



Annual Report and Accounts

31 December 2010

Foresight VCT

Objective

Ordinary Shares

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

Planned Exit Shares

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

VCT Tax Benefit for Shareholders beyond 6 April 2006

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 from 6 April 2006 are:

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

Website: www.foresightgroup.eu

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Summary and Financial Highlights

Venture Capital Trust Status

Foresight VCT has satisfied the conditions for venture capital trust status under sections 274–280A of the Income Tax Act 2007 and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

Financial Highlights

- Net asset value per Ordinary Share increased by 39.4% for the year ended 31 December 2010 to 55.5p compared to 39.8p as at 31 December 2009.
- Net asset value per Planned Exit Share as at 31 December 2010 was 95.5p compared to 94.5p at launch.
- Final dividends of 5.0p per Ordinary Share and 3.0p per Planned Exit Share will be paid on 17 June 2011.
- The Ordinary Shares fund provided funding totalling £585,904 for nine portfolio companies.
- Realisation proceeds of £137,628 were received from one portfolio company and, in addition, loan repayments totalling £637,228 were received from two companies.
- Planned Exit fundraising closed on 30 June 2010 having issued 6,179,833 Planned Exit Shares at 100p per share.
- Eleven investments were made by the Planned Exit fund totalling £3,780,649.

Performance Summary

	31 December 2010 Ordinary Shares	31 December 2010 Planned Exit Shares	31 December 2009 Ordinary Shares	31 December 2009 Planned Exit Shares
Capital Values				
Net asset value per share	55.5p	95.5p	39.8p	N/A
Net assets	£26,365,000	£5,927,000	£19,180,000	N/A
Revenue and Dividend				
Revenue return per share	0.2p	1.7p	0.0p	N/A
Total dividends paid	0.0p	0.0p	1.0p	N/A

Performance Statistics

	31 December 2010 Ordinary Shares	31 December 2010 Planned Exit Shares	31 December 2009 Ordinary Shares	31 December 2009 Planned Exit Shares
Net asset value per share	55.5p	95.5p	39.8p	N/A
Net asset value total return per share (since launch)	207.5p	95.5p	196.7p	N/A
Share price	41.75p	103.0p	35.25p	N/A
Share price total return per share (since launch)	198.1p	103.0p	193.6p	N/A

Dividend History

Cumulative dividends at the date of the merger of Ordinary Shares and C Shares on 16 January 2007

– Ordinary Shares	165.22p
– C Shares	10.75p

Post merger dividends per Ordinary Share following the merger of Ordinary Shares and C Shares on 16 January 2007

– 7 March 2008	5.00p
– 29 May 2009	1.00p

Following the year end, the Ordinary Shares underwent a reconstruction on 1 March 2011, further details of which are included in note 18 to the accounts.

Further details on the dividend history can be found at www.foresightgroup.eu

Chairman's Statement

I Performance and Dividends

I am pleased to be able to report sound progress in the development of our investment portfolios.

The Company has two classes of shares (Ordinary Shares and Planned Exit Shares) and each class of share has its own portfolio of investments, the performances of which are more fully described in the Investment Manager's Report following this statement. In summary, during the year ended 31 December 2010, the net asset value of the Ordinary Share portfolio increased by 39.4% to 55.5p per share, with 34.2% of the increase being generated by valuation increases in AppDNA, Autologic Diagnostics, Trilogy Communications, Alaric and Camwood. Further information on these companies can be found in the Investment Managers Report. The net asset value of the Planned Exit Share portfolio increased by 1.1% from the launch net asset value to 95.5p per share at 31 December 2010.

The performance of several of the unquoted investments within the portfolios both in terms of revenues and profits, has improved during the second half of 2010. A significant amount of this improvement can be attributed to export driven growth, principally to the US and Europe. Furthermore, the order books of a number of portfolio companies give the Investment Manager cause for optimism for the latter half of the current year creating confidence that the recent good portfolio performance can be maintained.

Notwithstanding these positive signs, stock market sentiment remains relatively fragile with significant macroeconomic uncertainties remaining and difficult trading and credit conditions in many sectors of the economy. Catastrophic events recently in Japan serve to warn us all that no-one can guard against all eventualities and against this background, the Board supports the Manager's continued cautious approach to managing the portfolio and making new investments.

The Company's policy is whenever possible to maintain a steady flow of tax-free dividends, generated from income or from capital profits realised on the sale of investments. Notwithstanding our awareness of future uncertainty, investment gains and income generated from loan stock encourage the Board to recommend that a final dividend of 5.0p per Ordinary Share for the year ended 31 December 2010 be paid to the Ordinary shareholders on 17 June 2011 and a final dividend of 3.0p per Planned Exit Share for the year ended 31 December 2010 be paid to the Planned Exit shareholders on the same day. These dividends will have an ex-date of 1 June 2011 and a record date of 3 June 2011.

I Valuation policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines (September 2009) 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 PLUS (formerly OFEX) are valued at the bid price as at 31 December 2010. The portfolio valuations are prepared by Foresight Group, reviewed by the auditors and are subject to approval by the Board.

I Share Issues and Share Buy-backs

The new Planned Exit Shares fund launched on 28 January 2010 had issued 6,179,833 shares at £1 per share when its offer for subscription closed on 30 June 2010.

It continues to be the Company's policy to consider repurchasing shares when they become available in order to provide a degree of liquidity for the sellers of the Company's shares. During the year to 31 December 2010, the Company repurchased 595,984 Ordinary Shares for cancellation at a cost of £226,000.

I Board Changes

I joined the Board when I took over from Peter Dicks as Chairman of the Company at the end of July in anticipation of the new UK Listing Authority regulations that came into effect on 28 September 2010. Peter chaired a number of Foresight managed VCTs which meant that he was no longer regarded under the new regime as independent. Peter, had been Chairman since the setting up of the Company and has a wide range of investment expertise and a detailed knowledge of all aspects of the Company's investment portfolios and I am therefore delighted he has agreed to remain on the Board so that the Board continue to have the benefit of his experience and advice. For related reasons, Bernard Fairman, the Chairman of our investment manager Foresight Group retired from the Board in June. The Board is grateful to him for his contribution to the Company during his 13 years as a Director. I am glad that we will also continue to have access to his advice and experience as he remains involved in the affairs of Foresight Group. Tony Diment who has been on the Board since 1997 has indicated that he will not stand for re-election at the forthcoming AGM in May and will therefore be retiring from the Board at that time. On behalf of the Board I would like to thank Tony for his significant input to the Board which has benefitted substantially from his wisdom and expertise.

I Post Year End Events

Following the end of last year two significant events have taken place:

- **Acquisition of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc ('Keydata')**

Following shareholder approval, the assets of Keydata (approximately £3.6 million) were acquired by the Company on 28 February 2011. A total of 6,463,504 Ordinary Shares (at an NAV of 55.44p per Ordinary Share) in Foresight VCT plc were issued as consideration to the shareholders of Keydata. Following the completion of the merger there were 54,004,889 Ordinary Shares in issue. Dependent upon the commercial success of its gasification project in Derby, for which the Keydata assets were acquired, additional consideration may be payable to Keydata shareholders up to a maximum amount of £2.8 million on or shortly after 30 September 2013.

Chairman's Statement continued

● Ordinary Shares Reconstruction

Also with shareholder approval, on 1 March 2011 the Ordinary Shares underwent a reconstruction such that the underlying net asset value (NAV) of each Ordinary Share was rebased to 100.0p. The reconstruction resulted in Ordinary Shareholders' holdings being adjusted by a ratio of 0.554417986 per Ordinary Share held at the close of business on 1 March 2011 and in 29,941,281 new Ordinary Shares being issued.

The reconstruction of the Ordinary Share capital of Foresight VCT plc has not impacted the value of Shareholders' holdings.

I Outlook

Although there has been very little portfolio activity in terms of realisations over the last year, we are witnessing potential acquirers slowly returning to the market following two years of economic fragility. Additionally, Foresight Group is seeing its dealflow of new investment opportunities increasing but we remain cautious about the economic outlook and the Manager will aim to invest only in new opportunities which are considered sufficiently robust and attractive. The Board and Investment Manager are hopeful that the positive current performance of the portfolio will translate into realisations that will, over the medium term, be reflected in further positive net asset value performance and continued distributions to shareholders.

I Annual General Meeting

The Company's Annual General Meeting will take place on 26 May 2011. I look forward to welcoming you to the meeting, which will be in London.

John Gregory

Chairman

Telephone: 01296 682 751

Email: j.greg@btconnect.com

27 April 2011

Investment Manager's Report

As referred to in the Chairman's statement, the recent performance of a number of companies in the portfolio gives cause for optimism at an individual investment level. The recent stock market rally is encouraging for equity investors and may help restore some optimism. However, we continue to believe that consensus expectations do not fully reflect a scenario of slowing growth for 2011 and that nascent inflation could undermine prospects over coming months. Against this background, we are only looking at opportunities which are considered sufficiently robust and attractive in valuation terms.

I Portfolio Review — Ordinary Shares Fund

Over the last two years, as a result of tougher trading and credit conditions, the number of follow-on investments made by the Company has increased. This has reflected the need for additional working capital arising as a result of trading conditions and reduced bank credit lines and overdrafts but has also included funding for growth.

The Ordinary Shares fund provided follow-on funding totalling £585,904 for nine portfolio companies: SkillsMarket (£104,500), alwaysON (£90,201), i-plas Group (£73,498), @Futsal (£70,988), Silvigen (£69,511), Trilogy (£62,500), Closed Loop Recycling (£56,250), Land Energy (£41,515) and Rivington Street Holdings (£16,941).

The performance highlights during the year were as follows:

Camwood's App-DNA software division, which is a market leader in automated application compatibility for virtualisation, desktop and server operating system projects, has continued to make good progress. The company has won a number of major contracts with large corporations in the US and Europe and has also developed a global network of partnerships. It has a strong pipeline of opportunities and is optimistic that these can be converted into further contract wins. For the year to 31 March 2010, the company reported rapid sales growth and improved profitability and this is continuing for the year to 31 March 2011. In November 2010 the App-DNA division was spun out of Camwood as a standalone company and is now reported on separately.

Autologic Diagnostics develops and sells sophisticated automotive diagnostic software and hardware to independent mechanics and garages to allow them to service and repair vehicles. The investment in Autologic Diagnostics was made in February 2009. For the period from 20 February 2009 to 31 December 2009, Autologic Diagnostics produced an operating profit of £1.48 million on sales of £5.49 million. On 1 July 2010, Autologic Diagnostics took an important step forward by acquiring its previously independently-owned US distributor. Management accounts for Autologic Diagnostics for the full year ended 31 December 2010 show an operating profit of £2.5 million on sales of £6.9 million.

Actimax continued its strong growth in sales and profits and trading in the year to 31 December 2010 and, following the year end, was sold for £4.4 million, of which Foresight VCT plc received approximately £2.2 million.

Alaric is enjoying strong growth and is continuing to win major new contracts. During the year to 31 March 2010, orders were won from 15 new customers, resulting in total sales for that year of some £4 million. Capacity to satisfy these orders is being met principally through expanding the office in Kuala Lumpur.

Alaric is developing a growing sales pipeline and profile in the Far East, Mexico and the USA. An important relationship has been established with Oracle to serve the card authorisation switch market Worldwide. The budget for the current year shows substantial growth on sales achieved in 2010.

Having recovered from a fire in late 2009, Closed Loop Recycling continues to make solid operational, commercial and revenue progress with production rates at record levels, processing 100 tonnes per day of recycled plastic PET and HDPE plastic, and producing material of a particularly high quality. The capital expenditure work associated with the equipment replacement and upgrade to replace fire damaged equipment, has been successfully completed. Closed Loop is currently generating revenues in excess of £1 million per month.

Trilogy Communications is continuing to build partnerships with large international defence companies and the pipeline of sales opportunities has continued to grow. In recognition of the company's progress in foreign markets, Trilogy Communications was awarded the Queen's Award for Enterprise in the International Trade category. Delays in defence procurement contracts had an impact on the business during the first quarter of 2010 and a further investment of £62,500 was made. The company's financial year for 2010/11 produced strong results and both the broadcast and defence divisions performed ahead of plan. The company's order book is strong and the outlook for the remainder of the year is positive.

A second tranche (£70,988) of the investment into @Futsal was made in the period. Futsal is the fastest growing indoor sport in the world with 30 million people currently playing this type of indoor football internationally. @Futsal's Swindon and Cardiff facilities are now fully operational and the third site in Birmingham has recently opened. Sales growth, however, is behind original expectations and progress towards profitability has been impacted as a result.

A planned further tranche of £41,515 was invested in Land Energy. Land Energy's wood pellets are used in several markets including animal bedding and for energy generation. The company is looking at building its own combined heat and power (CHP) plant, to use its own pellets as a fuel and qualify for additional revenues. The UK Government has identified CHP as a highly efficient form of energy use, which from April 2009 became eligible for double Renewable Obligation Certificates.

Silvigen has positioned itself to supply the important biomass fuel needs of the UK power generation sector and the developing industrial heat sector, both of which are driven by a number of regulatory incentives. Additionally, the company's product is well suited for the animal bedding market. Silvigen raised £200,000 in February 2010, of which Foresight VCT invested £69,511 to provide working capital for the business required as a result of operational delays. The plant is now fully operational and producing excellent quality wood pellets.

The investment in i-plas Group of £73,498 was used to fund an increase in capacity for the company, which produces building products in an area of plastics recycling which has significant growth potential.

The Company invested a further £104,500 into SkillsMarket to fund the operational costs associated with its turnaround strategy. The company successfully launched its new web-based Software as a Service (SaaS) product, iProfile Recruiter Account, at the start of 2010 and is now focusing its efforts on growing the sales of the new product. Early indications are that the product is proving to be popular within the company's target markets.

Investment Manager's Report

smartFOCUS announced full year sales to December 2010 had grown to £13.9 million from £11.9 million in 2009, increasing profit before tax to £900,000 from £500,000 in 2009. smartFOCUS announced on 11 April 2011, that it had reached agreement on terms to be acquired for cash by Emailvision Holdings. The offer price is 25.0p per smartFOCUS share, which is a 70% premium to the bid price of 14.5p per share at 31 December 2010. If the acquisition of smartFOCUS to Emailvision proceeds this would result in Foresight VCT plc receiving proceeds of approximately £3.5 million.

The turnaround at Aigis continues gradually and the business made small profits in both the first and second quarters of 2010, which has helped improve the cash position. Aigis is in the process of recruiting further engineering resource to allow the company to meet customer requirements promptly, while reducing costs in other areas.

A further £90,201 was invested in alwaysON as part of a restructuring. Foresight VCT has significantly increased its equity holding in the business, which is starting to see signs of recovery in its underlying core operations.

Across all the portfolio companies, we have, ensured that management are focused on cash conservation and cost control in light of the recession and the as yet fragile, economic recovery.

I Portfolio Review — Planned Exit Shares Fund

Eleven new investments were made by the Planned Exit Shares Fund totalling £3,780,649. Investments included: Foresight Luxembourg Solar 2 S.a.r.l (£1,000,000), DCG Group Limited (£750,000), Closed Loop Recycling Limited (£566,667), Channel Safety Systems Group Limited (£565,000) and i-plas Group Limited (£524,030). In addition, investments were made in Nevin Energy Resources Limited (£186,000), Burley Energy Limited (£93,750), Cooke Generation Limited (£93,750), Boyle Electrical Generation Limited (£484), Clarke Power Services (£484) and Spencer Energy Services Limited (£484) (together 'the Keydata portfolio companies').

The Planned Exit Shares Fund made its first investment during March 2010 of £1,000,000 in Foresight Luxembourg Solar 2 S.a.r.l., an operating 10 MW solar power plant in Spain. It is expected that the majority of the investment will be short-term in nature but its yield and risk profile mirror the objective of the fund and created an early opportunity to generate income. Although the investment is euro denominated, the currency risk has been hedged to prevent any currency losses to the Company on the cost of its investment.

The merger with the Keydata VCTs, explained more fully in the Chairman's statement, also gave rise to an opportunity to invest in the Keydata portfolio companies, as part of a total funding round of £3 million. The Planned Exit Shares Fund invested £375,000 in December 2010 into the Keydata project in Derby. This project is targeting 3.0 MW of electricity using gasification technology similar to that in final commissioning at O-Gen Acme Trek's plant in Stoke-on-Trent (another Foresight Group portfolio investment). This plant in Derby is being built in 3 phases starting with 0.5 MW using waste wood as its feedstock. The first electricity is expected to be produced in the third quarter of 2011.

In October 2010, the Planned Exit Shares Fund invested £750,000 into DCG Group to re-finance existing loans and provide additional working capital to enable the company to continue the growth of its data managed services. The managed service contracts typically have a three year term, and the company has been successful in maintaining a very high level of customer retention due to the quality of the service provided. The investment was structured primarily as a yielding loan.

In December 2010 the Planned Exit Shares Fund backed a management buy-in of Channel Safety Systems with £565,000. Channel designs and distributes fire safety systems and emergency lighting, as well as providing associated services. From its base in the South East of England Channel has been operating for 35 years. The company traded profitably through the recession and the management team are exploring several growth strategies, including energy efficient LED emergency lighting.

I Realisations

Loan repayments during the period totalling £614,000 were received from two investee companies: DCG Group (Ordinary Shares fund) repaid £594,000 of loan stock during the year, as a result of a refinancing including investment from the Planned Exit Shares Fund; and SkillsMarket (Ordinary Shares fund) repaid a short-term loan of £20,000 following a further funding round.

1,000,000 smartFOCUS shares were sold during the year for proceeds of £137,628, a return of 2.7 times the original cost of the shares sold.

I Outlook

The recovery in the underlying trading of many of the portfolio companies has benefited, to varying degrees, from the positive export conditions created by a weaker currency and reflects better than expected growth in portfolio companies' target markets. We remain reasonably optimistic about the current prospects and outlook for many portfolio companies, which continue to display stronger order books and revenue and profit growth. This is tempered by continued challenging fundamentals and uncertainties that could lead to a prolonged period of low growth.

Foresight is actively pursuing a number of portfolio realisations across several market sectors in order to generate distributions for shareholders, but M&A activity at the smaller company level is still limited. In our opinion, if the economy continues to make progress, then the M&A market should start to pick up momentum. In these circumstances we would be confident that several portfolio companies across each of the Company's share classes could be attractive acquisition candidates.

David Hughes

Chief Investment Officer

Foresight Group

27 April 2011

Investment Summary

ORDINARY SHARES FUND

Investment	31 December 2010			31 December 2009	
	Amount Invested £	Valuation £	Valuation Methodology	Amount Invested £	Valuation £
Autologic Diagnostics Limited (formerly Diagnos Holdings Limited)	750,000	2,362,596 *	Discounted earnings multiple	750,000	750,000
Aquasium Technology Limited	1,930,000	2,089,808 *	Discounted earnings multiple	1,930,000	1,405,887
Actimax plc	546,668	2,059,200 *	Discounted offer	546,668	1,725,286
Alaric Systems Limited	1,473,372	2,033,016 *	Discounted revenue multiple	1,473,372	1,105,029
smartFOCUS Group plc (AIM listed)	705,220	2,019,723 *	Bid price	755,849	1,679,527
AppDNA Limited	257,045	2,014,517 *	Discounted earnings multiple	—	—
Trilogy Communications Limited	887,500	1,999,486 *	Discounted earnings multiple	825,000	816,072
Camwood Limited	257,045	1,703,755 *	Discounted earnings multiple	514,090	955,073
DCG Group Limited	249,970	1,502,429 *	Discounted revenue multiple	773,198	2,231,053
Closed Loop Recycling Limited	1,406,250	1,356,250 *	Price of recent funding round	1,350,000	1,300,000
FfastFill plc (AIM listed)	877,199	593,663	Bid price	877,199	559,736
ANT plc (AIM listed)	1,225,600	496,649	Bid price	1,225,600	571,146
Infrared Integrated Systems Limited	250,005	478,789	Discounted earnings multiple	250,005	187,504
Silvigen Limited	534,005	439,288	Price of recent funding round	464,494	410,721
Sarantel Group plc (AIM listed)	3,690,167	419,036	Bid price	3,690,167	394,133
i-plas Group Limited (formerly Lynwood Group Holdings Limited)	480,362	413,695	Price of recent funding round less impairment	406,864	340,197
iCore Limited	750,000	375,000	Cost less impairment	750,000	375,000
Clarity Commerce Solutions plc (AIM listed)	674,900	368,350	Bid price	674,900	357,750
alwaysON Group Limited	405,306	303,980	Cost less impairment	315,105	236,329
Rivington Street Holdings plc †	284,441	284,441	Cost	—	—
Corero plc (AIM listed)	1,635,616	320,874	Bid price	1,903,116	619,310
SkillsMarket Limited	1,814,331	244,472	Price of recent funding round	1,729,831	399,929
Land Energy Limited	241,515	241,515	Cost	200,000	200,000
Aigis Blast Protection Limited	860,325	182,933	Discounted revenue multiple	860,325	215,138
Oxonica plc	2,804,473	154,687	Discounted offer	2,804,473	106,347
@Futsal Limited	100,000	100,000	Price of recent funding round	29,012	29,012
DSM GeoData Limited	700,000	—	Nil value	700,000	—
Nanotecture Group plc	1,000,000	—	Nil value	1,000,000	125,000
High Integrity Solutions Limited	—	—	Written-off	1,312,500	—
	26,791,315	24,558,152		28,111,768	17,095,179

* Top ten investments by value shown on pages 7 to 9.

† Formed as a result of the capital reorganisation of Corero plc.

PLANNED EXIT SHARES FUND

Investment	31 December 2010			31 December 2009	
	Amount Invested £	Valuation £	Valuation Methodology	Amount Invested £	Valuation £
Foresight Luxembourg Solar 2 S.à.r.l.	1,000,000	957,660 *	Cost †	—	—
DCG Group Limited	750,000	797,247 *	Discounted revenue multiple	—	—
Closed Loop Recycling Limited	566,667	566,667 *	Cost	—	—
Channel Safety Systems Group Limited	565,000	565,000 *	Cost	—	—
i-plas Group Limited (formerly Lynwood Group Holdings Limited)	524,030	484,127 *	Price of recent funding round less impairment	—	—
Nevin Energy Resources Limited	186,000	186,000 *	Cost	—	—
Burley Energy Limited	93,750	93,750 *	Cost	—	—
Cooke Generation Limited	93,750	93,750 *	Cost	—	—
Boyle Electrical Generation Limited	484	484 *	Cost	—	—
Clarke Power Services Limited	484	484 *	Cost	—	—
Spencer Energy Services Limited	484	484 *	Cost	—	—
	3,780,649	3,745,653		—	—

* All investments shown on pages 10 to 12.

† The difference between the amount invested and valuation of Foresight Luxembourg Solar 2 S.à.r.l. relates to currency movements, however, the currency option offsets the currency loss, so the Company does not suffer currency gains or losses on the investment cost.

Investment Summary — Ordinary Shares Portfolio

Top ten investments by value at 31 December 2010 are detailed below:

Autologic Diagnostics Limited (formerly Diagnos Holdings 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 supplies its 'Autologic' product for use with well-known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche.



First investment	February 2009	Period from:	20 February 2009 to 31 December 2009
			£'000
% Equity/Voting Rights	9.0%	Sales	5,491
Income received in the year	£54,145	Profit before Tax	806
Equity at cost	£80,000	Retained Profit	704
Loan stock at cost	£670,000	Net Assets	1,797

Aquasium Technology Limited

is principally engaged in the design, manufacture, sales and servicing of electron beam welding and vacuum furnace equipment. The group also provides component manufacturing and processing services utilising electron beam welding, laser machining, heat treating, abrasive water jet cutting, conventional welding and machining.



First investment	October 2001	Year ended:	31 December 2009
			£'000
% Equity/Voting Rights	33.3%	Sales	13,022
Income received in the year	£53,000	Loss before Tax	(137)
Equity at cost	£333,333	Retained Loss	(266)
Loan stock at cost	£1,596,667	Net Assets	333

Actimax plc

sells, installs and maintains converged Voice and Data solutions to small and medium sized businesses. Its revenues have grown strongly over the past three years particularly as a result of specialising in multisite companies that require functions such as remote working, unified messaging and call centre technology. Now over 70% of the revenues are from ongoing contracts with the balance from new system sales. Actimax have recently supplied Wimbledon All England Lawn Tennis and Croquet club with a large converged solution for 1,000 users. Other Actimax customers include the Restaurant Group with 320 nationwide sites linked on a wide area network and The Historic Royal Palaces including Hampton Court and the Tower of London. Actimax was sold on 22 April 2011 for total proceeds of £4.4 million.



First investment	November 1998	Year ended:	31 December 2010
			£'000
% Equity/Voting Rights	53.7%*	Sales	6,811
Income received in the year	—	Profit before Tax	575
Equity at cost	£546,668	Retained Profit	433
Loan stock at cost	—	Net Assets	1,310

* Specific clauses are included in Actimax's articles of association that prevent Foresight VCT from exercising control.

Investment Summary — Ordinary Shares Portfolio

Alaric Systems Limited

develops payment system software, principally credit card authorisation ("Authentic") and card fraud detection ("Fractals") software, which is sold to major financial institutions, card processors and, increasingly, major retailers worldwide. Alaric is enjoying strong growth and is continuing to win major new contracts. During the year to 31 March 2010, orders were won from 15 new customers, resulting in total sales for that year of some £4 million. Capacity to satisfy these orders is being met principally through expanding the office in Kuala Lumpur. Alaric is developing a growing sales pipeline and profile in the Far East, Mexico and USA. An important relationship has been established with Oracle to serve the card authorisation switch market Worldwide. An Oracle/Sun benchmark test of the Authentic system demonstrated the capability of 10,500 transactions per second. This performance substantially exceeds the capability of competing systems and is an important element in the Oracle sales team marketing. The budget for the current year shows substantial growth on sales achieved in 2010 and current trading is currently well ahead of this budget.



First investment	February 2002	Year ended:	31 March 2010
			£'000
% Equity/Voting Rights	15.2%	Sales	3,922
Income received in the year	£3,333	Profit before Tax	44
Equity at cost	£1,263,486	Retained Profit	44
Loan stock at cost	£201,861	Net Liabilities	(1,545)
Preference shares at cost	£8,025		

smartFOCUS Group plc (AIM listed)

has over 100 staff in offices in Bristol, Paris, Boston, Amsterdam and Singapore and over 800 customers. The company provides multi-channel marketing software and services that enable direct marketers to improve efficiency and productivity (including planning, targeting, executing and subsequent analysis) of direct marketing campaigns. The company provides an integrated suite of products at a lower cost than comparable alternative offerings, without sacrificing effective performance speeds or analysis functionality. The business model has successfully changed from unpredictable, lumpy perpetual licence sales to a software as a service ("SaaS") model which generates recurring revenues and improves the quality and visibility of revenues. This broadens the market by lowering investment hurdles and reducing operational costs while mitigating the long sales cycles and seasonality associated with large perpetual licence contracts. Outside the UK, the company operates through a worldwide network of partners, such as marketing services businesses, systems integrators and agencies. smartFOCUS received a bid of 25p per share, in cash, on 11 April 2011.



First investment	December 2001	Year ended:	31 December 2010
			£'000
% Equity/Voting Rights	14.6%	Sales	13,909
Income received in the year	—	Profit before Tax	872
Equity at cost	£705,220	Retained Profit	568
Loan stock at cost	—	Net Assets	4,256

AppDNA Limited

has developed software called Apptitude, which enables enterprises to automate the evaluation of the compatibility of their software estate for changes of operating system or for virtualisation. The company has offices in London, Chicago and Paris and has a blue chip customer base including BAE, Barclays, BT, Diageo and ExxonMobil. The company is currently performing strongly as companies increasingly consider migration to Windows 7 and virtualisation.



First investment	November 2010	No accounts filed since the investment was formed
% Equity/Voting Rights	15.8%	
Income received in the year	£1,685	
Equity at cost	£83,333	
Loan stock at cost	£166,667	
Preference shares at cost	£7,045	

Investment Summary — Ordinary Shares Portfolio

Trilogy Communications Limited

is a world class supplier of audio communications to the defence, emergency management, industrial and broadcast sectors. Trilogy counts some of the world's best known names in broadcast and defence among its customer base including the BBC, Sony, Radio France, Raytheon, Northrop Grumman and BAE. Trilogy's Mercury IP system continues to make good progress in the US defence market. During 2009, Trilogy won the Queen's Award for Enterprise in International Trade.

First investment	September 2005	Year ended:	28 February 2010
			£'000
% Equity/Voting Rights	12.2%	Sales	3,907
Income received in the year	£31,135	Loss before Tax	(1,863)
Equity at cost	£205,048	Retained Loss	(1,604)
Loan stock at cost	£682,452	Net Liabilities	(2,230)

Camwood Limited

is the UK's leading application migration and change specialist. The company provides software, consultancy and implementation services to support Microsoft Windows application migration, for operating strategic upgrades and virtualisation as well as providing ongoing application management. Camwood provides strategic consulting programme management and project execution services.

First investment	September 2003	Year ended:	31 March 2010
			£'000
% Equity/Voting Rights	15.8%	Sales	6,837
Income received in the year	£22,397	Profit before Tax	560
Equity at cost	£83,333	Retained Profit	427
Loan stock at cost	£166,667	Net Assets	144
Preference shares at cost	£7,045		

DCG Group Limited

is a provider of data storage and back-up solutions to corporates either remotely as a managed service or at customers' premises. The demand for Datapoint's services is driven by greater compliance requirements for retention and retrieval of data and the ever growing volume of electronic data produced by organisations. The company continues to build its managed service customer bases and its recurring revenues. A new mid-range service has been launched for re-sale by channel partners.

First investment	March 2004	Year ended:	31 March 2010
			£'000
% Equity/Voting Rights	32.2%	Sales	5,996
Income received in the year	£89,996	Loss before Tax	(388)
Equity at cost	£249,750	Retained Loss	(388)
Loan stock at cost	—	Net Liabilities	(1,342)
Preference shares at cost	£220		

Closed Loop Recycling Limited

is the first plant in the UK to recycle waste PET and HDPE plastic bottles into food grade packaging material. Following a series of private and public funding issues, the 35,000 tonne capacity plant in Dagenham (East London) is now fully operational. The company is enjoying strong market demand and is pursuing its expansion plans. The company is processing 100 tonnes per day and supplying product to a range of customers including Nampak, Alpla, M&S and Britvic for the manufacture of food packaging, drinks bottles and milk bottles.

First investment	August 2008	Year ended:	30 June 2009
			£'000
% Equity/Voting Rights	4.9%	Sales	1,533
Income received in the year	£64,389	Loss before Tax	(7,315)
Equity at cost	£250,000	Retained Loss	(7,315)
Loan stock at cost	£1,156,250	Net Liabilities	(4,926)

Investment Summary — Planned Exit Shares Portfolio

Investments at 31 December 2010 are detailed below:

Foresight Luxembourg Solar 2 S.à.r.l.

is the holding vehicle for an operating Spanish solar photovoltaic plant. Foresight funds, together with the Italian family office GWM, are co-owners of the plant which has been operating since September 2008 and producing electricity that is supplied to the electricity grid. It benefits from an attractive feed-in tariff which is no longer available to new projects and generates reliable and consistent distributable cash flows. Foresight arranged a project finance facility alongside the equity to finance the acquisition of the plant in March 2010.

First investment	March 2010
% Equity/Voting Rights	14.0%
Income received in the year	£95,014
Equity at cost	£1,000,000
Loan stock at cost	—

DCG Group Limited

is a provider of data storage and back-up solutions to corporates either remotely as a managed service or at customers' premises. The demand for Datapoint's services is driven by greater compliance requirements for retention and retrieval of data and the ever growing volume of electronic data produced by organisations. The company continues to build its managed service customer base and its recurring revenues. A new mid-range service has been launched for re-sale by channel partners.



First investment	November 2010	Year ended:	31 March 2010
% Equity/Voting Rights	2.6%		£'000
Income received in the year	£8,692	Sales	5,996
Equity at cost	£75,000	Loss before Tax	(388)
Loan stock at cost	£675,000	Retained Loss	(388)
		Net Liabilities	(1,342)

Closed Loop Recycling Limited

is the first plant in the UK to recycle waste PET and HDPE plastic bottles into food grade packaging material. Following a series of private and public funding issues, the 35,000 tonne capacity plant in Dagenham (East London) is now fully operational. The company is enjoying strong market demand and is pursuing its expansion plans. The company is processing 100 tonnes per day and supplying product to a range of customers including Nampak, Alpla, M&S and Britvic for the manufacture of food packaging, drinks bottles and milk bottles.



First investment	April 2010	Year ended:	30 June 2009
% Equity/Voting Rights	—		£'000
Income received in the year	£59,692	Sales	1,533
Equity at cost	—	Loss before Tax	(7,315)
Loan stock at cost	£566,667	Retained Loss	(7,315)
		Net Liabilities	(4,926)

Channel Safety Systems Group Limited

specialises in the design, distribution, installation and service of fire detection systems, emergency lighting, Disability Discrimination Act ("DDA") products and nurse call systems. Demand for most of Channel Safety Systems's products and systems is driven by health and safety regulation, the DDA and, increasingly, carbon reduction initiatives and legislation, which Channel Safety Systems addresses with its low energy LED emergency lighting range. Foresight backed an MBI of Channel Safety Systems in December 2010 with a total investment of £1.13m from the Planned Exit funds.



First investment	December 2010	No accounts filed since the investment was made
% Equity/Voting Rights	12.6%	
Income received in the year	£3,827	
Equity at cost	£57,000	
Loan stock at cost	£508,000	

Investment Summary — Planned Exit Shares Portfolio

i-plas Group Limited (formerly Lynwood Group Holdings Limited)

is a well-established manufacturer of consumer and industrial products from recycled and waste plastics. It is well positioned in a growing market for recycled and sustainable goods that offer economic and environmental advantages. Based in Halifax, it plans to roll out multiple operations throughout the UK. Foresight funds have invested/committed £7.9 million to date, including £2.7 million in the last three months of 2010, which will significantly increase the company's capacity. This will enable it to meet the rapidly increasing demand for its industrial products in particular.



First investment	September 2010	Year ended:	31 March 2010
			£'000
% Equity/Voting Rights	1.7%	Sales	6,134
Income received in the year	£15,876	Loss before Tax	(1,051)
Equity at cost	£39,903	Retained Loss	(1,849)
Loan stock at cost	£484,127	Net Assets	2,114

The companies below all relate to Keydata.

Nevin Energy Resources Limited

is the third of the three operating companies within the Derby project, being responsible for generating electricity from the clean syngas purchased from Cooke Generation Limited. This company is targeted to be trading during May/June 2011. It received funds of £186,000 from Foresight VCT on the 23 December 2010.

First investment	December 2010	No accounts filed since the investment was made
% Equity/Voting Rights	5.0%	
Income received in the year	£888	
Equity at cost	£17,250	
Loan stock at cost	£168,750	

Burley Energy Limited

is one of the three operating companies within the Derby project, being responsible for gasifying the waste wood feedstock for the process and selling the resulting syngas onto Cooke Generation Limited. This company is targeted to be trading during May/June 2011. It received funds of £93,750 from Foresight VCT on the 23 December 2010.

First investment	December 2010	No accounts filed since the investment was made
% Equity/Voting Rights	5.0%	
Income received in the year	£444	
Equity at cost	£9,375	
Loan stock at cost	£84,375	

Investment Summary — Planned Exit Shares Portfolio

Cooke Generation Limited

is the second of the three operating companies within the Derby project, being responsible for cleaning the dirty syngas produced and purchased from Burley Energy Limited. This company is targeted to be trading during May/June 2011. It received funds of £93,750 from Foresight VCT on the 23 December 2010.

First investment December 2010

% Equity/Voting Rights 5.0%
Income received in the year £444
Equity at cost £9,375
Loan stock at cost £84,375

**No accounts filed
since the investment
was made**

Boyle Electrical Generation Limited

is the property company for the Derby project, holding the 25 year lease for the site and being responsible for preparing the site for construction and commissioning of the 0.5MW gasification equipment to be installed over the next three months. It received £484 of investment from Foresight VCT on the 23 December 2010.

First investment December 2010

% Equity/Voting Rights 5.0%
Income received in the year —
Equity at cost £484
Loan stock at cost —

**No accounts filed
since the investment
was made**

Clarke Power Services Limited

is the operations company for the Derby project, providing all technical resource for the project, whether in-house from its two employees or from third party contractors such as Haden Freeman Limited. This company will be recruiting a further 10-12 operatives over the coming months as the 0.5MW facility in Derby approaches full operations. It received investment of £484 from Foresight VCT on the 23 December 2010.

First investment December 2010

% Equity/Voting Rights 5.0%
Income received in the year —
Equity at cost £484
Loan stock at cost —

**No accounts filed
since the investment
was made**

Spencer Energy Services Limited

is an administration company for the Derby project, providing all financial accounting, company secretarial and other support to the project and other connected companies. This company received investment of £484 from Foresight VCT on the 23 December 2010.

First investment December 2010

% Equity/Voting Rights 5.0%
Income received in the year —
Equity at cost £484
Loan stock at cost —

**No accounts filed
since the investment
was made**

Investment Summary

at 31 December 2010

I Co-Investing Funds

Foresight Group also manages Foresight 2 VCT plc, Foresight 3 VCT plc, Foresight 4 VCT plc and Foresight Sustainable UK Investment Fund ('Foresight Sustainable'). Investments have been made by the funds that Foresight Group manages at cost, as follows:

Investee	Foresight VCT	Foresight 2	Foresight 3	Foresight 4	Foresight Sustainable	Total held by Foresight Funds
	O & PE shares £	O, C & PE shares £				
@Futsal Limited	100,000	1,895,058	200,000	200,000	—	40.0%
Actimax plc	546,668	—	—	—	—	53.7%
Aigis Blast Protection Limited	860,325	1,262,636	—	347,226	—	36.7%
Alaric Systems Limited	1,473,372	—	714,713	—	—	23.3%
alwaysON Group Limited	405,306	1,350,448	—	270,090	—	77.8%
ANT plc (AIM listed)	1,225,600	—	—	—	—	8.2%
AppDNA Limited	257,045	—	—	—	—	15.8%
Aquasium Technology Limited	1,930,000	—	—	—	—	33.3%
Autologic Diagnostics Limited	750,000	1,000,000	1,000,000	1,000,000	—	44.8%
Boyle Electrical Generation Limited	484	1,516	—	—	—	26.2%
Burley Energy Limited	93,750	293,750	—	—	—	26.2%
Camwood Limited	257,045	—	—	—	—	15.8%
Channel Safety Systems Group Limited	565,000	565,000	—	—	—	25.1%
Clarity Commerce Solutions plc (AIM listed)	674,900	—	—	—	—	2.6%
Clarke Power Services Limited	484	1,516	—	—	—	26.2%
Closed Loop Recycling Limited	1,972,917	5,293,334	4,700,000	3,133,750	2,944,127	58.1%
Cooke Generation Limited	93,750	293,750	—	—	—	26.2%
Corero plc (AIM listed)	1,635,616	—	166,609	—	—	2.5%
DCG Group Limited	999,970	750,000	—	—	—	37.4%
FastFill plc (AIM listed)	877,199	—	—	—	—	1.7%
Foresight Luxembourg Solar 2 S.à.r.l.	1,000,000	1,000,000	—	—	—	28.0%
iCore Limited	750,000	—	—	—	—	16.7%
Infrared Integrated Systems Limited	250,005	749,985	—	250,005	—	6.5%
i-plas Group Limited	1,004,392	2,059,644	2,248,934	891,210	1,733,332	66.6%
Land Energy Limited	241,515	1,690,622	—	362,470	2,400,436	38.6%
Nanotecture Group plc	1,000,000	500,000	500,000	—	—	13.0%
Nevin Energy Resources Limited	186,000	583,000	—	—	—	26.2%
Oxonica plc	2,804,473	1,181,473	—	—	—	14.7%
Rivington Street Holdings plc (AIM listed)	284,441	—	144,950	—	—	0.0%
Sarantel Group plc (AIM listed)	3,690,167	668,002	1,043,000	—	—	9.8%
Silvigen Limited	534,005	1,068,010	1,068,010	534,005	741,668	91.3%
SkillsMarket Limited	1,814,331	859,189	724,416	864,042	—	22.0%
smartFOCUS Group plc (AIM listed)	705,220	—	—	—	—	14.6%
Spencer Energy Services Limited	484	1,516	—	—	—	26.2%
Trilogy Communications Limited	887,500	1,775,000	—	887,500	—	48.7%

Companies in liquidation 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%.

Foresight Group also manages Foresight 5 VCT plc, Acuity VCT 3 plc, Foresight Solar VCT plc and Foresight Clearwater VCT plc but there are no common investments between these funds and Foresight VCT plc.

Board of Directors

I John Gregory (62) (Chairman)

John Gregory is a chartered accountant with a broad experience of banking, corporate finance and fund management. He was, until February 2004, an executive director of Noble Fund Managers Limited. Currently, he is Chairman of IS Pharma plc and is a non-executive director or Chairman of a number of private companies. His earlier career was in the City of London and included posts as an executive director of Singer & Friedlander Holdings Limited and, before that, managing director of Henry Ansbacher & Co Limited.

I Peter Frederick Dicks (68)

Peter Dicks 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 where he is Chairman, Polar Capital Technology Trust plc, Graphite Enterprise Trust plc and Standard Microsystems Inc, a US-NASDAQ quoted company. In addition, he has been a Director of Foresight 2 VCT plc since its launch in 2004 and is a Director of Foresight 3 VCT plc, Foresight 4 VCT plc and Foresight Clearwater VCT plc. He is also Chairman of Unicorn AIM VCT plc and is a Director of Committed Capital VCT plc.

I Dr Antony Richard Diment (66); PhD Physics

Antony Diment is an experienced venture capitalist. At 3i Ventures he was responsible for investment in the information technology sector and as an executive director of Gresham Trust plc was responsible for a portfolio of fifteen unquoted companies. He was managing director of Cambridge Research & Innovation Limited ("CRIL") which, having become fully invested, made arrangements for the tax efficient distribution of assets to shareholders in February 2004. He is a non-executive director of Cascade Fund Management Limited and Mercia Technology Seed Fund.

I Gordon James Humphries (49)

Gordon Humphries qualified as a chartered accountant with PricewaterhouseCoopers before moving into financial services, where he has over 20 years' experience. He is currently head of investment companies at Standard Life Investments and before that he was deputy head of investment trusts at F & C Asset Management plc. Gordon is a non-executive director of Maven Income and Growth VCT 5 plc.

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2010.

I Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-listed companies in the UK. The Company is not an investment company within the meaning of Section 833 of the Companies Act 2006. It has satisfied the requirements as a 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 December 2009 as a Venture Capital Trust 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.

I Business review

The purpose of this review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators (KPIs) used to measure performance.

I Strategy for achieving objectives

Foresight VCT plc is a tax efficient company listed on The London Stock Exchange.

I Investment objective

Ordinary Shares

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

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 regular dividend payment of the order of 5p per Ordinary Share although a greater or lesser sum may be paid in any year. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

Planned Exit Shares

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

I Investment policy

The Investment Manager (Foresight Group) will target UK unquoted companies which they believe will achieve the objective of producing attractive returns for shareholders.

Investment securities

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

UK companies

Investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must have no more than £7 million of gross assets at the time of investment (or £15 million if the funds being invested were raised on or before 5 April 2006) to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be at least significantly invested in growth businesses subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash, interest bearing securities and a range of non-qualifying investments. It is intended that the significant majority (no less than 70%) 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 limited to 15% of the portfolio at the time of investment.

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 placement of an Investor Director on investee company boards will enhance value.

Borrowing powers

The Company's Articles of Association permit borrowing to give a degree of investment flexibility. The Company's Memorandum of Association restricts borrowing to an amount not exceeding an amount equal to the adjusted capital and reserves being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of the reserves. Whilst the Company doesn't currently borrow its Articles permit it to do so.

I Management

The Board has engaged Foresight Group as discretionary investment manager. Foresight Fund Managers Limited provides or procures the provision of company secretarial, administrative and custodian services to the Company.

Directors' Report

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:

Ordinary Shares

- 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.

Planned Exit Shares

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

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

I 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 capital gains 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. The Company would also lose its exemption from corporation tax on capital gains.
- Investment and strategic — inappropriate strategy, poor asset allocation or consistent weak stock selection might lead to under performance and poor returns to shareholders.
- Regulatory — the Company is required to comply with the Companies Act 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 might lead to an inability to provide accurate reporting and monitoring.

- Financial — inadequate controls might lead to misappropriation 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 in note 15 to the accounts.
- Market risk — investment in AIM traded, PLUS 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 smaller 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 PLUS Markets does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.
- Currency risk — short-term currency risk, such as that associated with the investment in Foresight Luxembourg Solar 2 is mitigated by taking out an option that converts the capital investment proceeds from Foresight Luxembourg Solar 2 back into sterling at the same rate as the original sterling investment was converted into Euros to make the original investment. This ensures no currency loss on the investment up to original cost. The cost of the option is covered by the returns on the investment.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Combined Code. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections.

I Performance and key performance indicators (KPIs)

The Board expects the Manager to deliver a performance which meets the twin objectives of providing investors with attractive returns from a portfolio of investments in fast-growing unquoted companies and maximising tax-free income for shareholders. The key performance indicators in meeting 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 ratio of shareholders' funds.

A record of some of these indicators is contained on page 1 entitled 'Summary and Financial Highlights'. Additional comments are provided in the Chairman's Statement discussing the performance of the Company over the current year. The total expense ratio in the period was 2.5%. Share buy-backs have been completed at discounts of 11.4% and 15.9%. Combined, these KPIs compare favourably with the wider VCT marketplace based on independently published information.

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.

Directors' Report

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.

Foresight VCT is a venture capital trust and has four Non-Executive Directors but no employees and, contracts-out its investment

activities to its investment manager, Foresight Group. The Manager is currently enjoying strong dealflow, including a number of opportunities in clean energy and environmental infrastructure, sectors which fit well with the Company's investment policy. Both clean energy and environmental infrastructure projects have clear environmental benefits and include projects concentrating on reducing the amount of carbon emissions polluting the atmosphere, clean generation of electricity and efficient recycling of waste materials.

Results

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Capital return/(loss) for the year	7,322	(740)
Dividend paid	—	(490)
Capital return/(loss) transferred from reserves	7,322	(1,230)
Revenue return before taxation	197	23
Taxation	—	—
Revenue return for the year	197	23

I Dividend

The Board is recommending a final dividend of 5.0p per new Ordinary Share (post the reconstruction of Ordinary Share capital on 1 March 2011), payable 17 June 2011 and a final dividend of 3.0p per Planned Exit Share, payable 17 June 2011.

I Share capital

The Company launched a prospectus on 28 January 2010 to issue Planned Exit Shares, a new class of share for the Company. During 2010, a total of 6,179,833 Planned Exit Shares were issued at 100.0p per share.

During the year, the Company purchased for cancellation 595,984 Ordinary Shares (2009: 945,586 Ordinary Shares).

At 31 December 2010 the Company had 47,541,385 Ordinary Shares and 6,179,833 Planned Exit Shares in issue.

I CREST

The Company entered CREST, a paperless settlement system, on 27 September 2001. CREST is a voluntary system and those Shareholders who wish to retain their certificates may do so. Shareholders should be aware of the fact that a disposal of their Ordinary Shares before the fifth anniversary (third anniversary if bought between 6 April 2004 and 5 April 2006) of their allotment may lead to a loss of tax relief obtained by their investment in the Company.

I Directors

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

	31 December 2010 Ordinary Shares	31 December 2010 Planned Exit Shares	1 January 2010 Ordinary Shares
John Gregory	—	—	—
Peter Dicks	91,283	—	91,283
Antony Diment	54,128	—	54,128
Gordon Humphries	6,204	—	6,204

There have been no changes in the Directors' share interests between the end of the year and the date of this report.

In accordance with the Articles of Association and the requirements of the Combined Code, Mr Dicks, Mr Gregory and Mr Humphries retire through rotation and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on page 14. The Board believes that Mr Dicks', Mr Gregory's and Mr Humphries' balance of 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.

Directors' Report

I Management

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

Since the end of the year, the Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review, the Remuneration Committee considered the investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered 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. Following this review, 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.

Foresight Fund Managers Limited is the Secretary of the Company. The principal terms of the investment management and secretarial services agreement are set out in Note 3 of the accounts.

With the exception of Bernard Fairman, who resigned on 18 June 2010, no Director has an interest in any contract to which the Company is a party. Bernard Fairman is the Chairman of Foresight Group, which acts as investment manager to the Company in respect of its venture capital investments and which earned fees of £451,882 during the year (2009: £399,111). Foresight Fund Managers Limited, Company Secretary, received fees including VAT of £118,000 (2009: £115,000) during the year. VCF Partners, an associate of Foresight Group, received from investee companies arrangement fees of £82,737 (2009: £54,592) as a result of investments made during the year. Foresight Group is also a party to the performance incentive agreement described in Note 14 to the financial statements.

I VCT status monitoring

Martineau (London and Birmingham based solicitors) advise Foresight VCT on compliance with legislative requirements relating to VCTs. Martineau review investment activity as appropriate and carry out regular reviews of Foresight VCT's investment portfolio. Martineau work closely with Foresight Fund Managers Ltd, but report directly to the Board.

I 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.

I Financial instruments

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

I Purchase of own shares

It is the Company's policy to consider repurchasing shares when they become available in order to provide liquidity for the Company's shares.

I 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 (2009: 7 days). Foresight Group who provide investment management services are deemed to be the only trade creditor of the Company.

I Directors' and officers' liability insurance

The Company maintains a Directors' and Officers' liability insurance policy.

I Annual General Meeting

A formal notice convening the Annual General Meeting to be held on 26 May 2011 can be found on pages 49 and 50. Resolutions 1 to 9 will be proposed as ordinary resolutions meaning that for each resolution to be passed more than half of the votes cast at the meeting must be in favour of the resolution. Resolutions 10 to 13 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.

I Resolution 9

Resolution 9 will authorise the Directors to allot relevant securities generally, in accordance with Section 551 of the Companies Act 2006, up to a nominal amount of £310,000 (representing 85.6% of the current issued share capital of the Company) for the purposes listed under the authority requested under Resolution 10. This includes authority to issue shares pursuant to the dividend investment scheme, performance incentive fee arrangements with 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 and power conferred by Resolution 9 will expire on the fifth anniversary of the passing of the resolution.

I Resolution 10

Resolution 10 will sanction, in a limited manner, the disapplication of pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal value of up to £100,000 in each class of share in the Company pursuant to offer(s) for subscription, (ii) with an aggregate nominal value of up to 10% of the issued Ordinary Share capital pursuant to the dividend investment scheme, (iii) with an aggregate nominal value of up to 10% of the issued share capital of each class of share in the Company pursuant to performance incentive arrangements with Foresight Group and (iv) with an aggregate nominal value of up to 10% of the issued share capital of each class of share in the Company for general purposes, in each case where the proceeds of such issue may in whole or part be used to purchase the Company's shares. This authority will expire at the conclusion of the Annual General Meeting to be held in 2012.

I Resolution 11

It is proposed by Resolution 11 that the Company be authorised to make market purchases of the Company's own shares. Under this authority the Directors may purchase up to 4,505,257 Ordinary Shares, and 926,356 Planned Exit Shares representing approximately 14.99% of each share class. When buying shares, the Company cannot pay a price per share which is more than 105% of the average of the middle market quotations for an Ordinary Share or Planned Exit Share, as relevant, taken from the London Stock Exchange daily official list of 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 be in addition to existing authorities to purchase shares and will expire at the conclusion of the Annual General Meeting to be held in 2012.

Whilst, generally, the Company does not expect 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

Directors' Report

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 makes an investment in the new shares issued by the Company. This means that an investor may be willing to pay more for new shares issued by the Company than he 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 for the benefit of new as well as existing shareholders. This authority, when coupled with the ability to issue new shares for the purposes of financing a purchase of shares in the market, enables the Company to purchase shares from a shareholder and effectively to sell on those shares through the Company to a new investor with the potential benefit of full VCT tax relief. In making purchases the Company will deal only with member firms of the London Stock Exchange at a discount to the then prevailing net asset value per share of the Company's shares to ensure that existing shareholders are not disadvantaged.

I Resolution 12

It is proposed by Resolution 12 to adopt new articles of association of the Company ("the New Articles") in order to update the Company's current articles of association ("the Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006, as amended by the Shareholders' Rights Regulations which came into force in August 2009.

The principal changes introduced in the New Articles are summarised on pages 52 and 53. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform certain language in the New Articles where used in the Model Articles for public companies, have not been noted.

I Resolution 13

One of the main principles of company law is that the capital of a company should be maintained and, therefore, a company with share capital must obtain proper consideration for the shares that it issues and must not return funds which have been subscribed for shares except in certain prescribed ways. The principle of maintenance of capital underlies various provisions of the Companies Act 2006 — for example, a company may only make distributions to its members out of distributable profits and a company may only buy back its own shares in limited circumstances.

A company can, however, reduce its share capital in circumstances where creditors will not be adversely affected, provided that the company complies with certain procedural requirements. The Companies Act 2006 provides that a company may reduce its capital by special resolution subject to confirmation by the court. A special reserve will then be created from the sums set free from such a cancellation which can be regarded as a distributable reserve.

The Company has completed previous cancellations of its share premium, and the special reserve created by such cancellation has assisted the Company in writing off losses, enhancing the ability to make distributions and buying back shares. Subsequent fundraisings have, however, created additional share premium.

Resolution 13 to be proposed will approve the cancellation of the share premium account to create (subject to court sanction) further distributable reserves to fund distributions to shareholders

and buy-backs, and to set off or write off losses to and for other corporate purposes of the Company. The intention is to allocate the distributable reserves created to the Company's different share classes in proportion to the amounts of share premium attributable to each class so cancelled.

I Separate Meetings of the Ordinary Shareholders and Planned Exit Shareholders

Formal notices convening separate meetings of Ordinary Shareholders and Planned Exit Shareholders, also to be held on 26 May 2011, can be found on pages 54 to 55. The resolutions proposed at these meetings, if passed, will approve the passing of Resolutions 9, 11 and 12 to be proposed at the Annual General Meeting and will sanction any modification of the rights of Ordinary Shareholders and Planned Exit Shareholders resulting therefrom.

The resolutions to be proposed at the separate meetings will be proposed as extraordinary 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.

I Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

I 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 has issued share capital of 47,541,385 Ordinary Shares and 6,179,833 Planned Exit Shares as at 31 December 2010. Note 18 to the accounts provides details of the Ordinary Share reconstruction undertaken on 1 March 2011.

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 51.

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.

I Auditors

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

I Corporate Governance

The Directors of Foresight VCT confirm that the Company has taken the appropriate steps to enable it to comply with the Principles set out in Section 1 of the Combined Code on Corporate Governance ('Combined Code') issued by the Financial Reporting Council in June 2008, as appropriate for a Venture Capital Trust. The Financial Reporting Council published an updated corporate governance code in June 2010, which is applicable for accounting periods beginning on or after 29 June 2010 i.e. Foresight VCT's next financial year. Had the new code been applicable during the current financial year, the corporate

Directors' Report

governance disclosures would not have changed materially.

As a Venture Capital Trust, most of 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 Combined Code are directly applicable to the Company. Unless noted as an exception below, the requirements of the Combined Code were complied with throughout the year ended 31 December 2010.

I The Board

The Company has a Board of four Non-Executive Directors, all of whom (other than Peter Dicks who is considered non-independent under the listing rules by virtue of being a director of several Foresight VCTs which are all managed by Foresight Group) are considered to be independent.

Peter Dicks is also a Director of Foresight 2 VCT plc, Foresight 3 VCT plc, Foresight 4 VCT plc and Foresight Clearwater VCT plc. 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 are certain Directors who are common. That is to say, 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 also has responsibility as 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 do not arise. Additionally, 'specialist funds' may be allocated investments specific to their investment policy in priority to more generalist funds.

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly and on an adhoc 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.

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 all 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 A.7.2 of the Combined 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 Directors as recommended by provision A.5.1.

The Board has access to a Company Secretary who also attends all Board meetings. The Manager attends all formal Board Meetings although the Directors may meet without the manager being present. Informal meetings with management 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.

Meeting attendance

	Board	Audit	Nomination	Remuneration
Peter Dicks	7/7	2/2	1/1	1/1
Antony Diment	7/7	2/2	1/1	1/1
Gordon Humphries	7/7	2/2	1/1	1/1
John Gregory (appointed 30 July '10)	5/7	1/2	0/1	0/1
Bernard Fairman (resigned 18 June '10)	2/7	n/a	n/a	n/a

In the light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight Group, Foresight Fund Managers Limited, Martineau and the Company Secretary, the Company has not appointed a chief executive officer, deputy Chairman or a senior independent non-executive Director as recommended by provision A.3.3 of the Combined Code. The provisions of the Combined Code which relate to the division of responsibilities between a chairman and a chief executive officer are, accordingly, not applicable to the Company.

I 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 in relation to the Company.

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

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

- Monitor the integrity of the financial statements of the Company and approve the accounts;
- Review the Company's internal control & risk management systems;
- Make recommendations to the Board in relation to the appointment of the external auditor including reviewing and approving the audit plan;

Directors' Report

- Review and monitor the external auditor's independence; and
- Implement and review the Company's policy on the engagement of the external auditor to supply non-audit services.

As a result of a tender process carried out in October 2010, the Board has decided to appoint KPMG Audit plc as the Company's auditors from 2010.

KPMG Audit plc provides taxation services in addition to undertaking the Company's external audit. The Audit Committee is of the opinion that KPMG are best placed to provide these taxation services. These non-audit services are not material in value to the audit, and the Audit Committee believes that they do not compromise the objectivity or independence of the external auditor.

The Nomination Committee comprises Antony Diment (Chairman), Peter Dicks, Gordon Humphries and John Gregory and meets at least annually to consider the composition and balance of skills, knowledge and experience of the Board and would 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 every three years.

The Remuneration Committee (which has responsibility for reviewing the remuneration of the Directors) comprises Antony Diment (Chairman), Peter Dicks, Gordon Humphries and John Gregory 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 Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards. The Remuneration Committee also reviews the appointment of the Manager.

I Board Evaluation

The Board undertakes a formal annual evaluation of its own performance and that of its committees. There is no formal annual evaluation of individual Directors as recommended by provision A.1.3 and A.6.1 of the Combined 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.

I Relations with Shareholders

The Company communicates with shareholders and solicits their views where it is appropriate to do so. Individual shareholders are made welcome at 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 also seek feedback through shareholder questionnaires, workshops and an open invitation for shareholders to meet the investment manager. The Company is not aware of any institutional shareholders in the capital of the Company.

I Internal control

The Directors of Foresight VCT plc have overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

The internal controls system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss.

The Board's appointment of Foresight Fund Managers Limited as Company accountant has delegated much of the financial administration to Foresight Fund Managers Limited. They have 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.

Martineau 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 Limited was appointed by the Board as Company Secretary from 1 January 2005 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 their appointment, Foresight Group advise the Company on venture capital investments. Foresight Fund Managers Limited, in their capacity as Company Secretary, have physical custody of documents of title relating to equity investments.

Following publication of Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance), the Board confirms that there is an ongoing 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, which 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, Martineau and Foresight Fund Managers Limited.

Directors' Report

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. The Board has concluded that, given the appointment of Foresight Fund Managers Limited as Company accountants 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.

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. The Board 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.

I 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 Business Review on page 15. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement, Business Review 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 considerable 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 well placed 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.

By order of the Board

Foresight Fund Managers Limited

Company Secretary

27 April 2011

Directors' Remuneration Report

I 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 for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

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

I Consideration by the Directors of matters relating to Directors' Remuneration

The Remuneration Committee comprises four Directors: Antony Diment (Chairman), Peter Dicks, Gordon Humphries and John Gregory.

The 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 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 Remuneration Committee has been provided with advice or services by any person in respect of its consideration 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.

No Director is involved in deciding their own remuneration.

I 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 on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2010 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 as requested by any Director.

It is the intention of the Board that the above remuneration policy will continue to apply in the forthcoming financial year and subsequent years.

I Service contracts

None of the Directors has a service contract but, under letters of appointment dated 29 September 1997 (and Board resolution dated 9 March 2007 for Gordon Humphries and 30 July 2010 for John Gregory), may resign at any time by mutual consent. There are no set minimum notice periods but all Directors are subject to retirement by rotation. No compensation is payable to Directors on leaving office. 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, J Gregory, G Humphries	AGM 2011
P Dicks, J Gregory, G Humphries	AGM 2012
P Dicks, J Gregory, G Humphries	AGM 2013

I Total shareholder return

The graph below charts the total shareholder return to 31 December 2010, 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 by the Board an appropriate index against which to measure the Company's performance both given the Company's holdings of AIM listed companies and that the profile of many AIM companies are similar to those held by Foresight VCT.

The graph below charts the total shareholder return, from 16 January 2007, being the date that the Ordinary Shares and C Shares merged, to 31 December 2010.

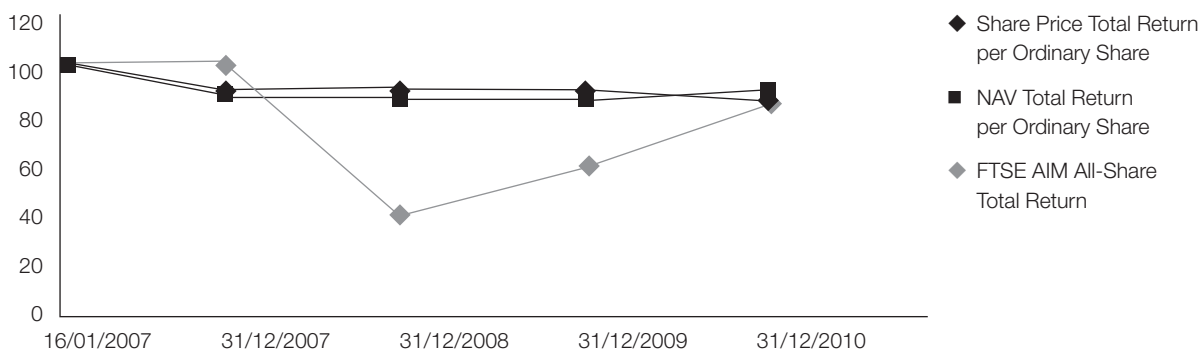
I Details of individual emoluments and compensation

The emoluments in respect of qualifying services and compensation of each person who served as a Director during the year were as shown on page 24. No Director has waived or agreed to waive any emoluments from the Company in either the current year or previous period.

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

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

Total Shareholder Return per Ordinary Share



Directors' Remuneration Report

Only the information below has been audited. See the Independent Auditors' Report on page 28.

	Directors' fees (£) year ended 31 December 2010	Directors' fees (£) year ended 31 December 2009
Peter Dicks	22,292	25,000
Antony Diment*	19,500	19,500
Gordon Humphries	18,354	18,250
John Gregory (appointed 30 July 2010)	10,417	—
Total	70,563	62,750

*Amounts paid and payable to third parties.

Bernard Fairman, who resigned on 18 June 2010 did not receive Directors' fees.

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

I Approval of report

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting.

This Directors' Remuneration Report was approved by the Board on 27 April 2011 and is signed on its behalf by Antony Diment (Director).

On behalf of the Board

Antony Diment

Director

27 April 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements, in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that 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 (including Business Review), 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, www.foresightgroup.eu. Visitors to the website should be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report 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 it faces.

On behalf of the Board

John Gregory

Chairman

27 April 2011

Unaudited Non-Statutory Analysis between the Ordinary Shares and Planned Exit Shares Funds

Income Statements

for the year ended 31 December 2010

	Ordinary Shares Fund			Planned Exit Shares Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment holding gains/(losses)	—	8,783	8,783	—	(35)	(35)
Realised losses on investments	—	(1,112)	(1,112)	—	—	—
Unrealised gain on the value of derivatives	—	—	—	—	25	25
Income	474	—	474	191	—	191
Investment management fees	(103)	(307)	(410)	(10)	(32)	(42)
Other expenses	(297)	—	(297)	(58)	—	(58)
Return/(loss) on ordinary activities before taxation	74	7,364	7,438	123	(42)	81
Taxation	31	(6)	25	(31)	6	(25)
Return/(loss) on ordinary activities after taxation	105	7,358	7,463	92	(36)	56
Return/(loss) per share	0.2p	15.4p	15.6p	1.7p	(0.7)p	1.0p

Balance Sheets

at 31 December 2010

	Ordinary Shares Fund £'000	Planned Exit Shares Fund £'000
Non-current assets		
Investments at fair value through profit or loss	24,558	3,746
	24,558	3,746
Current assets		
Debtors	1,204	249
Derivative financial instruments	—	47
Money market and other deposits	103	1,895
Cash	619	51
	1,926	2,242
Creditors: Amounts falling due within one year	(94)	(86)
Net current assets	1,832	2,156
Net assets	26,390	5,902
Capital and reserves		
Called-up share capital	475	62
Share premium account	11,893	5,784
Capital redemption reserve	29	—
Special distributable reserve	18,070	(32)
Revenue reserve	(172)	92
Capital reserve	(1,611)	6
Revaluation reserve	(2,294)	(10)
	26,390	5,902
Number of shares in issue	47,541,385	6,179,833
Net asset value per share	55.5p	95.5p

Unaudited Non-Statutory Analysis between the Ordinary Shares and Planned Exit Shares Funds

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Revenue reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Ordinary Shares								
As at 1 January 2010	481	11,931	23	18,603	(277)	(504)	(11,077)	19,180
Expenses in relation to share issues	—	(38)	—	—	—	—	—	(38)
Repurchase of shares	(6)	—	6	(226)	—	—	—	(226)
Net realised loss on disposal of investments	—	—	—	—	—	(1,112)	—	(1,112)
Investment holding gains	—	—	—	—	—	—	8,783	8,783
Dividends reimbursed	—	—	—	—	—	11	—	11
Management fees charged to capital	—	—	—	(307)	—	—	—	(307)
Tax charged to capital	—	—	—	—	—	(6)	—	(6)
Revenue return for the year	—	—	—	—	105	—	—	105
As at 31 December 2010	475	11,893	29	18,070	(172)	(1,611)	(2,294)	26,390

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Revenue reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
Planned Exit Shares								
As at 1 January 2010	—	—	—	—	—	—	—	—
Share issues in the period	62	6,118	—	—	—	—	—	6,180
Expenses in relation to share issues	—	(334)	—	—	—	—	—	(334)
Investment holding losses	—	—	—	—	—	—	(35)	(35)
Unrealised gain on the value of derivatives	—	—	—	—	—	—	25	25
Management fees charged to capital	—	—	—	(32)	—	—	—	(32)
Tax credited to capital	—	—	—	—	—	6	—	6
Revenue return for the year	—	—	—	—	92	—	—	92
As at 31 December 2010	62	5,784	—	(32)	92	6	(10)	5,902

Independent Auditors' Report

to the Members of Foresight VCT plc

We have audited the financial statements of Foresight VCT plc for the year ended 31 December 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

I Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

I Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

I Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its return for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

I Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

I Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern;
- the part of the Corporate Governance Statement on pages 19 and 20 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Gareth Horner (Senior Statutory Auditor)

for and on behalf of

KPMG Audit plc

Statutory Auditor
Chartered Accountants
Edinburgh
27 April 2011

Income Statement

for the year ended 31 December 2010

	Notes	Year to 31 December 2010			Year to 31 December 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment holding gains	9	—	8,748	8,748	—	3,547	3,547
Realised losses on investments	9	—	(1,112)	(1,112)	—	(3,988)	(3,988)
Unrealised gain on the value of derivatives		—	25	25	—	—	—
Income	2	665	—	665	441	—	441
Investment management fees	3	(113)	(339)	(452)	(100)	(299)	(399)
Other expenses	4	(355)	—	(355)	(318)	—	(318)
Return/(loss) on ordinary activities before taxation		197	7,322	7,519	23	(740)	(717)
Taxation	6	—	—	—	—	—	—
Return/(loss) on ordinary activities after taxation		197	7,322	7,519	23	(740)	(717)
Return per share:							
Ordinary Share	8	0.2p	15.4p	15.6p	0.0p	(1.5)p	(1.5)p
Planned Exit Share	8	1.7p	(0.7)p	1.0p	N/A	N/A	N/A

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 33 to 47 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Revenue reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
As at 1 January 2009	464	10,817	14	19,225	(300)	3,974	(14,624)	19,570
Share issues in the year	25	1,146	—	—	—	—	—	1,171
Expenses on share issues	—	(54)	—	—	—	—	—	(54)
Repurchase of shares	(9)	—	9	(323)	—	—	—	(323)
Dividend paid	—	—	—	—	—	(467)	—	(467)
Dividend reinvested	1	22	—	—	—	(23)	—	—
Net realised losses on investments	—	—	—	—	—	(3,988)	—	(3,988)
Net increase in the value of investments	—	—	—	—	—	—	3,547	3,547
Management fees charged to capital	—	—	—	(299)	—	—	—	(299)
Return for the year	—	—	—	—	23	—	—	23
As at 31 December 2009	481	11,931	23	18,603	(277)	(504)	(11,077)	19,180
	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Revenue reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Total £'000
As at 1 January 2010	481	11,931	23	18,603	(277)	(504)	(11,077)	19,180
Share issues in the period	62	6,118	—	—	—	—	—	6,180
Expenses in relation to share issues	—	(372)	—	—	—	—	—	(372)
Repurchase of shares	(6)	—	6	(226)	—	—	—	(226)
Net realised loss on disposal of investments	—	—	—	—	—	(1,112)	—	(1,112)
Investment holding gains	—	—	—	—	—	—	8,748	8,748
Unrealised gain on the value of derivatives	—	—	—	—	—	—	25	25
Dividends reimbursed	—	—	—	—	—	11	—	11
Management fees charged to capital	—	—	—	(339)	—	—	—	(339)
Revenue return for the year	—	—	—	—	197	—	—	197
As at 31 December 2010	537	17,677	29	18,038	(80)	(1,605)	(2,304)	32,292

The notes on pages 33 to 47 form part of these financial statements.

Balance Sheet

at 31 December 2010

Registered Number: 03421340

	Notes	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	28,304	17,095
Current assets			
Debtors	10	1,383	1,372
Derivative financial instruments		47	—
Money market and other deposits		1,998	570
Cash		670	233
		4,098	2,175
Creditors			
Amounts falling due within one year	11	(110)	(90)
		3,988	2,085
Net current assets			
		32,292	19,180
Capital and reserves			
Called-up share capital	12	537	481
Share premium account		17,677	11,931
Capital redemption reserve		29	23
Special distributable reserve		18,038	18,603
Revenue reserve		(80)	(277)
Capital reserve		(1,605)	(504)
Revaluation reserve		(2,304)	(11,077)
		32,292	19,180
Equity shareholders' funds			
Net asset value per share of 1p each:			
Ordinary Shares	13	55.5p	39.8p
Planned Exit Shares	13	95.5p	N/A

The financial statements were approved by the Directors and authorised for issue on 27 April 2011 and are signed on their behalf by:

John Gregory

Chairman

The notes on pages 33 to 47 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2010

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Cash flow from operating activities		
Investment income received	374	125
Deposit and similar interest received	12	143
Investment management fees paid	(480)	(79)
Secretarial fees paid	(118)	(115)
Other cash payments	(334)	(207)
Net cash outflow from operating activities and returns on investment	(546)	(133)
Taxation	—	—
Returns on investment and servicing of finance		
Purchase of unquoted investments and investments quoted on AIM	(4,350)	(2,406)
Net proceeds on sale of unquoted investments	637	165
Net proceeds on sale of quoted investments	138	167
Net proceeds from deferred consideration	20	110
Net cash outflow from financial investment	(3,555)	(1,964)
Equity dividends paid	11	(490)
Management of liquid resources		
Subscription to money market	(3,200)	—
Redemption from money market	1,784	2,204
Income from money market	(12)	(24)
	(1,428)	2,180
Financing		
Proceeds of fund-raising	6,520	1,000
Expenses of fund-raising	(339)	(48)
Dividends reinvested	—	23
Repurchase of own shares	(226)	(429)
	5,955	546
Increase in cash	437	139
Reconciliation of net cash flow to movement in net funds		
Increase in cash for the year	437	139
Net cash at start of year	233	94
Net cash at end of year	670	233
Reconciliation of net income to net cash flow from operating activities		
Total return/(loss) before taxation	7,519	(717)
Investment holding gains	(8,748)	(3,547)
Realised losses on investments	1,112	3,988
Unrealised gain on the value of derivatives	(25)	—
Increase/(decrease) in creditors	18	(3)
(Increase)/decrease in debtors	(422)	146
Net cash outflow from operating activities	(546)	(133)
Analysis of changes in net debt		
	At	At
	1 January	31 December
	2010	2010
	£'000	£'000
Cash and cash equivalents	233	670
	Cash flow	Cash flow
	£'000	£'000
	437	670

The notes on pages 33 to 47 form part of these financial statements.

Notes to the Accounts

for the year ended 31 December 2010

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice (SORP): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in 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 “fair value through profit and loss”, in accordance with the International Private Equity and Venture Capital Valuation (“IPEVCV”) guidelines, as updated in September 2009. 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 the price of a recent investment 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 agreement with the Investment Manager, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment’s future prospects, to determine whether there is potential for the investment to recover in value.
- (iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.
- (iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow, a net asset valuation, or industry specific valuation benchmarks may be applied.

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 an effective interest basis. Redemption premiums are recognised on repayment of loans.

Notes to the Accounts

for the year ended 31 December 2010

1 Accounting policies (continued)

d) Expenses

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

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

e) Financial Instruments

During the course of the year the Company held non-current asset investments, shares in OEICs ('Open Ended Investment Companies'), money-market funds and cash balances 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.

A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised.

h) Capital reserves

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

(i) *Realised*

The following are accounted for in this reserve:

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

(ii) *Revaluation reserve (Unrealised capital reserve)*

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

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

i) Investment recognition and derecognition

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

j) Derivative financial instruments

Where the Company has used forward/foreign exchange contracts to hedge against its foreign exchange exposure, the Company calculates the fair value gain or loss on the contract at the period end and this amount is charged to the Income Statement. The underlying investment is restated at the closing exchange rate and any movement is charged to unrealised reserves.

Notes to the Accounts

for the year ended 31 December 2010

2 Income

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Overseas based Open Ended Investment Companies ("OEICS")	13	16
Loan stock interest	652	333
Interest received on VAT refunded	—	84
Bank deposits	—	7
Other	—	1
	665	441

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

3 Investment management fees

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Investment management fees charged to the revenue account	113	100
Investment management fees charged to the capital account	339	299
	452	399

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

Foresight Group have received an annual management fee of 2% of the net assets of the Ordinary Shares fund (adjusted to reflect quoted investments at mid-market prices) and 1% of the net assets of the Planned Exit Shares fund, in the period to 31 December 2010. The annual management fees are calculated and payable quarterly in advance.

At an Extraordinary General Meeting on 15 January 2007, new incentive arrangements for Foresight Group were approved by shareholders. In summary, Foresight Group will receive an incentive equal to 15% of all distributions made to shareholders in excess of a Total Return of £1 per Ordinary Share. Further details are provided in Note 14.

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

Foresight Fund Managers Limited is the Company Secretary and received annual fees for the services provided including VAT of £118,000 (2009: £115,000). The annual secretarial fee is £100,000 payable quarterly in advance together with any applicable VAT.

4 Other expenses

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Accounting and secretarial services including VAT	118	115
Directors' remuneration including employer's National Insurance contributions	75	70
Auditors' remuneration excluding VAT		
— audit services (KPMG)	20	26
— other services — interim review (Ernst and Young)	4	4
— taxation services (KPMG)	4	5
Other	134	98
	355	318

The Company has no employees other than the Directors.

Notes to the Accounts

for the year ended 31 December 2010

5 Directors' remuneration

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Peter Dicks	22	25
Gordon Humphries	18	18
John Gregory	10	—
	<hr/>	<hr/>
	50	43
Amounts paid and payable to third parties for the services of: Antony Diment	20	20
	<hr/>	<hr/>
	70	63
Employers' NIC and VAT on above as appropriate	5	7
	<hr/>	<hr/>
	75	70

Bernard Fairman, who resigned on 18 June 2010, did not receive Director's fees.

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors, although Foresight Group is entitled to a performance incentive arrangement as detailed in notes 3 and 14. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable.

Further details of Directors' interests are given on page 17.

6 Tax on ordinary activities

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Analysis of charge in the year		
Corporation tax on profits for the year	—	—
	<hr/>	<hr/>
Total tax for the year	—	—

The differences are explained below:

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Total return/(loss) before tax	7,519	(717)
	<hr/>	<hr/>
Corporation tax at 28% (2009: 21%)	2,105	(151)
Effect of:		
Capital realised losses not relivable	311	838
Capital unrealised gains not taxable	(2,449)	(745)
Movement in unutilised expenses	33	58
	<hr/>	<hr/>
Total current tax charge for the year	—	—

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

No deferred tax asset has been recognised in the year for surplus management expenses. At present it is not envisaged that any tax will be recovered on these in the foreseeable future. The total amount unprovided for is £961,000 (2009: £696,000).

Notes to the Accounts

for the year ended 31 December 2010

7 Dividends

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Ordinary Shares		
Dividends — paid in the year	—	490
Planned Exit Shares		
Dividends — paid in the year	—	N/A

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of section 274 of the Income Tax Act 2007 are considered.

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Income available for distribution by way of dividends for the year	197	23

The Board is recommending a final dividend of 5.0p per Ordinary Share (2009: 0.0p) for the year ended 31 December 2010. If approved at the Annual General Meeting, these payments will be made on 17 June 2011. The dividend will have an ex-date of 1 June 2011 and a record date of 3 June 2011.

The Board is also recommending a final dividend of 3.0p per Planned Exit Share (2009: N/A) for the year ended 31 December 2010. If approved at the Annual General Meeting, these payments will be made on 17 June 2011. The dividend will have an ex-date of 1 June 2011 and a record date of 3 June 2011.

Dividend cover: the total cost of the proposed final Ordinary Share dividend is £1,502,754 (2009: £Nil). The total cost of the proposed final Planned Exit Share dividend is £185,395 (2009: N/A).

As at 31 December 2010, reserves available for dividend distribution total £11,761,000 (2009: £12,876,000) comprising the revenue, capital and distributable reserves, less the net unrealised loss on those investments whose prices are quoted in an active market and deemed readily realisable.

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

8 Return per share

	Year to 31 December 2010		Year to 31 December 2009	
	Ordinary Share 2010 £'000	Planned Exit Share 2010 £'000	Ordinary Share 2009 £'000	Planned Exit Share 2009 £'000
Total return/(loss) after taxation	7,463	56	(717)	N/A
Basic return/(loss) per share (note a)	15.6p	1.0p	(1.5)p	N/A
Revenue return from ordinary activities after taxation	105	92	23	N/A
Revenue return per share (note b)	0.2p	1.7p	0.0p	N/A
Capital return/(loss) from ordinary activities after taxation	7,358	(36)	(740)	N/A
Capital return/(loss) per share (note c)	15.4p	(0.7)p	(1.5)p	N/A
Weighted average number of shares in issue in the year	47,849,128	5,407,639	48,191,161	N/A

The total return of the Ordinary Shares (£7,438,000) and Planned Exit Shares (£81,000) combine to form the return of £7,519,000 in the income statement.

Notes:

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

Notes to the Accounts

for the year ended 31 December 2010

9 Investments

	2010	2009
Company	£'000	£'000
Quoted investments	4,503	4,183
Unquoted investments	23,801	12,912
	28,304	17,095

Company	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2010	9,129	18,983	28,112
Investment holding losses	(4,946)	(6,071)	(11,017)
Valuation at 1 January 2010	4,183	12,912	17,095
Purchases at cost	552	4,607	5,159
Disposal proceeds	(673)	(894)	(1,567)
Realised gains/(losses)	87	(1,218)	(1,131)
Investment holding gains	354	8,394	8,748
Valuation at 31 December 2010	4,503	23,801	28,304
Book cost at 31 December 2010	9,095	21,478	30,573
Investment holding (losses)/gains	(4,592)	2,323	(2,269)
Valuation at 31 December 2010	4,503	23,801	28,304

Ordinary Shares	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2010	9,129	18,983	28,112
Investment holding losses	(4,946)	(6,071)	(11,017)
Valuation at 1 January 2010	4,183	12,912	17,095
Purchases at cost	552	826	1,378
Disposal proceeds	(673)	(894)	(1,567)
Realised gains/(losses)	87	(1,218)	(1,131)
Investment holding gains	354	8,429	8,783
Valuation at 31 December 2010	4,503	20,055	24,558
Book cost at 31 December 2010	9,095	17,697	26,792
Investment holding (losses)/gains	(4,592)	2,358	(2,234)
Valuation at 31 December 2010	4,503	20,055	24,558

Deferred consideration of £19,000 was also received during the year.

Planned Exit Shares	Quoted £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2010	—	—	—
Investment holding gains	—	—	—
Valuation at 1 January 2010	—	—	—
Purchases at cost	—	3,781	3,781
Investment holding losses	—	(35)	(35)
Valuation at 31 December 2010	—	3,746	3,746
Book cost at 31 December 2010	—	3,781	3,781
Investment holding losses	—	(35)	(35)
Valuation at 31 December 2010	—	3,746	3,746

Notes to the Accounts

for the year ended 31 December 2010

9 Investments (continued)

As permitted by Financial Reporting Standard 9, "Associates and Joint Ventures", investments are held as part of an investment portfolio, and their value to the Company is through their marketable value as part of a portfolio of investments, rather than as a medium through which the Company carries out its business. Therefore, the investments are not considered to be associated undertakings.

Where the Company's interest in an investment is greater than 50% of the investee company's total equity, specific clauses are included in the investee company's articles of association to prevent the Company from exercising control. Therefore, these investments are not considered to be subsidiary undertakings.

10 Debtors

	2010	2009
	£'000	£'000
Accrued interest	1,117	1,237
Prepayments	177	135
Other debtors	89	—
	<u>1,383</u>	<u>1,372</u>

11 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	60	37
Other tax and social security	2	6
Accruals and other creditors	48	47
	<u>110</u>	<u>90</u>

12 Called-up share capital

	2010	2009
	£'000	£'000
Allotted, called-up and fully paid:		
47,541,385 Ordinary Shares of 1p each (2009: 48,137,369)	<u>476</u>	481
6,179,833 Planned Exit Shares of 1p each (2009: N/A)	<u>62</u>	N/A
	Ordinary Shares	Planned Exit Shares
	No.	No.
At 1 January 2010	48,137,369	—
Allotment of shares	—	6,179,833
Purchase of own shares	(595,984)	—
At 31 December 2010	<u>47,541,385</u>	<u>6,179,833</u>

As part of the Company's active buy-back programme, during the period 595,984 Ordinary Shares were purchased for cancellation at a cost of £226,000.

6,179,833 Planned Exit Shares were issued for total proceeds of £6,076,615. Shares issued include 103,218 Planned Exit Shares relating to re-invested commission and early-bird discount. Funds raised are to be invested in accordance with the Company's investment policy and for the general purposes of the business.

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

Notes to the Accounts

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13 Net asset value per share

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

	31 December 2010		31 December 2009	
	Ordinary Shares	Planned Exit Shares	Ordinary Shares	Planned Exit Shares
	Fund	Fund	Fund	Fund
Net assets	£26,390,000	£5,902,000	£19,180,000	N/A
No. of shares at year end	47,541,385	6,179,833	48,137,369	N/A
Net asset value per share	55.5p	95.5p	39.8p	N/A

14 Performance-related incentive

Foresight Group is entitled to a performance incentive equal in value to 15% of all distributions made to shareholders in excess of a Total Return of £1 per Ordinary Share. For these purposes the Total Return will always be calculated as the aggregate amount of: (i) the latest NAV per Ordinary Share, plus (ii) an amount of 10.75p being the dividends paid per C Share prior to the Conversion of Ordinary and C Shares in January 2007; plus (iii) all distributions paid per Ordinary Share following the Conversion.

The performance related incentive fee will be satisfied by either a cash payment or an issue of Ordinary Shares to Foresight Group (or a combination of both) at the Board's discretion. Any Ordinary Shares to be issued to Foresight Group would be calculated by dividing the amount to be satisfied by the issue of Ordinary Shares by the latest NAV of an Ordinary Share (as reduced by an amount equal to the relevant distribution to be made). The number of Ordinary Shares to which Foresight Group would be entitled would be subscribed for at their par value of 1p each.

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 December 2010:

	Ordinary Shares		Planned Exit Shares	
	2010	2009	2010	2009
	(Fair value)	(Fair value)	(Fair value)	(Fair value)
	£'000	£'000	£'000	£'000
Assets at fair value through profit and loss				
Investment portfolio	24,558	17,095	3,746	N/A
Current asset investments (money market funds)	103	570	1,895	N/A
Cash at bank	619	233	51	N/A
Derivative financial instruments	—	—	47	N/A
	25,280	17,898	5,739	N/A
Receivables				
Prepayments and other debtors	1,204	1,372	249	N/A
	26,484	19,270	5,988	N/A
Liabilities at amortised cost or equivalent				
Creditors	(94)	(90)	(86)	N/A
	26,390	19,180	5,902	N/A

Notes to the Accounts

for the year ended 31 December 2010

15 Financial instrument risk management (continued)

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 (76.1% of net assets for the Ordinary Shares Fund, and 63.2% for the Planned Exit Shares Fund) or quoted on the sterling denominated UK AIM market (17.1% of net assets for the Ordinary Shares Fund and 0% for the Planned Exit Shares Fund).

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

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

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

Interest rate risk

The fair value of the Company's fixed rate securities and the net revenue generated from the Company's floating rate securities may be affected by interest rate movements. Investments are often in early stage businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate investments, it may not be possible to reinvest in assets which provide the same rates as those currently held. When making investments of an equity and debt nature, consideration is given during the structuring process to the potential implications of interest rate risk and the resulting investment is structured accordingly. The maximum exposure to interest rate risk for the Ordinary Shares fund was £6,415,000 at 31 December 2010 (31 December 2009: £7,205,000), and for the Planned Exit Shares fund was £4,517,000 at 31 December 2010 (31 December 2009: N/A).

	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Ordinary Shares Portfolio	£'000	£'000	%	%	Days	Days
Short-term fixed interest securities						
— exposed to cash flow interest rate risk	103	570	0.1%	0.5%	—	—
Loan stock						
— exposed to fair value interest rate risk	3,925	4,696	10.9%	9.9%	869	951
Loan stock						
— exposed to cash flow interest rate risk	1,768	1,706	3.7%	3.7%	—	—
Cash	619	233	—	—	—	—
Total exposed to interest rate risk	6,415	7,205				
Loan stock						
— not exposed to interest rate risk	442	133	—	—	—	—
Total	6,857	7,338				

Notes to the Accounts

for the year ended 31 December 2010

15 Financial instrument risk management (continued)

	Total portfolio	
	31 December	31 December
	2010	2009
	£'000	£'000
Maturity analysis:		
– in one year or less	2,681	2,965
– in more than one year but no more than two years	–	868
– in more than two years but no more than three years	2,056	–
– in more than three years but no more than four years	1,417	2,068
– in more than four years but no more than five years	703	1,437
Total	6,857	7,338

	Total portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009
	£'000	£'000	%	%	Days	Days
Planned Exit Shares Portfolio						
Short-term fixed interest securities						
– exposed to cash flow interest rate risk	1,895	N/A	0.7%	N/A	–	N/A
Loan stock						
– exposed to fair value interest rate risk	2,571	N/A	11.7%	N/A	1,732	N/A
Cash	51	N/A	–	N/A	–	N/A
Total exposed to interest rate risk	4,517	N/A				

	Total portfolio	
	31 December	31 December
	2010	2009
	£'000	£'000
Maturity analysis:		
– in one year or less	1,946	N/A
– in more than four years but no more than five years	2,571	N/A
Total	4,517	N/A

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 December 2010 (0.5% at 31 December 2009).

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for the year ended 31 December 2010

15 Financial instrument risk management (continued)

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 December 2010 was £8,061,000 (31 December 2009: £8,710,000) for the Ordinary Shares fund, and £4,813,000 (31 December 2009: N/A) for the Planned Exit Shares fund 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.

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

	Ordinary Shares		Planned Exit Shares	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Loan stocks	6,135	6,535	2,571	N/A
Current asset investments (money market funds)	103	570	1,895	N/A
Other debtors	1,204	1,372	249	N/A
Derivative financial instruments	—	—	47	N/A
Cash at bank	619	233	51	N/A
Total	8,061	8,710	4,813	N/A

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 December 2010 is: £24,558,152 for the Ordinary Shares fund (31 December 2009: £17,095,179) and £3,745,653 for the Planned Exit Shares fund (31 December 2009: N/A).

Currency risk

The Company entered into a currency option at the time it purchased Foresight Luxembourg Solar 2 S.à.r.l. and renewed this option on 30 September 2010 for a further six months. This is the Company's only derivative transaction. The £1 million invested was converted into Euros at a rate of £1:1.1181 Euros to make the investment. The option ensures that when the investment is sold (in Euros) that the conversion rate, back to Sterling, is fixed at £1: 1.1181 and therefore that the Company does not suffer any loss (or gain) from currency movements until the original cost of the investment is recovered. The cost of taking out the currency option is covered by the returns on the investment.

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.

Derivatives risk

The Manager may use derivative instruments to hedge the value of investments held in foreign currencies against foreign currency movements. In particular forward foreign currency contracts may be used to manage the currency risk arising from the time lag between the investment and disinvestment in underlying securities.

Notes to the Accounts

for the year ended 31 December 2010

15 Financial instrument risk management (continued)

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% (2009: 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.

	2010	2009
	Return and net assets	Return and net assets
Ordinary Shares		
If overall share prices fell by 15% (2009: 15%), with all other variables held constant — decrease (£'000)	(3,684)	(2,564)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(7.75)p	(5.33)p
	2010	2009
	Return and net assets	Return and net assets
If overall share prices increase by 15% (2009: 15%), with all other variables held constant — increase (£'000)	3,684	2,564
Increase in earnings, and net asset value, per Ordinary Share (in pence)	7.75p	5.33p
	2010	2009
	Return and net assets	Return and net assets
Planned Exit Shares		
If overall share prices fell by 15% (2009: 15%), with all other variables held constant — decrease (£'000)	(562)	N/A
Decrease in earnings, and net asset value, per Planned Exit Share (in pence)	(9.09)p	N/A
	2010	2009
	Return and net assets	Return and net assets
If overall share prices increase by 15% (2009: 15%), with all other variables held constant — increase (£'000)	562	N/A
Increase in earnings, and net asset value, per Planned Exit Share (in pence)	9.09p	N/A

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.

Notes to the Accounts

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15 Financial instrument risk management (continued)

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.

	2010	2009
	Profit and net assets	Profit and net assets
Ordinary Shares		
If interest rates were 1% lower, with all other variables held constant — decrease (£'000)	(18)	(17)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(0.04)p	(0.04)p
If interest rates were 1% higher, with all other variables held constant — increase (£'000)	18	17
Increase in earnings, and net asset value, per Ordinary Share (in pence)	0.04p	0.04p

	2010	2009
	Profit and net assets	Profit and net assets
Planned Exit Shares		
If interest rates were 1% lower, with all other variables held constant — decrease (£'000)	—	N/A
Decrease in earnings, and net asset value, per Planned Exit Share (in pence)	—p	N/A
If interest rates were 1% higher, with all other variables held constant — increase (£'000)	—	N/A
Increase in earnings, and net asset value, per Planned Exit Share (in pence)	—p	N/A

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).

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15 Financial instrument risk management (continued)**Ordinary Shares fund**

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Quoted investments	4,503	—	—	4,503
Unquoted investments	—	—	20,055	20,055
Current asset investments (money market funds)	103	—	—	103
Financial assets	4,606	—	20,055	24,661

Planned Exit Shares fund

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Quoted investments	—	—	—	—
Unquoted investments	—	—	3,746	3,746
Current asset investments (money market funds)	1,895	—	—	1,895
Derivative financial instruments	—	47	—	47
Financial assets	1,895	47	3,746	5,687

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 IPEVC Valuation 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 to 31 December 2010

	Ordinary Shares fund Level 3 £'000	Planned Exit Shares fund Level 3 £'000
Valuation brought forward at 1 January 2010	12,912	—
Purchases	826	3,781
Sale proceeds	(894)	—
Realised losses	(1,218)	—
Investment holding gains/(losses)	8,429	(35)
Valuation carried forward at 31 December 2010	20,055	3,746

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 Ordinary Share investments moved by 15%, this would create an increase or decrease in investments of £3.0 million.

If unquoted Planned Exit Share investments moved by 15%, this would create an increase or decrease in investments of £0.6 million.

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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 commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is, must be and remain, invested 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 Group 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 levels of gearing, 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 December 2010 or 31 December 2009.

Fair values

The fair value of the Company's financial assets and liabilities at 31 December 2010 and 31 December 2009 are not different from their carrying values.

Planned Exit Shares

The key objective of the Planned Exit Shares fund is to distribute a minimum of 110p per Planned Exit Share issued under the Offer and remaining in issue at the date of calculation, through a combination of tax-free income, buy-backs and tender offers before the sixth anniversary of the closing date of the Offer.

The Planned Exit Shares are a new class of shares and are completely separate from the Companies' existing Ordinary Share class. All investments and cash attributable to other share classes are kept separate from the Planned Exit Shares fund. Accordingly, investors in the Planned Exit Shares do not have any exposure to the investment gains or losses of other share classes. The holders of Planned Exit Shares have the exclusive right to distributions from the assets within the Planned Exit Fund but not from assets attributable to other shares. Equally, the holders of other shares continue to have the exclusive right to distributions from assets attributable to such shares but not from assets attributable to Planned Exit Shares. All Shareholders share the benefit of spreading the Company's administration costs over a wider asset base.

17 Related party transactions

Foresight Group LLP and Foresight Fund Managers Limited are considered to be Related Parties of the Company. Details of arrangements with these parties are given in the Directors' Report and Note 3.

Foresight Group which acts as investment manager to the Company in respect of its venture capital investments earned fees of £451,882 during the year (2009: £399,111). Foresight Fund Managers Limited, Company Secretary, received fees including VAT of £118,000 (2009: £115,000) during the year.

At the balance sheet date, there was £288 (2009: £1,312) due to Foresight Group LLP and £nil (2009: £29,375) due to Foresight Fund Managers Limited. No amounts have been written off in the year in respect of debts due to or from the related parties.

18 Post-balance sheet event

Following shareholder approval, the assets of Keydata (approximately £3.6 million) were acquired by the Company on 28 February 2011. A total of 6,463,504 Ordinary Shares (at an NAV of 55.44p per Ordinary Share) in Foresight VCT plc were issued as consideration to the shareholders of Keydata. Following the completion of the merger there were 54,004,889 Ordinary Shares in issue.

On 1 March 2011, the Ordinary Shares underwent a reconstruction such that the underlying net asset value (NAV) of each Ordinary Share was rebased to 100.0p. The reconstruction resulted in Ordinary Shareholders' holdings being adjusted by a ratio of 0.554417986 per Ordinary Share held at the close of business on 1 March 2011 and in 29,941,281 new Ordinary Shares being issued.

The reconstruction of the Ordinary Share capital of Foresight VCT plc has not impacted the value of Shareholders' holdings.

As part of an Open Offer and Tender Offer ('Enhanced Buy-back') to shareholders, 4,759,859 new Ordinary Shares were issued at 102.0p per Ordinary Share on 4 April 2011. On the same day 4,687,423 new Ordinary Shares were purchased for cancellation at a price of 100.0p per Ordinary Share.

A further 1,388,836 new Ordinary Shares were issued at 102.0p per Ordinary Share on 8 April 2011 and 1,347,470 new Ordinary Shares were purchased for cancellation at a price of 100.0p per Ordinary Share on the same day.

Shareholder Information

Dividends

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

Share price

The Company's Ordinary Shares and Planned Exit Shares are listed on the London Stock Exchange. The mid-price of the Company's Ordinary Shares and Planned Exit Shares are 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. Due to the fact that Planned Exit Shares are bought back at net asset value, and in order to keep costs down, it has been decided not to list the Planned Exit Shares in the Financial Times.

Notification of change of address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Computershare Investor Services plc, under the signature of the registered holder.

Trading shares

The Company's Ordinary Shares and Planned Exit 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 makers for Foresight VCT plc is Singer Capital Markets.

Investment in VCTs should be seen as a long-term investment and Shareholders selling their shares within five years of original purchase (three years pre-6 April 2006) 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

April 2011	Announcement of preliminary results for the year ended 31 December 2010
April 2011	Posting of the Annual Report for the year ended 31 December 2010
May 2011	Annual General Meeting
August 2011	Announcement of Interim Results for the six months ending 30 June 2011

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

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

Telephone: 01732 471800

Fax: 01732 471810

e-mail: info@foresightgroup.eu

website: www.foresightgroup.eu

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight VCT plc ("the Company") will be held on 26 May 2011 at 12 pm at the offices of Martineau, 35 New Bridge Street, London EC4V 6BW for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 13 will be proposed as special resolutions.

- Resolution 1 To receive the Report and Accounts for the year ended 31 December 2010.
- Resolution 2 To approve the Directors' Remuneration Report.
- Resolution 3 To approve the payment of a final dividend for the year ended 31 December 2010 of 5.0p per ordinary share of 1 pence each ("Ordinary Share").
- Resolution 4 To approve the payment of a final dividend for the year ended 31 December 2010 of 3.0p per planned exit ordinary share of 1 pence each ("Planned Exit Share").
- Resolution 5 To re-elect Peter Dicks as a director.
- Resolution 6 To re-elect John Gregory as a director.
- Resolution 7 To re-elect Gordon Humphries as a director.
- Resolution 8 To appoint KPMG LLP as auditor and to authorise the directors to fix the auditor's remuneration.
- Resolution 9 That, subject to the passing of the resolutions to be proposed at the separate meetings of the holders of Ordinary Shares and Planned Exit Shares respectively to be held on 26 May 2011 following the annual general meeting to be held on the same day, 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 £310,000 provided that this authority shall expire 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 offer or agreement as if this authority had not expired.
- Resolution 10 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 9 above or by way of a sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £100,000 by way of an issue of Ordinary Shares and/or £100,000 by way of an issue of Planned Exit Shares, in each case 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 Ordinary Share capital of the Company from time to time pursuant to dividend investment schemes operated by the Company;
 - (c) the allotment of equity securities with an aggregate nominal amount of up to but not exceeding £100,000 by way of an issue of Ordinary Shares and/or £100,000 by way of an issue of Planned Exit Shares, in each case pursuant to performance incentive arrangements with Foresight Group LLP, such shares to be issued at nominal value; and
 - (d) the allotment (otherwise than pursuant to sub-paragraphs (a) to (c) of this resolution) to any person or persons of equity securities with an aggregate nominal amount of up to but not exceeding 10% of the issued Ordinary Share capital and/or 10% of the issued Planned Exit 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 2012, save that the Company shall be entitled to make offers or agreements before the expiry of such power 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 power conferred hereby had not expired.

Notice of Annual General Meeting

- Resolution 11 That, subject to the passing of the resolutions to be proposed at the separate meetings of the holders of Ordinary Shares and Planned Exit Shares respectively to be held on 26 May 2011 following the annual general meeting to be held on the same day, the Company be empowered to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own shares provided that:
- (i) the aggregate number of shares to be purchased shall not exceed 4,505,257 Ordinary Shares and/or 926,356 Planned Exit Shares;
 - (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 Ordinary Shares or Planned Exit Shares is the higher of (1) an amount equal to 105% of the average of the middle market quotation for Ordinary Shares or Planned Exit Shares (as the case may be) taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Ordinary Shares or Planned Exit Shares (as the case may be) 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 be in addition to existing authorities to purchase shares and expire on the conclusion of the annual general meeting of the Company to be held in the year 2012 unless such authority is renewed prior to such time; and
 - (v) the Company may make a contract to purchase Ordinary Shares or Planned Exit Shares (as the case may be) under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares or Planned Exit Shares (as the case may be) pursuant to such contract.
- Resolution 12 That, subject to the passing of the resolutions to be proposed at the separate meetings of the holders of Ordinary Shares and Planned Exit Shares respectively to be held on 26 May 2011 following the annual general meeting to be held on the same day, the articles of association produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be and hereby are adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.
- Resolution 13 That the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the court, be and hereby is cancelled.

By order of the Board

Foresight Fund Managers Ltd

Company Secretary

27 April 2011

ECA Court
South Park
Sevenoaks
Kent
TN13 1DU

Notice of Annual General Meeting

Notes:

1. No Director has a service contract with the Company. Directors' appointment letters with the Company and a copy of the proposed articles of association to be adopted pursuant to resolution 12 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. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 24 May 2011 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of 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 6385. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. As at 26 April 2011 (being the last business day prior to the publication of this notice), the Company's issued share capital was 36,234,916 shares, comprising 30,055,083 Ordinary Shares and 6,179,833 Planned Exit Shares carrying one vote each. Therefore, the total voting rights in the Company as at 26 April 2011 was 36,234,916.
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 5 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.eproxyappointment.com**, in each case, so as to be received no later than 48 hours before the time appointed for holding the meeting or any adjourned meeting. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.
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 members or members meeting the qualification criteria the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website and the statement may be dealt with as part of the business of the Meeting.

Appendix to Notice of Annual General Meeting

Explanatory notes of principal proposed changes to the Company's Articles of Association

1. General

The proposed changes in the new articles of association ("New Articles") from the current articles of association ("Current Articles") reflect changes in the law under the Companies Act 2006 that came into force between 2007 and 2009 as amended by the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and to make certain clarifying and conforming changes.

2. Authorised share capital

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the Current Articles are being amended to reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

3. Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles will contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would seek shareholders' authority to issue new shares in the usual way.

4. Authority to purchase own shares etc

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

5. Uncertificated securities

The provisions of the Current Articles regarding the holding of shares in the Company in uncertificated form, such as through CREST, are being updated in line with market practice.

6. Suspension of and reasons for refusal of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement and therefore is being removed. In addition, the Current Articles are being updated in line with the Companies Act 2006 so that the Directors must give reasons for any refusal to register a transfer of shares as soon as reasonably practicable and provide such further information as the transferee shall reasonably request.

7. Convening general and annual general meetings

The New Articles remove provisions in the Current Articles dealing with notice of general meetings on the basis that this is dealt with in the Companies Act 2006. Annual general meetings must be held on 21 clear days' notice. The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings (other than annual general meetings) unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed.

8. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least ten clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

9. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles reflect these new provisions.

10. Proxies

The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles reflect these amendments.

11. Chairman's casting vote

The New Articles remove the provision giving a chairman of a general meeting a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

12. Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles have been amended to reflect this requirement.

13. Multiple proxy appointments

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple proxies/representatives to be appointed by the same member or corporate member respectively to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

Appendix to Notice of Annual General Meeting

14. Change of name

Currently, a company can only change its name by special resolution. The Companies Act 2006 additionally allows directors to resolve to change a company's name, provided they are so authorised by the company's articles. The New Articles will give the Directors this power.

15. Board meetings

Directors who are absent from the United Kingdom will now be entitled to notice of board meetings if they have given an email address to which notice can be given. The New Articles also expand the ability of the Board to hold meetings electronically and to pass resolutions by written resolution.

16. Use of seals

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

17. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles will permit communications to members in electronic form and, in addition, they will also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of electronic or website communications, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by those means. In the case of website communication, the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

18. Indemnity, insurance and defence expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The New Articles reflect these new provisions.

19. Other

Generally the opportunity has been taken to bring clearer language into the New Articles; to update the language used in the Current Articles, to take account of other legislative changes which do not have a material impact and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Notice of Separate Meeting of Ordinary Shareholders

Notice is hereby given that a separate meeting of the holders of ordinary shares of 1 pence each in the capital of Foresight VCT plc ("the Company") will be held on 26 May 2011 at 12.10 pm at the offices of Martineau, 35 New Bridge Street, London EC4V 6BW (or as soon thereafter as the Annual General Meeting of the Company convened for 12.00 pm on that day has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an extraordinary resolution.

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

- a) the passing and carrying into effect of Resolutions 9, 11 and 12 (as ordinary and special resolutions of the Company, as applicable) set out in the notice of Annual General Meeting of the Company convened for 12.00 pm on 26 May 2011 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
- b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to such Ordinary Shares.

By order of the Board

Foresight Fund Managers Ltd
Company Secretary

ECA Court
South Park
Sevenoaks
Kent
TN13 1DU

27 April 2011

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), holders of Ordinary Shares must be registered in the Register of Members of the Company at 6.00 pm on 24 May 2011 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of 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.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0870 703 6385. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. A reply-paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Ordinary Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received not later than 48 hours before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking the poll.
5. As at 26 April 2011 (being the last business day prior to the publication of this notice), the issued share capital of the Ordinary Shares fund was 30,055,083 shares, carrying one vote each. Therefore, the total voting rights in the Ordinary Shares fund as at 26 April 2011 was 30,055,083 Ordinary Shares.
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 5 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Ordinary Shares present in person or by proxy holding not less than one-third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 27 May 2011 at 9.00 am. at ECA Court, South Park, Sevenoaks, Kent, TN13 1DU or as soon thereafter as may be arranged and at such adjourned meeting the holders of Ordinary Shares present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.

Notice of Separate Meeting of Planned Exit Shareholders

Notice is hereby given that a separate meeting of the holders of planned exit ordinary shares of 1 pence each in the capital of Foresight VCT plc ("the Company") will be held on 26 May 2011 at 12.15 pm at the offices of Martineau, 35 New Bridge Street, London EC4V 6BW (or as soon thereafter as the separate meeting of the holders of ordinary shares of 1 pence each in the capital of the Company convened for 12.10 pm on that day has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an extraordinary resolution.

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

- a) the passing and carrying into effect of Resolutions 9, 11 and 12 (as ordinary and special resolutions of the Company, as applicable set out in the notice of Annual General Meeting of the Company convened for 12.00 pm on 26 May 2011 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
- b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Planned Exit Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to such Planned Exit Shares.

By order of the Board

Foresight Fund Managers Ltd
Company Secretary

ECA Court
South Park
Sevenoaks
Kent
TN13 1DU

27 April 2011

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), holders of Planned Exit Shares must be registered in the Register of Members of the Company at 6.00 pm on 24 May 2011 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of 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.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0870 703 6385. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. A reply paid form of proxy for your use is enclosed (Form of Proxy — Separate Meeting of Planned Exit Shareholders). To be valid it should be completed, signed and sent, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, to the Company's Registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received not later than 48 hours before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken subsequently to the date of the meeting or adjourned meeting) so as to be received no later than 24 hours before the time appointed for taking a poll.
5. As at 26 April 2011 (being the last business day prior to the publication of this notice), the issued share capital of the Planned Exit Shares fund was 6,179,833 shares, carrying one vote each. Therefore, the total voting rights in the Planned Exit Shares fund as at 26 April 2011 was 6,179,833 Planned Exit Shares.
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 5 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Planned Exit Shares present in person or by proxy holding not less than one-third of the paid up Planned Exit Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 27 May 2011 at 9.05 am at ECA Court, South Park, Sevenoaks, Kent, TN13 1DU or as soon thereafter as may be arranged and at such adjourned meeting the holders of Planned Exit Shares present in person or by proxy shall be a quorum regardless of the number of Planned Exit Shares held.



Corporate Information

Directors

John Gregory (Chairman) (appointed 30 July 2010)
Peter Dicks
Antony Diment
Gordon Humphries
Bernard Fairman (resigned 18 June 2010)

Company Secretary

Foresight Fund Managers Limited
ECA Court
South Park
Sevenoaks
TN13 1DU

Registered Office and Investment Manager

Foresight Group LLP
ECA Court
South Park
Sevenoaks
TN13 1DU

Auditors and Tax Advisers

KPMG Audit plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors and VCT Status Advisers

Martineau
No.1 Colmore Square
Birmingham
B4 6AA

Registrar

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

Registered Number

03421340

Contact Numbers

- Registrar's Shareholder Helpline — Computershare (0870 703 6292)
- General and Portfolio Queries — Foresight Group (01732 471812)