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Foresight VCT plc
Annual Report and Accounts
31 December 2008

Foresight

Objective

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

VCT Tax Benefit for Shareholders beyond 6 April 2006

To obtain VCT tax reliefs on subscriptions up to £200,000 per annum, a VCT investor must be a 'qualifying' individual over the age of 18 with UK taxable income. The tax reliefs for subscriptions from 6 April 2006 are:

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

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Corporate Policy and Financial Highlights

Venture Capital Trust Status

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

Financial Highlights

- Net asset value of 42.2p per Ordinary Share
- A final dividend of 1.0p per Ordinary Share will be paid on 29 May 2009
- Proceeds of £1.3 million from the sale of three investments
- Three new environmental infrastructure investments made totalling £1.55 million
- Eight follow-on investments were made during the year totalling £1.28 million
- New funds raised totalling £2.2 million

Performance Summary

	Year ended 31 December 2008	Year ended 31 December 2007
Capital Values		
Net asset value per share	**42.2p**	60.5p
Net assets	**£19,570,000**	£26,638,000
Revenue and Dividend		
Revenue return per share	**0.4p**	(0.1)p
Total dividends paid	**5.0p**	—

Performance Statistics

	31 December 2008	31 December 2007
Net asset value per share as at 31 December 2008	**42.2p**	60.5p
Net asset value total return per ordinary share (since launch)	**210.3p**	220.1p
Share price	**36.0p**	50.0p
Share price total return per ordinary share (since launch)	**193.4p**	199.6p

Chairman's Statement

Summary

- Net asset value per Ordinary Share as at 31 December 2008 was 42.2p (compared to 60.5p as at 31 December 2007).
- A final dividend of 1.0p per Ordinary Share will be paid on 29 May 2009.
- Proceeds of £1,323,236 realised from the sale of Telecom Plus plc (£1,182,242) as well as partial realisations of Actimax (£133,333) and Mirada plc (formerly YooMedia plc) (£7,661).
- Three new environmental infrastructure investments made in Closed Loop Recycling Limited (£1,000,000), Lynwood Group Holdings Limited (£300,000) and Silvigen Limited (£250,000).
- Current top-up offer, launched in October 2008, £204,375 raised as at 31 December 2008.
- Linked Offer which closed on 30 April 2008, raised gross proceeds of £1,979,376 for Foresight VCT.
- The Company made follow-on investments during the year totalling £1,277,469. These were Aquasium Technology (£530,000), Aigis Blast Protection (£195,580), SkillsMarket (£160,488), Clarity Commerce Solutions plc (£100,000), Oled-T (£70,993), Alaric Systems (£132,907), Sarantel Group plc (£50,001), and High Integrity Solutions (£37,500).

Portfolio Review

During the year under review, stock markets experienced adverse conditions primarily as a result of the crisis in the banking sector and the resulting effect this had on both businesses and consumers. These financial difficulties combined with volatile commodity prices resulted in a particularly difficult trading background in many sectors of the economy. While these market conditions have, as yet, had a limited effect on the unquoted holdings within our investments, several AIM quoted holdings have fallen sharply as a result of the general market decline. Against this background your Company's net asset value fell to 42.2p per share from 60.5p per share twelve months earlier, although this does not take account of the 5.0p per share of dividend paid to shareholders in March 2008.

During the year under review the performance of a number of portfolio companies continued to improve, reflecting growing demand and strong sales pipelines, most notably Trilogy Communications, DCG, Infrared Integrated Systems (IRISYS), Actimax and Aquasium.

Trilogy performed strongly during 2008 with 2008/09 figures showing turnover growth of 17% to £6.5m. Over the last four years the business has grown consistently at an average annual rate of 19%. Importantly, this growth drove the business into operational profitability, a major milestone. The company has been reorganised into two core product divisions, Trilogy Network Centric Communications and Trilogy Broadcast, to more closely align the business with its customers. Further progress is anticipated in 2009 with a number of new product lines being introduced during the year and a strong sales pipeline, particularly into the US market.

DCG performed robustly and to date its revenues are currently 11% higher than in the previous year, primarily due to the take-up of its managed services offering. Nevertheless, reflecting a common trend amongst all portfolio companies, the company is taking steps to adjust its cost base.

IRISYS had a record year in 2008 with revenues of £12.5 million, almost 40% up on the previous year's £9 million. On the back of this substantial revenue growth, IRISYS generated profits of £863,000 for 2008 compared to a small loss in 2007. The company's cash position is strong but given the current economic environment it takes a cautious view about the prospects for the current year.

Actimax has continued its sales growth in the year ended 31 December 2008 with revenues in excess of £6 million and operating profits close to £300,000. The first quarter of 2009 has started well.

Aquasium Technology Limited returned to profitability in its financial year ended 31 December 2008. The UK business started 2009 with a healthy order book and Aquasium's Directors are optimistic in relation to the full year.

Demand from recruitment companies for Skillsmarket's products and services is suffering as a consequence of general trading conditions within the recruitment industry. Reflecting the difficult trading outlook, the company has initiated a substantial cost-cutting programme, resulting in a significant number of job cuts being made, including a number of senior management positions. Accordingly, a provision has been made against this investment. A further £1 million was successfully raised from existing shareholders in two tranches in December 2008 and February 2009. Significant contracts were won in Australia during the year while the acquisition of Purple Passport has opened new related markets, particularly in the public sector. The impending launch of iPlaceWeb, a new software as a service offering, is expected to open the large market for small and medium sized recruitment

Chairman's Statement

companies which prefer to pay for a regular service rather than acquire the full Recruiter enterprise software suite.

AIM listed Oxonica announced significantly higher revenues for 2008 (excluding the aborted Petrol Ofisi contract) over the previous year, reduced losses and a lower cash burn as a result of a successful cost cutting exercise. Its share price, however, has fallen to 14.25p per share as at 31 December 2008 from 24.0p as at 31 December 2007. The company has recently sold its biodiagnostics division for $7 million (plus a future royalty stream) to Becton Dickinson, an existing strategic partner. The company has a strong pipeline of customers for its fuel efficiency additive, Envirox, which increased sales by 49% over the prior year. The company is, however, contesting a patent dispute over Envirox. Sales of Optisol, the company's UV absorber, have been disappointing in the current year to date. In the year to December 2008 sales of the security division doubled to £1.5 million and letters of intent totalling $4 million have already been received for 2009.

In its annual results announced on 2 March 2009, ANT announced significantly improved results for the year ended 31 December 2008. The company confirmed that royalty income from licensees continued to grow and, in addition to recently announced contract wins, the company has a strong pipeline of new business opportunities.

Sarantel announced that revenues for the year to 30 September 2008 were approximately £1.9 million, which was ahead of market expectations. In the second half of the financial year, demand from smaller niche GPS customers remained resilient largely offsetting a slowdown in orders from larger GPS customers. Its third generation GPS antenna has started to gain traction and the company is also in advanced discussions to develop multiple antennas for a number of customers in the satellite phones and military sectors. Sarantel raised £3.4 million in April 2008 and believe it "has sufficient funds to last for the foreseeable future".

Foresight VCT invested £195,580 into AIGIS Blast Protection as part of a £750,000 follow-on funding round to provide additional funds to invest in its sales resource and accelerate growth. Reflecting lower than expected sales growth in recent years, this round has been completed at a lower valuation than before and a provision has been made against the previous value of the investment. The company has a strong pipeline of opportunities for 2009.

As a result of a new funding round of £2 million at a reduced price in Nanotecture, in which Foresight VCT did not participate, a provision of approximately £500,000 has been made against the original value of the investment.

Provisions of 25% of cost have been made against the values of Infrared Integrated Systems (IRISYS) and AlwaysON Group as a result of concerns about the impact of the current economic climate. These provisions resulted in aggregate falls totalling £141,277.

Investment Activity
The level of new investment activity has started to pick up again, with three new investments being made totalling £1,550,000. In line with Foresight's increasing focus on investing in the environmental infrastructure and sustainable sector, investments were made in Closed Loop Recycling, (£1,000,000) Lynwood Group Holdings, (£300,000) and Silvigen (£250,000).

Closed Loop Recycling is a business at the leading edge of plastics recycling in the UK. The company is initially focused on producing food grade recycled PET (polyethylene terephthalate) and HDPE (high density polyethylene). PET is the clear plastic used in over 50% of soft drinks bottles, with over 300,000 tonnes used per annum in the UK but none is currently recycled for use as food grade plastic. HDPE is the white plastic used in milk bottles. Closed Loop Recycling has completed its first recycling plant in Dagenham (East London) and is constructing a second facility in the North West. Initial commissioning of the first plant has commenced which is expected to come fully on-stream in the near future, initially with PET and then with HDPE.

Lynwood is an established business in the plastic building products market and has made the transition to using waste plastic streams as its raw material. Lynwood acquired a small business with specialist expertise in manufacturing wood profile and wood replacement products from waste plastic and believes it is now one of the better equipped plastic recycling manufacturing operations in the UK. The company is well positioned in a growing market for recycled and sustainable products such as wood replacement, which offer considerable economic and environmental advantages.

Silvigen has positioned itself to supply the important biomass fuel needs of the UK power generation sector and the developing industrial heat sector, both of which are driven by a number of regulatory incentives.

Several small follow-on investments were also made during the year under review. A further £530,000 was invested in Aquasium Technology to provide ongoing funding to the business needed as a result of the long lead time between project work being undertaken and payment.

Clarity Commerce Solutions undertook a rights issue in which the company invested £100,000 in order to support the new management team and their plans to return the business to profitability. Initial signs of progress are positive and several new contract wins with large clients have been confirmed.

A total of £50,001 was invested in Sarantel Group plc, which raised £3.4 million in April 2008 from existing and new shareholders. Although it announced results ahead of market expectations and the underlying business appears to be making progress in its core GPS antenna market, its share price has fallen as a result of market conditions.

Disappointingly, despite our ongoing support for High Integrity Solutions (£37,500 invested in the period) the company was placed into administration during the period as a result of losing a major contract with BAE Systems. OLED-T did not make the necessary commercial progress with its proprietary chemicals for improving the colour and life of displays on mobile phones and similar electronic equipment as quickly as envisaged. The company sold its IPR assets to chemical company Merck and entered administration. As a result Foresight has provided in full against the value of both of these two investments.

Chairman's Statement

Foresight contributed £132,907 to a small funding round in Alaric Systems as part of an ongoing plan to support the business through a period of transition. Early signs are that a significant cost-cutting exercise and increased focus on sales are having a positive effect on the business's underlying profitability. A partial provision has been made against the previous value of the investment to reflect recent trading. The company is now, however, trading profitably.

Realisations

Unquoted

Actimax achieved sales of over £6 million in the year to 31 December 2008 with operating profits of almost £300,000. The company has continued to win new orders in the current year and is optimistic about its full year prospects. Actimax made £133,333 in loan repayments to Foresight VCT in the period.

Quoted

During January, the remaining holding in Telecom Plus plc was sold for net proceeds of £1,182,242 representing a return in excess of five times the original cost of £233,259. In addition, there was a small realisation, at a loss, of £7,661 from the sale of Mirada plc (formerly YooMedia plc).

Results

The results for the period from 1 January 2008 to 31 December 2008 are set out below. The net asset value per Ordinary Share as at 31 December 2008 fell to 42.2p (31 December 2007: 60.5p) resulting from the payment of the 5.0p per share dividend during March 2008, general falls in the AIM market and the provisions against several unquoted companies. The total return (after tax) attributable to Ordinary Shareholders was a loss of 14.1p (31 December 2007: loss of 19.9p).

Dividends

The Company's dividend policy is to aim to distribute a steady flow of dividends from income and realised capital gains.

The Board is recommending the payment of a final dividend of 1.0p per Ordinary Share on 29 May 2009 for the year ended 31 December 2008. The ex dividend date will be 13 May 2009 and the record date will be 15 May 2009.

Recently we have become aware of other investment companies experiencing unsuccessful attempts at dividend cheque fraud through the presentation of fake copies of dividend cheques at banks.

Please phone investor relations at Foresight Group if you become aware or suspicious of any similar activity and please be on guard against such fraudulent acts.

Valuation Policy

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVC) developed by the British Venture Capital Association and other organisations, under which investments are valued, as defined in the guidelines, at "fair value". Ordinarily, unquoted investments will be valued at cost for the 12 months following the date of acquisition as the most suitable approximation of fair value unless there is an impairment in value during the period. Quoted investments and investments traded on AIM and PLUS Markets are valued at the bid price as at 31 December 2008. The portfolio valuations are prepared by Foresight Group and are subject to approval by the Board.

Share Issues and Share Buy-backs

The current top-up offer, launched in October 2008, raised gross proceeds of £204,375 as at 31 December 2008 through the issue of 436,999 ordinary shares at prices ranging between 47.0p and 48.0p per share. The top-up offer is being run in conjunction with top-up offers for Foresight 2, Foresight 3 and Foresight 4 and is expected to close on 30 April 2009.

The previous linked offer for subscription (January 2008) between Foresight VCT, Foresight 2, Foresight 3 and Foresight 4 had raised £7,917,503 when it closed on 30 April 2008. The proceeds of the offer were equally split between the four Foresight funds with Foresight VCT receiving total gross proceeds of £1,979,376, through the issue of 3,102,896 ordinary shares at prices ranging between 61.0p and 72.0p per share. These funds enabled your Company to remain an active investor in the current market and take advantage of new opportunities.

Additionally, 209,325 shares were issued under the dividend reinvestment scheme at 61.05p per share raising proceeds of £127,793.

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

As part of the Company's active buy-back programme, during the year 1,396,461 Ordinary Shares were purchased for cancellation at a cost of £525,000.

Annual General Meeting

The Company's Annual General Meeting will take place on 18 May 2009. I look forward to welcoming you to the meeting, which will be held at 2.00 pm at the offices of Closed Loop Recycling, 16 Choats Road, Dagenham, Essex, RM9 6LF.

Outlook

The extreme volatility of the financial markets as well as the increasing inability of companies to raise debt finance has proved a double edged sword for the Company. On the one hand Foresight Group's deal flow of companies seeking investment, particularly in the environmental infrastructure sector, is stronger than ever as potential investee companies are finding financial institutions currently less inclined to invest than in the recent past. On the other hand, there is evidence of trade sales within the portfolio being delayed or terminated as a result of the lack of finance available to potential acquirers.

The Board and Foresight Group are conscious that we are in a period of economic slowdown and tight credit conditions. In this environment all investee companies will be encouraged to keep a tight control on costs and conserve cash.

The market in which Foresight VCT operates continues to be encouraging in terms of potential new investment opportunities, as evidenced by the current deal flow being reviewed by Foresight Group. Foresight VCT will have access to this deal flow of new opportunities as a result of the new funds raised alongside some reinvestment of the proceeds from successful realisations.

Peter Dicks
Chairman
21 April 2009

Investment Summary

Investment	31 December 2008 Amount invested £	Valuation £		Valuation Methodology	31 December 2007 Amount invested £	Valuation £
Actimax plc	546,668	1,725,286	*	Discounted offer	680,001	2,190,710
Aquasium Technology Limited	1,930,000	1,607,022	*	Discounted earnings multiple	1,400,000	1,933,884
DCG Group Limited	938,220	1,550,985	*	Discounted revenue multiple	938,220	1,550,985
SkillsMarket Limited	1,360,488	1,479,238	*	Price of recent funding round less provision	1,200,000	2,051,389
Oxonica plc (AIM listed)	2,804,473	1,102,146	*	Bid price	2,804,473	1,856,246
Closed Loop Recycling Limited	1,000,000	1,000,000	*	Cost	—	—
Trilogy Communications Limited	825,000	825,000	*	Latest funding round	825,000	825,000
Alaric Systems Limited	1,473,372	736,686	*	Cost less provision	1,340,465	1,340,465
Corero plc (formerly Mondas plc) (AIM listed)	1,903,116	685,211	*	Bid price	1,903,116	928,812
smartFOCUS Group plc (AIM listed)	735,417	639,878	*	Bid price	735,417	1,609,204
Aigis Blast Protection Limited	840,767	605,148		Price of recent funding round	645,187	614,352
Camwood Limited	514,090	514,090		Cost	514,090	514,090
iCore Limited	750,000	500,000		Cost less provision	750,000	650,000
Nanotecture Group plc	1,000,000	499,415		Price of recent funding round	1,000,000	1,000,000
ANT plc (AIM listed)	1,097,200	424,172		Bid price	1,097,200	264,621
FfastFill plc (AIM listed)	850,225	307,996		Bid price	850,225	421,557
Lynwood Group Holdings Limited	300,000	300,000		Cost	—	—
Silvigen Limited	250,000	250,000		Cost	—	—
alwaysON Group Limited	315,105	236,329		Cost less provision	315,105	315,105
Sarantel Group plc (AIM listed)	3,640,167	197,579		Bid price	3,590,166	635,656
Infrared Integrated Systems Limited	250,005	187,504		Cost less provision	250,005	250,005
Clarity Commerce Solutions plc (AIM listed)	600,000	138,000		Bid price	500,000	100,000
Sapphire International Limited	—	—		Nil value	1,150,000	2,500
OLED-T Limited	549,219	—		Nil value	478,226	578,125
Mirada plc (formerly YooMedia plc) (AIM listed)	—	—		Sold	943,133	18,881
Callserve Communications plc	—	—		Sold	500,000	—
Telecom plus plc (listed on the London Stock Exchange)	—	—		Sold	233,259	1,124,200
	24,473,532	15,511,685			24,643,288	20,775,787

Companies in liquidation have been excluded from the table above.

* Top ten investments by value shown on pages 6 to 9.

Investment Summary

Top ten investments by value as at 31 December 2008 are detailed below:

Actimax plc

offers business solutions to customers that can include computer telephony integration (CTI), interactive voice response systems, call detail recording and voice and video conferencing. These systems make use of Voice over IP (VoIP) and have special advantages for multisite customers and where home working/remote working is required. The Actimax business has grown strongly over the past three years. Actimax have recently supplied Wimbledon All England Lawn Tennis and Croquet Club with a large converged solution for 1,000 users. Other Actimax customers include the Restaurant Group with 320 nationwide sites linked on a wide area network and The Historic Royal Palaces including Hampton Court and the Tower of London.

Dates of Investment: November 1998, March 2000, June 2003

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 December 2007 £'000
Amounts Invested	£546,668	£680,001	**Sales**	5,748
Valuation	£1,725,286	£2,190,710	**Profit before Tax**	174
% Equity/Voting Rights	55.9%*	55.9%	**Retained Profit**	173
Valuation Methodology	Discounted offer		**Net Assets**	182

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

Aquasium Technology Limited

is engaged in the design, manufacturing 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. Its US subsidiary, Ebtec Corporation, provides component processing services.

Dates of Investment: October 2001, April 2003, August 2005, October 2008

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 December 2007 £'000
Amounts Invested	£1,930,000	£1,400,000	**Sales**	10,126
Valuation	£1,607,022	£1,933,884	**Loss before Tax**	(247)
% Equity/Voting Rights	33.3%	33.3%	**Retained Loss**	(423)
Valuation Methodology	Discounted earnings multiple		**Net Liabilities**	(34)

DCG Group Limited

is a provider of data storage and back-up solutions to corporates either remotely as a managed service or at customers' premises. The demand for DCG's services are driven by greater compliance requirements for retention and retrieval of data and the ever growing volume of electronic data produced by organisations. Recurring annual revenue continues to grow strongly. The managed service offering has been well received in the market as a unique solution, and good traction has been achieved with some significant clients with contracts typically of three years.

Dates of Investment: March 2004, September 2005

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 March 2008 £'000
Amounts Invested	£938,220	£938,220	**Sales**	7,002
Valuation	£1,550,985	£1,550,985	**Profit before Tax**	407
% Equity/Voting Rights	31.8%	31.8%	**Retained Profit**	406
Valuation Methodology	Discounted revenue multiple		**Net Liabilities**	(365)

Investment Summary

SkillsMarket Limited

has an online information exchange, which provides a central store for CVs, converted into a dynamic professional profile or 'iProfile'. The iProfile is easy to set up and update, and enables individuals to control the job-seeking process and obtain feedback from recruiters and hiring managers. The iProfile has been adopted by many of the UK's biggest recruiters, including Hays IT, Reed, Spring and Alexander Mann and is seen as the industry standard format for online CVs. In April 2008 the company announced the acquisition of PurplePassport, whose online 'Skills Passport' has been adopted by five Government appointed Sector Skills Councils covering more than 10 million people.

Dates of Investment: March 2005, May 2006, December 2008

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 March 2008 £'000
Amounts Invested	£1,360,488	£1,200,000	**Sales**	2,327
Valuation	£1,479,238	£2,051,389	**Loss before Tax**	(1,772)
% Equity/Voting Rights	16.9%	14.8%	**Retained Loss**	(1,772)
Valuation Methodology	Price of recent funding round less provision		**Net Assets**	2,994

Oxonica plc (AIM listed)

develops products based on advanced nanomaterials which are then sold through agreements with commercial partners for end market adoption. The company operated through two divisions, Oxonica Materials and Oxonica Biodiagnostics, but the latter division was sold in 2008 as explained later. The Materials division focuses on three product areas, namely (i) Envirox, a fuel borne additive for diesel which reduces fuel consumption and particulate emissions; (ii) cosmetic and industrial UV absorbers Optisol (used in sunscreens and anti-ageing consumer products) and Solacor (for use in industrial coatings such as paint and in plastics to prevent degradation by sunlight); and (iii) security applications using nanotechnology based marker systems for anticounterfeiting and brand protection. In September 2008, the Biodiagnostics division was sold to BD (formerly Becton Dickinson, the major global medical technology company) for up to $7 million (of which $3.5 million was paid at completion and the balance is in stages based on achieving certain technical milestones) plus royalties on future sales arising from the technology. The division develops test systems for use in rapidly detecting and quantifying diseases and other biomaterials for a wide range of applications in the clinical diagnostics, life sciences, veterinary, food and bioterrorism markets. Oxonica continues to make good progress with Envirox, as evidenced by a successful follow-on trial with a major customer, Stagecoach, and sales commencing in Russia, plus a number of trials in progress and a growing sales pipeline. In September 2008, judgment was found against Oxonica Energy in its royalty dispute with Neuftec, against which an appeal is now being made. Sales of Optisol have been disappointing as a result of the high cost of the supply chain and discussions are taking place with the supplier and distributor to reduce these costs. The Security business continues to make good progress, winning a series of orders for its anticounterfeiting products and is now implementing processes to manufacture these on a commercial scale.

Dates of Investment: June 2002, January 2004, February 2005, December 2007

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 December 2008 £'000
Amounts Invested	£2,804,473	£2,804,473	**Sales**	3,388
Valuation	£1,102,146	£1,856,246	**Loss before Tax**	(9,669)
% Equity/Voting Rights	11.8%	11.8%	**Retained Loss**	(9,855)
Valuation Methodology	Bid price		**Net Assets**	8,184

Investment Summary

Closed Loop Recycling Limited

is the first plant in the UK to recycle waste PET and HDPE plastic bottles into food grade packaging material. Following a £15 million private and public sector funding issue led by Foresight Group, the 35,000 tonne capacity plant in Dagenham (East London) is now in the commissioning phase with output volumes ramping up. The company is enjoying very strong market demand and has now announced its second UK plant in North Wales.

Dates of Investment: August 2008, September 2008

	As at 31 December 2008	As at 31 December 2007	Year ended:	30 June 2008 £'000
Amounts Invested	£1,000,000	—	**Sales**	Not disclosed
Valuation	£1,000,000	—	**Profit before Tax**	Not disclosed
% Equity/Voting Rights	5.1%	—	**Retained Profit**	Not disclosed
Valuation Methodology	Cost		**Net Assets**	991

Trilogy Communications Limited

is a world class supplier of audio communications and broadcast solutions to the defence, emergency management, industrial and broadcast sectors. Trilogy counts some of the world's best known names in broadcast and defence among its customer base including the BBC, Sony, Radio France, Raytheon, Northrop Grumman and BAE. The company continues on a strong growth track, with Trilogy's new Mercury IP system making particularly good progress in the US defence market.

Dates of Investment: September 2005, April 2007

	As at 31 December 2008	As at 31 December 2007	Year Ended:	29 February 2008 £'000
Amounts Invested	£825,000	£825,000	**Sales**	5,518
Valuation	£825,000	£825,000	**Loss before Tax**	(668)
% Equity/Voting Rights	12.1%	12.1%	**Retained Loss**	(464)
Valuation Methodology	Latest funding round		**Net Liabilities**	(1,415)

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 software-based mathematical modelling techniques for card payments and fraud detection. Having reduced costs substantially during 2008 and successfully established a new office in Malaysia, Alaric has recently won a number of significant contracts from new customers around the world and is now trading profitably.

Dates of Investment: February 2002, October 2002, December 2002, June 2004, September 2004, June 2005, May 2008, September 2008

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 March 2008 £'000
Amounts Invested	£1,473,372	£1,340,465	**Sales**	3,306
Valuation	£736,686	£1,340,465	**Loss before Tax**	(1,752)
% Equity/Voting Rights	15.2%	16.5%	**Retained Loss**	(1,608)
Valuation Methodology	Cost less provision		**Net Liabilities**	(1,715)

Investment Summary

Corero plc (formerly Mondas plc) (AIM listed)

designs, develops and delivers market leading software for business and education markets through its Business Systems division and for financial institutions through its Financial Markets division. The Business Systems division comprises the Eclipse and Resource products focused on the public sector, in particular the education market, and on the professional services sector, in particular companies using project costings such as architects and engineers. The Financial Markets division comprises the BlueCurve and Radica product lines which allow securities and investment houses to improve the production and distribution of their financial research, and address the needs of asset servicing operations for the global banking and securities sector.

Dates of Investment: October 2000, December 2002, January 2006, August 2006, April 2007

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 December 2008 £'000
Amounts Invested	£1,903,116	£1,903,116	Sales	5,249
Valuation	£685,211	£928,812	Loss before Tax	(658)
% Equity/Voting Rights	14.0%	14.0%	Retained Loss	(578)
Valuation Methodology	Bid price		Net Liabilities	(1,646)

smartFOCUS Group plc (AIM listed)

provides multi-channel marketing software through a worldwide network of partners that assists in improving marketing performance and enables accurate targeting and execution of marketing campaigns. The company is an established solution provider in this area with approximately 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 providing a range of solutions, including data management, linking with multiple databases, single customer view, analytics and campaign management, returning query results in seconds whilst presenting the results in an easily understandable graphic manner. Reflecting the current economic climate, the company has experienced contract and project delays despite offering improved marketing efficiency and productivity and has reduced costs accordingly. The company announced a change in its business strategy, moving from its traditional perpetual licence model to a software as a service "Saas" model. This has met with an encouraging customer response and should generate growing contracted and recurring revenues over time. As announced, for the full year to 31 December 2008, an operating loss of £1.3 million is expected on sales of £10.3 million.

Dates of Investment: December 2001, October 2004, July 2007

	As at 31 December 2008	As at 31 December 2007	Year Ended:	31 December 2008 £'000
Amounts Invested	£735,417	£735,417	Sales	10,400
Valuation	£639,878	£1,609,204	Loss before Tax	(1,759)
% Equity/Voting Rights	15.8%	15.8%	Retained Loss	(1,738)
Valuation Methodology	Bid price		Net Assets	3,003

Investment Summary

at 31 December 2008

I FORESIGHT GROUP

Foresight Group LLP, is regulated by the Financial Services Authority and the team includes eight partners: Bernard Fairman, Peter English, Donald Maclennan, Matt Taylor, David Hughes, Jamie Richards, Andrew Page and Gary Fraser.

I CO-INVESTING FUNDS

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

Investee	Foresight VCT £	Foresight 2 O & C shares £	Foresight 3 O & C shares £	Foresight 4 £	Foresight Sustainable £	Total held by Foresight %
Actimax plc	546,668	—	—	—	—	55.9%
Aigis Blast Protection Limited	840,767	1,238,760	—	340,660	—	32.4%
Alaric Systems Limited	1,473,372	—	714,713	—	—	23.3%
alwaysON Group Limited	315,105	1,050,350	—	210,070	—	25.8%
ANT plc (AIM listed)	1,097,200	—	—	—	—	6.4%
Aquasium Technology Limited	1,930,000	—	—	—	—	33.3%
Camwood Limited	514,090	—	—	—	—	15.8%
Clarity Commerce Solutions plc (AIM listed)	600,000	—	—	—	—	3.0%
Closed Loop Recycling Limited	1,000,000	2,333,334	3,333,333	2,333,333	444,127	60.1%
Corero plc (AIM listed)	1,903,116	—	—	—	—	14.0%
DCG Group Limited	938,220	—	—	—	—	31.8%
Ffastfill plc (AIM listed)	850,225	—	—	—	—	2.2%
iCore Limited	750,000	—	—	—	—	16.7%
Infrared Integrated Systems Limited	250,005	749,985	—	250,005	—	6.5%
Lynwood Group Holdings Limited	300,000	660,000	780,000	300,000	1,560,000	66.7%
Nanotecture Group plc	1,000,000	500,000	500,000	—	—	13.0%
Oxonica plc (AIM listed)	2,804,473	1,181,473	—	—	—	14.7%
Sarantel Group plc (AIM listed)	3,640,167	568,002	896,002	—	—	13.5%
Silvigen Limited	250,000	500,000	500,000	250,000	250,000	27.5%
SkillsMarket Limited	1,360,488	581,760	492,135	599,629	—	33.9%
smartFOCUS Group plc (AIM listed)	735,417	—	—	—	—	15.8%
Trilogy Communications Limited	825,000	1,650,000	—	825,000	—	48.5%

Companies in liquidation are not included in the table above.

Board of Directors

I Peter Frederick Dicks (66) (Chairman)

Peter Dicks was a founder director of Abingworth plc in 1973, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Private Equity Investor plc where he is Chairman, Polar Capital Technology Trust plc, Graphite Enterprise Trust plc and Standard Microsystems Inc, a US-NASDAQ quoted company. In addition, he has been Chairman of Foresight 2 VCT plc since its launch in 2004 and is Chairman of Foresight 3 VCT plc and Foresight 4 VCT plc. He is also Chairman of Unicorn AIM VCT plc.

I Dr Antony Richard Diment (64); PhD Physics

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

I Bernard William Fairman (59)

Bernard Fairman is the managing partner of Foresight Group. He trained as an economist before joining Panmure Gordon in 1970 as an oil investment analyst. In 1973 he joined Edward Bates, a specialist investment bank. On leaving in 1976 he gained investment experience at various small oil and electronic companies. He joined 3i Ventures in 1981 and co-founded Foresight Group in 1984. He is also a Director of Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc.

I Gordon James Humphries (47)

Gordon Humphries trained as a chartered accountant before moving into financial services, where he has over 15 years experience. He is currently head of investment companies at Standard Life Investments and before that he was deputy head of investment trusts at F&C Asset Management plc. Gordon is a non-executive director of Bluehone AIM VCT 2 plc.

Corporate Governance

The Directors of Foresight VCT confirm that the Company has taken the appropriate steps to enable it to comply with the Principles set out in Section 1 of the Combined Code on Corporate Governance ('Combined Code') issued by the Financial Reporting Council in June 2006, as appropriate for a Venture Capital Trust.

As a Venture Capital Trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the procedures of the Combined Code are directly applicable to the Company. Unless noted as an exception below, the requirements of the Combined Code were complied with throughout the year ended 31 December 2008.

I The Board

The Company has a Board of four non-executive Directors, all of whom (other than Bernard Fairman who is the Managing Partner of Foresight Group, the Investment Manager) are considered to be independent.

Peter Dicks and Bernard Fairman are also Directors of Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc. The Board believes, having regard to the specialist nature of VCTs and the fact that the Manager advises four VCTs, that it is in the best interests of shareholders if, on each of the boards of the VCTs advised by the Managers, there are certain Directors who are common. That is to say, a common Director is able to assess how the Manager performs in respect of one fund with the valuable background knowledge of how well or badly the Manager is performing in relation to other funds for which he also has responsibility as a Director. Where conflicts of interest arise between the different funds then the common Director would seek to act fairly and equitably between different groups of shareholders. Where this is difficult or others might perceive that it was so, then decisions would be taken by the Directors who are not common Directors. The most likely source of potential conflicts would normally be the allocation of investment opportunities. As these are allocated by the Managers pro rata to the cash raised by each fund, subject to the availability of funds, in practice such conflicts do not arise. In this regard, therefore, common Directorships are not considered to impact independence.

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly and on an adhoc basis as required. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. A management agreement between the Company and its Manager sets out the matters over which the Manager has authority, including monitoring and managing the existing investment portfolio and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board of Directors. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. In view of its non-executive nature and the requirements of the Articles of Association that all Directors retire by rotation at the Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by provision A.7.2 of the Combined Code. However, the Board has agreed that each Director will retire and, if appropriate, may seek re-election after three years' service and annually after serving on the Board for more than nine years.

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change.

The Board has access to a Company Secretary who also attends all Board meetings. The Manager attends all formal Board Meetings. Informal meetings with management are also held between Board Meetings as required. The Company Secretary provides full information on the Company's assets, liabilities and other relevant information to the Board in advance of each Board Meeting.

Meeting Attendance

	Board	Audit	Nomination	Remuneration
Peter Dicks	4/4	2/2	1/1	1/1
Antony Diment	4/4	2/2	1/1	1/1
Gordon Humphries	4/4	2/2	1/1	1/1
Bernard Fairman	4/4	n/a	n/a	n/a

I Board Committees

The Board has adopted formal terms of reference, which are available to view, for three standing committees which make recommendations to the Board in specific areas.

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

- Monitor the integrity of the financial statements of the Company;
- Review the Company's internal control & risk management systems;
- Make recommendations to the Board in relation to the appointment of the external auditor;
- Review and monitor the external auditor's independence; and
- Implement and review the Company's policy on the engagement of the external auditor to supply non-audit services.

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

The Nomination Committee comprises Antony Diment (Chairman), Peter Dicks and Gordon Humphries and meets at least annually to consider the composition and balance of skills, knowledge and experience of the Board and would make nominations to the Board in the event of a vacancy. New Directors are required to resign at the Annual General Meeting following appointment and then every three years. There is no formal induction programme for Directors.

Corporate Governance

The Remuneration Committee (which has responsibility for reviewing the remuneration of the Directors) comprises Antony Diment (Chairman), Peter Dicks and Gordon Humphries and meets at least annually to consider the levels of remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role. The Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards. The Remuneration Committee also reviews the appointment of the Manager.

I Board Evaluation

The Board undertakes a formal annual evaluation of its own performance and that of its committees. There is no formal annual evaluation of individual Directors as recommended by provision A.6.1 of the Combined Code. Initially, the evaluation takes the form of a questionnaire for the Board (and its committees). The Chairman then discusses the results with the Board (and its committees) and following completion of this stage of the evaluation the Chairman will take appropriate action to address any issues arising from the process. The independent Directors evaluate the Chairman's performance following similar procedures.

I Relations with Shareholders

The Company communicates with shareholders and solicits their views where it is appropriate to do so. Individual shareholders are made welcome at the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Remuneration and Nomination Committees. The Board may from time to time also seek feedback through shareholder questionnaires, workshops and an open invitation for shareholders to meet the investment manager. The Company is not aware of any institutional shareholders in the capital of the Company.

I Internal Control

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

The internal controls system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the company 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 Foresight Fund Managers Limited as Company accountant has delegated much of the financial administration to Foresight Fund Managers Limited. They have an established system of financial control, including internal financial controls, to ensure that proper accounting records are maintained and that financial information for use within the business and for reporting to shareholders is accurate and reliable and that the Company's assets are safeguarded.

Martineau provide legal advice and assistance in relation to the maintenance of VCT tax status, the operation of the agreements entered into with Foresight Group and the application of the venture capital trust legislation to any company in which the Company is proposing to invest.

Foresight Fund Managers Limited was appointed by the Board as Company Secretary from 1 January 2005 with responsibilities relating to the administration of the non-financial systems of internal control. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Pursuant to the terms of their appointment, Foresight Group advise the Company on venture capital investments. Foresight Fund Managers Limited, in their capacity as Company Secretary, have physical custody of documents of title relating to equity investments.

In the light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight Group, Foresight Fund Managers Limited and Martineau, the Company has not appointed a chief executive officer or a senior independent non-executive director as recommended by provision A.3.3 of the Combined Code. There is no deputy chairman. 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 confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the annual report and financial statements, and that this process is regularly reviewed by the Board and accords with the guidance. The process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with Foresight Group, Martineau and Foresight Fund Managers Limited.

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board which was satisfied with the outcome of the review.

The Board has concluded that, given the appointment of Foresight Fund Managers Limited as Company accountant and the role of the Audit Committee, it is unnecessary to establish an internal audit function.

I Going Concern

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2008.

Principal Activity and Status

The principal activity of the Company is the making of investments in unquoted or AIM-listed companies in the UK. The Company is not an investment company within the meaning of Section 833 of the Companies Act 2006. It has satisfied the requirements as a Venture Capital Trust under sections 274–280A of the Income Tax Act 2007. Confirmation of the Company's compliance has been received up to 31 December 2006 as a Venture Capital Trust and the Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with these regulations.

Business Review

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

Strategy for achieving objectives

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

Investment objective

The investment objective of the Company is to provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted technology-based companies in the United Kingdom.

A proportion of realised gains will normally be retained for reinvestment and to meet future costs. Subject to this, the Company will endeavour to maintain a regular dividend payment of the order of 5p per share although a greater or lesser sum may be paid in any year. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

Investment policy

The Investment Manager (Foresight Group) will target UK unquoted technology-based companies which depend to a significant extent on the application of scientific and technological skills or knowledge or whose activities embrace a significant technology component as a major source of competitive advantage.

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

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

VCT regulation
The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue & Customs. Amongst other conditions, the Company may not invest more than 15% of its investments in a single company and must have at least 70% by value of its investments throughout the period in shares or securities comprised in Qualifying Holdings, of which 30% by value in aggregate must be ordinary shares which carry no preferential rights. In addition, it must have at least 10% by value of its total investments in any Qualifying Company in ordinary shares which carry no preferential rights.

Asset mix
The Company aims to be at least significantly invested in growth businesses subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash and interest bearing securities. It is intended that the significant majority of any funds raised by the Company will be invested in VCT qualifying investments.

Risk diversification and maximum exposures
Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to £1 million in a fiscal year (or, if lower, 15% of the portfolio at the time of investment) and generally no more than £2.5 million over time at cost is invested in the same company (or, if lower, 15% of the portfolio at the time of investment). The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

Investment style
Investments are selected in the expectation that the application of private equity disciplines including an active management style for unquoted companies through the placement of an Investor Director on investee company boards will enhance value.

Co-investment
The Company aims to invest in larger more mature unquoted and AIM companies and to achieve this it invests alongside the other Foresight VCTs and the Foresight Sustainable UK Investment Fund (EIS). As such, at the time of initial investment, the combined investment can currently total up to a maximum of £6.0 million for unquoted and for AIM investees.

Borrowing powers
The Company's Articles permit borrowing to give a degree of investment flexibility. The Company's policy is not to use borrowing.

Management

The Board originally engaged Foresight Group as Investment Advisers ('the Adviser'), whereby investment proposals were originated by Foresight Group and formally approved by the Directors. The Board appointed Foresight Group as discretionary investment manager with effect from 20 March 2008. Foresight Group also provides or procures the provision of company secretarial, administrative and custodian services to the Company.

Directors' Report

Foresight Group prefers to take a lead role in the companies in which it invests. Larger investments may be syndicated with other investing institutions or strategic partners with similar investment criteria.

In considering a prospective investment in a company, particular regard will be paid to:

- Evidence of high-margin products or services capable of addressing fast-growing markets;
- The company's ability to sustain a competitive advantage;
- The strength of the management team;
- The existence of proprietary technology; and
- The company's prospects of being sold or achieving a flotation within 3–5 years.

A review of the investment portfolio and of market conditions during the period is included within the Chairman's Statement on pages 2 to 4.

Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Company are:

- Economic risk — events such as an economic recession and movement in interest rates could affect smaller companies' valuations.
- Loss of approval as a Venture Capital Trust — the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax.
- Investment and strategic — inappropriate strategy, poor asset allocation or consistent weak stock selection might lead to under performance and poor returns to shareholders.
- Regulatory — the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Reputational — inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.
- Operational — failure of the Adviser's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- Financial — inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.
- Market risk — investment in AIM traded, PLUS traded and unquoted companies by nature involve a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.
- Liquidity risk — the Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.

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

Performance and key performance indicators (KPIs)

The Board expects the Manager to deliver a performance which meets the twin objectives of providing investors with attractive returns from a portfolio of investments in fast-growing technology-based companies and maximising tax-free income for shareholders. The key performance indicators in meeting these objectives are net asset value performance and dividends paid, which when combined give net asset value total return.

A review of the Company's performance during the financial period, the position of the Company at the period end and the outlook for the coming year is contained within the Chairman's Statement on pages 2 to 4.

The Board assesses the performance of the Manager in meeting the Company's objective against the primary KPIs highlighted.

Clearly, when making investments in technology-based companies at an early stage of their development some are likely to disappoint, but investing the funds raised in high growth companies with the potential to become market leaders creates an environment for improved returns to shareholders. The growth of these companies may be adversely affected by current economic conditions and any reductions in levels of corporate spending on technology and services.

Foresight VCT plc is an investment company and contracts-out its investment activities to its investment manager, Foresight Group; it has four non-executive Directors but no employees. The Company is currently enjoying strong dealflow, including a number of opportunities in clean energy and environmental infrastructure, sectors which fit well with the Company's investment policy. Both clean energy and environmental infrastructure projects have clear environmental benefits; projects concentrating on reducing the amount of carbon emissions polluting the atmosphere, clean generation of electricity and efficient recycling of waste materials.

Directors' Report

Results

	Year ended 31 December 2008 £'000 Ordinary Shares	Year ended 31 December 2007 £'000 Ordinary Shares
Capital return for the year	**(6,688)**	(8,946)
Dividend paid	**(2,282)**	(702)
Capital return transferred from reserves	**(8,970)**	(9,648)
Revenue return before taxation	**198**	(64)
Taxation	**—**	—
Revenue return for the year	**198**	(64)

Dividend

The Board is recommending a final dividend on the Ordinary Shares of 1.0p per share (2007: final nil; interim 5.0p).

Merger and Share Capital

A Prospectus to raise up to £10 million by way of a Linked Offer for Subscription in the Ordinary Shares of Foresight VCT, Foresight 2, Foresight 3 and Foresight 4 was published on 22 January 2008. The Offer closed on 30 April 2008, having raised gross proceeds of £1,979,376 for the Company. The Company issued 3,102,896 shares at prices ranging from 61.0p to 72.0p per share.

On 17 October 2008, the Company published a new top-up offer document to raise up to the sterling value of €2.5 million through the issue of new Ordinary Shares. During 2008, 436,999 shares were issued under this offer.

Under the terms of the dividend investment scheme, a total of 209,325 Ordinary Shares (2007: 45,663 Ordinary Shares) were allotted during the year for a total consideration of £127,793 (2007: £36,542).

During the year, the Company purchased for cancellation 1,396,461 of its own Ordinary Shares (2007: 3,150,000 Ordinary Shares).

At 31 December 2008 the Company had 46,375,790 Ordinary Shares in issue.

CREST

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

Directors

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

	31 December 2008 Ordinary Shares	1 January 2008 Ordinary Shares
Peter Dicks	91,283	91,283
Antony Diment	54,128	54,128
Gordon Humphries	6,204	6,204
Bernard Fairman	714,113	714,113

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

In accordance with the Articles of Association and the requirements of the Combined Code, Mr Dicks, Dr Diment and Mr Fairman retire through rotation and, being eligible, offer themselves for re-election. Biographical notes on the Directors are given on page 11. The Board believes that Mr Dicks', Dr Diment's and Mr Fairman's balance of skills, experience and knowledge continue to complement those of the remaining Director and add value to the Company and recommends their re-election to the Board.

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

With the exception of Bernard Fairman, no Director has an interest in any contract to which the Company is a party. Bernard Fairman is managing partner of Foresight Group, which acts as investment manager to the Company in respect of its venture capital investments and which earned fees of £600,496 during the year (2007: £833,907). Foresight Fund Managers Limited, Company Secretary, received fees of £87,965 (2007: £58,751) during the year. Foresight Group is also a party to the performance incentive agreement described in Note 14 to the financial statements.

Nigel Horne resigned on 9 January 2008.

Directors' Report

I Management

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

Since the end of the year, the Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review, the Remuneration Committee considered the investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include Company Secretarial services. Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of Shareholders as a whole.

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

I VCT status monitoring

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

I Substantial shareholdings

So far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

I Financial instruments

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

I Purchase of own shares

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

I Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At the year end trade creditors represented an average credit period of 37 days.

I Directors and officers liability insurance

The Company maintains a Directors and Officers liability insurance policy.

I Annual General Meeting

A formal notice convening the Annual General Meeting on 18 May 2009 can be found on page 39. In addition to the general business, the following special business will be proposed:

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 £250,000. 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 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 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 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. 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 taken from the London Stock Exchange daily official list of 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 2010.

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 after 5 April 2006) 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 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 will deal only with member firms of the London Stock Exchange at a discount to the then prevailing net asset value per share of the Company's shares to ensure that existing shareholders are not disadvantaged.

I Audit Information

Pursuant to s234ZA (2) of the Companies Act 1985, each of the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Directors' Report

I Section 992 of the Companies Act

The following disclosures are made in accordance with Section 992 of the Companies Act 2006.

Capital Structure

The Company has an authorised Ordinary Share capital of 70,000,000 shares of 1p each of which 46,375,790 were in issue at the year end.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this report are given in Note 6 in the Notice of Annual General Meeting on page 40.

Notifiable Interests in the Company's voting rights

At the date of this report no notifiable interests had been declared in the Company's voting rights.

I Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

By order of the Board
Foresight Fund Managers Limited
Company Secretary
21 April 2009

Gary Fraser
For Foresight Fund
Managers Limited

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 December 2008.

Consideration by the Directors of Matters relating to Directors' Remuneration

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

The Remuneration Committee has responsibility for reviewing the remuneration of the Directors and meets as and when necessary. The Remuneration Committee members have access to independent advice where they consider it appropriate. During the year neither the Board nor the Remuneration Committee has been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

The remuneration policy set by the Board is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. No Director is involved in deciding their own remuneration.

Remuneration policy

The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2008 were agreed during the year.

It is considered appropriate that no aspect of Directors' remuneration should be performance related in light of the Directors' non-executive status, and Directors are not eligible for bonuses or other benefits.

The Company's policy is to pay the Directors quarterly in arrears, to the Directors personally or to a third party as requested by any Director.

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

Service contracts

None of the Directors has a service contract and a Director may resign at any time by notice in writing to the Board. There are no set minimum notice periods but all Directors are subject to retirement by rotation. No compensation is payable to Directors on leaving office. As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment. However, the Directors will retire by rotation as follows:

P Dicks	AGM 2009
A Diment	AGM 2009
B Fairman	AGM 2009
G Humphries	AGM 2010

Total shareholder return

The following graph charts the total shareholder return to 31 December 2008, on the hypothetical value of £100. The return is compared to the total shareholder return on a notional investment of £100 in the FTSE TechMark Index, which is considered by the Board an appropriate index against which to measure the Company's performance.

Details of individual emoluments and compensation

The emoluments in respect of qualifying services and compensation of each person who served as a Director during the year were as shown on page 20. No Director has waived or agreed to waive any emoluments from the Company in either the current year or previous period.

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

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

Directors' Remuneration Report

Only the information below has been audited. See the Independent Auditors' Report on page 22.

	Directors' fees (£) year ended 31 December 2008	Directors' fees (£) year ended 31 December 2007
Peter Dicks	**25,000**	25,000
Antony Diment*	**19,500**	19,500
Gordon Humphries	**18,250**	14,382
Nigel Horne (resigned 9 January 2008)	**491**	18,250
David Royds (resigned 16 January 2007)	**–**	615
Roger Blears* (resigned 16 January 2007)	**–**	613
Total	**63,241**	78,362

* Amounts paid and payable to third parties.

Bernard Fairman, a partner in the Company's Manager, Foresight Group, does not receive Directors' fees.

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

Approval of report

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

This Directors' Remuneration Report was approved by the Board on 21 April 2009 and is signed on its behalf by Antony Diment (Director).

On behalf of the Board

Antony Diment
Director
21 April 2009

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent; and

— state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including Business Review), Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Financial Statements are published on www.foresightgroup.eu a website maintained by Foresight Group. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of Foresight Group. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

— the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

— the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Peter Dicks
Chairman
21 April 2009

Independent Auditors' Report

to the members of Foresight VCT plc

We have audited the financial statements of Foresight VCT plc for the year ended 31 December 2008 which comprise the Profit & Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

I Respective responsibilities of Directors and auditors

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Corporate Policy and Financial Highlights, Chairman's Statement, Investment Summary, Board of Directors, Corporate Governance, Directors' Report, unaudited part of the Directors' Remuneration Report, Shareholder Information and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

I Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

I Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London
22 April 2009

Profit and Loss Account
for the year ended 31 December 2008

		Year to 31 December 2008			Year to 31 December 2007		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Unrealised losses on investments	9	**—**	**(6,332)**	**(6,332)**	—	(10,176)	(10,176)
(Losses)/gains on investments	9	**—**	**(487)**	**(487)**	—	1,855	1,855
Income	2	**490**	**—**	**490**	527	—	527
Investment management fees	3	**44**	**131**	**175**	(209)	(625)	(834)
Other expenses	4	**(336)**	**—**	**(336)**	(382)	—	(382)
Profit/(loss) on ordinary activities before taxation		**198**	**(6,688)**	**(6,490)**	(64)	(8,946)	(9,010)
Tax on ordinary activities	6	**—**	**—**	**—**	—	—	—
Profit/(loss) for the year		**198**	**(6,688)**	**(6,490)**	(64)	(8,946)	(9,010)
Earnings per share	8	**0.4p**	**(14.5)p**	**(14.1)p**	(0.1)p	(19.8)p	(19.9)p

All items in the above statement derive from continuing operations. The total column represents the Company's profit and loss account. The supplementary revenue and capital columns are presented for information purposes as recommended by the Guidance note issued by the Association of Investment Companies.

There are no other gains or losses in the year.

The notes on pages 27 to 37 form part of these financial statements.

Reconciliation of Movement in Shareholders' Funds

for the year ended 31 December 2008

	Called-up share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Distributable reserve £'000	Capital redemption reserve £'000	Total £'000
As at 1 January 2008	440	8,626	19,619	(1,549)	(498)	—	26,638
Share issues in the period	37	2,148	—	—	—	—	2,185
Expenses on share issues	—	(83)	—	—	—	—	(83)
Repurchase of shares	(14)	—	(525)	—	—	14	(525)
Dividend paid	—	—	—	(2,155)	—	—	(2,155)
Dividend reinvested	1	126	—	(127)	—	—	—
Net realised losses on investments	—	—	—	(487)	—	—	(487)
Net decrease in the value of investments	—	—	—	(6,332)	—	—	(6,332)
Capitalised management fees	—	—	131	(131)	—	—	—
Management fees charged to capital	—	—	—	131	—	—	131
Return for the year	—	—	—	—	198	—	198
As at 31 December 2008	**464**	**10,817**	**19,225**	**(10,650)**	**(300)**	**14**	**19,570**

	Called-up share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Distributable reserve £'000	Capital redemption reserve £'000	Total £'000
As at 1 January 2007	498	7,014	23,786	8,099	(2,740)	—	36,657
Share issues in the period	20	1,612	—	—	—	—	1,632
Deferred shares written off	(46)	—	46	—	—	—	—
Repurchase of shares	(32)	—	(1,907)	—	—	—	(1,939)
Write off to special reserve	—	—	(2,306)	—	2,306	—	—
Dividend paid	—	—	—	(702)	—	—	(702)
Net realised gains on investments	—	—	—	1,855	—	—	1,855
Net decrease in the value of investments	—	—	—	(10,176)	—	—	(10,176)
Management fees charged to capital	—	—	—	(625)	—	—	(625)
Loss for the year	—	—	—	—	(64)	—	(64)
As at 31 December 2007	440	8,626	19,619	(1,549)	(498)	—	26,638

Balance Sheet
at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2007 £'000
Non-current assets					
Assets held at fair value through profit or loss — investments	9		**15,512**		20,776
Current assets					
Debtors	10	**1,423**		782	
Money market and other investments		**2,750**		5,220	
Cash		**94**		41	
		4,267		6,043	
Creditors: amounts falling due within one year	11	**(209)**		(181)	
Net current assets			**4,058**		5,862
Net assets			**19,570**		26,638
Capital and reserves					
Called-up share capital	12		**464**		440
Share premium account			**10,817**		8,626
Special distributable reserve			**19,225**		19,619
Capital reserve			**(10,650)**		(1,549)
Distributable reserve			**(300)**		(498)
Capital redemption reserve			**14**		—
Equity shareholders' funds			**19,570**		26,638
Net asset value per share	13		**42.2p**		60.5p

The financial statements were approved by the Directors and authorised for issue on 21 April 2009 and are signed on their behalf by:

Peter Dicks
Chairman

The notes on pages 27 to 37 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2008

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Cash flow from operating activities		
Investment income received	**213**	220
Deposit and similar interest received	**248**	276
Investment management fees paid	**(272)**	(866)
Secretarial fees paid	**(59)**	(59)
Other cash payments	**(252)**	(555)
Net cash outflow from operating activities and returns on investment	**(122)**	(984)
Taxation	**—**	—
Returns on investment and servicing of finance		
Purchase of unquoted investments and investments quoted on AIM	**(2,827)**	(1,618)
Net proceeds on sale of unquoted investments	**133**	5,114
Net proceeds on sale of quoted investments	**1,190**	1,030
Net capital (outflow)/inflow from financial investment	**(1,504)**	4,526
Equity dividends paid	**(2,282)**	(702)
Management of liquid resources		
Movement in money market and other deposits	**2,470**	(2,626)
	2,470	(2,626)
Financing		
Proceeds of fund raisings	**1,956**	1,925
Expenses of fund raisings	**(72)**	(293)
Dividends reinvested	**127**	—
Repurchase of own shares	**(520)**	(1,839)
	1,491	(207)
Increase in cash	**53**	7
Reconciliation of net cash flow to movement in net cash		
Increase in cash for the year	**53**	7
Net cash at start of year	**41**	34
Net cash at end of year	**94**	41

Reconciliation of net income to net cash flow from operating activities		
Total deficit before taxation	**(6,490)**	(9,010)
Unrealised losses on investments	**6,332**	10,176
Realised losses/(gains) on investments	**487**	(1,855)
Increase/(decrease) in creditors	**13**	(496)
(Increase)/decrease in debtors	**(464)**	201
Net cash outflow from operating activities	**(122)**	(984)

Analysis of changes in net debt

	At 1 January £'000	Cash £'000	**At 31 December £'000**
Cash at 1 January 2008	41	53	**94**

The notes on pages 27 to 37 form part of the financial statements.

Notes to the Accounts

for the year ended 31 December 2008

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the Companies Act 1985, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The Company presents its profit and loss account in a three column format to give shareholders additional detail of the performance of the Company split between items of a revenue or capital nature.

b) Assets held at fair value through profit or loss — Investments

Investments are stated at fair value, in accordance with the International Private Equity and Venture Capital Valuation (IPEVC) guidelines. Investments are classified as fair value through profit or loss.

Quoted investments are stated on a bid price basis in accordance with FRS 26.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with IPEVC guidelines:

1. Investments which have been made in the last 12 months are at cost, unless another methodology gives a better indication of fair value.

2. Investments in companies at an early stage of their development are also valued at cost, unless another methodology gives a better indication of fair value.

3. Investments which have been held for more than 12 months and which have gone beyond the stage of their development in 2 above are valued, in the absence of overriding factors, using a suitable price-earnings ratio discounted to reflect the lack of marketability. Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arm's length transaction by an independent third party, cost, cost less provision for impairment, discounted cash flow, or a net asset basis.

c) Income

Dividends receivable on quoted equity shares are brought into account on the ex dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's rights to receive payment are established and there is no reasonable doubt that payment will be received.

d) Expenses

All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged through the revenue column of the profit and loss account, with the exception that 75% of the fees payable to Foresight Group are allocated against the capital column of the profit and loss account.

The transaction costs incurred when purchasing or selling assets are written off to the profit and loss account in the period they occur.

e) Taxation

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital column of the profit and loss account and a corresponding amount is charged against the revenue column. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

f) Financial Instruments

During the course of the year the Company held non-current asset investments, shares in Open Ended Investment Companies, ("OEIC") money-market funds 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 carrying value for all financial assets and liabilities is fair value.

g) Deferred Taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. In accordance with FRS 19 "Deferred Tax", a provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes.

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

Notes to the Accounts

for the year ended 31 December 2008

2 Income

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Dividends	**—**	115
Money-market funds (OEICs)	**210**	153
Loan stock interest	**225**	237
Interest received on VAT refunded	**28**	—
Bank deposits	**18**	12
Other	**9**	10
	490	527

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

3 Investment management fees

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Investment management fees charged to the revenue account		
— Gross (including VAT charged in the year)	**150**	209
— VAT refunded	**(194)**	—
	(44)	209
Investment management fees charged to the capital account		
— Gross (including VAT charged in the year)	**450**	625
— VAT refunded	**(581)**	—
	(131)	625
Total management fees	**(175)**	834

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

Foresight Group have received an annual management fee of 2% of the net assets of the Company (adjusted to reflect quoted investments at mid-market prices) in the periods to 31 December 2008 and will receive 2% annually for subsequent periods. The annual management fees are calculated and payable quarterly in advance.

At an Extraordinary General Meeting on 15 January 2007, new incentive arrangements for Foresight Group were approved by shareholders. In summary, Foresight Group will receive an incentive equal to 15% of all distributions made to shareholders following the conversion of shares, in excess of a Total Return of £1 per New Share.

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

Following a decision to treat investment management fees for VCTs as exempt, VAT recovered (£440,000) and recoverable (£335,000) from HM Revenue & Customs has been included under investment management fees above.

Notes to the Accounts

for the year ended 31 December 2008

4 Other expenses

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Accounting and secretarial services including VAT	**117**	118
Directors' remuneration including employer's National Insurance contributions	**70**	85
Auditors' remuneration including VAT		
— audit services	**29**	31
— other services — interim review	**5**	5
— taxation services	**6**	3
Other	**109**	140
	336	382

The Company has no employees other than the Directors.

5 Directors' remuneration

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Peter Dicks	**25**	25
Nigel Horne (resigned 9 January 2008)	**—**	18
David Royds (resigned 16 January 2007)	**—**	1
Gordon Humphries (appointed 20 January 2007)	**18**	14
	43	58
Amounts paid and payable to third parties for the services of:		
Antony Diment	**20**	20
Roger Blears (resigned 16 January 2007)	**—**	1
	63	79
Employers' NIC and VAT on above as appropriate	**7**	6
	70	85

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 16.

6 Tax on ordinary activities

Analysis of charge in the year	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Corporation tax on profits for the year	**—**	—
Total tax for the year	**—**	—

Notes to the Accounts

for the year ended 31 December 2008

6 Tax on ordinary activities (continued)

The differences are explained below:

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Loss on ordinary activities before tax	**(6,490)**	(9,010)
Loss on ordinary activities multiplied by standard small companies rate of corporation tax in the UK of 20.75%* (2007: 19.75%)	**(1,347)**	(1,780)
Effect of:		
UK dividends not taxable	**—**	(23)
Capital realised losses/(gains) not taxable	**101**	(366)
Capital unrealised losses not taxable	**1,314**	2,010
Surplus management expenses utilised	**(68)**	159
Current tax charge for the period	**—**	—

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

No deferred tax asset has been recognised in the year for surplus management fees. At present it is not envisaged that any tax will be recovered on these in the foreseeable future. The total amount unprovided for is £638,000 (2007: £714,000).

* During the year the UK Corporation Tax rates increased from 20% to 21% effective from 1 April 2008. The effective rate of 20.75% has been calculated based on these rates, pro-rated over the year.

7 Dividends

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Ordinary Shares		
Interim dividend of 5.0 pence paid for the year ended 31 December 2007 (2006: n/a)	**2,282**	—
	2,282	—
C Shares		
Interim dividend of 2.0 pence paid for the year ended 31 December 2006	**N/A**	702
	N/A	702

As a result of the merger on 16 January 2007 the existing Ordinary Shares and C Shares were merged into a new class of Ordinary Share.

The Board is recommending a final dividend of 1.0p per Ordinary Share for the year ended 31 December 2008. If approved at the Annual General Meeting, these payments will be made on 29 May 2009. The dividend will have an ex-date of 13 May 2009 and a record date of 15 May 2009. An interim dividend for the year ended 31 December 2007 of 5.0p per Ordinary Share was paid on 7 March 2008.

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

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Income available for distribution by way of dividends for the year	**198**	(64)
Proposed final dividend for the year ended 31 December 2008	**489**	—

Dividend cover: the total cost of the proposed final Ordinary Share dividend is £489,000 (2007: £2,282,000). At 31 December 2008 the Company had distributable reserves of £18,925,000. Income of £198,000 was generated in the year available for dividend distribution.

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

Notes to the Accounts
for the year ended 31 December 2008

8 Earnings per share

	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Total earnings after taxation	**(6,490)**	(9,010)
Basic earnings per share (note a)	**(14.1)p**	(19.9)p
Net revenue from ordinary activities after taxation	**198**	(64)
Revenue return per share (note b)	**0.4p**	(0.1)p
Total capital return after taxation	**(6,688)**	(8,946)
Capital return per share (note c)	**(14.5)p**	(19.8)p
Weighted average number of shares in issue in the year	**46,155,407**	45,227,061

Notes:
a) Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.
b) Revenue return per share is net revenue after taxation divided by the weighted average number of shares in issue.
c) Capital return per share is total capital return after taxation divided by the weighted average number of shares in issue.

9 Assets held at fair value through profit or loss — investments

	2008 £'000	2007 £'000
Quoted investments at bid-market valuation	**3,495**	6,959
Unquoted investments at Directors' valuation	**12,017**	13,817
	15,512	20,776

	Listed equity investments £'000	Quoted on AIM £'000	Unquoted £'000	Total £'000
Book cost as at 1 January 2008	233	12,424	16,461	29,118
Unrealised appreciation/(depreciation)	891	(6,589)	(2,644)	(8,342)
Valuation at 1 January 2008	1,124	5,835	13,817	20,776
Purchases at cost	—	150	2,677	2,827
Sale proceeds	(1,182)	(7)	(133)	(1,322)
Realised gains/(losses)	949	(936)	(500)	(487)
Unrealised losses	(891)	(1,547)	(3,844)	(6,282)
Valuation at 31 December 2008	**—**	**3,495**	**12,017**	**15,512**
Book cost at 31 December 2008	—	11,631	18,505	30,136
Unrealised depreciation	—	(8,136)	(6,488)	(14,624)
Valuation at 31 December 2008	**—**	**3,495**	**12,017**	**15,512**

Deferred consideration of £50,000 was also written off during the year.

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

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

Notes to the Accounts

for the year ended 31 December 2008

10 Debtors

	2008 £'000	2007 £'000
Deferred consideration	**60**	111
Prepayments	**38**	13
Accrued interest and dividends	**1,325**	658
	1,423	782

11 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**139**	122
Other tax and social security	**6**	8
Accruals	**64**	51
	209	181

12 Called-up share capital

	2008 £'000	2007 £'000
Authorised:		
Ordinary Shares of 1p each: 70,000,000 (2007: 70,000,000)	**700**	700
	700	700
Allotted, called up and fully paid:		
Ordinary Shares of 1p each: 46,375,790 (2007: 44,023,031)	**464**	440
	464	440

	Ordinary Shares No.
At 1 January 2008	**44,023,031**
Allotment of shares	**3,749,220**
Repurchase of own shares	**(1,396,461)**
At 31 December 2008	**46,375,790**

The current top-up offer, launched in October 2008, raised gross proceeds of £204,375 as at 31 December 2008 through the issue of 436,999 ordinary shares at prices ranging between 47.0p and 48.0p per share. The top-up offer is being run in conjunction with top-up offers for Foresight 2, Foresight 3 and Foresight 4 and is expected to close on 30 April 2009.

The previous linked offer for subscription (January 2008) between Foresight VCT, Foresight 2, Foresight 3 and Foresight 4 and had raised £7,917,503 when it closed on 30 April 2008. The proceeds of the offer were equally split between the four Foresight funds with Foresight VCT receiving total gross proceeds of £1,979,376, through the issue of 3,102,896 ordinary shares at prices ranging between 61.0p and 72.0p per share. These funds enabled your Company to remain an active investor in the current market and take advantage of new opportunities.

Additionally, 209,325 shares were issued under the dividend reinvestment scheme at 61.05p per share raising proceeds of £127,793.

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

As part of the Company's active buy-back programme, during the year 1,396,461 Ordinary Shares were purchased for cancellation at a cost of £525,000.

Notes to the Accounts

for the year ended 31 December 2008

12 Called-up share capital (continued)

	New Ordinary Shares No.	Ordinary Shares No.	C Shares No.
At 1 January 2007	—	14,791,348	34,976,091
Conversion of Ordinary Shares into C Shares	—	(10,177,029)	10,177,029
Conversion of Ordinary Shares into Deferred Shares and cancelled	—	(4,614,319)	—
	—	—	45,153,120
Conversion of C Shares to New Ordinary Shares	45,153,120	—	(45,153,120)
Allotments (dividend investment scheme)	45,663	—	—
Allotments (offer for subscription of shares)	1,974,248	—	—
Purchase of own shares	(3,150,000)	—	—
At 31 December 2007	**44,023,031**	—	—

The C Shares Fund was managed separately until the merger with the Ordinary Shares Fund that took place on 16 January 2007.

13 Net asset value per share — basic and diluted

Basic net asset value per Ordinary Share is based on net assets of £19,570,000 (2007: £26,638,000) of the Ordinary Share fund at the year end, and on 46,375,790 (2007: 44,023,031) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

14 Performance-related incentive

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

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

15 Financial Instrument risk management

The Company's financial instruments comprise:

- Equity shares, debt securities and fixed interest securities that are held in accordance with the Company's investment objective as set out in the Investment Manager's Review.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 December 2008:

	2008 (Fair value) £'000	2007 (Fair value) £'000
Assets at fair value through profit and loss		
Investment portfolio	**15,512**	20,776
Current investments (money market funds)	**2,750**	5,220
Cash at bank	**94**	41
	18,356	26,037
Loans and receivables		
Deferred consideration	**60**	111
Other debtors	**1,363**	671
Other creditors	**(209)**	(181)
	19,570	26,638

Notes to the Accounts

for the year ended 31 December 2008

15 Financial Instrument risk management (continued)

The investment portfolio principally consists of AIM quoted, unquoted investments and qualifying loan stocks valued at fair value. AIM quoted investments are valued at bid price. Current investments are money market funds, discussed under credit risk management below.

The investment portfolio has a high concentration of risk towards small UK-based companies, the majority being unquoted sterling denominated equity and loan stock holdings (61.4% of net assets) or quoted on the sterling denominated UK AIM market (17.9% of net assets).

An analysis of the maturity of the assets of the Company above is provided on the next page. There are no liabilities of significance to these accounts that mature beyond one month.

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

	2008	2007
	£'000	£'000
Loan stocks	**5,006**	3,475
Current investments (money market funds)	**2,750**	5,220
Deferred consideration	**60**	111
Other debtors	**1,363**	671
Cash at bank	**94**	41
Total	**9,273**	9,518

The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

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 below.

Risk

Interest rate risk

The principal risk is that income from the Company's interest-bearing securities may be affected by interest rate movements.

	Total portfolio		**Weighted average interest rate**		**Weighted average time for which rate is fixed**	
	31 December 2008	31 December 2007	**31 December 2008**	31 December 2007	**31 December 2008**	31 December 2007
	£'000	£'000	**%**	%	**Days**	Days
Short-term fixed interest securities — exposed to cash flow interest rate risk	**2,750**	5,220	**5.2**	6.2	**1**	1
Qualifying loan stock — exposed to fair value interest rate risk	**2,974**	3,273	**8.3**	3.8	**918**	252
Qualifying loan stock — exposed to cash flow interest rate risk	**1,819**	202	**5.3**	7.4	**—**	—
Non-qualifying loan stock — exposed to fair value interest rate risk	**80**	—	**4.0**	—	**—**	—
Total exposed to interest rate risk	**7,623**	8,695				
Qualifying loan stock — not exposed to interest rate risk	**133**	—	**—**	—	**—**	—
Total	**7,756**	8,695				

Notes to the Accounts

for the year ended 31 December 2008

15 Financial Instrument risk management (continued)

	Total portfolio		Weighted average interest rate	
	31 December 2008	31 December 2007	**31 December 2008**	31 December 2007
Maturity analysis:	**£'000**	£'000	**%**	%
— in one year or less	**3,319**	7,118	**3.8**	5.6
— in more than one year but no more than two years	**1,875**	569	**6.5**	7.1
— in more than two years but no more than three years	**333**	1,008	**8.3**	6.2
— in more than three years but no more than four years	**—**	—	**—**	—
— in more than four years but no more than five years	**2,229**	—	**6.6**	—
Total	**7,756**	8,695		

During the course of the year the Company also held cash balances. The benchmark rate, which determines the interest payments received on cash and loan balances held, is the bank base rate which was 2.0% at 31 December 2008 (5.5% at 31 December 2007).

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

- **Interest Rate Risk:** The Company's fixed interest securities, its equity and non-equity investments and net revenue may be affected by interest rate movements. Investments are often in start-up businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held. The Company's maximum exposure to interest rate risk was £7,623,000 at 31 December 2008 (31 December 2007: £8,695,000) as shown earlier in note 15.

- **Credit Risk:** Failure by counterparties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered is a risk to the company. The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. The Board manages credit risk in respect of the current investments and cash by ensuring a spread of such investments in separate money market funds such that none exceed 15% of the Company's total investment assets. These money market funds are all triple A rated funds, and so credit risk is considered to be low. The maximum exposure to credit risk at 31 December 2008 was £4,229,000 (31 December 2007: £6,030,000) based on cash, money market funds and other receivables (amounts due on investments, dividends and interest).

- **Market Price Risk:** Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

  The investments in equity and fixed interest stocks of unquoted, and AIM listed companies the Company holds are thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts. The potential maximum exposure to market price risk is the value of the investment portfolio as at 31 December 2008: £15,511,685 (31 December 2007: £20,775,787).

- **Currency Risk:** All assets and liabilities are denominated in sterling and therefore there is no currency risk. The Company's direct maximum exposure to currency risk is, therefore, £nil.

Notes to the Accounts

for the year ended 31 December 2008

15 Financial Instrument risk management (continued)
Sensitivity analysis

Equity price sensitivity
The Board believes that the Company's assets are mainly exposed to equity price risk, as the Company is required to hold most of its assets in the form of sterling denominated investments in small companies.

Although part of these assets are quoted on AIM, the majority of these assets are unquoted. All of the investments made by the Investment Manager in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares or loan stock) carry a full equity risk, even though some of the loan stocks may be secured on assets (as they will be behind any prior ranking bank debt in the investee company).

The Board consider that even the loan stocks are "quasi-equity" in nature, as the value of the loan stocks is determined by reference to the enterprise value of the investee company, such value is considered to be sensitive to changes in quoted share prices, in so far as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% movement in overall share prices, which might in part be caused by changes in interest rate levels, but it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares and loan stocks) held by the Company produces a movement overall of 15%, and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, shareholders should note that this level of correlation is unlikely to be the case in reality.

	2008 £'000 Profit and net assets	2007 £'000 Profit and net assets
If overall share prices fell by 15%, with all other variables held constant — decrease	**(2,327)**	(3,116)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	**(5.02)p**	(7.08)p

	2008 £'000 Profit and net assets	2007 £'000 Profit and net assets
If overall share prices increase by 15%, with all other variables held constant — increase	**2,327**	3,116
Increase in earnings, and net asset value, per Ordinary Share (in pence)	**5.02p**	7.08p

The impact of a change of 15% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

Notes to the Accounts

for the year ended 31 December 2008

15 Financial Instrument risk management (continued)

Interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not believe that the value of these instruments are interest rate sensitive. This is because the Board does not consider that the impact of interest rate changes materially affects the value of the portfolio in isolation, other than the consequent impact that interest rate changes have upon movements in share prices, discussed under equity price risk above. However, as the Company has 39% of its net assets in loan stocks and money market funds, the table below shows the sensitivity of income earned to changes in interest rates.

	2008 £'000 Profit and net assets	2007 £'000 Profit and net assets
If interest rates were 1% lower, with all other variables held constant — decrease	**(19)**	(43)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	**(0.04)p**	(0.10)p
If interest rates were 1% higher, with all other variables held constant — increase	**19**	43
Increase in earnings, and net asset value, per Ordinary Share (in pence)	**0.04p**	0.10p

16 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is, must be and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

Financial Liabilities and Borrowing Facilities

The Company had no committed borrowing facilities, liabilities or guarantees at 31 December 2008 or 31 December 2007.

Fair Values

The fair value of the Company's financial assets and liabilities at 31 December 2008 and 31 December 2007 are not different from their carrying values.

17 Related party transactions

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

At the balance sheet date, there was £nil (2007: £nil) due to Foresight Group LLP and £28,750 (2007: £nil) due to Foresight Fund Managers Limited. No amounts have been written off in the year in respect of debts due to or from the related parties.

18 Post-balance sheet event

As a result of the top-up offer launched in November 2008, 2,964,070 Ordinary Shares were allotted at prices ranging from 44.0p to 48.0p per share between 1 January 2009 and 21 April 2009, the latest practicable date prior to signing the accounts.

Shareholder Information

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

Share price
The Company's Ordinary Shares are listed on the London Stock Exchange. The mid-price of the Company's Ordinary Shares is given daily in the Financial Times in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

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

Trading shares
The Company's Ordinary Shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. The primary market maker for Foresight VCT plc is currently Matrix Corporate Capital.

Investment in VCTs should be seen as a long-term investment and Shareholders selling their shares within three years of original purchase (five years post-6 April 2006) may lose any tax reliefs claimed. Investors who are in any doubt about selling their shares should consult their independent financial adviser.

Please call Foresight Group (see details below) if you or your adviser have any questions about this process.

Indicative financial calendar

April 2009	Announcement of preliminary results for the year ended 31 December 2008
April 2009	Posting of the Annual Report for the year ended 31 December 2008
May 2009	Annual General Meeting
August 2009	Announcement of Interim Results for the six months ending 30 June 2009

Open invitation to meet the Investment Manager
As part of our investor communications policy, shareholders can arrange a mutually convenient time to come and meet the Company's investment management team at Foresight Group. If you are interested please call Foresight Group (see details below).

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

Telephone:	01732 471800
Fax:	01732 471810
e-mail:	info@foresightgroup.eu
website:	www.foresightgroup.eu

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Foresight VCT plc will be held on 18 May 2009 at 2.00 pm at the offices of Closed Loop Recycling, 16 Choats Road, Dagenham, Essex, RM9 6LF for the purposes of considering and, if thought fit, passing the following resolutions, which in the case of resolutions 1 to 6 will be proposed as ordinary resolutions:

Ordinary Business

Resolution 1 To receive the financial statements for the year ended 31 December 2008 together with the reports of the Directors and Auditors thereon.

Resolution 2 To approve the Directors' Remuneration Report.

Resolution 3 To reappoint Ernst & Young LLP as Auditors and to authorise the Directors to determine the Auditors' remuneration.

Resolution 4 To re-elect Peter Dicks as a Director of the Company.

Resolution 5 To re-elect Antony Diment as a Director of the Company.

Resolution 6 To re-elect Bernard Fairman as a Director of the Company.

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 £250,000 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).

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 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 where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary 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 of the Company.

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;

(ii) the minimum price which may be paid for Ordinary Shares is 1 pence per share;

(iii) the maximum price which may be paid for Ordinary Shares is an amount equal to 105% of the average of the middle market quotation for Ordinary Shares taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Ordinary 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 2010 unless such authority is renewed prior to such time; and

(v) the Company may make a contract to purchase Ordinary 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 pursuant to such contract.

By order of the Board

Foresight Fund Managers Limited
Company Secretary

for Foresight Fund Managers limited

21 April 2009

ECA Court
South Park
Sevenoaks
TN13 1DU

Notice of Annual General Meeting

Notes:

1. No Director has a service contract or appointment letter with the Company.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 2.00 pm on 16 May 2009 (or, in the event of any adjournment, 9.30 am on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0870 703 6385. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply-paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, so as to be received not later than 2.00 pm on 16 May 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll (in each case, excluding weekends and bank holidays).
6. As at 21 April 2009 (being the last business day prior to the publication of this notice), the Company's issued share capital was 48,902,861 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 April 2009 were 48,902,861 Ordinary Shares.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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Corporate Information

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Antony Diment
Bernard Fairman
Gordon Humphries

Company Secretary
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Registered Office and Investment Manager
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- General and Portfolio Queries — Foresight Group (01732 471812)