 31 December 2022	Year ended 31 December 2021
Â	Â	Â
	Â£ 000	Â£ 000
<b>Cash flow from operating activities</b>	<b>Â</b>	<b>Â</b>
Loan interest received from investments	653	346
Dividends received from investments	38	1,022
Deposit and similar interest received	202	2
Investment management fees paid	(2,766)	(2,416)
Secretarial fees paid	(178)	(161)
Other cash payments	(433)	(447)
<b>Net cash outflow from operating activities</b>	<b>(2,484)</b>	<b>(1,654)</b>
	Â	Â
<b>Cash flow from investing activities</b>	<b>Â</b>	<b>Â</b>
Purchase of investments	(9,987)	(13,163)
Proceeds on sale of investments	20,951	12,700
Proceeds on deferred consideration	234	
<b>Net cash inflow/(outflow) from investing activities</b>	<b>11,198</b>	<b>(463)</b>
	Â	Â
<b>Cash flow from financing activities</b>	<b>Â</b>	<b>Â</b>
Proceeds of fundraising	13,987	
Expenses of fundraising	(361)	(36)
Repurchase of own shares	(1,467)	(1,444)
Equity dividends paid	(13,172)	(7,152)
<b>Net cash outflow from financing activities</b>	<b>(1,013)</b>	<b>(8,632)</b>
<b>Net inflow/(outflow) of cash for the year</b>	<b>7,701</b>	<b>(10,749)</b>
	Â	Â
<b>Reconciliation of net cash flow to movement in net funds</b>	<b>Â</b>	<b>Â</b>
Increase/(decrease) in cash and cash equivalents for the year	7,701	(10,749)
Net cash and cash equivalents at start of year	17,113	27,862
<b>Net cash and cash equivalents at end of year</b>	<b>24,814</b>	<b>17,113</b>

#### Analysis of changes in net debt

	At 1 January 2022	Cash flow Â£ 000	At 31 December 2022
Â	Â	Â	Â
	Â£ 000	Â£ 000	Â£ 000
Cash and cash equivalents	17,113	7,701	24,814

The notes on pages 80 to 95 of the Annual Report and Accounts form part of these financial statements.

#### Notes

1. These are not statutory accounts in accordance with S436 of the Companies Act 2006. The full audited accounts for the year ended 31 December 2022, which were unqualified and did not contain statements under S498(2) of the Companies Act 2006 or S498(3) of the Companies Act 2006, will be lodged with the Registrar of Companies. Statutory accounts for the year ended 31 December 2022 including an unqualified audit report and containing no statements under the Companies Act 2006 will be delivered to the Registrar of Companies in due course.
2. The audited Annual Financial Report has been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2022. All investments held by the Company are classified as fair value through the profit and loss. Unquoted investments have been valued in accordance with IPEV guidelines. Quoted investments are stated at bid prices in accordance with the IPEV guidelines and Generally Accepted Accounting Practice.
3. Copies of the Annual Report will be sent to shareholders and can be accessed on the following website: [www.foresightenterprise.vct.com](http://www.foresightenterprise.vct.com)
4. **Net Asset Value per share**

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

	2022	2021
Net assets	£138,450,000	£133,246,000
No. of shares at year end	213,316,422	192,806,963
Net Asset Value per share	64.9p	69.1p

## 5. Return per share

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Total return after taxation	6,222	21,577
Total return per share (note a)	3.1p	11.2p
Revenue (loss)/profit from ordinary activities after taxation	(483)	177
Revenue (loss)/profit per share (note b)	(0.2)p	0.1p
Capital profit from ordinary activities after taxation	6,705	21,400
Capital profit per share (note c)	3.3p	11.1p
Weighted average number of shares in issue in the year (note d)	198,639,819	193,445,500

Notes:

- Total profit per share is total profit after taxation divided by the weighted average number of shares in issue during the year.
- Revenue (loss)/profit per share is revenue (loss)/profit after taxation divided by the weighted average number of shares in issue during the year.
- Capital profit per share is capital profit after taxation divided by the weighted average number of shares in issue during the year.
- The weighted average number of shares is calculated by taking the number of shares issued and bought back during the year, multiplying each by the percentage of the year for which that share number applies and then totalling with the number of shares in issue at the beginning of the year.

## 6. Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, SE1 9SG on 8 June 2023 at 1.00pm. Details will be published on both the Company's and the Manager's website at [www.foresightenterprise.vct.com](http://www.foresightenterprise.vct.com)

## 7. Income

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Loan stock interest	631	381
Deposit and similar interest received	202	2
Dividends receivable	38	1,025
	871	1,408

## 8. Investments held at fair value through profit or loss

	31 December 2022 £ 000	31 December 2021 £ 000
Unquoted investments	111,966	115,238

	£ 000
Book cost at 1 January 2022	64,626
Investment holding gains	50,612
<b>Valuation at 1 January 2022</b>	<b>115,238</b>
Movements in the year:	£

Purchases at cost	8,987
Disposal proceeds <sup>1</sup>	(20,951)
Realised gains <sup>2</sup>	17,259
Investment holding losses <sup>3</sup>	(8,567)
<b>Valuation at 31 December 2022</b>	<b>111,966</b>
<b>Book cost at 31 December 2022</b>	<b>69,921</b>
Investment holding gains	42,045
<b>Valuation at 31 December 2022</b>	<b>111,966</b>

1. The Company received £20,951,000 (2021: £12,700,000) from the disposal of investments during the year. The book cost of these investments when they were purchased was £3,692,000 (2021: £6,937,000). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.
2. Realised gains in the Income Statement include deferred consideration receipts from Hallmarq Limited (£1,000), Accrosoft Limited (£23,000), FFX Group Limited (£79,000) and Ixaris Systems Ltd (£131,000).
3. Investment holding losses in the Income Statement include the deferred consideration debtor increase of £102,000. The debtor movement reflects the recognition of amounts receivable in respect of Codeplay Software Limited (£418,000) and FFX Group Limited (£79,000), offset by receipts in respect of Accrosoft Limited (£23,000), FFX Group Limited (£79,000) and Ixaris Systems Ltd (£131,000) and provisions made against balances in respect of Mologic Ltd. (£157,000) and Accrosoft Limited (£5,000).

#### 9. Related party transactions

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

#### 10. Transactions with the Manager

Foresight Group LLP was appointed as Manager in January 2020 and earned fees of £2,724,000 in the year ended 31 December 2022 (2021: £2,416,000). Although no performance fee was paid in the year (2021: £nil), a liability of £280,000 has been recognised as at the year end (2021: £nil).

Foresight Group LLP is the Company Secretary (appointed in November 2017) and received accounting and company secretarial services fees of £178,000 during the year (2021: £161,000).

At 31 December 2022, the amount due to Foresight Group LLP was £nil (2021: £nil).

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

END

For further information please contact:

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