Important Information and Risks

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- This presentation relates to the Foresight VCT and EIS.
- The opportunities described in this document are NOT suitable for all investors. Key risks are explained in the Information Memoranda/Investor Guides and should be carefully considered before submitting an application to invest.
- Your capital is at risk and you may lose all the money you invest.
- Investments will be made in small unquoted companies, which carry a higher risk that many other forms of investment. Investments are likely to be illiquid and difficult to realise. The value of shares and income from them may go down as well as up, and past performance is not a reliable indicator of future performance and may not be repeated. Prospective investors should regard an investment in the Foresight VCT and EIS as a long term investment.
- Tax reliefs are dependent on the VCT/EIS maintaining its qualifying status and on investors' individual circumstances.
- Prospective investors should seek their own independent advice and then rely on their own independent assessment of the Foresight VCT and EIS. Foresight Group LLP is unable to provide tax, financial, legal or investment advice.
- If you are in any doubt about the content of this presentation and/ or what action you should take, you should seek advice from an independent financial adviser authorised under FSMA who specialises in advising on opportunities of this type.

Introduction to Foresight

Global reach, regional focus

- Established in **1984**
- Limited Liability Partnership (17 Equity Partners)
- **12** offices in **3** continents, headquartered in London
- **238** staff globally, including **77** investment professionals

Market leading manager

- **£4.5bn** AUM
- **29** funds in total
- One of the longest running tax efficient managers
- First VCT launched in **1997**
- Specialising in Renewable Energy, Infrastructure and Private Equity

1. Introduction to Foresight

Trusted Partner

- **125+** International Institutional Investors
- Public institutions
- Over **22,000** retail investors

Overview of VCT

VCT legislation introduced by UK Government in 1995

Raised c£750m last tax year

A VCT is a fully listed company on the London Stock Exchange

Similar to a quoted investment trust

Significant changes to investment rules over last 3 years

Income focused

Tax Efficient Investment

Venture Capital Trust (VCT)

- The main aim is to encourage investment into smaller unquoted UK businesses
- These products offer investors various tax benefits to encourage investment
- These investments create jobs in local areas and generate additional taxes for HMRC – VAT, PAYE, Corporation tax etc.

2. Introduction to Venture Capital Trusts (VCTs)

Benefits

Over £6bn invested

	Benefits
Income Tax Relief	30%
Minimum Term	5 years
Maximum Investment	£200,000 per tax year
Minimum Investment	£3,000
Dividends	Tax exempt
Growth	Tax exempt
CGT Deferral	N/A
IHT Exemption (BPR)	N/A
Loss Relief	No

How does a VCT work?

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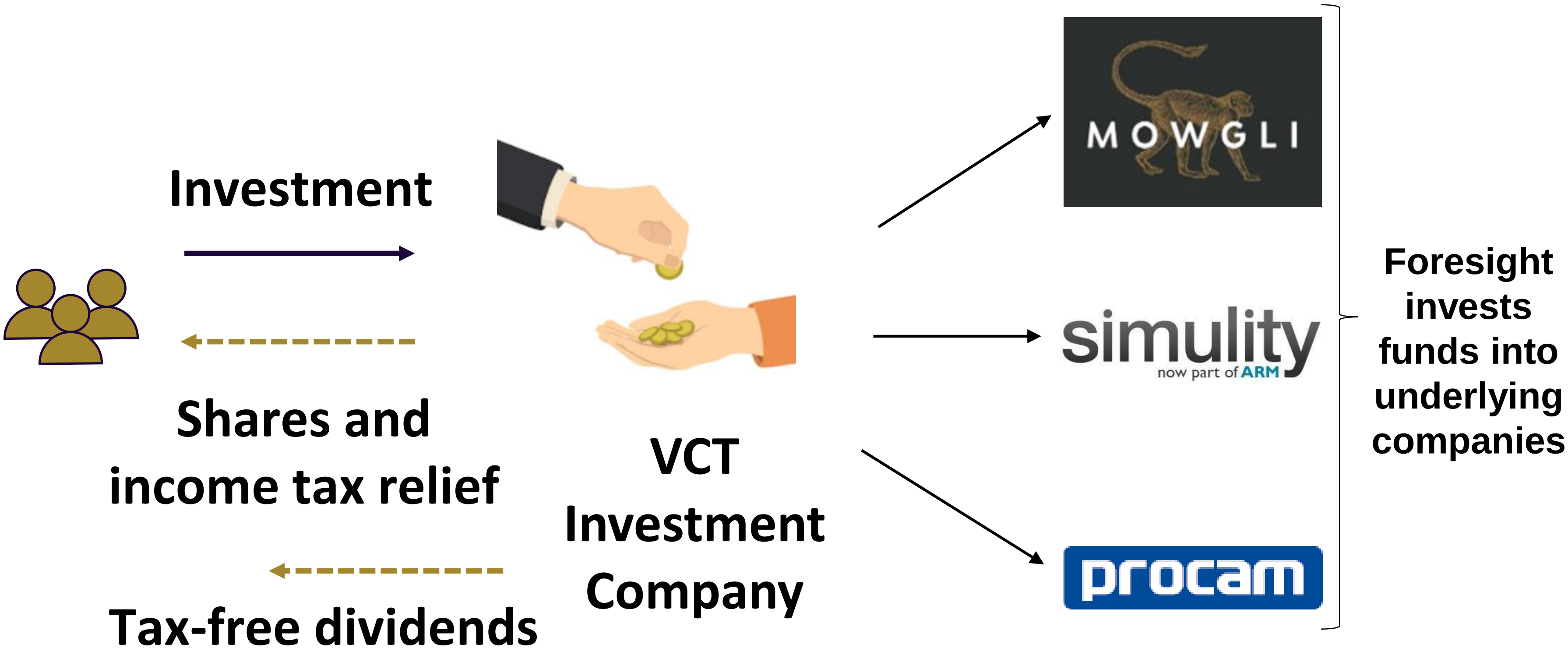
Introduced by the Government in 1995 to encourage investment into smaller UK companies



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Case Study

THE POWER OF RECYCLING

VCTs offer 30% income tax relief regardless of the investors marginal rate. Since additional relief can be claimed every five years, the impact of this benefit can increase over time.

Capital invested is at risk. Investments in unquoted companies, by their nature, have limited liquidity and are higher risk. Tax treatment is subject to change and depends on individual circumstances. Individuals should seek advice from a regulated financial advisor on whether the product mentioned in this case study is suitable for them. Tax year 2019/20.

While VCTs offer up to 30% income tax relief, the ability to sell shares and reinvest means it's possible to claim additional relief over time

An investor with a 15-year plus time horizon could claim up to 90% income tax relief on their VCT investment

1 Year 1

Client makes initial investment in a VCT

Claims
30%
Income Tax relief

2 Year 5

Client sells VCT shares

Reinvests in a 2nd VCT

Claims additional
30%
Income Tax relief
(60% total)

3 Year 10

Client sells VCT shares

Reinvests in a 3rd VCT

Claims additional
30%
Income Tax relief
(90% total)

4 Year 15

Client exits the VCT having enjoyed a total of

90%
Income Tax relief on their original investment

Warnings: It may not be possible to realise your investment on the precise date required. Exits may be subject to a discount of the net asset value that would reduce returns. VCTs are high risk assets and values may fall as well as rise. Reinvestment must be into an alternative VCT or six months after exit.

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Case Study

TAX-FREE RETIREMENT INCOME

How to maximise income and minimise tax post retirement

Mr Fraser, a basic rate taxpayer, wishes to generate an annual tax-free income of £30,000

Pension Pot: £800,000

£200,000 cash sum
£600,000 to generate an income

Capital invested is at risk. Investments in unquoted companies, by their nature, have limited liquidity and are higher risk. Tax treatment is subject to change and depends on individual circumstances. Tax year 2018/19.

£600k
generating income

£30,000
Pension income

£3,630
Income tax charge

£200k
tax-free cash

£12,100
VCT investment

£3,630
Income tax relief

If Mr Fraser invests £12,100 into VCTs every year for five years

He will utilise **30%** of **tax free cash**

Net tax-free retirement income will equal **£33,025***

He can start to **roll over** his VCTs to benefit from **additional tax relief**

*Assumes annual VCT income of 5%

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Case Study

TAXATION ON DIVIDENDS

What impact might the new regime have on a business owner?

Mr Powers is a business owner who pays himself a salary up to HRT band. He takes dividend income of £50,000.

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Current Situation

	TAX YEAR 2017/18	TAX YEAR 2019/20
Dividend income	£50,000	£50,000
Gross up tax credit	-	-
Dividend allowance	£5,000	£2,000
Tax at 32.5%	£14,625	£15,600
Less tax credit	-	-
Total tax to pay	£14,625	£15,600
Effective tax rate	29%	31%

Dividend Allowance
(from 6 April 2018)

£0-£2,000

dividend income per year will be tax exempt

£2,001+

dividend income UK residents will pay tax at following rates:

7.5% Basic Rate Taxpayers

32.5% Higher Rate Taxpayers

38.1% Additional Rate Taxpayers

If Mr Powers invests **£50k** into a VCT, he will receive **£15k** income tax relief, which reduces the **£15,600** liability created from taking the dividend.

NET RETURNS ARE

£34,400 (NOT INVESTING IN A VCT) **VS** **£49,400** (INVESTING IN A VCT)

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Case Study

BOOST THE TAX EFFICIENCY OF YOUR PORTFOLIO BY COMBINING THE BENEFITS OF VCT AND PENSION

Mrs Bazzaz's pension contributions are capped at £10,000 p.a. though she has £33,334 to invest.

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Mrs Bazzaz wishes to maximise the tax-efficiency of her retirement planning

VCT Investment

- £33,334 VCT investment
- £10,000 tax relief
- £10,000 (tax relief from VCT) reinvested into pension
- £4,500 relief
- **£14,500 total tax relief**

ISA Investment

- £10,000 invested into pension
- £4,500 relief
- £20,000 into ISAs & £3,000 into a GIA
- £0 relief
- £4,500 total tax relief

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Case Study

REDUCING THE IMPACT OF TAX CHANGES FOR LANDLORDS

Mr Morgan, a higher rate tax payer, would like to mitigate losses caused by recent changes to tax rules for landlords.

In April 2017, the proportion of finance costs available to offset against income at the marginal rate reduced. For many landlords, this could turn an income generating portfolio into a loss making one.

With an annual investment into a VCT, Mr Morgan could reduce these losses to zero.

Residential Landlords

Property Portfolio £1,000,000

Mortgage £750,000

Yield £50,000 p.a.

Mortgage Payments £33,750 p.a.

Tax Deductible Costs £10,000 p.a.

	16/17	17/18	18/19	19/20	20/21
Actual Profit	£6,250	£6,250	£6,250	£6,250	£6,250
Taxable Finance	-	£8,437	£16,875	£25,312	£33,750
Total Tax Due	£2,500	£4,187	£5,875	£7,562	£9,250
Net Income/Loss	**£3,750**	**£2,063**	**£375**	**-£1,312**	**-£3,000**

Year	VCT Investment
2019/20	£4,373*
2020/21	£10,000*
2021/22	£10,000*
2022/23	£10,000*
2023/24	£10,000*
2024/25	£5,626*
2025/26	£0*
2026/27	£0*

* These figures show the net new investment required to reduce net losses to zero. In year 6, the VCT from year 1 can be reinvested. Year 7, the VCT from year 2 can be reinvested.

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Case Study

INVESTMENT BOND SURRENDER

How to mitigate the Income Tax Charge

8 years ago, Mrs Lynch, a higher rate taxpayer, invested £100k into an investment bond which is now worth £150k.

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Deterrent to surrendering the bond

Mrs Lynch would like to move her assets to a new investment, but is concerned about the tax charge she would face.

This could be overcome by making a VCT investment.

£50k gain = £10k income tax charge

*This offsets the tax charge on surrender of the bond

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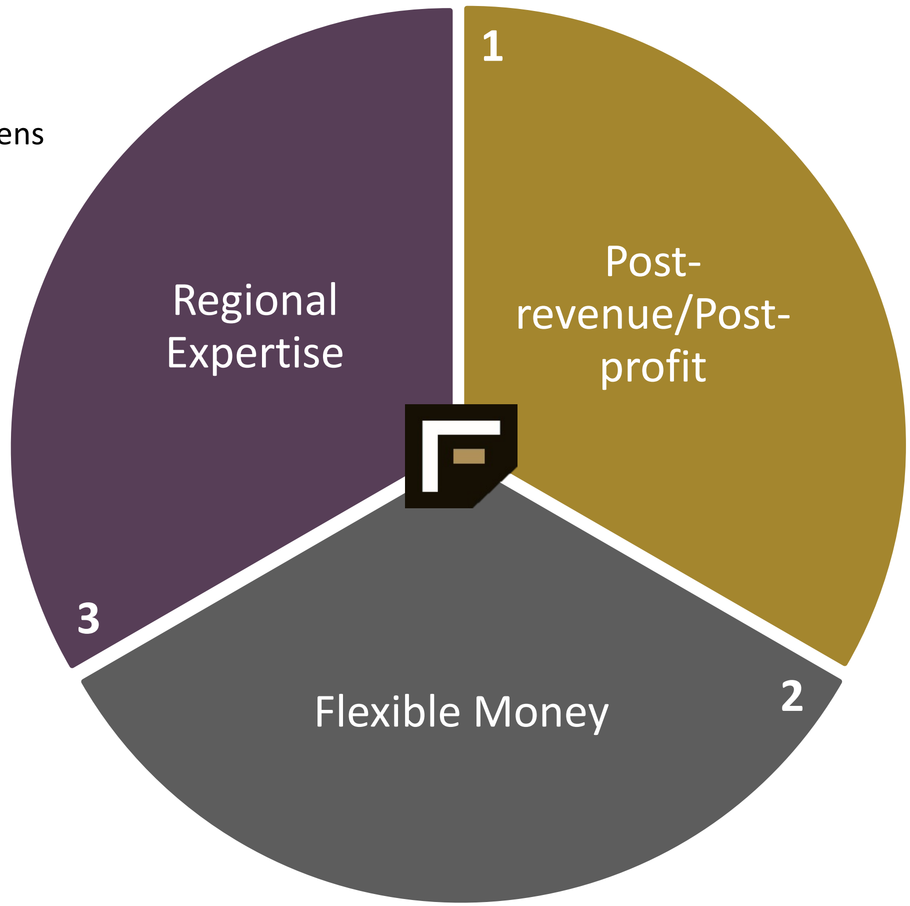
Foresight VCT PLC

January 2020

What sets us apart…

- **Key differentiators**



- Regional presence broadens deal flow
- Competitive advantage
- Diversification outside of London

- Lower risk
- Lower failure rate
- Steady return path

- Institutional capital available to invest alongside retail money
- Generalists
- Greater flexibility = access to more deals

Foresight VCT - Summary

- Launched in late January 2020   £25 million raise
- Targeting 5% tax-free dividend per share per annum
- Oldest and one of the largest investment teams in VCT industry
- Ability to still invest into MBOs using institutional funds – deal flow advantage
- Sourcing deals from across the UK – not just London and South-East

Enterprise Investment Scheme (EIS)

EIS Legislation introduced by UK Government in 1994

Shares must be issued in a qualifying unquoted trading company

Clients hold shares directly

Single company and SEIS versions available

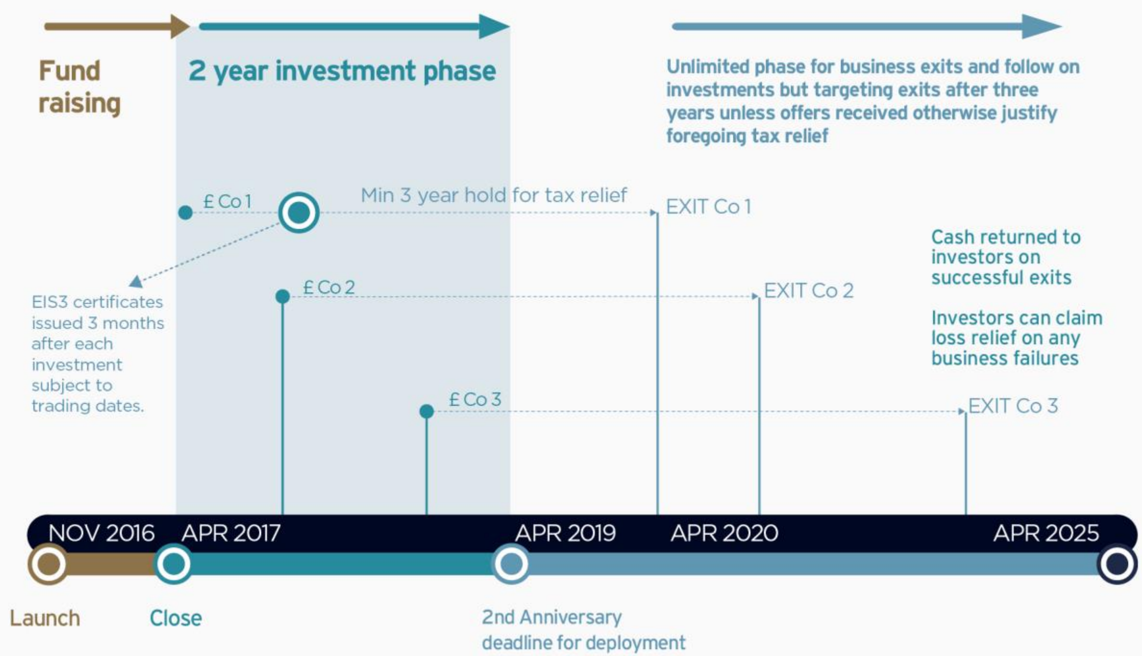
EIS

Tax Benefits

INCOME TAX RELIEF*	30%
MINIMUM TERM	3 YEARS
MAX INVESTMENT	£1,000,000
MIN INVESTMENT	£10,000
DIVIDEND	TAXED
GROWTH	TAX EXEMPT
CGT DEFERAL	YES – NO MAXIMUM
IHT EXEMPTION	AFTER 2 YEARS
LOSS RELIEF	YES

*Carry back to previous tax-year available

INDICATIVE TIMELINE



This timetable is for illustrative purposes only and does not accurately represent when investments or exits will be made.

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Case Study

LOSS RELIEF

How spreading an EIS investment across multiple investee companies can mitigate capital exposed

Mr Lamb, a higher rate tax payer, can enjoy over 50% capital growth on his EIS investment, despite 4 of 5 investee companies failing.

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Mr Lamb has a £50k EIS investment which is spread across five investee companies at £10k per company

Where an investee company fails, investors can claim loss relief at their highest marginal rate. In this example, loss relief is equal to £2,800 for each failed company. This is unaffected by the growth of any individual company holding.

Growth in any one company does not effect the ability to claim loss relief even where the value exceeds the original investment.

£76,200 Total Return
(52% uplift on original investment)

- £15,000 Income tax relief
- £11,200 Loss Relief
- £50,000 Tax free capital growth in Company 5

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Case Study

CAPITAL GAINS TAX DEFERRAL

How using an EIS investment can defer CGT & generate additional tax relief

Mr Roper made a gain on a property of £100k* in 2018/19.

*Net of annual CGT allowance

Capital invested is at risk. Investments in unquoted companies, by their nature, have limited liquidity and are higher risk. Tax treatment is subject to change and depends on individual circumstances. Individuals should seek advice from a regulated financial advisor on whether the product mentioned in this case study is suitable for them. Tax year 2019/20.

Capital Gains Tax Relief

Property Value: £200,000
Gain*: £100,000

WITHOUT EIS INVESTMENT

NO PLANNING

GAIN*	£100,000
CGT	£28,000
NET PROCEEDS	**£172,000**

WITH EIS INVESTMENT

- Invest £100k into EIS 2018/19
- £28,000 CGT deferred**
- £30,000 Income Tax Relief***

WITH EIS PLANNING

EIS PROCEEDS	£100,000
INCOME TAX RELIEF	£30,000
CGT LIABILITY**	£0
NET PROCEEDS	**£230,000**

Investor dies 2021/22: £28k CGT liability dies with investor. The EIS investment should also qualify for BPR, potentially saving a further £40k in Inheritance Tax.

* Gain is after the use of the CGT allowance
** In the event of death, CGT is mitigated.
Where the EIS is sold prior to death, CGT will be chargeable on the deferred gain at the prevailing tax.
*** Subject to the investment being held for three years from the date of investment or the commencement of trading if later.

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Case Study

EXITING AIM STOCK

De-risking your portfolio after a period of strong returns

Mr Buck invested £100,000 into AIM shares in 2013. He now wants to de-risk his portfolio.

Exiting AIM Stock

£100,000
AIM INVESTMENT
IN 2013

£150,000
GROWTH OF 50%
IN 5 YEARS

£100,000 FITS

Uses replacement property provision to retain BPR qualification

TARGET **3.5%** RETURN FROM INFRASTRUCTURE ASSETS

£50,000 EIS

Uses replacement property provision to retain BPR qualification

DEFERS CGT OF **£10,000***

*Assumes CGT allowance already utilised

Foresight Williams Technology EIS Fund

A unique collaboration between…

Foresight is an experienced investment manager with a 35 year track record of fund raising, investing in, structuring and exiting SMEs.

Williams is a technology and engineering business with a 40+ year track record and highly renowned reputation.

Core investment strategy is to target opportunities where Williams Advanced Engineering's technical, commercial and promotional support may offer a distinct advantage to investee companies

Foresight Williams Technology EIS Fund

Key Features

Fund size	Fund structure
Open-ended but we anticipate raising £20m-£30m per annum	Evergreen

Portfolio size	Target returns
Minimum 10 investee companies	Companies with potential for 10x return

Investments of £1-3m in UK unquoted early stage disruptive technology-based SMEs

Investment Strategy: Approach & Focus

Venture Investing

Investment criteria

- Pre revenue or post revenue/pre profit
- Technically experienced management team
- Disruptive and/or innovative technologies
- Market potential > £75 million
- Williams value add – commercial, technical, promotional support
- Commercialisation possible 3 – 5 years time
- 10x plus return potential

The Foresight/ Williams Focus

- Early stage technology focus
- Smaller high growth companies
- UK based (or UK coverage)
- £0.25m - £2m investments
- Growth capital only

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Aerofoil Energy

Energy saving aerodynamic technology for the retail sec

- Collaboration with UK start-up Aerofoil Energy
- WAE value add
  - Design, analysis, optimisation, supply chain development, cost reduction
  - Engagement with global retailers and OEMs
  - Press coverage (Fortune, FT, Forbes, Telegraph…)
- Patented technology
- Store trials with top UK retailers including Sainsbury's

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FWT VCT

Summary

- **High growth potential / early stage investee company focus**
- **Unique JV relationship**
- Pre-revenue to post profit engineering and technology companies
- Established & **proven value add** relationship with Williams
- Strong pipeline for deals e.g. Oxford University
- **Targeting £20m fundraise**
- **Targeting a dividend in year 4**
- Buyback – 10% for first 5 years, 5% thereafter
- Closing December 2020