

3421340

Foresight Technology VCT plc

Report and Financial Statements

2002



Foresight

Contents

Corporate Policy and Financial Highlights	1
Chairman's Statement	2
Advisers' and Managers' Report	4
Board of Directors	11
Corporate Governance	12
Directors' Report	14
Statement of Directors' Responsibilities	17
Non-Statutory Analysis between the Ordinary Shares and "C" Shares Funds	18
Independent Auditors' Report	19
Primary Financial Statements	20
Notes to the Financial Statements	23
Taxation	36
Notice of Annual General Meeting	37
Notices of Separate Class Meetings	39
Forms of Proxy	43

Objectives

The objective of Foresight Technology VCT plc ("Foresight") is to provide private investors with an attractive return from a portfolio of investments in fast-growing UK technology-based companies – companies whose products or services depend to a significant extent on the application of scientific and technological skills or whose activities embrace a significant technology component as a major source of competitive advantage.

Corporate **Policy** and **Financial Highlights**

Objective

The objective of Foresight Technology VCT plc ("Foresight") is to provide private investors with an attractive return from a portfolio of investments in fast-growing UK technology-based companies – companies whose products or services depend to a significant extent on the application of scientific and technological skills or whose activities embrace a significant technology component as a major source of competitive advantage.

Venture Capital Trust Status

Foresight has satisfied the conditions for venture capital trust status under section 842(AA) of the Income and Corporation Taxes Act 1988 and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

Performance Summary

	30 September 2002		30 September 2001	
	Ordinary Shares	"C" Shares	Ordinary Shares	"C" Shares
Capital values				
Net asset value per share	97.93p	73.74p	96.09p	80.06p
Net assets	£12,876,540	£24,475,475	£12,829,926	£26,697,281
Revenue and Dividend				
(Loss)/return per share	(0.22)p	2.04p	(0.09p)	2.81p
Interim dividend (net)	–	1.00p	–	2.00p
Final dividend per share (net)	–	0.75p	–	2.50p
Total dividend per share (net)	–	1.75p	–	4.50p
Total dividend per share (gross)	–	1.94p	–	5.00p

Performance Statistics

	Ordinary Shares "C" Shares	
	1997/1998	1999/2000
Tax year originally launched		
Cumulative dividends paid per share (net) plus recoverable tax credits*	104.63p	6.25p
Net asset value per share as at 30 September 2002	97.93p	73.74p
Net asset value plus cumulative dividends (net) per share as at 30 September 2002	202.56p	79.99p
Total return as a percentage of an original investment (net of income tax relief), of 80p per share	153%	0%
Total return as a percentage of an original investment (net of maximum income tax and capital gains tax relief), of 40p per share	406%	100%

*Recoverable tax credits were available on dividends paid on the Ordinary Shares until April 1999. Recoverable tax credits are no longer available on dividends paid by VCTs.

Chairman's Statement

Results

The technology market has continued to face difficulties over the last 12 months. The economic outlook still remains uncertain and difficult trading conditions have taken their toll on a number of the companies in both the Ordinary Shares and "C" Shares fund portfolios. In certain cases this has resulted in companies having to reduce costs and revise their development plans with sales and profitability taking longer than anticipated. Your Board are, however, encouraged by the performance shown by a number of the companies but have continued to adopt a prudent valuation policy in all cases.

The results for the year from 1 October 2001 to 30 September 2002 are set out in the following pages. The return (after tax) attributable to the Ordinary Shareholders was £190,085 (2001: loss of £14,951,636) and the net asset value per Ordinary Share as at 30 September 2002 was 97.93p (2001: 96.09p). With regard to the holders of "C" Shares the attributable loss (after tax) was £1,569,294 (2001: loss of £3,028,312) and the net asset value per "C" Share as at 30 September 2002 was 73.74p (2001: 80.06p).

The after tax revenue loss (before capital losses) per Ordinary Share was 0.22p and the after tax revenue return (before capital losses) per "C" Share was 2.04p for the year to 30 September 2002.

Dividend

In relation to "C" Shares, the Company paid an interim dividend in July of 1.00p net (2001: 2.00p) per share on the basis of the results for the six months ended 31 March 2002. The Board is recommending a further dividend of 0.75p per "C" Share (2001: 2.50p) giving total dividends of 1.75p (2001: 4.50p) for the year ended 30 September 2002 (2001: nil). The Board does not recommend a dividend on the Ordinary Shares.

Cancellation of Share Premium

Shareholders and warrant holders approved the cancellation of the share premium account on 23 September 2002. The sanction of the court to

the cancellation was obtained on 30 October 2002 and the cancellation was registered by the Registrar of Companies on 7 November 2002. You will recall that the Company revoked investment company status in March 2000 in order to be able to pay a capital dividend of £1.00 per Ordinary Share. This means that the Company is obliged to take into account capital losses in determining its ability to distribute reserves. A special reserve, the cancelled share premium account, has been created from the sum set free from the cancellation to which capital losses can be written off enabling the Company to continue with its policy of distributing revenue profits. The cancelled share premium account can also be used to fund the purchase of own shares by the Company.

Change in Accounting Reference Date

Shareholders and warrant holders also approved on 23 September 2002 the change of the Company's accounting reference date to 31 December. This will mean that in future our annual accounts will be posted in March. The Company will prepare accounts for a short accounting period from 1 October 2002 to 31 December 2002.

Share Issues

During the year the Company issued 2,600 Ordinary Shares and 26,400 "C" Shares pursuant to the 2002 warrant exercise. The next warrant exercise date is 31 January 2003, notices for which were posted to warrant holders on 19 December 2002. Due to the change in the Company's accounting reference date, the exercise date in 2004 will be 30 April.

Ordinary Shares fund

Advanced Composites Group Limited continued to trade satisfactorily. The investment has been valued (on a PE basis using an index of comparable companies after an appropriate discount in accordance with the British Venture Capital Association guidelines,) at £7.4 million compared with a cost of £1.6 million. Telecom Plus plc continues to be increasingly profitable as it

Chairman's Statement

penetrates its telephone subscriber base with energy services. Actimax plc, Clarity Commerce Solutions plc and Sapphire Limited also all made progress during the year.

As at 30 September 2002 £6.9 million had been approved for investment or invested in 9 companies. This represented approximately 92% of the Company's investments, the balance being invested in fixed interest securities and cash deposits. The Company's advisers, VCF Partners, are pleased with the overall performance of the investments within the Ordinary Shares fund.

"C" Shares fund

A number of the investments in the "C" Shares fund have, in light of the current market conditions, been revalued at a discount to cost. It should be borne in mind that many of the companies in which the "C" Shares fund has invested are at an earlier stage in their development than the companies in which the more established Ordinary Shares fund has invested and so it is not surprising that the performance of the two funds should proceed at different rates. iCore Limited, Aquasium Technology Limited and SmartFocus Limited have made good progress but unfortunately, one company, iDesk Limited, has been put into administration. The Company also recently increased its holding in Sarantel Limited by acquiring another investor's holding in the company. VCF Partners are encouraged at the quality of new investment opportunities shown by the Company's recent investments in Oxonica Limited and Wire-e Limited.

As at 30 September 2002 £16.8 million had been approved for investment or invested in 19 companies. This represented approximately 56% of the Company's investments, the balance also being invested in fixed interest securities and cash deposits. Several further investments are also being considered at present by VCF Partners and the Board. Although there have been a number of provisions made against and reductions in the valuations of a number of investments, the

Company's advisers, VCF Partners, are encouraged by the progress being made by several of the companies.

Details of investments made from both of the Company's funds during the year are given in the Advisers' and Managers' Report.

VCT Qualifying Status

I am pleased to report that as at 31 December 2002 the Company has satisfied the '70% test' under the VCT regulations. This obliges the Company to have at least 70% of its investments in qualifying holdings. As at 31 December 2002 over 71% of our total investments were represented by qualifying holdings.


Valuation Policy

The investments held by the Company have been valued in accordance with the Guidelines for the Valuation and Disclosure of Venture Capital Portfolios issued by the BVCA under which unquoted investments are not normally revalued above cost for at least 12 months after the date of acquisition. The investments which are traded on AIM, OFEX or the London Stock Exchange and the fixed interest securities are carried at market value. The Board and the Advisers, in any event, always attempt to follow a consistent and prudent valuation policy.

Recent Investments

Since 30 September 2002, the Company made further investments of £354,077 and £146,711 in Alaric Systems Limited and Sarantel Limited respectively and a further £1 million in Actimax plc. In addition, the Company advanced a further £524,000 to Oxonica Limited which were funds committed at the time of the initial investment.

I would like to take this opportunity to thank all shareholders and warrant holders for their continued support and I look forward to welcoming you at the Annual General Meeting on 4 March 2003.


Peter Dicks
Chairman

8 January 2003

Advisers' and Managers' Report

THE VENTURE CAPITAL FUNDS

VCF Partners advise the Company in respect of investments made within the Ordinary Shares fund and the "C" Shares fund. During the year ended 30 September 2002 six new investments and one further investment were made from the "C" Shares fund at a cost of £6 million, including amounts committed on Oxonica and Sarantel. The full investment portfolio of both funds as at 30 September 2002 is detailed below.

ORDINARY SHARES FUND

Sapphire International Limited

Owns the established "DataEase" family of computer database software products and has a worldwide base of several hundred thousand users. The Company now combines a consulting/professional services organisation with the sale of DataEase software products. As a result of a significant new order from the North American market, the company is trading profitably. Foresight holds 1,803,396 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2001: profit before tax £5,475, net liabilities £256,000.

Dates of investment	Amount invested including Loan Stock	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of Ordinary Shares Portfolio
Jul 98, Jun 00, Oct 00 & Jun 01	£1,189,000	Cost	18.6	£439,000 10% Unsecured	Bernard Fairman	9.5

Actimax plc

Supplies digital telecommunications systems to small and medium sized customers. The company installs complex computer and telephone combined systems using components from suppliers such as Ascom, Lucent and Intertel. The company won the Integrated Dealer of the Year Award 2001 and is trading profitably. Foresight holds 242,308 shares in the company.

Results from the latest audited accounts for the period ended 31 December 2001: loss before tax £21,253, net liabilities £524,132.

Dates of investment	Amount invested including Loan Stock	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of Ordinary Shares Portfolio
Nov 98 & Mar 00	£600,000**	Cost	42.0*	£120,000 10% Unsecured	Bernard Fairman	4.8

* The Company also hold 6% warrants

** A further investment of £1 million of loan stock was made in December 2002 from the "C" Shares fund.

DSM Geo-Data Limited/Survey & Development Services Limited

Was formed to acquire certain parts of the business of Survey & Development Services Limited from the Receivers of that Company in August 2002. It is a specialist geo-spatial data software products and services business, serving the growing market for digital mapping. Foresight have been issued 235,208 preference shares in the company in respect of their original holding of loan stock in Survey & Development Services Limited. The Company continues to hold 170,408 shares in Survey and Development Services Limited which has been put into liquidation and therefore the Board believe it prudent to write down the investment by 100%.

The Company has not produced audited accounts since incorporation on 12 December 2001.

Dates of investment	Amount invested including Loan Stock	Valuation	% Equity/ Voting Rights	% of Ordinary Shares Portfolio
Aug 02	£1	£139,535	0.0%	1.1

Entraline Limited

Was formed from Creature Laboratories Limited and has a range of entertainment software products under development. The technology also relates to new platforms such as toys, mobile phones and digital television. The Board has decided to reduce the valuation of this investment because of the company's difficulties with trading and further fund raising. Entraline Limited was formed following the Administration of Creature Laboratories Limited in June 2002 and Foresight were issued 11,765 shares in the new company.

The company has not produced audited accounts since incorporation on 2 May 2002.

Dates of investment prior to administration	Amount invested prior to administration	Valuation	% Equity/ Voting Rights	% of Ordinary Shares Portfolio
Jan 99 & Sep 00	£1,500,000	£10,000	0.5	0.1

Advisers' and Managers' Report

Advanced Composites Group Limited

Is a long established manufacturer of high technology carbon fibre composite material, with factories in Heanor north of Derby, and Tulsa, USA. Successful markets include F1 racing cars, sports equipment and aerospace applications. After three years of profits, the company has been valued on a PE basis, using an index of comparable companies after applying a 40% discount. This valuation is in accordance with BVCA guidelines. Foresight holds 3,163,971 shares in the company.

Results from the latest consolidated audited accounts for the year ended 31 August 2002: profit before tax £2,272,000, net assets £8,720,000.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of Ordinary Shares Portfolio
Mar 99, Oct 99 & Jul 00	£1,622,978	£7,449,149	27.5	Peter English	59.7

YooMedia plc (formerly e-district.net plc) (AIM listed)

Operates a portal site which provides an increasing number of facilities including online games, e-mail, personal home pages and chat available from a number of platforms. The company was floated on the AIM market in March 2000 at a valuation of £149.7 million. At that time Foresight sold 6,623,030 shares to raise £12.4 million net of expenses. The company has signed a contract with Sky to provide BskyB's wholly owned channel with a comprehensive enhanced TV chat solution and also provides interactive content via Telewest. Foresight holds 14,245,945 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2001: loss before tax £3,982,881, net assets £8,804,703.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of Ordinary Shares Portfolio
Mar 99	£341,319*	£961,602	18.6	Bernard Fairman	7.7

* A further investment of £983 was made in November 2002.

Telecom plus plc (listed on the London Stock Exchange)

Offers low cost telephone and energy services to private subscribers. The company's penetration of its telephone subscriber base with energy services is at 10% and increasing. Foresight holds 1,250,000 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: profit before tax £4,035,000, net assets £8,981,000.

Dates of investment	Amount invested including Loan Stock	Valuation	% Equity/ Voting Rights	% of Ordinary Shares Portfolio
Jun 99	£475,000*	£1,331,250	2.5	10.7

* Further investments of £680 and £750 were made in December 2002.

Clarity Commerce Solutions plc (AIM listed)

Is part of a group of companies that provide EPOS solutions, CRM products and services to the UK hospitality and leisure markets including the pub market place and the restaurant and nightclub sector. Foresight holds 400,000 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: loss before tax £221,000 net assets £7,367,000.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of Ordinary Shares Portfolio
Jul 00	£500,000	£300,000	4.2	2.4

Advisers' and Managers' Report

"C" SHARES FUND

Travelstore.com plc

Travelstore sold its business earlier this year to On-line Travel Limited, a company which provides on-line services for travel arrangements which had synergies with Travelstore's business. Travelstore currently holds 7.2% of the shares in On-line Travel Limited for the benefit of its shareholders and is considering its future options. The Board believes it is prudent to write down the investment. Foresight holds 4,265,000 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: loss before tax £3,566,381, net assets £2,420,845.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Dec 99 & Nov 02	£1,339,000	£47,250	3.5	0.2

KeepAhead Limited

Despatches lifestyle email services (e.g. current affairs, astrology, sport) which approximately 200,000 registered users receive free of charge. Revenue is generated from targeted e-mail advertising. The Board believe it is prudent to write down this investment to reflect the current values of companies relying on the on-line advertising market. Foresight holds 25,248 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2001: loss before tax £709,815, net assets £198,756.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Apr 00	£1,000,000	£50,000	15.0	0.2

UK Directory (Holdings) Limited (OFEX Listed)

Operated an internet based directory of business websites, available on-line and offline via the publication of a nationally distributed magazine available from WH Smith. Foresight currently holds 2 million shares in the company. On 29 November 2001, UK Directory (Holdings) Limited's shares were suspended from trading on OFEX. The Company is considering its future options.

Results from the latest audited accounts for the year ended 31 August 2001: loss before tax £1,917,361, net assets £488,717.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Apr 00	£1,000,000	£35,000	10.0	0.2

themutual.net plc (AIM Listed)

Operates a financial information website and sells targeted advertising by email aimed at their subscriber base. themutual.net's shares were listed on the AIM market in June 2000. Interim accounts to 30 October 2002 show a net profit of £274,000 which has resulted in a big increase in the company's share price. This increase is not reflected in the valuation shown below. Foresight holds 342,730,249 shares in the company.

Results from the latest audited accounts for the year ended 30 April 2002: loss before tax £28,239, net liabilities £533,689.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Jun 00	£500,000	£102,819	9.3	0.5

FFastFill plc (AIM Listed)

Is a software company that develops sophisticated trading solutions for futures and options traders, brokers and risk managers. The management team has been strengthened in recent months and an improvement in performance is expected. Foresight holds 914,070 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: loss before tax £8,018,000, net assets £4,842,000.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Jul 00	£500,000	£29,707	2.0	0.1

Advisers' and Managers' Report

Sarantel Limited

Owens proprietary antenna technology with applications in mobile phone and other wireless devices. The company's technology delivers major performance benefits over traditional antennae. Market interest in Sarantel's first product, the GPS antenna, has increased and the company now has a healthy pipeline of sales prospects. The company has launched its innovative antenna for mobile phones and other wireless devices and in November 2002 won a \$12 million order, demonstrating the potential for this new generation of high performance antennas.

The Company invested a further £185,185 in March 2002 and £379,634 in August 2002 in the form of a new investment and a purchase of shares and loans held by another investor. The Company also invested a further £77,587 in September 2002. Foresight holds 464,167 shares in the company.

Results from the latest audited accounts for the year ended 30 September 2001: loss before tax £1,751,173, net assets £4,950,312*.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Sep 00, Apr 01, Jun 01, Mar 02, Aug 02 & Sep 02	£1,642,405**	Cost	37.0	£1,441,573 Secured	Matt Taylor	7.2

* The net assets figure shown above includes a convertible loan of £5,628,485 treated as converted.

** A further investment of £146,711 was made in November 2002.

Mondas plc (AIM Listed)

Has developed e-Business technologies to allow securities and investment houses to deploy new front and back office applications to facilitate straight through processing. Customers benefit from improved content management, document management, business process software and service solutions. Foresight currently holds 200,000 shares in the company in addition to the loan stock.

Results from the latest audited accounts for the year ended 30 April 2002: loss before tax £2,177,858, net assets £1,431,762

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Oct 00	£1,000,000	£909,000	7.7	£900,000 Convertible	Bernard Fairman	4.0

Callserve Communications plc

Is a voice over IP telecoms network and service provider which enables telephone calls to be made from a PC via the internet to any phone worldwide. The company has grown substantially over the last year. Foresight holds 222,222 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: loss before tax £4,885,152, net liabilities £363,814.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Oct 00	£500,000	Cost	1.27	2.2

iDesk plc

Provide telcos, ISPs and other blue chip customers with outsourced technical help desks, operated from a call centre in London. iDesk also sells its proprietary and licensed CRM software and provides electronic billing services. The company experienced a severe and sustained fall in demand for outsourced call center services. As a result, the company's revenue reduced by 90% through 2001. Despite cost reductions, trading losses exhausted the company's cash resources and resulted in the appointment of Administrative Receivers in April 2002. Foresight holds 63,291 shares in the company.

In view of the appointment of Administrative Receivers the Board has made a provision of 100% against the Company's investment.

Results from the latest audited accounts for the year ended 31 December 2000: loss before tax £7,534,017, net assets of £8,882,659.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	% of "C" Shares Portfolio
Nov 00	£500,000	Nil	1.47	-

Advisers' and Managers' Report

iCore Limited

Is an IT management services company, with services that range from strategic IT reviews, infrastructure design and management, outsourcing procurement, through to business process management, interim project management, and establishing project offices. The company is now trading profitably. Foresight holds 201,176 shares in the company.

Results from the latest audited accounts for the year ended 30 June 2002: profit before tax £542,252, net assets £564,205.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of "C" Shares Portfolio
Dec 00	£750,000	Cost	16.7	Peter English	3.3

Heritage Image Partnership Limited

is building an online library of high-resolution images from exclusive access to the content of heritage institutions, principally museums and libraries, and sells directly to business customers. The investment has been written down because the business is trading below expectations. Foresight holds 68,898 shares in the company.

Results from the latest audited accounts for the 11 month period ended 31 December 2001: loss before tax £1,697,469, net assets £956,306.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of "C" Shares Portfolio
Mar 01	£950,000	£475,000	18.7	Matt Taylor	2.1

Monactive Limited

Is a leading provider of Software Asset Management (SAM) tools with over 100 customers. The company's software monitors software usage on PC networks, providing corporates with data for cost reduction and compliance. Its customers are able to reduce their software licensing costs whilst demonstrating legal compliance. Foresight holds 442,544 shares in the company.

Results from the latest audited accounts for the year ended 31 July 2002: loss before tax £982,394, net liabilities £893,077.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Mar 01	£750,000	Cost	17.6	£375,000	Matt Taylor	3.3

ANT Limited

Is a software company that develops embedded browsers to improve users' interactive communication with digital television sets and other consumer electronic devices. ANT was set up in 1993 and first licensed its software to Symbian (one of the leading software platforms for PDAs) in May 1998. As a result of difficult trading conditions, the company will need to raise further equity finance in the coming year. The valuation has been adjusted to reflect that any further fundraising may dilute Foresight's current shareholding. Foresight holds 19,771 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2000: loss before tax £848,332, net assets £956,306*.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Jul 01	£1,000,000	£950,000	5.3	£900,000	Matt Taylor	4.2

* The net asset figure shown above includes a convertible loan of £5,518,202 treated as unconverted.

Blue Curve Research.net Limited

Is a software company that sells its products and services to investment banks and fund managers to automate the production and distribution of research material. Analysis is a key customer retention tool for investment banks but is also a major cost. The company's software cuts costs and is therefore in demand, particularly when investment bank spending is under pressure. Foresight hold 367 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2001: profit before tax £76,930, net assets £107,882.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Oct 01	£1,000,000	Cost	23.7	£666,667 Secured	Peter English	4.4

Advisers' and Managers' Report

Aquasium Technology Limited

Is engaged in the design, manufacture and marketing of bespoke electron beam welding and vacuum furnace equipment. Its products are used in the processes of a wide range of manufacturing industries including automotive, electronics, medical, power generation and aerospace. Foresight holds 86,666 shares in the company.

The company has not produced audited accounts since incorporation on 26 June 2001.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Oct 01	£1,000,000	Cost	33.3	£666,667 Secured	Donald Maclennan	4.4

SmartFocus Limited

Provides analytic software to enable accurate targeting and execution of marketing campaigns. The company is an established solution provider in this area with 300 customers forming a wide customer base spread across financial services, retail, marketing services and other consumer-driven sectors. The company adds value to its customers marketing campaigns by linking with multiple databases, returning query results in seconds and presenting the results in an easily understandable graphic way. Foresight holds 398,667 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2001: profits before tax £73,726, net assets £127,406.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Dec 01	£1,000,000	Cost	20.0	£666,667 Secured	Matt Taylor	4.4

Alaric Systems Limited

Specialises in the development, sale, distribution and support of payment systems software including systems for electronic payments, authorisation and e-commerce integration. It is also involved in the use of mathematical modelling techniques for card payments and other fraud detection. Foresight holds 743,802 shares in the company.

Results from the latest audited accounts for the year ended 31 March 2002: loss before tax £2,120,960, net assets £1,626,614.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of "C" Shares Portfolio
Feb 02	£900,000*	Cost	9.0	Donald Maclennan	3.9

* Further investments were made of £181,000 and £173,077 in October and December 2002 respectively.

Oxonica Limited

Design manipulation and engineering of properties of materials at the nano-scale for application in fuel additives, sunscreen, biotagging and other products. The company has made good progress since the investment both in terms of product development and investor interest. The audited accounts information shown below is pre-investment and not indicative of expected future performance. Foresight holds 1,395 shares in the company.

Results from the latest audited accounts for the year ended 31 December 2001: loss before tax £943,764, net assets £18,155.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Investor Director	% of "C" Shares Portfolio
Jun 02	£475,946*	Cost	10.0	Bernard Fairman	2.1

* A further £524,053 of committed funds was invested in December 2002.

Advisers' and Managers' Report

Wire-e Limited

Provides mobile communication services to corporates and SMEs. Founded in 2000, and having launched the 'Rapide' service in February 2002, Wire-e now has over 170 customers. The service enables users to access phone numbers and similar information on the move. Users can also send emails, text messages and voice broadcasts to multiple contacts from a mobile or desktop browser. The audited accounts information shown below is pre-investment and not indicative of expected future performance. Foresight holds 3,333,333 shares in the company.

Results from the latest audited accounts for the year ended 30 June 2001: profit before tax £833,055, net assets £317,369.

Dates of investment	Amount invested	Valuation	% Equity/ Voting Rights	Loan Stock	Investor Director	% of "C" Shares Portfolio
Sep 02	£1,000,000	Cost	18.4	£900,000 Secured	Jamie Richards	4.4

ADMINISTRATIVE COSTS

Administrative costs for Telecom Plus plc, themutual.net plc, FFastFill, Callserve Communications Limited, Entraline Limited plc and travelstore.com plc are included in the amount invested in Note 9 to the Financial Statements. We believe it is more accurate to show the investment at the figure shown in the investment agreements. The differences shown in the amounts invested to Note 9 are £758, £2,938, £6,116, £2,893, £1,897 and £4,202 respectively, totalling £18,804.

VCF PARTNERS

VCF Partners LLP, trading as VCF Partners, are regulated by the Financial Services Authority and the team includes four partners, Bernard Fairman, Peter English, Donald MacLennan and Matt Taylor, an investment manager, Jamie Richards, and an associate, Hazel Gross.

THE FIXED INTEREST FUNDS

The Ordinary Shares fixed interest portfolio and the "C" Shares fixed interest portfolio constitute the balance of the net proceeds from the issues of Ordinary Shares and "C" Shares. These funds are invested in fixed interest securities and cash deposits by Cazenove Fund Management Limited.

ASSOCIATED FUNDS

VCF Partners also advise TriVest VCT plc in respect of investments. Investments have been made by TriVest plc to 30 September 2002 in iDesk plc (£250,000), Heritage Image Partnership Limited (£300,000), Monactive Limited (£250,000), ANT Limited (£1 million), Blue Curve Research.net Limited (£500,000), Aquasium Technology Limited (£500,000), SmartFocus Limited (£500,000), Alaric Systems Limited (£400,000), Sarantel Limited (£590,621), Oxonica Limited (£428,522) and Wire-e Limited (£500,000).

Board of Directors

Peter Frederick Dicks, aged 60 (Chairman)

Peter Dicks was a founder director in 1973 of Abingworth plc, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Action Computer Supplies Holdings plc, Interactive Investor International Ltd, Henderson Technology Trust PLC, Unicom VCT plc, PNC Tele.Com plc and Standard Microsystems Inc., a US-NASDAQ quoted company.

Antony Richard Diment, aged 57; 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 is the managing director of Cambridge Research and Innovation Limited, a non-executive director of Enterprise Venture Capital Trust plc and Cascade Fund Management Limited and a member of the management board of the Aberystwyth Challenge Fund.

Nigel William Horne, aged 62; BSc Electronics, PhD Mathematics

Nigel Horne has had a career in telecommunications and computer manufacturing, culminating in consulting and business research. He managed most of GEC's telecommunications businesses before becoming a board member of STC plc in 1983, ICL plc in 1984 and LSI Logic Limited in 1985. He retired as chairman of Alcatel UK Limited in 2000 and holds a number of non-executive directorships including Sarantel Limited.

David John George Royds, aged 42

David Royds is Chairman of Matrix Group Limited and a director of Matrix-Securities Limited (a specialist financial services company). He is also a director of a number of other companies involved in shipping, property development, venture capital, marketing and database services.

Roger William Blears, aged 44

Roger Blears is a partner at Martineau Johnson, a leading Birmingham-based firm of solicitors. He advises innovative growth companies and their investors. Martineau Johnson are the legal advisers to the Company and acted as sponsor when the Company was launched in 1997. He is also the Company Secretary for the Company.

Peter David English, aged 61; BSc Electrical Engineering

Peter English has worked in a variety of engineering and marketing management roles in the UK and USA. His experience includes telecommunications (NORTEL) and semi-conductors (GEC Semi-conductors). He joined 3i Ventures in 1982 and co-founded VCF Partners in 1984. He is a non-executive director of Advanced Composites Group Limited, iCore Limited and Blue Curve Research.net Limited.

Bernard William Fairman, aged 53; BA Industrial Economics

Bernard Fairman trained as an economist and in 1970 joined Panmure Gordon as an investment analyst. In 1973 he joined Edward Bates, a specialist investment bank. On leaving in 1976 he gained investment experience at various small companies. He joined 3i Ventures in 1981 and co-founded VCF Partners in 1984. He is also a non-executive director of YooMedia plc, Actimax plc, Mondas plc, Sapphire International Limited and Oxonica Limited.

Corporate Governance

The Directors of Foresight confirm that the Company has taken the appropriate steps to enable it to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code") initially drafted by the Committee on Corporate Governance chaired by Sir Ronald Hampel, together with the related Listing Rules. As a Venture Capital Trust Company, 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. Except as noted below, the requirements of the Combined Code were complied with throughout the year ended 30 September 2002.

The Board

The Company has a Board of seven non-executive Directors, all of whom (other than Peter English and Bernard Fairman) are independent of VCF Partners and Cazenove Fund Management Limited. 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.

Board committees

The Board has adopted formal terms of reference for four standing committees which make recommendations to the Board in specific areas.

The Investment Committee comprises five Directors, Peter Dicks (Chairman), Antony Diment, Nigel Horne, David Royds and Roger Blears. The Investment Committee meets as necessary and is responsible for deciding which of the venture capital investments proposed by VCF Partners should be accepted by the Company.

The Audit Committee, Remuneration Committee and Nomination Committee each comprises three Directors, Antony Diment (Chairman), Peter Dicks and Nigel Horne.

The Audit Committee, which meets at least twice a year, is responsible for reviewing the half-year and annual financial statements before their submission to the Board and for monitoring the effectiveness of the Company's internal control systems.

The Remuneration Committee (which has responsibility for reviewing the remuneration of the Directors) and the Nomination Committee (which has responsibility for proposing candidates for appointment to the Board) meet as and when necessary.

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.

Internal control

The Directors of Foresight have overall responsibility for the Company's system of internal control. The internal controls systems 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 concerned 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 Matrix-Securities Limited as company accountant has delegated much of the financial administration to Matrix-Securities Limited which has an established system of financial control, including internal financial controls, to enable 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 Johnson provide legal advice and assistance in relation to the maintenance of VCT tax status and the operation of the agreements entered into with VCF Partners and Cazenove & Co and the application of the venture capital trust legislation to any company in which the Company is proposing to invest. Roger Blears, a partner in Martineau Johnson is appointed by the Board as company secretary 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

Corporate Governance

applicable rules and regulations are complied with. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

Pursuant to the terms of their appointment, VCF Partners advise the Company on venture capital investments. Martineau Johnson, in their capacity as solicitors to the Company, have physical custody of documents of title relating to equity investments.

The Company's portfolio of fixed interest investments is managed under a separate agreement with Cazenove Fund Management Limited which has direct responsibility to the Board in this respect and Cazenove & Co has physical custody of the investments comprised in this portfolio.

In the light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to VCF Partners, Cazenove Fund Management Limited, Matrix-Securities Limited, Martineau Johnson and the company secretary, the Company has not appointed a chief executive officer. 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.

Following publication of Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance), the Board confirm 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 accounts, and that this process is regularly reviewed by the Board and accords with the guidance.

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 Matrix-Securities Limited as Company accountants and the role of the Audit Committee, it is inappropriate to establish an internal audit function.

Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements.

Directors' Report

The Directors present their fifth annual report together with the audited financial statements of the Company for the year to 30 September 2002.

Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-listed companies in the UK. It has satisfied the requirements as a Venture Capital Trust under section 842(4)AA of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust. The Company revoked its status as an investment company in March 2000, so that under its Articles of Association, it can regard capital reserves as profits of the Company available for distribution. The Company has not re-applied for investment company status. The Ordinary Shares and Ordinary Warrants of the Company were first admitted to the Official List of the London Stock Exchange on 17 November 1997 with the "C" Shares and "C" Warrants first admitted on 4 November 1999.

The Directors have managed and continue to manage the Company's affairs in such a manner as to comply with section 842AA of the Income and Corporation Taxes Act 1988.

A review of the Company's business during the year and consideration of its future development and prospects are contained in the Chairman's Statement.

Results

	30 September 2002		30 September 2001	
	Ordinary Shares	"C" Shares	Ordinary Shares	"C" Shares
Capital return transferred to/(from) reserves	220	(2,249)	(14,939)	(3,953)
Revenue return, before taxation	(72)	841	(21)	1,156
Taxation	42	(161)	8	(231)
Revenue return for the period	(30)	680	(13)	925
Dividend paid	-	(582)	-	(1,501)
Transfer (from)/to revenue reserves	(30)	98	(13)	(576)

Dividend

In July the Company paid an interim dividend of 1.00p net (2001: 2.00p) per "C" Share on the basis of the results for the six months ended 31 March 2002. The Directors recommend a final dividend of 0.75p per "C" Share (2001: 2.50p) to "C" Shareholders on the register on 17 January 2003. This payment, if approved at the annual general meeting, will be payable on 24 March 2003. No dividend was paid or is recommended on the Ordinary Shares fund (2001: nil). The after tax revenue return for the year (before capital losses) attributable to Ordinary Shareholders was a loss of £29,838 and a profit of £679,594 for "C" Shareholders, giving an after tax revenue return (before capital losses) per share of (0.22)p and 2.04p respectively.

Issues of shares

In the year ended 30 September 2002 the Company issued 2,600 Ordinary Shares and 26,400 "C" Shares pursuant to the 2002 warrant exercise. The Company also repurchased in the market 206,641 Ordinary Shares and 182,000 "C" Shares. Details of these issues and purchases are given in Note 13 to the financial statements.

CREST

The Company entered CREST, a paperless settlement system, on 27 September 2001. CREST is a voluntary system and those Shareholders and Warrantholders who wish to retain their certificates may do so. Shareholders should be aware of the fact that a disposal of their Ordinary Shares or "C" Shares (but not of their Ordinary or "C" Warrants) before the fifth anniversary (third anniversary if bought on or after 1 April 2000) of their allotment may lead to a loss of tax relief obtained by their investment in the Company.

Directors' Report

Directors

The Directors who held office at the end of the year and their interests in, and warrants to subscribe for, the issued Ordinary Shares and "C" Shares of 1p each of the Company were as follows:

	30 September 2002				1 October 2001			
	Ordinary Shares	Ordinary Warrants	"C" Shares	"C" Warrants	Ordinary Shares	Ordinary Warrants	"C" Warrants	"C" Warrants
Peter Dicks	60,000	–	50,000	10,000	60,000	–	50,000	10,000
Antony Diment	6,000	–	50,000	10,000	6,000	–	50,000	10,000
Nigel Horne	24,000	–	40,000	8,000	24,000	–	40,000	8,000
David Royds	20,000	4,000	20,000	4,000	20,000	–	20,000	4,000
Roger Blears	24,677	–	–	–	24,677	–	–	–
Peter English	820,242	–	266,000	53,200	820,242	–	266,000	53,200
Bernard Fairman	768,941	23,100	253,466	50,693	768,941	23,100	253,466	50,693

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

Biographical notes on the Directors are given on page 11.

None of the Directors has a contract of service with the Company.

Peter Dicks, Antony Diment and Peter English retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for reappointment.

With the exception of Peter English, Bernard Fairman, David Royds and Roger Blears, no Director has an interest in any contract to which the Company is a party. Peter English and Bernard Fairman, in their capacity as VCF Partners, act as investment advisers to the Company in respect of its venture capital investments and received fees of £928,939 including VAT during the year (2001: £1,126,660). David Royds is the Chairman of Matrix-Securities Limited which acts as accountant to the Company and during the year received fees of £29,375 including VAT (2001: £29,375) in respect of this appointment. Matrix-Securities Limited also acts as the promoter of the Company and in respect of this appointment received £nil fees during the year (2001: £27,000). Roger Blears is a partner at Martineau Johnson which acts as the Company's solicitors and during the year received fees of £42,213 (2001: £41,125) including VAT in respect of Company secretarial fees. In addition, Martineau Johnson received £62,035 (2001: £85,764) including VAT in respect of other work and £1,887 (2001: £7,095) which has been capitalised within investments. VCF Partners, Matrix-Securities Limited and Martineau Johnson are also parties to the Conditional Warrants Rights Agreements described in Note 3 to the financial statements.

Management

VCF Partners have been appointed as investment advisers in respect of venture capital investments. The principal terms of the Company's advisory agreement with VCF Partners are set out in Note 3 to the financial statements.

Cazenove Fund Management Limited is the manager of the Company's gilt and sterling-denominated fixed interest portfolio. The principal terms of the Company's management agreement with Cazenove Fund Management Limited is set out in Note 3 to the financial statements.

Matrix-Securities Limited provides accounting services to the Company and is responsible for the financial administration of its affairs.

Roger William Blears, a partner in Martineau Johnson, the Company's solicitors, acts as company secretary.

VCT status monitoring

Foresight has retained Martineau Johnson as legal advisers on inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status at meetings of the Board.

Directors' Report

Substantial shareholdings

As 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.

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 three days.

Directors and officers liability insurance

The Company maintains a Directors and Officers liability insurance policy.

Auditors

KPMG Audit Plc have expressed their willingness to continue in office and resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

A formal notice convening the fifth Annual General Meeting on 4 March 2003 is on page 37. In addition to the ordinary business there is also some special business to attend to which is explained below.

Resolution 7

Resolution 7 will authorise the Directors to allot relevant securities generally, in accordance with Section 80 of the Act, up to a nominal amount of £69,509. The authority and power conferred by Resolution 7 will expire on the fifth anniversary of the passing of the resolution.

Resolution 8

Resolution 8 will sanction, in a limited manner, the disapplication of Section 89 in respect of the authorised but unissued share capital of the Company (not yet committed) and will give the Directors power to (i) allot equity securities with an aggregate nominal value of any amount up to but not exceeding 10% of the issued share capital of the Company where the proceeds of such issue may in part be used to purchase the Company's Ordinary Shares and "C" Shares in the market, and (ii) allot equity securities generally from time to time with an aggregate nominal value of any amount up to but less than 5% of the issued Ordinary Share capital or, as the case may be, "C" Share capital of the Company.

Resolution 9

It is proposed by Resolution 9 that the Directors be given authority to make market purchases of the Company's own shares. Under this authority, which replaces the authority given on 26 February 2002, the Directors may purchase shares with an aggregate nominal amount up to but not exceeding 14.99% of the Company's issued Ordinary Share capital or, as the case may be, "C" Share capital. When buying shares, the Directors cannot pay a price per share which is more than 105% of the average of the middle market quotations for an Ordinary Share, or, as the case may be, a "C" Share taken from the London Stock Exchange daily official list for the five business days immediately before the day on which shares are purchased. This authority will expire at the conclusion of the annual general meeting to be held in 2004.

Whilst generally the Company does not expect shareholders will want to sell their shares within three years of acquiring them (or five years where they have been issued before 6 April 2000) because this may lead to a loss of tax relief, the Directors anticipate that from time to time a shareholder may need to sell shares within this period. Front end VCT income tax relief and capital gains reinvestment 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 give the Directors the authority to do this 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 Directors 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 would deal only with member firms of the London Stock Exchange at a premium to the then prevailing net asset value per share of the Company's ordinary shares to ensure that existing shareholders are not disadvantaged.

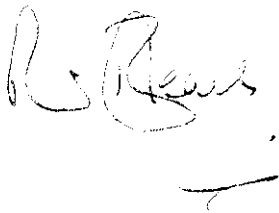
Directors' Report

Separate Meetings of Ordinary Shareholders, "C" Shareholders, Ordinary Warranholders and "C" Warranholders

Formal notices convening separate meetings of Ordinary Shareholders, "C" Shareholders, Ordinary Warranholders and "C" Warranholders can be found on pages 39 to 42. The Resolutions proposed, if passed, will approve the passing of the special resolutions numbered 7 to 9 proposed at the Annual General Meeting and will sanction any modification of the rights of Ordinary Shareholders, "C" Shareholders, Ordinary Warranholders and "C" Warranholders resulting therefrom.

By order of the Board

Roger William Blears
Company Secretary



8 January 2003

Statement of **Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 deter fraud and other irregularities.

Non-Statutory Analysis Between the Ordinary and "C" Shares Funds

Statements of Total Return for the year ended 30 September 2002

	Notes	Ordinary Shares fund			"C" Shares fund		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Unrealised and realised gains/(losses) on investments	1(b)	-	380,355	380,355	-	(1,863,399)	(1,863,399)
income	2	84,593	-	84,593	1,343,315	-	1,343,315
Investment management fees	3	(76,973)	(230,920)	(307,893)	(157,610)	(472,829)	(630,439)
Other expenses	4	(79,784)	-	(79,784)	(344,684)	-	(344,684)
Return on ordinary activities before taxation		(72,164)	149,435	77,271	841,021	(2,336,228)	(1,495,207)
Tax on ordinary activities	6	42,326	70,488	112,814	(161,427)	87,340	(74,087)
Return attributable to equity shareholders		(29,838)	219,923	190,085	679,594	(2,248,888)	(1,569,294)
Dividends in respect of equity shares	7	-	-	-	(581,796)	-	(581,796)
Transfer to/(from) reserves		(29,838)	219,923	190,085	97,798	(2,248,888)	(2,151,090)
Return per share:	8	(0.22)p	1.66p	1.44p	2.04p	(6.75)p	(4.71)p

Balance Sheets as at 30 September 2002

	Notes	Ordinary Shares fund		"C" Shares fund	
		£	£	£	£
Fixed Assets					
Investments	9		12,475,843		22,836,328
Current Assets					
Debtors and prepayments		331,903		667,514	
Cash at bank		128,489		1,522,926	
		460,392		2,190,440	
Creditors: amounts falling due within one year		(59,695)		(551,293)	
Net current assets			400,697		1,639,147
Net assets			12,876,540		24,475,475
Capital and reserves					
Called up share capital	13		131,484		331,912
Share premium account	14		5,513,036		25,913,748
Cancelled share premium account	14		2,075,619		3,482,242
Revaluation reserve	14		5,049,584		(5,476,461)
Profit and loss account	14		106,817		224,034
Equity shareholders' funds			12,876,540		24,475,475
Number of shares in issue			13,148,403		33,191,219
Net asset value per share of 1 pence each:			97.93p		73.74p

Independent **Auditors' Report**

Independent Auditors' report to the members of Foresight Technology VCT plc

We have audited the financial statements on pages 20 to 35.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 17, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 12 and 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 September 2002 and of its profits for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

2 Cornwall Street
Birmingham

8 January 2003

Profit and Loss Account

for the year ended 30 September 2002

	Notes	30 September 2002			30 September 2001		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Losses on realisation of investments		–	(60,068)	(60,068)	–	(116,655)	(116,655)
Income	2	1,427,908	–	1,427,908	1,849,786	–	1,849,786
Investment management fees	3	(234,583)	(703,749)	(938,332)	(291,728)	(875,183)	(1,166,911)
Other expenses	4	(424,468)	–	(424,468)	(422,937)	–	(422,937)
Profit/(loss) on ordinary activities before taxation		768,857	(763,817)	5,040	1,135,121	(991,838)	143,283
Tax on ordinary activities	6	(119,101)	157,828	38,727	(223,185)	175,038	(48,147)
Profit/(loss) on ordinary activities after taxation		649,756	(605,989)	43,767	911,936	(816,800)	95,136
Dividends	7	(581,796)	–	(581,796)	(1,500,926)	–	(1,500,926)
Retained profit/(loss) for the year transferred to/(from) reserves	14	67,960	(605,989)	(538,029)	(588,990)	(816,800)	(1,405,790)
Earnings per share:							
Ordinary Shares	8			(1.37)p			(1.82)p
"C" Shares	8			0.68p			1.02p

All the items in the above statement derive from continuing operations

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2002

Notes	2002			2001			
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	
Profit/(loss) for the year	649,756	(605,989)	43,767	911,936	(816,800)	95,136	
Unrealised losses on revaluation of investment	–	(1,422,976)	(1,422,976)	–	(18,075,084)	(18,075,084)	
Total recognised gains/(losses) during the year	649,756	(2,028,965)	(1,379,209)	911,936	(18,891,884)	(17,979,948)	
Return per share:							
Ordinary Shares	8	(0.22)p	1.66p	1.44p	(0.09)p	(112.47)p	(112.56)p
"C" Shares	8	2.04p	(6.75)p	(4.71)p	2.81p	(11.99)p	(9.18)p

Note of Historical Cost Profits and Losses

for the year ended 30 September 2002

	2002 Total £	2001 Total £
Profit on ordinary activities before taxation	5,040	143,283
Realisation of revaluation losses of previous years	(100,370)	(69,568)
Historical cost (loss)/profit on ordinary activities before taxation	(95,330)	73,715
Historical cost loss for the year after taxation and dividends	(638,399)	(1,475,358)

The notes on pages 23 to 35 form part of these financial statements.

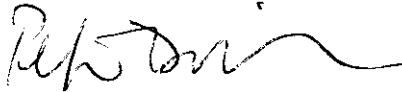

Balance Sheet

as at 30 September 2002

		2002		2001 (Restated)	
	Notes	£	£	£	£
Fixed Assets					
Investments	9		35,312,171		32,661,451
Current Assets					
Debtors and prepayments	10	772,038		884,169	
Cash at Bank		1,651,415		7,098,280	
		<u>2,423,453</u>		<u>7,982,449</u>	
Creditors: amounts falling due within one year	11	<u>(383,609)</u>		<u>(1,116,693)</u>	
Net current assets			<u>2,039,844</u>		<u>6,865,756</u>
Net assets			<u>37,352,015</u>		<u>39,527,207</u>
Capital and reserves					
Called up share capital	13		463,396		466,992
Share premium account	14		31,426,784		31,637,375
Cancelled share premium account	14		5,557,861		6,264,220
Revaluation reserve	14		(426,877)		895,729
Profit and loss account	14		330,851		262,891
			<u>37,352,015</u>		<u>39,527,207</u>
Equity shareholders' funds	15				
Net asset value per share of 1 pence each:					
Ordinary Shares	16		97.93p		96.09p
"C" Shares	16		73.74p		80.06p

The financial statements were approved by the Directors on 8 January 2003 and are signed on their behalf by:

Peter Dicks }
Nigel Horne } Directors

The notes on pages 23 to 35 form part of these financial statements.

Cashflow Statement

for the year ended 30 September 2002

		2002		2001 (Restated)	
	Notes	£	£	£	£
Operating activities					
Dividends received		75,000		3,750	
Deposit and similar interest received		1,380,871		1,822,205	
Other cash receipts		66,960		407,768	
Investment management fees paid		(931,111)		(1,074,318)	
Other cash payments		(472,142)		(357,255)	
Net cash inflow/(outflow) from operating activities	17		119,578		802,150
Investing activities					
Purchase of fixed income investments		(10,982,547)		(15,898,538)	
Purchase of other investments		(6,020,248)		(6,686,095)	
Sale of fixed income investments		12,858,700		21,030,734	
Sale of other investments		10,331		-	
Net cash outflow from investing activities			(4,133,764)		(1,553,899)
Equity dividends					
Equity dividends paid			(1,166,532)		(667,256)
Net cash (outflow)/inflow before financing			(5,180,718)		(1,419,005)
Financing					
Issue of shares (net of expenses)		29,000		1,378,234	
Purchase of own shares		(295,147)		(285,884)	
			(266,147)		1,092,350
Net decrease in cash	18		(5,446,865)		(326,655)

The Company holds gilts and bonds primarily as investments and not as liquid resources. Accordingly, movements in the holdings of these investments are shown within investing activities in the Cashflow Statements rather than within management of liquid resources.

The notes on pages 23 to 35 form part of these financial statements.

Notes to the Accounts

for the year ended 30 September 2002

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently, except as noted, is set out below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and, to the extent that it does not conflict with the Companies Act 1985, the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 266 (3) of the Companies Act 1985, in March 2000.

Consequently, the financial statements have been drawn up to include a statutory profit and loss account and a statement of total recognised gains and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard No. 3 "Reporting Financial Performance". This has no effect on total returns or net assets per share. These statements, however, differ from the Statement of Total Return presented prior to 2001 as follows:

- (a) profit/(loss) on realisation of investments are now included in the profit and loss account;
- (b) unrealised gains and losses on investments are included in the statement of total recognised gains and losses; and
- (c) all investment management fees are charged to the profit and loss account.

As a result of the increasing percentage of funds invested in equity and fixed interest portfolios during the year the Directors have reclassified subscription monies available for possible future investment as Cash at Bank. In prior years these had been classified as Monies held Pending Investment within Fixed Assets. The Balance Sheet as at 30 September 2001 has been restated to reflect this change. Further information is shown in note 9 to the financial statements.

b) Investments

Listed investments and investments traded on AIM are stated at middle market prices as at 30 September 2002. Investments in unlisted companies are valued by the Directors in accordance with the British Venture Capital Association ("BVCA") guidelines. The Directors' policy in valuing unlisted investments is therefore to carry them at cost except in the following circumstances:

- where a company's under performance against plan indicates a diminution in value of the investment, provision is made as appropriate;
- where a company is well-established and profitable, the shares may be valued by applying a suitable price-earnings ratio. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability;
- where a value is indicated by a material arms-length transaction by a third party in the shares of a company;

Unquoted investments will not normally be revalued upwards for a period of at least twelve months from the date of acquisition.

Unrealised capital gains and losses on investments are dealt with in the revaluation reserve. The only exception to this rule occurs when the Directors believe that there has been a permanent diminution in the value of an investment. In such circumstances, the associated write down in the value of the investment is charged directly through the face of the profit and loss account.

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 is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

d) Expenses

All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and with the exception that 75% of the fees payable to VCF Partners and Cazenove Fund Management Limited are charged against capital.

Notes to the Accounts

for the year ended 30 September 2002

Where expenses relate specifically to the Ordinary Shares fund or the "C" Shares fund, they have been allocated to those respective Funds. Of other expenses, which do not relate specifically to either Fund, 25% have been attributed to the Ordinary Shares fund and 75% to the "C" Shares fund.

e) Taxation

Financial Reporting Standard No 19 "Deferred Tax" ("FRS 19") has been adopted in these financial statements but this has had no effect on the accounts for the current or previous years. Full provision is made for deferred tax using the liability method, on all material timing differences between the treatment of certain items for accounting and taxation purposes, that have arisen but not reversed by the balance sheet date unless such provision is not permitted by FRS 19.

A deferred tax asset or liability is recognised to the extent that an actual liability will crystallise or an asset be recoverable.

f) Financial Instruments

During the course of the year the Company held fixed asset investments and cash balances. The Company holds financial assets that comprise investments in unlisted companies, qualifying loans, and companies raising new share capital on the Alternative Investment Market. The fair value is not materially different from the carrying value for all financial assets and liabilities.

2 Income

	2002	2001
	£	£
Interest receivable		
– from qualifying loans	282,309	246,541
– from fixed interest securities	911,217	1,247,432
– from monies held pending investment	164,367	274,197
– from bank deposits	13,765	59,116
	<u>1,371,658</u>	<u>1,827,286</u>
Dividends receivable	56,250	22,500
	<u>1,427,908</u>	<u>1,849,786</u>

3 Investment advisers' and manager's fees

	2002	2001
	£	£
VCF Partners	928,939	1,126,660
Cazenove	9,393	40,251
	<u>938,332</u>	<u>1,166,911</u>

VCF Partners advise the Company on investments in qualifying companies under an agreement dated 11 October 1999, which supersedes the original agreement dated 29 September 1997. The agreement is 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.

VCF Partners have received an annual management fee of 2% of the net assets attributable to the Ordinary Shares in the year to 30 September 2002 and will receive 2% for subsequent periods. VCF Partners receive an annual management fee of 2% of the net assets attributable to the "C" Shares fund in the period to the end of the accounting period next before the third anniversary of the first admission of the "C" Shares (and 1.6% thereafter). The annual management fees are calculated and payable quarterly in advance together with any applicable VAT.

VCF Partners 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, VCF Partners retain the right to charge arrangement and syndication fees and directors' or monitoring fees ("deal fees") to companies in which the Company invests.

Notes to the Accounts

for the year ended 30 September 2002

3 Investment advisers' and manager's fees (continued)

As is customary in the Venture Capital industry VCF Partners will receive a performance related incentive as described in the following paragraphs.

In connection with the Ordinary Shares fund VCF Partners and (in consideration of their underwriting certain costs of the original offer) Matrix-Securities Limited and Martineau Johnson were entitled to be issued with performance warrants granting the right to subscribe at par for Ordinary shares in accordance with and subject to the terms set out in a conditional warrant rights agreement dated 29 September 1997. Upon the declaration by the Company of the interim dividend of 100 pence, which was paid to Ordinary Shareholders on 8 May 2000 from the capital reserves of the Ordinary Shares fund, these rights were exercised and the Company became obliged to issue to VCF Partners on the one hand and Matrix-Securities and Martineau Johnson on the other hand (in the ratio of 2:1) 1,960,234 Ordinary shares at par.

In connection with the assets attributable to the "C" Shares fund VCF Partners and (in consideration of their underwriting certain costs of the issue) Matrix-Securities Limited are entitled to be issued with performance warrants granting the right to subscribe at par for a number of "C" Shares which represents 15% of the sum of (i) the number of "C" Shares in issue prior to the exercise of the warrants plus (ii) the shares attaching to the performance warrants if:

- ★ before the seventh anniversary of the close of the offer for subscription of "C" Shares made pursuant to the Company's prospectus dated 14 October 1999, cumulative dividend payments on each "C" Share are not less than 80 pence (being an amount equivalent to the net subscription price of the "C" Shares under the public offer after deducting 20% income tax relief); or
- ★ at the seventh anniversary cumulative dividend payments together with net realisations (after deducting losses) which have not by then, for whatever reason, been distributed, amount to not less than 80 pence per "C" Share.

If these performance criteria are not met the performance warrants may give an entitlement to subscribe for a lesser number of shares (12.5%) if a higher target of £1.25 per share is achieved at any time after the seventh anniversary.

The performance warrant rights in connection with the "C" shares fund will be allocated between VCF Partners on the one hand and Matrix-Securities Limited on the other hand in the ratio of 4:1.

Cazenove Fund Management ("Cazenove") manages the Company's portfolio of gilts and other fixed interest securities under an agreement dated 14 October 1999, which supersedes the original agreement dated 1 October 1997. The agreement may be terminated by either party with immediate effect. Cazenove receives an annual fee of 0.0375% of Ordinary Shares funds and 0.025% of "C" Shares funds under management, with a minimum of £10,000 per annum (in each case plus VAT thereon).

4 Other expenses

	2002	2001
	£	£
Directors' remuneration (note 5)	78,583	80,078
Broker's fees	5,896	5,992
Company secretarial fees	42,213	41,125
Accounting and book-keeping fees	29,375	29,375
Auditors' fees – for audit	21,089	20,269
Auditors' and associates' fees – for other services	3,048	14,254
Registrar's fees	21,489	15,281
Legal and professional fees	62,035	79,625
Printing	38,027	27,525
Advisers' commission	91,230	77,925
Other expenses	31,483	31,488
	424,468	422,937

The Company has no employees other than directors.

Notes to the Accounts

for the year ended 30 September 2002

5 Directors' fees

	2002	2001
	£	£
Peter Dicks	17,500	17,500
Nigel Horne	15,000	15,000
David Royds	12,500	12,500
	<u>45,000</u>	<u>45,000</u>
Amounts paid and payable to third parties for the services of:		
Antony Diment	15,000	15,000
Roger Blears	12,500	12,500
	<u>27,500</u>	<u>27,500</u>
Employers' NIC and irrecoverable VAT on above as appropriate	6,083	7,578
	<u>78,583</u>	<u>80,078</u>

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. 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 15.

6 Tax on ordinary activities

	2002	2001
	£	£
UK taxation		
UK corporation tax on profits for the year at 19.5% (2001: 20%)	1,727	48,147
Adjustments in respect of previous periods	(40,454)	-
	<u>(38,727)</u>	<u>48,147</u>
Tax on profit on ordinary activities	(38,727)	48,147

The tax assessed for the year is higher than at the standard small companies rate of corporation tax in the UK 19.5%: (2001: 20%).

The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	5,040	143,283
Profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19.5% (2001: 20%)	983	28,657
Effect of:		
UK dividends (not taxable)	(10,969)	(4,500)
Capital losses for which no relief	11,713	23,990
Adjustment to tax charge in respect of prior periods	(40,454)	-
Current tax (relief)/charge for year	<u>(38,727)</u>	<u>48,147</u>

Tax relief relating to investment management fees is allocated between Revenue and Capital in the same proportion as such fees.

There is no taxation in relation to capital gains or losses.

No deferred tax asset or liability has arisen in the period.

Notes to the Accounts

for the year ended 30 September 2002

7 Dividends

	2002	2001
	£	£
Ordinary Shares		
Interim dividend paid	-	-
Final dividend proposed	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
"C" Shares		
Interim dividend paid	332,862	667,256
Final dividend proposed	248,934	833,670
	<hr/>	<hr/>
Dividends for the year	581,796	1,500,926
	<hr/>	<hr/>

8 Earnings and return per share

Total earnings after taxation for the year were £43,767 (2001: £95,136) comprising a loss on the Ordinary Shares fund after taxation of £181,688 (2001: £241,179) and a profit after taxation on the "C" Shares fund of £225,455 (2001: £336,315). The basic earnings per Ordinary Share is on the net loss from ordinary activities and on 13,287,221 (2001: 13,282,371) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. There is no difference between the basic earnings per share and diluted earnings per share as the Ordinary Warrants are not considered to be dilutive. The basic earnings per "C" Share is based on the net profit from "C" Shares fund activities and on 33,305,529 (2001: 32,955,624) "C" Shares, being the weighted average number of "C" Shares in issue during the year. There is no difference between the basic earnings per share and diluted earnings per share as the "C" Warrants are not considered to be dilutive.

The revenue return per Ordinary Share is based on the net loss from Ordinary Share fund activities after taxation of £29,838 (2001: £12,520) and on 13,287,221 (2001: 13,282,371) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. The revenue return per "C" Share is based on the net revenue from "C" Share fund activities after taxation of £679,594 (2001: £924,456) and on 33,305,529 (2001: 32,955,624) "C" Shares, being the weighted average number of "C" Shares in issue during the year.

The capital return per Ordinary Share is based on the net realised capital losses of £151,850 (2001: £240,916), on net unrealised capital gains of £371,773 (2001: loss of £14,698,200) on the Ordinary Shares fund and on 13,287,221 (2001: 13,282,371) Ordinary Shares. The capital return per "C" Share is based on the net realised capital losses of £454,139 (2001: £645,452), on net unrealised capital losses of £1,794,749 (2001: £3,307,316) on the "C" Shares fund and on 33,305,529 (2001: 32,955,624) "C" Shares.

Notes to the Accounts

for the year ended 30 September 2002

9 Investments

Movements in investments during the year are summarised as follows:

	Listed investments	Traded on AIM	Unlisted or traded on OFEX	Qualifying loans	Total
COMPANY	£	£	£	£	£
Cost or valuation at 30 September 2001	14,861,325	1,486,497	12,123,629	4,190,000	32,661,451
Purchases at cost	10,982,547	–	2,578,675	3,441,574	17,002,796
Disposals at cost or opening valuation	(12,928,100)	–	–	(1,000)	(12,929,100)
Change in unrealised gains/(losses)	129,985	(38,369)	(914,592)	(600,000)	(1,422,976)
Cost/valuation at 30 September 2002	13,045,757	1,448,128	13,787,712	7,030,574	35,312,171
Book cost at 30 September 2002	12,460,355	1,950,371	13,552,748	7,775,574	35,739,048
Unrealised gains/(losses) at 30 September 2002	585,402	(502,243)	234,964	(745,000)	(426,877)
	13,045,757	1,448,128	13,787,712	7,030,574	35,312,171
ORDINARY SHARES	£	£	£	£	£
Cost or valuation at 30 September 2001	1,194,500	1,271,987	8,282,129	1,160,000	11,908,616
Purchases at cost	495,307	–	1,897	–	497,204
Disposals at cost or opening valuation	(300,750)	–	–	(1,000)	(301,750)
Change in unrealised gains/(losses)	437,500	(10,385)	544,658	(600,000)	371,773
Cost/valuation at 30 September 2002	1,826,557	1,261,602	8,828,684	559,000	12,475,843
Book cost at 30 September 2002	971,065	841,319	4,354,875	1,259,000	7,426,259
Unrealised gains/(losses) at 30 September 2002	855,492	420,283	4,473,809	(700,000)	5,049,584
	1,826,557	1,261,602	8,828,684	559,000	12,475,843
"C" SHARES	£	£	£	£	£
Cost or valuation at 30 September 2001	13,666,825	214,510	3,841,500	3,030,000	20,752,835
Purchases at cost	10,487,240	–	2,576,778	3,441,574	16,505,592
Disposals at cost or opening valuation	(12,627,350)	–	–	–	(12,627,350)
Change in unrealised gains/(losses)	(307,515)	(27,984)	(1,459,250)	–	(1,794,749)
Cost/valuation at 30 September 2002	11,219,200	186,526	4,959,028	6,471,574	22,836,328
Book cost at 30 September 2002	11,489,290	1,109,052	9,197,873	6,516,574	28,312,789
Unrealised gains/(losses) at 30 September 2002	(270,090)	(922,526)	(4,238,845)	(45,000)	(5,476,461)
	11,219,200	186,526	4,959,028	6,471,574	22,836,328

"Listed investments" include one equity investment listed on the London Stock Exchange, in the Ordinary Shares fund which cost £475,758 (2001: £475,758) and was valued at £1,331,250 at 30 September 2002 (2001: £893,750). All other "Listed investments" relate to fixed interest securities.

Monies held on deposit pending investment comprise cash temporarily on deposit and available to Cazenove or VCF Partners for future investment.

Notes to the Accounts

for the year ended 30 September 2002

9 Investments (continued)

Investment Portfolio Summary at 30 September 2002

ORDINARY SHARES FUND

	Cost (including administrative costs) £	Valuation £	% of Ordinary Shares Portfolio %
Equity Portfolio (including loans)			
Sapphire International Limited	1,189,000	1,189,000	9.53
Actimax Plc	600,000	600,000	4.81
Survey & Development Services Limited	700,000	-	-
DSM Geodata Limited	-	139,535	1.12
Entraline Limited	1,501,897	10,000	0.08
Advanced Composites Group Limited	1,622,978	7,449,149	59.71
YooMedia Plc (formerly e-direct.net.plc)	341,319	961,602	7.71
Telecom Plus Plc	475,758	1,331,250	10.67
Clarity Commerce Solutions Plc	500,000	300,000	2.40
	6,930,952	11,980,536	96.03
Fixed Interest Portfolio	495,307	495,307	3.97
Total Ordinary Shares fund	7,426,259	12,475,843	100.00

"C" SHARES FUND

	Cost (including administrative costs) £	Valuation £	% of "C" Shares Portfolio %
Equity Portfolio (including loans)			
Travelstore.com plc	1,343,202	47,250	0.21
KeepAhead Limited	1,000,000	50,000	0.22
UK Directory (Holdings) Limited	1,000,000	35,000	0.15
themutual.net.plc	502,938	102,819	0.45
FFastFill plc	506,114	29,707	0.13
Sarantel Limited	1,642,406	1,642,406	7.19
Caliserve Communications plc	502,893	500,000	2.19
Mondas plc	1,000,000	909,000	3.98
iDesk plc	500,000	-	-
iCore Limited	750,000	750,000	3.28
Heritage Image Partnership Limited	950,000	475,000	2.08
Monactive Limited	750,000	750,000	3.28
Aquasium Technology Limited	1,000,000	1,000,000	4.38
Blue Curve Research.net Limited	1,000,000	1,000,000	4.38
SmartFocus Holdings Limited	1,000,000	1,000,000	4.38
Wire-e Limited	1,000,000	1,000,000	4.38
Alaric Limited	900,000	900,000	3.94
Oxonica Limited	475,946	475,946	2.09
ANT Limited	1,000,000	950,000	4.16
	16,823,499	11,617,128	50.87
Fixed Interest Portfolio	11,489,290	11,219,200	49.13
Total "C" Shares fund	28,312,789	22,836,328	100.00
COMPANY TOTAL	35,739,048	35,312,171	

Cash at bank disclosed in the balance sheet includes cash held by Cazenove of £112,983 (2001: £67,046) in the Ordinary Shares fund and £1,495,192 (2001: £4,510,760) in the "C" Shares fund, held either for further investment or to meet future running costs.

The amounts provided or written off against unlisted investments in the last three financial years were:

Financial Year	Provisions Made £	Write Offs £
2002	2,231,971	-
2001	3,220,526	-
2000	1,756,236	1,493,317

No individual provision or write off exceeded 5% of the gross assets of the Company.

Notes to the Accounts

for the year ended 30 September 2002

10 Debtors and prepayments

	2002	2001
	£	£
Accrued interest	493,880	527,926
Other debtors	51,976	113,051
Prepayments	226,182	243,192
	<u>772,038</u>	<u>884,169</u>

Included in accrued interest at 30 September 2002 are amounts of £120,362 (2001: £75,503) receivable after more than one year.

11 Creditors: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	10,511	96,960
Corporation tax	9,420	48,147
Other tax and social security	5,973	7,031
Accruals	108,771	131,155
Proposed dividend	248,934	833,670
	<u>383,609</u>	<u>1,116,693</u>

12 Significant interests

At 30 September 2002 the Company held significant investments, amounting to 10% or more of the equity capital of an undertaking, in the following companies:

	Equity investment	Investment in loan stock	Total investment	Percentage of investee company's total equity
	£	£	£	%
Ordinary Shares Fund				
Sapphire International Limited	750,000	439,000	1,189,000	18.6
Actimax Plc	480,000	120,000	600,000	42.0
Advanced Composites Group Limited	1,622,978	-	1,622,978	27.5
Yoo Media plc	341,319	-	341,319	18.6
"C" Ordinary Share fund				
KeepAhead Limited	1,000,000	-	1,000,000	15.0
UK Directory (Holdings) Limited	1,000,000	-	1,000,000	10.0
iCore Limited	750,000	-	750,000	16.7
Sarantel Limited	200,833	1,441,573	1,642,406	37.0
Monactive Limited	375,000	375,000	750,000	17.6
Blue Curve Research.net Limited	333,333	666,667	1,000,000	23.7
Aquasium Technology Limited	333,333	666,667	1,000,000	33.3
SmartFocus Holdings Limited	333,333	666,667	1,000,000	20.0
Oxonica Limited	475,946	-	475,946	10.0
Wire-e Limited	100,000	900,000	1,000,000	18.4
Heritage Image Partnership Limited	950,000	-	950,000	18.7

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", the above 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.

Notes to the Accounts

for the year ended 30 September 2002

13 Called up share capital

	2002 £	2001 £
Authorised:		
Ordinary Shares of 1p each: 20 million shares	200,000	200,000
"C" Shares of 1p each: 50 million shares	500,000	500,000
	<u>700,000</u>	<u>700,000</u>
Allotted, called up and fully paid:		
Ordinary Shares of 1p each: 13,148,403 (2001: 13,352,444)	131,484	133,524
"C" Shares of 1p each: 33,191,219 (2001: 33,346,819)	331,912	333,468
	<u>463,396</u>	<u>466,992</u>

During the year, the Company issued 2,600 (2001: 493,600) Ordinary Shares and 26,400 (2001: 60,600) "C" Shares in respect of the exercise of warrants to subscribe for these shares at £1 per share.

During the year the Company purchased 206,641 (2001: 185,000) of its own Ordinary Shares and 182,000 (2001: 94,743) of its own "C" Shares for cash at the prevailing market price for a total cost of £146,071 (2001: £196,297) and £97,116 (2001: £74,437) respectively, funded from the sale of shares noted above, as follows:

Ordinary Shares:	Purchased		£
	60,000	26 February 2002	600
	50,000	30 May 2002	500
	45,000	13 June 2002	450
	16,641	20 September 2002	166
	20,000	25 September 2002	200
	15,000	27 September 2002	150
		Nominal Value	<u>2,066</u>
"C" Shares:	Purchased		£
	6,000	2 November 2001	60
	44,500	3 January 2002	445
	21,500	26 February 2002	215
	25,000	27 August 2002	250
	85,000	20 September 2002	850
		Nominal Value	<u>1,820</u>

As at 30 September 2002 this represented a 1.6% of the Ordinary Share capital and 0.5% of the "C" Share capital.

The Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Ordinary Shares. The "C" Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the "C" Shares.

The capital and assets of the Company shall on a winding up or on a return of capital be applied as follows: (a) The Ordinary Share surplus shall be divided amongst the holders of the Ordinary Shares pro-rata according to their holdings of Ordinary Shares; and (b) The "C" Share surplus shall be divided amongst the holders of the "C" Shares pro-rata according to their holdings of "C" Shares. The Ordinary Shares and "C" Shares rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

Notes to the Accounts

for the year ended 30 September 2002

13 Called up share capital (continued)

The "C" Shares fund will be managed separately until approximately the seventh anniversary of the close of the public offer of "C" Shares when they will be merged with the Ordinary Shares fund. When the two funds are merged the "C" Shares will be converted into Ordinary Shares on a net asset ratio basis.

The Company has outstanding at the end of the year 1,728,500 (2001: 1,731,100) Ordinary Warrants to subscribe for Ordinary Shares and 6,598,192 (2001: 6,624,592) "C" Warrants to subscribe for "C" Shares. The terms of the Ordinary Warrants and "C" Warrants are, *mutatis mutandis*, identical.

Each Warrant entitles a Warrant holder to subscribe in cash on 31 January in one of the years 2002 to 2004 for one share at a price of 100p payable in full in cash on subscription which will rank *pari passu* with existing shares. An individual purchaser of Warrants in the market who subscribes for new Shares following the exercise of the subscription rights conferred by the Warrants will be eligible for VCT tax reliefs subject to his personal circumstances. The Inland Revenue has confirmed that a disposal of Warrants within five years (or within three years in respect of Warrants issued after 5 April 2000) by the Shareholder to whom they were first issued should not affect the retention of VCT reliefs given in respect of the original subscription to which these warrants were attached. Further details of the Warrants are available on request from the Company.

Warrant holders do not have the rights to block distributions to Shareholders. Accordingly it is the opinion of the Directors that the value of the Warrants from time to time will be determined by a number of factors including the market demand for VCT investment opportunities and the extent to which the Company's investments show gains (for example after the flotation of an investee company) which are likely to be realised and distributed after one of the exercise dates of the Warrants.

14 Capital and reserves

COMPANY	Called up share capital	Share premium account	Cancelled share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£	£
At 1 October 2001	466,992	31,637,375	6,264,220	895,729	262,891	39,527,207
Issued share capital	290	28,710	-	-	-	29,000
Own shares purchased during the year	(3,886)	(239,301)	-	-	-	(243,187)
Realisation of previously unrealised diminution	-	-	(100,370)	100,370	-	-
Retained loss for the year	-	-	-	-	(538,029)	(538,029)
Decrease in unrealised appreciation	-	-	-	(1,422,976)	-	(1,422,976)
Write off to cancelled share premium account - current year	-	-	(605,989)	-	605,989	-
At 30 September 2002	463,396	31,426,784	5,557,861	(426,877)	330,851	37,352,015

A special reserve, the cancelled share premium account, to which existing and future realised capital losses can be written off, was created by the reduction of the share premium account by £10 million, sanctioned by the Court on 7 March 2001 and which became effective on 14 March 2001.

Subsequent to the year end the Company has obtained the permission of the Court to cancel the remainder of its share premium account. Further information regarding this is given in Note 20.

Notes to the Accounts

for the year ended 30 September 2002

14 Capital and reserves (continued)

	Called up share capital	Share premium account	Cancelled share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£	£
ORDINARY SHARES						
At 1 October 2001	133,524	5,654,467	2,230,289	4,674,991	136,655	12,829,926
Issued share capital	26	2,574	-	-	-	2,600
Own shares purchased during the year	(2,066)	(144,005)	-	-	-	(146,071)
Realisation of previously unrealised diminution	-	-	(2,820)	2,820	-	-
Retained loss for the year	-	-	-	-	(181,688)	(181,688)
Increase in unrealised appreciation	-	-	-	371,773	-	371,773
Write off to cancelled share premium account – current year	-	-	(151,850)	-	151,850	-
At 30 September 2002	131,484	5,513,036	2,075,619	5,049,584	106,817	12,876,540

	Called up share capital	Share premium account	Cancelled share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£	£
"C" SHARES						
At 1 October 2001	333,468	25,982,908	4,033,931	(3,779,262)	126,236	26,697,281
Issued share capital	264	26,136	-	-	-	26,400
Own shares purchased during the year	(1,820)	(95,296)	-	-	-	(97,116)
Realisation of previously unrealised diminution	-	-	(97,550)	97,550	-	-
Retained loss for the year	-	-	-	-	(356,341)	(356,341)
Decrease in unrealised appreciation	-	-	-	(1,794,749)	-	(1,794,749)
Write off to cancelled share premium account – current year	-	-	(454,139)	-	454,139	-
At 30 September 2002	331,912	25,913,748	3,482,242	(5,476,461)	224,034	24,475,475

15 Reconciliation of movements in equity shareholders' funds

	2002 £	2001 £
Profit for the financial year	43,767	95,136
Dividends	(581,796)	(1,500,926)
	(538,029)	(1,405,790)
Other recognised gains and losses	(1,422,976)	(18,075,084)
New share capital subscribed (repurchased) (net)	(214,187)	1,115,932
Net reduction in shareholders' funds	(2,175,192)	(18,364,942)
Total net assets attributable to equity shareholders at the beginning of the year	39,527,207	57,892,149
Total net assets attributable to equity shareholders at 30 September	37,352,015	39,527,207

Notes to the Accounts

for the year ended 30 September 2002

16 Net asset value per Share

Net asset value per Ordinary Share is based on net assets of the Ordinary Shares fund at the year end, and on 13,148,403 (2001: 13,352,444) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

Net asset value per "C" Share is based on net assets of the "C" Shares fund at the year end, and on 33,191,219 (2001: 33,346,819) "C" Shares, being the number of "C" Shares in issue on that date.

17 Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities

	2002	2001
	£	£
Profit on ordinary activities before taxation	5,040	143,283
Losses/(gains) on realisation of investments	60,068	116,655
Decrease/(increase) in debtors	112,131	466,076
(Decrease)/increase in creditors and accruals	(124,621)	76,136
Taxation repaid on investment income	66,960	-
	<u>119,578</u>	<u>802,150</u>

18 Analysis of changes in net funds

	Cash at Bank £
At 1 October 2001	7,098,280
Cash flows	(5,446,865)
	<u>1,651,415</u>

The position at 30 September 2001 has been re-stated to include as cash monies held pending investment and amounts on deposit at the bank.

19 Financial Instruments

The main purpose of the Company's financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company's principal financial instruments comprise equity holdings, qualifying loan stock, fixed interest securities, cash and liquid resources.

The Company has not entered into any derivative transactions. The main risks arising from the Company's financial instruments are principally interest rate risk and market price risk. These risks are summarised underneath.

Interest rate risk

	Total fixed portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	2002	2001	2002	2001	2002	2001
	£	£	%	%	Days	Days
Fixed rate						
Short term fixed interest securities	10,683,707	12,421,300	7.6%	7.2	199	89
Long term fixed interest securities	1,030,800	1,546,275	7.0%	6.9	388	582
Qualifying loan stock	7,030,574	4,190,000	6.0%	6.9	1,274	1,362
	<u>18,745,081</u>	<u>18,157,575</u>				

During the course of the year the Company also held cash balances and cash deposits. The benchmark rate, which determines the interest payments received on cash and loan balances held, is the bank base rate which was 4.0% as at 30 September 2002.

Notes to the Accounts

for the year ended 30 September 2002

19 Financial Instruments (continued)

Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed in the awareness of such risk and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment in unquoted and AIM listed companies, by its nature, involves a higher degree of risk than investment in the main market. These securities may be more difficult to realise. Further information on the investment portfolio is set out on pages 4 to 10.

Currency Exposure

As at 30 September 2002, the Company has no foreign currency exposure risk.

Financial Liabilities and Borrowing facilities

The Company had no committed borrowing facilities, liabilities or guarantees as at 30 September 2002 or 30 September 2001.

Fair values

The fair value of the Company's financial assets and liabilities at 30 September 2002 and 30 September 2001 are not different from their carrying values.

20 Post balance sheet event

The Company has obtained the permission of the High Court to cancel the remainder of its share premium account. This has increased the special reserve available to the company to (a) fund share buy backs as and when this is considered by the Board to be in the best interests of shareholders and (b) write off existing and future losses should the Company at any time be obliged to take capital losses into account in determining its ability to distribute revenue reserves.

21 Related party transactions

VCF Partners, Martineau Johnson and Matrix-Securities Limited are considered to be Related Parties of the Company. Details of arrangements with these parties are given in the Directors' Report and Notes 3, 4 and 5.

At the balance sheet date, there was £12,293 (2001: £43,464) due to Martineau Johnson and nil (2001: £34,571) due to Matrix-Securities Limited. £218,373 (2001: £227,051) had been prepaid to VCF Partners for their services for the quarter ended 31st December 2002. No amounts have been written off in the year in respect of debts due to or from the related parties.

Taxation

TAXATION

Taxation Benefit

VCTs provide private investors with an attractive method of investing in small to medium-sized unquoted trading companies in the UK which would otherwise be difficult to invest in directly. VCTs also offer substantial tax benefits to private investors.

Personal Taxation Benefits

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for Ordinary Shares or "C" Shares. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, tax reliefs will only be given to the extent that the individual's acquisitions of shares in VCTs in any tax year do not exceed £100,000.

A Relief from income tax on tax investments

An investor subscribing for new Ordinary Shares or "C" Shares in a VCT is entitled to claim income tax relief on amounts subscribed up to a maximum of £100,000 in any tax year. To obtain relief an investor must subscribe in his own name and not through a nominee although the shares may subsequently be transferred into the name of a nominee. The relief is given at the lower rate of tax on the amount subscribed (currently 20%) provided that the relief is limited to the amount which reduces the invested income tax liability to nil. Investments financed by a loan may not qualify for relief depending on the circumstances.

B Relief from capital gains tax reinvestment relief

An investor who is resident and ordinarily resident in the UK who realises a chargeable gain on or after the 6 April 1995 may defer tax on that gain by claiming for it to be treated as reinvested in Ordinary Shares or "C" Shares in the VCT. To qualify for the relief the shares in which the reinvestment is made must be Ordinary Shares or "C" Shares in respect of which he obtained income tax relief on investment, which are subscribed for within the period beginning twelve months before and ending twelve months after the gain has accrued. The maximum amount subscribed for Ordinary Shares or "C" Shares against which chargeable gains can be deferred is £100,000 in any one tax year, the same limit as for income tax relief on investment.

C Dividend relief

An investor who acquires in any tax year Ordinary Shares or "C" Shares having a value of up to a maximum of £100,000 will not be liable to income tax on dividends paid by the VCT on those shares. Since 6 April 1999 investors in a VCT are no longer able to benefit from a repayment of a tax credit attached to the dividends they receive.

D Relief from capital gains tax on disposal

A disposal by an investor of Ordinary Shares or "C" Shares in the VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of Ordinary Shares or "C" Shares acquired within the limit of £100,000 for any tax year, determined as for dividend relief.

The above is only an outline of the tax reliefs available under current legislation. Investors are recommended to consult an independent professional adviser as to the taxation consequences of investing in a VCT.

8 January 2003

Notice of Annual General Meeting

Notice is hereby given that the fifth annual general meeting of Foresight Technology VCT plc will be held on 4 March 2003 at 11.00 am at the offices of Martineau Johnson, 78 Cannon Street, London EC4N 6NQ for the following purposes:

Ordinary business

- Resolution 1 To receive the financial statements for the year ended 30 September 2002 together with the reports of the Directors and Auditors thereon.
- Resolution 2 To declare a final dividend of 0.75p per "C" Share.
- Resolution 3 To re-elect Peter Dicks as a non-executive Director.
- Resolution 4 To re-elect Tony Diment as a non-executive Director.
- Resolution 5 To re-elect Peter English as a non-executive Director.
- Resolution 6 To re-appoint KPMG Audit Plc, as Auditors and to authorise the Directors to determine the Auditors' remuneration.

Special Business

- Resolution 7 the Directors be and are hereby authorised to exercise all of the powers of the Company to allot relevant securities (which expression shall have the meaning ascribed to it in Section 80 of the Companies Act 1985 "the Act") up to an aggregate nominal value of £69,509 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements).

This resolution shall (from the date it is passed) be in substitution for the authority and power conferred by Special Resolution 7 passed at the Company's Annual General Meeting held on 26 February 2002 and the separate class meetings held on 27 February 2002.

- Resolution 8 The Directors be and are hereby empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 94(2) of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by the Special Resolution 7 set out in this notice of Annual General Meeting as if section 89(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 15 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:

- (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10% of the issued ordinary share capital of the Company where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares (and/or Ordinary Warrants) or, as the case may be, "C" Shares (and/or "C" Shares) in the market; and
- (ii) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5% of the issued Ordinary Share capital, or as the case may be, "C" Share capital of the Company;

and provided further that this resolution shall (from the date it is passed) be in substitution for the authority and power conferred by Special Resolution 8 passed at the Company's Annual General Meeting held on 26 February 2002 and Resolution 2 passed at the separate class meetings held on 27 February 2002.

Notice of Annual General Meeting

Resolution 9 the Company be empowered to make market purchases (within the meaning of Section 163 of the Act) of its own ordinary shares provided that:

- (i) the aggregate nominal amount of the ordinary shares to be purchased shall not exceed 14.99% of the issued Ordinary Share capital or, as the case may be, "C" Share capital, of the Company immediately following the close of the "C" Share Issue;
- (ii) the minimum price which may be paid for Ordinary Shares or, as the case may be, "C" Shares is 1 pence per share;
- (iii) the maximum price which may be paid for Ordinary Shares or, as the case may be, "C" Shares is an amount equal to 105% of the average of the middle market quotation for Ordinary Shares or, as the case may be, "C" Shares taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Ordinary Shares or, as the case may be, "C" Shares are purchased;
- (iv) the authority conferred by this resolution shall expire on the conclusion of the Annual General Meeting of the Company to be held in the year 2004 unless such authority is renewed prior to such time;
- (v) the Company may make a contract to purchase Ordinary Shares or, as the case may be, "C" Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares or, as the case may be, "C" Shares pursuant to such contract;

and provided further that this resolution shall (from the date it is passed) be in substitution for the authority and power conferred by Special Resolution 9 passed at the Company's Annual General Meeting held on 26 February 2002 and Resolution 2 passed at the separate class meetings held on 27 February 2002.

By order of the Board

Roger William Blears
Company Secretary

8 January 2003

St Philips House
St Philips Place
Birmingham B3 2PP

A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll to vote on his or her behalf. A proxy need not also be a member. 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. A reply paid form of proxy for your use is enclosed. To be valid, it should be completed, signed and sent (together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority) to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR so as to be received not later than forty-eight hours before the time appointed for holding the meeting, any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting so as to be received not later than twenty-four hours before the time appointed for taking the poll. In accordance with the requirements of the Companies Act 1985 the Register of Directors' interests will be available for inspection at the Annual General Meeting.

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 the Company will be held on 4 March 2003 at 11.30 am at the offices of Martineau Johnson, 78 Cannon Street, London EC4N 6NQ (or as soon thereafter as the Annual General Meeting of the Company convened for 11.00 am on that day has been concluded or adjourned) for the following 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 hereby sanction, approve and consent to:

- a) the passing and carrying into effect, as Special Resolutions of the Company, Resolutions 7 to 9 set out in the notice of Annual General Meeting of the Company convened for 11.00 am on 4 March 2003 (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 not withstanding 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

Roger William Blears
Company Secretary

St Philips House
St Philips Place
Birmingham B3 2PP

8 January 2003

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his or her behalf. The proxy need not also be a member. 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.
2. 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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR 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 subsequent to the date of the meeting or adjourned meeting) so as to be received not later than 24 hours before the time appointed for taking a poll.
3. Notice is hereby further given that the necessary quorum for the above meeting shall be Ordinary Shareholders present in person or by proxy 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 5 March 2003 at 9.30 am at the offices of Martineau Johnson, St Philips House, St Philips Place, Birmingham B3 2PP or as soon thereafter as may be arranged and at such adjourned meeting the Ordinary Shareholders present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.

Notice of Separate Meeting of "C" Shareholders

Notice is hereby given that a separate meeting of the holders of "C" Shares of 1 pence each in the capital of the Company will be held on 4 March 2003 at 11.35 am at the offices of Martineau Johnson, 78 Cannon Street, London EC4N 6NQ (or as soon thereafter as the Separate Meeting of the holders of Ordinary Shares of the Company convened for 11.30 am on that day has been concluded or adjourned) for the following purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

The holders of the "C" Shares of 1 pence each in the capital of the Company hereby sanction, approve and consent to:

- a) the passing and carrying into effect, as Special Resolutions of the Company, Resolutions 7 to 9 set out in the notice of Annual General Meeting of the Company convened for 11.00 am on 4 March 2003 (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 "C" 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 "C" Shares.

By order of the Board

Roger William Blears
Company Secretary

St Philips House
St Philips Place
Birmingham B3 2PP

8 January 2003

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his or her behalf. The proxy need not also be a member. 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.
2. A reply paid form of proxy for your use is enclosed (Form of Proxy - Separate Meeting of "C" 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 notorially certified copy of such power or authority to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR 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 subsequent to the date of the meeting or adjourned meeting) so as to be received not later than 24 hours before the time appointed for taking a poll.
3. Notice is hereby further given that the necessary quorum for the above meeting shall be "C" Shareholders present in person or by proxy not less than one third of the paid up "C" 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 5 March 2003 at 9.35 am at the offices of Martineau Johnson, St Philips House, St Philips Place, Birmingham B3 2PP or as soon thereafter as may be arranged and at such adjourned meeting the "C" Shareholders present in person or by proxy shall be a quorum regardless of the number of "C" Shares held.

Notice of Separate Meeting of Ordinary Warrantholders

Notice is hereby given that a separate meeting of the holders of Ordinary Warrants to subscribe for Ordinary Shares of 1 pence each in the capital of the Company and constituted by a Warrant Instrument dated 12 November 1997 will be held on 4 March 2003 at 11.40 am at the offices of Martineau Johnson, 78 Cannon Street, London EC4N 6NQ (or as soon thereafter as the Separate Meeting of the holders of "C" Shares of the Company convened for 11.35 am on that day has been concluded or adjourned) for the following purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

The holders of the "Ordinary" Warrants to subscribe for Ordinary Shares of 1 pence each in the capital of the Company hereby sanction, approve and consent to:

- a) the passing and carrying into effect, as Special Resolutions of the Company, Resolutions 7 to 9 set out in the notice of Annual General Meeting of the Company convened for 11.00 am on 4 March 2003 (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 Warrants which will, or may, result from the passing and carrying into effect of the said Resolutions and not withstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to such Ordinary Warrants.

By order of the Board

Roger William Blears
Company Secretary

St Philips House
St Philips Place
Birmingham B3 2PP

8 January 2003

Notes:

1. Warrantholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his or her behalf. The proxy need not also be Warrantholder. 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.
2. A reply paid form of proxy for your use is enclosed (Form of Proxy - Separate Meeting of Ordinary Warrantholders). 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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR 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 subsequent to the date of the meeting or adjourned meeting) so as to be received not later than 24 hours before the time appointed for taking a poll.
3. Notice is hereby further given that the necessary quorum for the above meeting shall be Ordinary Warrantholders present in person or by proxy entitled to subscribe for one-third in nominal amount of the Ordinary Shares attributable to all outstanding Ordinary Warrants 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 5 March 2003 at 9.40 am at the offices of Martineau Johnson, St Philips House, St Philips Place, Birmingham B3 2PP or as soon thereafter as may be arranged and at such adjourned meeting the Ordinary Warrantholders present in person or by proxy shall be a quorum regardless of the number of Ordinary Warrants held.

Notice of Separate Meeting of "C" Warrantholders

Notice is hereby given that a separate meeting of the holders of "C" Warrants to subscribe for "C" Shares of 1 pence each in the capital of the Company and constituted by a Warrant Instrument dated 12 November 1997 will be held on 4 March 2003 at 11.45 am at the offices of Martineau Johnson, 78 Cannon Street, London EC4N 6NQ (or as soon thereafter as the Separate Meeting of the holders of Ordinary Warrants of the Company convened for 11.40 am on that day has been concluded or adjourned) for the following purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

The holders of the "C" Warrants to subscribe for "C" Shares of 1 pence each in the capital of the Company hereby sanction, approve and consent to:

- a) the passing and carrying into effect, as Special Resolutions of the Company, Resolutions 7 to 9 set out in the notice of Annual General Meeting of the Company convened for 11.00 am on 4 March 2003 (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 "C" Warrants 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 "C" Warrants.

By order of the Board

Roger William Blears
Company Secretary

8 January 2003

St Philips House
St Philips Place
Birmingham B3 2PP

Notes:

1. A Warrantholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his or her behalf. The proxy need not also be Warrantholder. Appointment of a proxy will not preclude a Warrantholder from subsequently attending and voting at the meeting should he or she subsequently decide to do so.
2. A reply paid form of proxy for your use is enclosed (Form of Proxy - Separate Meeting of "C" Warrantholders). 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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR 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 subsequent to the date of the meeting or adjourned meeting) so as to be received not later than 24 hours before the time appointed for taking a poll.
3. Notice is hereby further given that the necessary quorum for the above meeting shall be "C" Warrantholders present in person or by proxy entitled to subscribe for one-third in nominal amount of the "C" Shares attributable to all outstanding "C" Warrants 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 5 March 2003 at 9.45 am at the offices of Martineau Johnson, St Philips House, St Philips Place, Birmingham B3 2PP or as soon thereafter as may be arranged and at such adjourned meeting the "C" Warrantholders present in person or by proxy shall be a quorum regardless of the number of "C" Warrants held.

Form of Proxy – Annual General Meeting

For use at the Annual General Meeting of Shareholders to be held at 11.00 am on 4 March 2003 and at any adjournment thereof (see Note 2 below for the latest date for lodging a Form of Proxy).

I/We
BLOCK CAPITALS PLEASE

of
Being a holder of Ordinary Shares and/or "C" Shares * in the capital of Foresight Technology VCT plc hereby appoint the Chairman of the Meeting

*please tick as applicable

or

of

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Annual General Meeting of the Company to be held at Martineau Johnson, 78 Cannon Street, London EC4N 6NQ at 11.00 am on 4 March 2003 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your votes to be cast on the resolutions in the event of a poll. Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on the resolutions and any other business conducted at the meeting as he may think fit.

No	Type of Resolution	Resolution	For	Against
1	Ordinary	To receive the financial statements for the year ended 30 September 2002		
2	Ordinary	To declare a final dividend		
3	Ordinary	To re-elect Peter Dicks		
4	Ordinary	To re-elect Tony Diment		
5	Ordinary	To re-elect Peter English		
6	Ordinary	To re-appoint KPMG Audit Plc and authorise the Directors to determine their remuneration		
7	Special	Directors authority to allot shares		
8	Special	Dis-application of pre-emption rights		
9	Special	Authority to make market purchases of Ordinary and "C" Shares		

Signed this day of 2003

Signature

Notes:

1. A proxy need not be a member of the Company.
2. This Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed must be completed and returned by post or by hand to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR no later than 48 hours before the time of the Annual General Meeting or any adjournment thereof.
3. In the case of a corporation, this Form of Proxy must be executed under its common seal or under the hand of an attorney or officer duly authorised.
4. In the case of joint holders, the vote of the first named on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
5. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address.
6. Any alterations to the Form of Proxy should be initialled.
7. The return of the Form of Proxy shall not preclude members from attending in person and voting at the meeting.
8. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

1



**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR**

FIRST FOLD

THIRD FOLD

Form of Proxy – Separate Meeting of Ordinary Shareholders

For use at the Separate Meeting of Ordinary Shareholders to be held at 11.30 am on 4 March 2003 and at any adjournment thereof (see Note 2 below for the latest date for lodging a Form of Proxy).

I/We
BLOCK CAPITALS PLEASE

of
Being a holder of Ordinary Shares in the capital of Foresight Technology VCT plc hereby appoint the Chairman of the Meeting

or

of

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Separate Meeting of Ordinary Shareholders of the Company to be held at Martineau Johnson, 78 Cannon Street, London EC4N 6NQ at 11.30 am on 4 March 2003 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your votes to be cast on the resolutions in the event of a poll. Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on the resolutions and any other business conducted at the meeting as he may think fit.

Type of Resolution	Resolution	For	Against
Extraordinary	Approval of AGM Resolutions 7-9 and consent of variation of Class Rights		

Signed this day of 2003

Signature

Notes:

1. A proxy need not be a member of the Company.
2. This Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed must be completed and returned by post or by hand to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR no later than 48 hours before the time of the Annual General Meeting or any adjournment thereof.
3. In the case of a corporation, this Form of Proxy must be executed under its common seal or under the hand of an attorney or officer duly authorised.
4. In the case of joint holders, the vote of the first named on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
5. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address.
6. Any alterations to the Form of Proxy should be initialled.
7. The return of the Form of Proxy shall not preclude members from attending in person and voting at the meeting.
8. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

1



**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR**

FIRST FOLD

THIRD FOLD

Form of Proxy – Separate Meeting of “C” Shareholders

For use at the Separate Meeting of “C” Shareholders to be held at 11.35 am on 4 March 2003 and at any adjournment thereof (see Note 2 below for the latest date for lodging a Form of Proxy).

I/We
BLOCK CAPITALS PLEASE

of
Being a holder of “C” Shares in the capital of Foresight Technology VCT plc hereby appoint the Chairman of the Meeting

or

of

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Separate Meeting of “C” Shareholders of the Company to be held at Martineau Johnson, 78 Cannon Street, London EC4N 6NQ at 11.35 am on 4 March 2003 and at any adjournment thereof.

Please indicate with an “X” in the spaces below how you wish your votes to be cast on the resolutions in the event of a poll. Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on the resolutions and any other business conducted at the meeting as he may think fit.

Type of Resolution	Resolution	For	Against
Extraordinary	Approval of AGM Resolutions 7-9 and consent of variation of Class Rights		

Signed this day of 2003

Signature

Notes:

1. A proxy need not be a member of the Company.
2. This Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed must be completed and returned by post or by hand to the Company’s Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR no later than 48 hours before the time of the Annual General Meeting or any adjournment thereof.
3. In the case of a corporation, this Form of Proxy must be executed under its common seal or under the hand of an attorney or officer duly authorised.
4. In the case of joint holders, the vote of the first named on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
5. Delete “the Chairman of the Meeting” if it is desired to appoint any other person and insert his or her name and address.
6. Any alterations to the Form of Proxy should be initialled.
7. The return of the Form of Proxy shall not preclude members from attending in person and voting at the meeting.
8. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

1



**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR**

FIRST FOLD

THIRD FOLD

Form Proxy – Separate Meeting of Ordinary Warrantholders

For use at the Separate Meeting of Ordinary Warrantholders to be held at 11.40 am on 4 March 2003 and at any adjournment thereof (see Note 2 below for the latest date for lodging a Form of Proxy).

I/We
BLOCK CAPITALS PLEASE

of
Being a holder of "O" Warrants in the capital of Foresight Technology VCT plc hereby appoint the Chairman of the Meeting

or

of

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Separate Meeting of Ordinary Warrantholders of the Company to be held at Martineau Johnson, 78 Cannon Street, London EC4N 6NQ at 11.40 am on 4 March 2003 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your votes to be cast on the resolutions in the event of a poll. Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on the resolutions and any other business conducted at the meeting as he may think fit.

Type of Resolution	Resolution	For	Against
Extraordinary	Approval of AGM Resolutions 7-9 and consent of variation of Class Rights		

Signed this day of 2003

Signature

Notes:

1. A proxy need not be a warrant holder of the Company.
2. This Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed must be completed and returned by post or by hand to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR no later than 48 hours before the time of the Annual General Meeting or any adjournment thereof.
3. In the case of a corporation, this Form of Proxy must be executed under its common seal or under the hand of an attorney or officer duly authorised.
4. In the case of joint holders, the vote of the first named on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
5. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address.
6. Any alterations to the Form of Proxy should be initialled.
7. The return of the Form of Proxy shall not preclude warrant holders from attending in person and voting at the meeting.
8. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

1



**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR**

FIRST FOLD

THIRD FOLD

Form Proxy – Separate Meeting of "C" Warrantholders

For use at the Separate Meeting of "C" Warrantholders to be held at 11.45 am on 4 March 2003 and at any adjournment thereof (see Note 2 below for the latest date for lodging a Form of Proxy).

I/We
BLOCK CAPITALS PLEASE

of
Being a holder of "C" Warrants in the capital of Foresight Technology VCT plc hereby appoint the Chairman of the Meeting

or

of

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Separate Meeting of "C" Warrantholders of the Company to be held at Martineau Johnson, 78 Cannon Street, London EC4N 6NQ at 11.45 am on 4 March 2003 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your votes to be cast on the resolutions in the event of a poll. Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on the resolutions and any other business conducted at the meeting as he may think fit.

Type of Resolution	Resolution	For	Against
Extraordinary	Approval of AGM Resolutions 7-9 and consent of variation of Class Rights		

Signed this day of 2003

Signature

Notes:

1. A proxy need not be a warrant holder of the Company.
2. This Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed must be completed and returned by post or by hand to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZR no later than 48 hours before the time of the Annual General Meeting or any adjournment thereof.
3. In the case of a corporation, this Form of Proxy must be executed under its common seal or under the hand of an attorney or officer duly authorised.
4. In the case of joint holders, the vote of the first named on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
5. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address.
6. Any alterations to the Form of Proxy should be initialled.
7. The return of the Form of Proxy shall not preclude warrant holders from attending in person and voting at the meeting.
8. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

1



Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR

FIRST FOLD

THIRD FOLD

Registered Number

3421340

Corporate Information

Directors

Venture Capital Investment Advisers

VCF Partners LLP
(trading as VCF Partners)
5 Old Yard
Rectory Lane
Brasted
Kent
TN16 1JP

Solicitors and VCT Tax Advisers

Martineau Johnson
St Philips House and at
St Philips Place 78 Cannon Street
Birmingham London
B3 2PP EC4N 6NQ

Peter Frederick Dicks

Antony Richard Diment

Nigel William Horne

Fixed Interest Fund Manager

Cazenove Fund Management Limited
12 Moorgate
London
EC2R 7BH

Sponsors and Stockbrokers

Williams de Broë Plc
Waterloo Street
Birmingham
B2 5PG

David John George Royds

Auditors and Tax Advisers

KPMG Audit Plc
KPMG LLP
both of 2 Cornwall Street
Birmingham
B3 2DL

Promoter and Company Accountant

Matix-Securities Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

Roger William Blears

Peter David English

Bankers

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

Registrar

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh
EH4 1WQ

Bernard William Fairman

**Roger William Blears
Secretary**

**all of the Company's
registered office
and head office
St Philips House
St Philips Place
Birmingham
B3 2PP**

Foresight Technology

St Philips House, St Philips Place, Birmingham B3 2PP