



**Unaudited Half-Yearly Financial Report**  
for the six month period ended 30 June 2010

# Foresight VCT

## Objective

### Ordinary Shares

To provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted technology-based companies in the United Kingdom. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

### Planned Exit Shares

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, buybacks and tender offers before the sixth anniversary of the closing date of the 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](http://www.foresightgroup.eu)

## Summary

- Net asset value per Ordinary Share as at 30 June 2010 was 47.3p compared to 39.8p as at 31 December 2009.
- Net asset value per Planned Exit Share as at 30 June 2010 was 95.0p.
- Six follow-on investments were made from the Ordinary Shares Fund totalling £371,802. These were SkillsMarket (£80,000), i-plas Group Holdings (£73,498), @Futsal (£70,988), Trilogy Communications (£62,500), Closed Loop Recycling (£56,250) and Silvigen (£28,566).
- One small realisation was made from the Ordinary Shares Fund: a loan repayment from SkillsMarket (£20,000).
- Planned Exit Fund closed on 30 June 2010 having issued 6,179,833 Planned Exit Shares at 100p per share.
- Three new investments were made from the Planned Exit Fund totalling £1,662,500: Foresight Luxembourg Solar 2 (£1,037,500), Closed Loop Recycling (£500,000) and i-plas Group Holdings (£125,000).

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# Chairman's Statement

## I Introduction and Results

In this, my first communication to shareholders since my recent appointment as Chairman, I am pleased to be able to report sound progress in the development of the investment portfolios.

I am pleased to report that the net asset value of the Ordinary Shares increased to 47.3p per share at 30 June 2010 from 39.8p per share at 31 December 2009, representing an uplift of 19%. The current performance of several of the unquoted investments within the portfolio both in terms of revenues and profits generated has improved over the six months under review, a significant amount of which can be attributed to export driven growth principally to the US and Europe. Furthermore, the order books of several portfolio companies give the Manager cause for optimism for the latter half of the current year and that the recent positive portfolio performance can be maintained.

Notwithstanding these positive signs, stock market sentiment is fragile, significant macroeconomic uncertainties remain, and trading and credit conditions continue to be difficult in many sectors of the economy. Against this background Foresight Group continues to adopt a cautious approach to managing the portfolio.

The Planned Exit Fund successfully raised over £6 million of gross proceeds from launch in late January until the offer closed on 30 June. The net asset value at 30 June 2010 was 95.0p per Planned Exit Share. Three investments have been made in accordance with the investment mandate of the fund including two into existing Foresight investments.

The Planned Exit Shares objective 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. 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, buybacks and tender offers before the sixth anniversary of the closing date of the offer.

The Ordinary Shares objective is to maximise the level of tax-free dividends, either generated from income or from capital profits realised on the sale of investments. However, there have been no material realisations in the period and current cash resources are being retained to support the portfolio, consequently the Board is not recommending an interim dividend at this time.

## I Portfolio Review

The performance of a number of portfolio companies continued to improve, reflecting growing demand and strong sales pipelines, most notably Camwood, Diagnos Holdings, Alaric Systems and Trilogy Communications.

Camwood's AppDNA software division, which is the market-leader in automated application compatibility for virtualisation, desktop and server operating system projects, has made 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 for further contract wins. For the year to 31 March 2010, the company reported rapid sales growth and improved profitability and this has continued into the first quarter of its new financial year.

Diagnos develops and sells sophisticated automotive diagnostic software and hardware to independent mechanics and garages to allow them to service and repair vehicles. As cars become increasingly sophisticated, they also become more reliant on electronic systems to run functions such as fuel injection and engine management systems. To fix any fault, mechanics need a diagnostic

software tool such as that produced by Diagnos to enable them to 'talk' to the computer running the process or system. The investment in Diagnos was made in February 2009. For the period 20 February 2009 to 31 December 2009, Diagnos produced an operating profit of £1.48 million on sales of £5.49 million. It is continuing to grow sales and profits in its current financial year and on 1 July 2010 took an important step forward by acquiring its previously independently-owned US distributor.

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.

Trilogy Communications is continuing to build partnerships with large international defence companies and its pipeline of sales opportunities has continued to grow. The company's financial year for 2010/11 has started very strongly and both its broadcast and defence divisions are ahead of plan. The company's order book is strong and the outlook for the remainder of the year is very positive.

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 and producing material of a particularly high quality. The full capex work, associated with the equipment replacement and upgrade to both replace fire damaged equipment and optimise the plant, has been successfully completed. Closed Loop is currently generating revenues in excess of £1 million per month.

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 company's underlying 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.

During the period Oxonica sold its sole remaining trading subsidiary, based in the USA, for net proceeds of \$4,000,000. The company's staff and costs have been reduced to a minimum to preserve cash resources pending anticipated receipts from future royalty streams. The company is already receiving royalties from Croda and has the possibility of royalties from Becton Dickinson, which is anticipated to commence in 2015/2016.

## I Investment Activity

### Ordinary Shares Fund – Purchases

Six follow-on investments were made from the Ordinary Shares Fund totalling £371,802. These were SkillsMarket (£80,000), i-plas Group Holdings (formerly Lynwood Group Holdings) (£73,498), @Futsal (£70,988), Trilogy Communications (£62,500), Closed Loop Recycling (£56,250) and Silvigen (£28,566).

SkillsMarket successfully launched a new web-based, Software as a Service (SaaS) product, iProfile Recruiter Account, at the start of the year and Foresight VCT invested a further £80,000 to fund the operational costs associated with the turnaround strategy. The turnaround strategy has been successful and the company is now focusing its efforts on growing the sales of the new product and early

## Chairman's Statement continued

indications are that the product is proving to be popular within the company's target markets.

The investment in i-plas Group Holdings (formerly Lynwood Group Holdings) of £73,498 was used to fund an increase in capacity for i-plas, to satisfy its growing sales pipeline for plastic building products, an area of plastics recycling which has significant growth potential.

A planned second tranche of funds was invested into @Futsal to develop its existing capacity in Swindon and to commission a new super-arena in Birmingham. This should enable the business to reach a scale where it can operate profitably and generate cash, as well as prove the concept and viability of the super arena model.

Silvigen has positioned itself to supply the biomass fuel needs of the UK power generation sector, which is driven by a number of regulatory incentives. Silvigen raised £200,000 in February 2010, of which Foresight VCT invested £28,566, to provide ongoing working capital required as a result of operational delays. Its wood pelleting plant is now fully commissioned and production volumes are increasing steadily. A number of large customer trials are ongoing.

### *Ordinary Shares Fund – Realisations*

Although Foresight Group continue to work on several potential realisations within the portfolio, potential acquirers, generally, are only slowly returning to the market following several years of difficult trading and tight credit conditions. A loan repayment of £20,000 was received from SkillsMarket during the period.

### *Planned Exit Shares Fund – Purchases*

Three new investments were made from the Planned Exit Fund totalling £1,662,500: Foresight Luxembourg Solar 2 (£1,037,500), Closed Loop Recycling (£500,000) and i-plas Group Holdings (£125,000).

The Planned Exit Fund invested £1,037,500 in Foresight Luxembourg Solar 2 (holding vehicle of La Castilleja) during the six months under review. La Castilleja is an operating 10MW solar photovoltaic ('PV') plant located in the region of Cordoba, Andalucia in Spain. The plant has been operating since September 2008 and benefits from an attractive feed-in-tariff of 44 euro cents per kilowatt hour generated, resulting in a project yield of approximately 12% per annum. This attractive level of feed-in tariff has not been available to plants connected after September 2008. The investment was made in Euros but the fund has a foreign exchange option in place to hedge against adverse currency movements/losses.

The Planned Exit Fund invested £500,000 into Closed Loop Recycling as part of a £1 million round to replace £1 million of the banking facility provided by Allied Irish Bank, which has suffered a severe liquidity crisis due to its exposure to the Irish property market and has required significant support from the Irish Government.

### **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 30 June

2010. The portfolio valuations are prepared by Foresight Group and are subject to approval by the Board.

### **I Share Issues and Share Buy-backs**

On 28 January 2010 the Company announced the publication of a prospectus to raise up to £10,000,000 by way of an issue of Planned Exit Shares, a new share class subsequently approved by shareholders on 23 February 2010. From launch until the offer closed on 30 June 2010, 6,179,833 Planned Exit Shares were issued at 100.0p per share.

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

As part of the Company's active buy-back programme, during the period, 395,984 Ordinary Shares were purchased for cancellation at a cost of £139,584, representing an average discount of 11.4% to net asset value.

### **I Directorate change**

As a public listed company, Foresight VCT plc is required to comply with the regulations of the UK Listing Authority ("UKLA"). Certain changes to the existing Board are required prior to new UKLA regulations on Board independence coming into effect on 28 September 2010.

As a result of these changes, Bernard Fairman stepped down from the Board on 18 June 2010. This change does not impact the provision of investment management services by Foresight Group. Additionally, Peter Dicks stepped down as Chairman of the Board on 30 July 2010 but continues as a Director.

At the same time as Peter's resignation as Chairman I was appointed as Chairman of Foresight VCT following my resignation as a Director of Foresight 3 VCT.

I would like to thank Peter for all of his hard work in his role as Chairman and Bernard for his hard work as a Director since the Company's launch in 1997.

### **I Outlook**

The recovery in the underlying trading of many portfolio companies has benefitted, to varying degrees, from the positive export conditions created by a weaker currency and better than expected growth in portfolio companies' target markets. We remain optimistic about the current prospects and outlook for many portfolio companies, which continue to display strong order books, revenue and profit growth but this is tempered by continuing macroeconomic uncertainties that could lead to a double dip recession or prolonged period of low growth.

Although there has been very little portfolio activity in terms of purchases or sales over the last six months, we are witnessing potential acquirers slowly returning to the market following two years of difficult trading and tight credit conditions. The Board and investment Manager are, therefore, hopeful that the positive current performance of the portfolio will translate into realisations over the coming months and that this will filter through to net asset value performance and distributions over the medium term.

**John Gregory**  
Chairman  
31 August 2010

# Investment Summary

## ORDINARY SHARES FUND

Investment	30 June 2010		Valuation Methodology	31 December 2009	
	Amount Invested £	Valuation £		Amount Invested £	Valuation £
Camwood Limited	514,090	2,242,150 *	Discounted price/earnings multiple	514,090	955,073
DCG Group Limited	773,198	1,975,428 *	Discounted revenue multiple	773,198	2,231,053
Aquasium Technology Limited	1,930,000	1,936,488 *	Discounted price/earnings multiple	1,930,000	1,405,887
Alaric Systems Limited	1,473,372	1,903,476 *	Discounted revenue multiple	1,473,372	1,105,029
smartFOCUS Group plc (AIM listed)	755,849	1,903,464 *	Bid price	755,849	1,679,527
Diagnos Holdings Limited (trading as Autologic Diagnostics Limited)	750,000	1,902,749 *	Discounted price/earnings multiple	750,000	750,000
Actimax plc	546,668	1,725,286 *	Discounted price/earnings multiple	546,668	1,725,286
Closed Loop Recycling Limited	1,406,250	1,356,250 *	Price of recent funding round	1,350,000	1,300,000
Trilogy Communications Limited	887,500	1,140,250 *	Discounted revenue multiple	825,000	816,072
ANT plc (AIM listed)	1,225,600	501,615 *	Bid price	1,225,600	571,146
FFastFill plc (AIM listed)	877,199	491,881	Bid price	877,199	559,736
Sarantel Group plc (AIM listed)	3,690,167	456,390	Bid price	3,690,167	394,133
Silvigen Limited	493,060	439,288	Price of recent funding round	464,494	410,721
i-plas Group Holdings Limited (formerly Lynwood Group Holdings Limited)	480,362	413,695	Price of recent funding round less impairment	406,864	340,197
Clarity Commerce Solutions plc (AIM listed)	674,900	405,450	Bid price	674,900	357,750
Corero plc (AIM listed)	1,903,116	399,478	Bid price	1,903,116	619,310
iCore Limited	750,000	375,000	Cost less provision	750,000	375,000
Infrared Integrated Systems Limited	250,005	266,579	Discounted price/earnings multiple	250,005	187,504
Aigis Blast Protection Limited	860,325	234,399	Discounted revenue multiple	860,325	215,138
SkillsMarket Limited	1,789,831	219,972	Price of recent funding round	1,729,831	399,929
Oxonica plc	2,804,473	212,695	Offer proceeds	2,804,473	106,347
Land Energy Limited	200,000	200,000	Cost	200,000	200,000
alwaysON Group Limited	315,105	157,553	Cost less provision	315,105	236,329
Nanotechnology Group plc	1,000,000	125,000	Cost less provision	1,000,000	125,000
@Futsal Limited	100,000	100,000	Price of recent funding round	29,012	29,012
DSM GeoData Limited	700,000	—	Nil value	700,000	—
High Integrity Solutions Limited	—	—	Written off	1,312,500	—
	<b>27,151,070</b>	<b>21,084,536</b>		<b>28,111,768</b>	<b>17,095,179</b>

\* Top ten investments by value shown on pages 4 to 5.

## PLANNED EXIT SHARES FUND

Investment	30 June 2010		Valuation Methodology	31 December 2009	
	Amount Invested £	Valuation £		Amount Invested £	Valuation £
Foresight Luxembourg Solar 2 S.á.r.l.	1,037,500	953,019 †	Cost	—	—
Closed Loop Recycling Limited	500,000	500,000 †	Cost	—	—
i-plas Group Holdings Limited (formerly Lynwood Group Holdings Limited)	125,000	125,000 †	Cost	—	—
	<b>1,662,500</b>	<b>1,578,019</b>		<b>—</b>	<b>—</b>

† All investments shown on page 6.

## Investment Summary — Ordinary Shares Portfolio

Top ten investments by value at 30 June 2010 are detailed below:

### 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, as well as providing ongoing application management. Camwood's AppDNA software division, the market-leader in automated application compatibility for virtualisation, desktop and server operating system projects, is enjoying a period of rapid sales growth and improved profitability.



### 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.



### 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.



### 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 the 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 teams' 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.



### smartFOCUS Group plc (AIM listed)

has 124 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. Having rapidly transitioned to the SaaS model, the annual results for the year to 31 December 2009 showed a profit of £490,000 on sales up 15% to £11.9 million (compared to a loss of £1.7 million on sales of £10.4 million for the previous year) with cash at that date of £2.4 million. Recurring revenues increased to 66% of total revenues, up from 50% with a renewal rate of over 90%. Over 80 new customer and partner contracts were won in 2009, including Rank, Carnival Group, Liverpool Victoria and Hachette. The Board of smartFOCUS expects results of the first half of the current year to be ahead of its expectations reflecting positive trading.



Investment Summary — Ordinary Shares Portfolio continued**Diagnos Holdings Limited (trading as Autologic Diagnostics Limited)**

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

**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 and as a result profits for the six months to June 2010 were 40% up compared to a year ago. 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.*

**Closed Loop Recycling Limited**

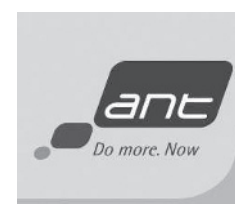
*is the first plant in the UK to recycle waste PET and HDPE plastic bottles into food grade packaging material. Following a series of private and public funding issues, the 35,000 tonne capacity plant in Dagenham (East London) is now fully operational. The company is enjoying strong market demand and has now announced its second UK plant in North Wales. 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.*

**Trilogy Communications Limited**

*is a world class supplier of audio communications systems 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.*

**ANT plc (AIM listed)**

*develops and licenses embedded application software for use in digital TV related consumer electronic devices, such as set top boxes and broadband and satellite TVs. ANT's unique combination of proven browser, digital-media management and user application interface software enables TV operators (whether terrestrial, cable or satellite broadcasters), Telcos and set top and other device manufacturers to deliver digital content and services to end users via branded interfaces across a range of media platforms. ANT's products can be integrated quickly and cost effectively into any platform and operating system, across a wide range of devices such as set top boxes, TVs, DVD players and multimedia handhelds and facilitate the introduction of a wide range of new services. ANT software has been extensively deployed by customers throughout the World including France Telecom, Chungwha Telecom, Amino, Cisco, Samsung, Pirelli and Sagem. A number of significant licensing deals were signed in 2009 with leading satellite and cable organisations, representing entry into high volume television markets. With a strong trading performance in 2009, the company reduced its losses and was profitable in the second half of that year.*



## Investment Summary — Planned Exit Shares Portfolio

All investments at 30 June 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.*

### 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 has now announced its second UK plant in North Wales. 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.*



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

*is a well-established manufacturer of consumer and industrial products from 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 £5.25 million to date and another funding round of c.£3 million is due to take place shortly, which will enable the company to meet the rapidly increasing demand for its industrial products in particular.*





# Unaudited Half-Yearly Results and Responsibility Statements

## I Principal Risks and Uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Performance
- Regulatory
- Operational; and
- Financial

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Accounts for the year ended 31 December 2009. A detailed explanation can be found on page 12 of the Annual Report and Accounts which is available on [www.foresightgroup.eu](http://www.foresightgroup.eu) or by writing to Foresight Group at ECA Court, South Park, Sevenoaks, Kent, TN13 1DU.

In the view of the Board, there have been no changes to the fundamental nature of these risks, except for currency risk, since the previous report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review. Since the Annual Report at the 31 December 2009 the currency risk that the Company is exposed to has changed as a result of the investment in Foresight Luxembourg Solar 2 which trades in the Euro currency. As Foresight VCT's investment would be susceptible to movements in the Euro currency the Board has arranged a hedge against the movement in the currency for the full value of the investment. The cost of this hedge is to be repaid by Foresight Luxembourg Solar 2 and is therefore included in the value of the investment.

## I Directors' Responsibility Statement:

The Disclosure and Transparency Rules ('DTR') of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Report and financial statements.

The Directors confirm to the best of their knowledge that:

- (a) the summarised set of financial statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
- (c) the summarised set of financial statements give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with UK GAAP and Companies Act 2006; and
- (d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

## 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 in the 31 December 2009 annual report. 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 of the 31 December 2009 annual report. In addition, the annual report includes 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.

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.

The half-yearly Financial Report has not been audited or reviewed by the auditors.

On behalf of the Board

**John Gregory**  
Chairman  
31 August 2010

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

## Income Statements

for the six months ended 30 June 2010

	Ordinary Shares Fund			Planned Exit Shares Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment holding gains	—	4,950	4,950	—	—	—
Realised losses on investments	—	(1,293)	(1,293)	—	—	—
Income	247	—	247	56	—	56
Investment management fees	(48)	(144)	(192)	(2)	(5)	(7)
Other expenses	(178)	—	(178)	(22)	—	(22)
<b>Return/(loss) on ordinary activities before taxation</b>	<b>21</b>	<b>3,513</b>	<b>3,534</b>	<b>32</b>	<b>(5)</b>	<b>27</b>
Tax on ordinary activities	—	—	—	—	—	—
<b>Return/(loss) on ordinary activities after taxation</b>	<b>21</b>	<b>3,513</b>	<b>3,534</b>	<b>32</b>	<b>(5)</b>	<b>27</b>
<b>Return/(loss) per share</b>	<b>0.1p</b>	<b>7.3p</b>	<b>7.4p</b>	<b>0.7p</b>	<b>(0.1)p</b>	<b>0.6p</b>

## Balance Sheets

at 30 June 2010

	Ordinary Shares Fund £'000	Planned Exit Shares Fund £'000
<b>Non-current assets</b>		
Investments at fair value through profit or loss	21,085	1,578
Debtors — amounts receivable in more than one year	106	—
	<u>21,191</u>	<u>1,578</u>
<b>Current assets</b>		
Debtors — amounts receivable in less than one year	1,071	901
Derivative financial instruments	—	85
Money market and other deposits	422	3,200
Cash	84	127
	<u>1,577</u>	<u>4,313</u>
<b>Creditors: Amounts falling due within one year</b>	<b>(183)</b>	<b>(18)</b>
	<u>1,394</u>	<u>4,295</u>
<b>Net current assets</b>	<b>22,585</b>	<b>5,873</b>
<b>Net assets</b>	<b>22,585</b>	<b>5,873</b>
<b>Capital and reserves</b>		
Called-up share capital	477	62
Share premium account	11,931	5,784
Distributable reserve	10,150	27
Capital redemption reserve	27	—
	<u>22,585</u>	<u>5,873</u>
Number of shares in issue	47,741,385	6,179,833
<b>Net asset value per share</b>	<b>47.3p</b>	<b>95.0p</b>

# Unaudited Non-Statutory Analysis between Ordinary Shares and Planned Exit Shares continued

## Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2010

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Distributable reserve</b>	<b>Capital redemption reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Ordinary Shares Fund</b>					
As at 1 January 2010	481	11,931	6,745	23	19,180
Share issues in the period	—	—	—	—	—
Expenses in relation to share issues	—	—	—	—	—
Repurchase of shares	(4)	—	(140)	4	(140)
Returned dividend	—	—	11	—	11
Return for the period	—	—	3,534	—	3,534
<b>As at 30 June 2010</b>	<b>477</b>	<b>11,931</b>	<b>10,150</b>	<b>27</b>	<b>22,585</b>

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Distributable reserve</b>	<b>Capital redemption reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Planned Exit Shares Fund</b>					
As at 1 January 2010	—	—	—	—	—
Share issues in the period	62	6,118	—	—	6,180
Expenses in relation to share issues	—	(334)	—	—	(334)
Return for the period	—	—	27	—	27
<b>As at 30 June 2010</b>	<b>62</b>	<b>5,784</b>	<b>27</b>	<b>—</b>	<b>5,873</b>

# Unaudited Income Statement

for the six months ended 30 June 2010

	Six months ended 30 June 2010 (unaudited)			Six months ended 30 June 2009 (unaudited)			Year ended 31 December 2009 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment holding gains	—	4,950	4,950	—	3,280	3,280	—	3,547	3,547
Realised losses on investments	—	(1,293)	(1,293)	—	(4,089)	(4,089)	—	(3,988)	(3,988)
Income	303	—	303	181	—	181	441	—	441
Investment management fees	(50)	(149)	(199)	(53)	(159)	(212)	(100)	(299)	(399)
Other expenses	(200)	—	(200)	(154)	—	(154)	(318)	—	(318)
<b>Return/(loss) on ordinary activities before taxation</b>	<b>53</b>	<b>3,508</b>	<b>3,561</b>	<b>(26)</b>	<b>(968)</b>	<b>(994)</b>	<b>23</b>	<b>(740)</b>	<b>(717)</b>
Tax on ordinary activities	—	—	—	—	—	—	—	—	—
<b>Return/(loss) on ordinary activities after taxation</b>	<b>53</b>	<b>3,508</b>	<b>3,561</b>	<b>(26)</b>	<b>(968)</b>	<b>(994)</b>	<b>23</b>	<b>(740)</b>	<b>(717)</b>
<b>Return/(loss) per share:</b>									
Ordinary Share	<b>0.1p</b>	<b>7.3p</b>	<b>7.4p</b>	<b>(0.1)p</b>	<b>(2.0)p</b>	<b>(2.1)p</b>	<b>0.0p</b>	<b>(1.5)p</b>	<b>(1.5)p</b>
Planned Exit Share	<b>0.7p</b>	<b>(0.1)p</b>	<b>0.6p</b>	N/A	N/A	N/A	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.

## Unaudited Balance Sheet

at 30 June 2010

Registered Number: 03421340

	<b>As at 30 June 2010 (unaudited) £'000</b>	As at 30 June 2009 (unaudited) £'000	As at 31 December 2009 (audited) £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	<b>22,663</b>	16,037	17,095
Debtors — amounts receivable in more than one year	<b>106</b>	26	66
	<b>22,769</b>	16,063	17,161
<b>Current assets</b>			
Debtors — amounts receivable in less than one year	<b>1,969</b>	1,584	1,306
Derivative financial instruments	<b>85</b>	—	—
Money market and other deposits	<b>3,622</b>	692	570
Cash	<b>211</b>	945	233
	<b>5,887</b>	3,221	2,109
<b>Creditors: Amounts falling due within one year</b>	<b>(198)</b>	(177)	(90)
<b>Net current assets</b>	<b>5,689</b>	3,044	2,019
<b>Net assets</b>	<b>28,458</b>	19,107	19,180
<b>Capital and reserves</b>			
Called-up share capital	<b>539</b>	488	481
Share premium account	<b>17,715</b>	11,915	11,931
Distributable reserve	<b>10,177</b>	6,687	6,745
Capital redemption reserve	<b>27</b>	17	23
	<b>28,458</b>	19,107	19,180
<b>Net asset value per share:</b>			
<b>Ordinary Share</b>	<b>47.3p</b>	39.2p	39.8p
<b>Planned Exit Share</b>	<b>95.0p</b>	N/A	N/A

## Unaudited Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2010

	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Distributable reserve £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Total £'000</b>
<b>Company</b>					
As at 1 January 2010	481	11,931	6,745	23	19,180
Share issues in the period	62	6,118	—	—	6,180
Expenses in relation to share issues	—	(334)	—	—	(334)
Repurchase of shares	(4)	—	(140)	4	(140)
Returned dividend	—	—	11	—	11
Return for the period	—	—	3,561	—	3,561
<b>As at 30 June 2010</b>	<b>539</b>	<b>17,715</b>	<b>10,177</b>	<b>27</b>	<b>28,458</b>

# Unaudited Summary Cash Flow Statement

for the six months ended 30 June 2010

	<b>Six months ended 30 June 2010 (unaudited) £'000</b>	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
<b>Cash flow from operating activities</b>			
Investment income received	102	86	125
Deposit and similar interest received	2	57	143
Investment management fees paid	(98)	(189)	(79)
Secretarial fees paid	(59)	(58)	(115)
Other cash payments	(152)	(109)	(207)
<b>Net cash outflow from operating activities and returns on investment</b>	<b>(205)</b>	<b>(213)</b>	<b>(133)</b>
<b>Taxation</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investing activities</b>			
Purchase of unquoted investments and investments quoted on AIM	(2,035)	(1,385)	(2,406)
Net proceeds on sale of unquoted investments	20	—	165
Net proceeds on sale of quoted investments	—	—	167
Net proceeds from deferred consideration	19	110	110
<b>Net capital outflow from investing activities</b>	<b>(1,996)</b>	<b>(1,275)</b>	<b>(1,964)</b>
<b>Equity dividends received/(paid)</b>	<b>11</b>	<b>(491)</b>	<b>(490)</b>
<b>Management of liquid resources</b>			
Subscription to money market	(3,201)	(21)	(24)
Redemption from money market	149	2,079	2,204
	<b>(3,052)</b>	<b>2,058</b>	<b>2,180</b>
<b>Financing</b>			
Proceeds of fund raising	5,633	1,000	1,000
Expenses of fund raising	(273)	(40)	(48)
Dividends reinvested	—	23	23
Repurchase of own shares	(140)	(106)	(429)
<b>Net cash inflow from financing activities</b>	<b>5,220</b>	<b>877</b>	<b>546</b>
<b>(Decrease)/increase in cash</b>	<b>(22)</b>	<b>956</b>	<b>139</b>

# Notes to the Unaudited Half-Yearly Results

for the six months ended 30 June 2010

- 1 The unaudited interim results have been prepared on the basis of the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2009. Unquoted investments have been valued in accordance with IPEVC guidelines. Quoted investments are stated at bid prices in accordance with the IPEVC guidelines and UK Generally Accepted Accounting Practice.
- 2 These are not statutory accounts in accordance with S436 of the Companies Act 2006 and the financial information for the six months ended 30 June 2010 and 30 June 2009 has been neither audited nor reviewed. Statutory accounts in respect of the period to 31 December 2009 have been audited and reported on by the Company's auditors and delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under S498(2) or S498(3) of the Companies Act 2006. No statutory accounts in respect of any period after 31 December 2009 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- 3 Copies of the Interim Report will be sent to shareholders and will be available for inspection at the Registered Office of the Company at ECA Court, South Park, Sevenoaks, Kent, TN13 1DU.

## 4 Net asset value per share

The net asset value per share for the Ordinary Shares and the Planned Exit Shares has been calculated on the appropriate allocation of the Company's assets and liabilities. From 1 April 2010, 80% of all joint costs incurred were allocated to the Ordinary Shares Fund and 20% to the Planned Exit Shares Fund, based on original funds raised. Pre 1 April 2010, all expenses were allocated to the Ordinary Shares Fund.

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 the date.

	Ordinary Shares Fund		Planned Exit Shares Fund	
	Net Assets £'000	Number of Shares in Issue	Net Assets £'000	Number of Shares in Issue
30 June 2010	22,585	47,741,385	5,873	6,179,833
30 June 2009	19,107	48,765,445	N/A	N/A
31 December 2009	19,180	48,137,369	N/A	N/A

## 5 Return per share

The weighted average number of shares for the Ordinary Shares and Planned Exit Shares funds used to calculate the respective returns are shown in the table below.

	Ordinary Shares Fund	Planned Exit Shares Fund
Six months ended 30 June 2010	47,999,540 shares	4,213,657 shares
Six months ended 30 June 2009	46,574,328 shares	N/A
Year ended 31 December 2009	48,191,161 shares	N/A

Earnings for the period should not be taken as a guide to the results for the full year.

## 6 Income

	Six months ended 30 June 2010 (unaudited) £'000	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Loan stock interest	300	159	333
Overseas based Open Ended Investment Companies ("OEICs")	3	7	16
Interest received on VAT refunded	—	—	84
Bank deposits	—	7	7
Other	—	8	1
	<b>303</b>	<b>181</b>	<b>441</b>

# Notes to the Unaudited Half-Yearly Results continued

for the six months ended 30 June 2010

## 7 Investments at fair value through profit or loss

Company	Quoted £'000	Unquoted £'000	Total £'000
Book cost 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	—	2,035	2,035
Disposal proceeds	—	(20)	(20)
Realised losses	—	(1,312)	(1,312)
Investment holding (losses)/gains	(23)	4,888	4,865
<b>Valuation at 30 June 2010</b>	<b>4,160</b>	<b>18,503</b>	<b>22,663</b>
Book cost at 30 June 2010	9,129	19,686	28,815
Investment holding losses	(4,969)	(1,183)	(6,152)
<b>Valuation at 30 June 2010</b>	<b>4,160</b>	<b>18,503</b>	<b>22,663</b>
<b>Ordinary Shares Fund</b>	<b>Quoted £'000</b>	<b>Unquoted £'000</b>	<b>Total £'000</b>
Book cost 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	—	372	372
Disposal proceeds	—	(20)	(20)
Realised losses	—	(1,312)	(1,312)
Investment holding (losses)/gains	(23)	4,973	4,950
<b>Valuation at 30 June 2010</b>	<b>4,160</b>	<b>16,925</b>	<b>21,085</b>
Book cost at 30 June 2010	9,129	18,023	27,152
Investment holding losses	(4,969)	(1,098)	(6,067)
<b>Valuation at 30 June 2010</b>	<b>4,160</b>	<b>16,925</b>	<b>21,085</b>
<b>Planned Exit Shares Fund</b>	<b>Quoted £'000</b>	<b>Unquoted £'000</b>	<b>Total £'000</b>
Book cost at 1 January 2010	—	—	—
Valuation at 1 January 2010	—	—	—
Purchases at cost	—	1,663	1,663
Investment holding losses*	—	(85)	(85)
<b>Valuation at 30 June 2010</b>	<b>—</b>	<b>1,578</b>	<b>1,578</b>
Book cost at 30 June 2010	—	1,663	1,663
Investment holding losses	—	(85)	(85)
<b>Valuation at 30 June 2010</b>	<b>—</b>	<b>1,578</b>	<b>1,578</b>

\*The currency option described on page 7 exactly offsets the currency loss on the Foresight Luxembourg Solar 2 investment.



# Notes to the Unaudited Half-Yearly Results continued

for the six months ended 30 June 2010

## **8 Related Parties**

Foresight Group, as investment Manager of the Company, is considered to be a related party by virtue of its management contract with the Company. During the period, services of a total value of £199,000 (30 June 2009: £212,000; 31 December 2009: £399,000) were purchased by the Company from Foresight Group. At 30 June 2010, the amount due to Foresight Group included within creditors was £114,000.

Foresight Fund Managers Limited, as Secretary of the Company and as a subsidiary of Foresight Group, is also considered to be a related party of the Company. During the period, services of a total value of £50,000 excluding VAT (30 June 2009: £50,000; 31 December 2009: £100,000) were purchased by the Company from Foresight Fund Managers Limited. At 30 June 2010, the amount due to Foresight Fund Managers Limited included within creditors was £25,000 (excluding VAT).

No Director has, or during the period had, a contract of service with the Company. Bernard Fairman, who resigned on 18 June 2010, is the ultimate beneficial owner of Foresight Group, the Company's investment Manager. Subject to these exceptions, no Director was party to, or had an interest in, any contract or arrangement (with the exception of Directors' fees) with the Company at any time during the period under review or as at the date of this report.

## 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 and Planned Exit Shares is given daily in the Financial Times in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

### 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 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 maker 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 ending 31 December 2010.

April 2011      Posting of the annual report for the year ending 31 December 2010.

May 2011        Annual General Meeting.

August 2011    Announcement of Half-Yearly 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 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.





## 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 Advisers**

Foresight Group  
ECA Court  
South Park  
Sevenoaks  
TN13 1DU

### **Auditors and Tax Advisers**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Bankers**

Lloyds TSB plc  
Midland and North Wales Regional  
Commercial Services Office  
123 Colmore Row  
Birmingham  
B3 2DL

### **Solicitors and VCT Status Advisers**

Martineau  
No.1 Colmore Square  
Birmingham  
B4 6AA

### **Registrar**

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### **Registered Number**

03421340

### **Contact Numbers**

- Registrar's Shareholder Helpline — Computershare (0870 703 6388)
- General and Portfolio Queries — Foresight Group (01732 471800)