



# FORESIGHT VCT AND FORESIGHT 2 VCT INFRASTRUCTURE SHARES

Securities Note with Application Form



This document is important and requires your immediate attention. If you are in any doubt about what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA").

This document constitutes a Securities Note issued by Foresight VCT plc ("Foresight 1") and Foresight 2 VCT plc ("Foresight 2") (together "the Companies" and each a "Company") dated 7 October 2011 ("the Securities Note").

This document has been prepared for the purposes of complying with the Prospectus Directive, English law and the rules of the UKLA and the information disclosed may not be the same as that which would be disclosed if this document had been prepared in accordance with the laws of a jurisdiction outside England. Additional information relating to the Companies is contained in a registration document issued by the Companies dated 7 October 2011 ("the Registration Document"). A brief summary written in non-technical language conveying the essential characteristics of and risks associated with the Companies and the Infrastructure ordinary shares of 1 pence each in the capital of Foresight 1 ("Foresight 1 Infrastructure Shares") and the infrastructure ordinary shares of 1 pence each in the capital of Foresight 2 ("Foresight 2 Infrastructure Shares") which are being offered for subscription ("Infrastructure Shares") ("the Offer") is contained in a summary issued by the Companies dated 7 October 2011 ("the Summary").

This Securities Note, the Registration Document and the Summary together comprise a prospectus issued by the Companies dated 7 October 2011 ("the Prospectus"), which has been prepared in accordance with the Prospectus Rules made under FSMA and has been approved by the Financial Services Authority ("FSA") in accordance with FSMA. The Prospectus has been filed with the FSA in accordance with the Prospectus rules and you are advised to read the Prospectus in full.

The Companies and the Directors (whose names are set out on page 37) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## Linked offer for subscription to raise, in aggregate, up to £30 million by way of an issue of up to 30 million Foresight VCT plc and Foresight 2 VCT plc Infrastructure Shares

### Foresight VCT plc

Registered in England and Wales under number 03421340

### Foresight 2 VCT plc

Registered in England and Wales under number 05200494

In connection with the Offer, BDO LLP ("BDO") is acting for the Companies and no-one else and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of BDO nor for providing advice in relation to the Offer. BDO is authorised and regulated in the United Kingdom by the FSA.

In connection with the Offer, Foresight Group LLP ("Foresight Group") is acting for the Companies and no-one else and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of Foresight Group, nor for providing advice in relation to the Offer. Foresight Group is authorised and regulated in the United Kingdom by the FSA.

Application has been made to the UK Listing Authority for the Infrastructure Shares to be admitted to the Official List and to the London Stock Exchange plc for such Infrastructure Shares to be admitted to trading on its main market for listed securities. It is expected that admission to the Official List will become effective and that dealings in the Infrastructure Shares will commence three Business Days following allotment. The Companies' existing issued shares are admitted to the Official List and are traded on the London Stock Exchange's market for listed securities.

Copies of this Securities Note, the Registration Document and the Summary (and any supplementary prospectus published by the Companies) are available free of charge from the offices of the Companies' investment manager, Foresight Group, ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU and the sponsor, BDO, 125 Colmore Row, Birmingham B3 3SD.

The procedure for, and the terms and conditions of, application under this Offer are set out at the end of this document together with an Application Form. Completed Application Forms must be posted or delivered by hand to the Receiving Agent, Foresight VCTs Offer, The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF. The Offer opens on 7 October 2011 and will close not later than 29 June 2012 or as soon as the Offer is fully subscribed or otherwise at the Boards' discretion. The Boards in their absolute discretion may decide to extend or increase the Offer (such increase to be completed, and subject to, the issue of a supplementary prospectus).

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or South African (each a "Restricted Territory"). In particular, prospective shareholders who are resident in a Restricted Territory should note that this document is being sent for information purposes only. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. This document is not being and must not be forwarded to or transmitted in or into a Restricted Territory.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS ON PAGES 2 and 3.

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# RISK FACTORS

Existing and prospective investors should consider carefully the following risk factors in addition to the other information presented in this document and the Prospectus as a whole. If any of the risks described below were to occur, it could have a material effect on the Companies' businesses, financial condition, result of operations or on the value of the Infrastructure Shares. The risks and uncertainties described below are not the only ones the Companies, the Directors or investors in the Infrastructure Shares will face.

**Additional risks not currently known to the Companies or the Directors, or that the Companies or the Directors currently believe are not material, may also adversely affect the Companies' businesses, financial condition and result of operations. The value of Infrastructure Shares could decline due to any of the risk factors described below, and investors could lose part or all of their investment. Investors who are in doubt should consult an independent financial adviser authorised under FSMA.**

- The Offer is conditional on receiving applications for Infrastructure Shares for, in aggregate, a minimum of £3 million per Company (which would result in the Minimum Net Proceeds per Company being raised). If less than £3 million per Company is applied for by the closing date (which may be extended) the Offer will lapse.
- The value of Infrastructure Shares and the income from them can fluctuate and investors may not get back the amount they invested. In addition, there is no certainty that the market price of the Infrastructure Shares will fully reflect the underlying net asset value nor that dividends will be paid. Shareholders should not rely upon any share buy-back policy to offer any certainty of selling their Infrastructure Shares at prices that reflect the underlying NAV.
- The net asset value of the Infrastructure Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall.
- The past performance of the Companies or other funds managed by Foresight Group, the investment manager to the Companies, and Foresight Group itself is no indication of the future performance of the Companies. The return received by investors will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.
- The existing Shares issued by the Companies have been (and it is anticipated that Infrastructure Shares to be issued pursuant to the Offer will be) admitted to the Official List of the UK Listing Authority and are (or will be) traded on the London Stock Exchange market for listed securities. However, the secondary market for VCT shares is generally illiquid and, therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares bought in the secondary market and because VCT shares usually trade at a discount to NAV) and investors may find it difficult to realise their investment. Investment in the Companies should be seen as a long term investment.
- The Companies are seeking to raise a minimum of £6 million (£3 million per Company) under the Offer. Should applications for only the minimum level of £6 million be received (which would result in the Minimum Net Proceeds per Company being raised) or to the extent that a relatively small amount of funds is raised for a Company, the portfolio of the Infrastructure Shares fund of the relevant Company will be less diversified than it would have been had the maximum amount sought under the Offer for that Company been raised. Potential investors should be aware that, in these circumstances, the fixed costs attributable to the Infrastructure Shares fund of the relevant Company would be proportionately higher and, therefore, a lower proportion of the applicant's monies would be available to be invested in accordance with the stated investment policy as set out in Part Four of this document.
- There is no guarantee that either of the Companies will meet its objective or that suitable investment opportunities will be identified to enable a Company to meet its objective.
- The target tax-free return to investors in Infrastructure Shares is not guaranteed, nor is the level and timing of distributions to Shareholders. The level of returns from the Infrastructure Shares may be less than expected if there is a delay in the investment programme, such that a Company's proceeds of the Offer are held in cash or near cash investments for longer than expected.
- While it is the intention of each Board that its Company will be managed so as to continue to qualify as a Venture Capital Trust, there can be no guarantee that a Company's status will be maintained. A failure to meet the qualifying requirements could result in Qualifying Investors losing the tax reliefs available for VCT shares, resulting in adverse tax consequences, including, if the holding has not been held for the relevant holding period, a requirement to repay the income tax relief obtained. Furthermore, should a Company lose its VCT status, dividends and gains arising on the disposal of Infrastructure Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

- The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Companies and/or the rates of tax, or other statutory provisions to which the Companies are subject, may change during the life of the Companies and such changes could be retrospective.
- If a Qualifying Investor who subscribes for Infrastructure Shares under the Offer disposes of those shares within five years, the Qualifying Investor will be subject to clawback by HM Revenue & Customs of any income tax relief originally obtained on subscription.
- Changes in legislation concerning VCTs (pursuant to the consultation document published by HM Treasury on 6 July 2011 or otherwise), in particular, in relation to qualifying holdings and qualifying trades, may limit the number of qualifying investment opportunities and/or reduce the level of returns which might otherwise have been achievable.
- Investment in unquoted companies (including AIM-traded and PLUS market-traded companies) by its nature involves a higher degree of risk than investment in companies listed on the Official List. In particular, the viability and financial performance of small companies often depends on a narrow product range, small markets, limited financial resources, a small number of staff and counterparties and may be more susceptible to political, exchange rate, taxation and regulatory changes. In addition, the market for securities in smaller companies may be less regulated and is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Full information for determining their value or the risks to which they are exposed may also not be available. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.
- Realisation of investments in unquoted companies can be difficult and may take considerable time. There may also be constraints imposed on the realisations of investments by the need to maintain the VCT status of a Company which may restrict that Company's ability to obtain maximum value from its investments.
- Although the Companies may receive conventional venture capital rights in connection with their investments, as minority investors they may not be in a position fully to protect their interests.
- Any change of Governmental, economic, fiscal, monetary or political policy and, in particular any spending cuts or material increases in interest rates could materially affect, directly or indirectly, the operation of the Companies and/or the performance of the Companies and the value of and returns from Shares and/or their ability to achieve or maintain VCT status.
- Where more than one of the companies (or the relevant fund attributable to a Share class) managed or advised by Foresight Group wishes to participate in an investment opportunity, allocations will be made in accordance with the allocation policy agreed as at the date of allocation. The policy provides that allocations are made firstly to any company (or the relevant fund attributable to a share class) with an existing investment in the relevant company, secondly to any company (or the relevant fund attributable to a share class) whose investment strategy is specifically focused on the business of the relevant company and thirdly to all other companies (or the relevant fund attributable to a share class) whose investment strategy is generally consistent with the investment in business of the relevant company. Within each stage, allocations are made pro rata to the net funds raised by each company (or the relevant fund attributable to a share class), except where there is an existing investment, in which case allocation is pro rata to such existing investment. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70% of a particular VCT's portfolio in Qualifying Investments. This may mean that a greater or lesser allocation is received than would otherwise be the case.
- Where a Company invests the proceeds of the Offer in companies in which other funds managed or advised by Foresight Group (including in respect of the other classes of Shares in the relevant Company) have invested or are investing, conflicts of interest may arise and the Board of the relevant Company will exercise its judgment in managing such conflicts.
- Although each of the Companies' existing share classes will be managed separately and benefit from fixed costs being spread across a larger asset base, they will continue, however, to be subject to the overall financial position and performance of that Company as a number of accounting, company law and VCT tests are applied at Company level. In addition, if, on liquidation, in the unlikely event there was a deficit in relation to one share class, such deficit would be borne by the other share classes of that Company.



# OFFER TIMETABLE, STATISTICS AND COSTS

## Indicative Offer timetable

Offer opens	7 October 2011
Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares	2.5% to 20 December 2011, thereafter 1% to 29 February 2012
New Investor Early Bird Additional Infrastructure Shares	2% to 20 December 2011, thereafter 1% to 29 February 2012
Closing date for 2011/2012 tax year	12 noon on 5 April 2012
Offer closes	12 noon on 29 June 2012
First allotment	Following the minimum subscription level being achieved
Subsequent allotments	Monthly or as required
Effective date for the listing of Infrastructure Shares and commencement of dealings	Within three Business Days following allotment
Share certificates and tax certificates to be dispatched	Within ten Business Days of allotment

The minimum subscription level for the Offer to become unconditional is £6 million (£3 million per Company). The Boards reserve the right to extend the closing date of the Offer or increase the size of the Offer at their discretion (such increase to be completed by, and subject to, the issue of a supplementary prospectus). The Offer will close earlier than the date stated above if it is fully subscribed or otherwise at the Directors' discretion.

## Offer statistics

Offer Price per Infrastructure Share	100.0p
Initial net asset value per Infrastructure Share*	94.5p
Minimum investment by an investor	£5,000
Maximum amount to be raised for each Company (unless increased)	£15,000,000
Minimum amount to be raised for each Company	£3,000,000
Maximum net proceeds of the Offer per Company (unless increased)*	£14,175,000
Minimum net proceeds of the Offer per Company*	£2,835,000
Maximum number of Infrastructure Shares to be issued per Company (unless increased)	15,000,000
Minimum number of Infrastructure Shares to be issued per Company	3,000,000

\* taking into account the expenses of the Offer of 5.5%, but excluding annual trail commission.

## Costs and commissions relating to the Offer

Offer costs as a percentage of the gross proceeds*	5.5%
Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares	2.5% to 20 December 2011, thereafter 1% to 29 February 2012
New Investor Early Bird Additional Infrastructure Shares	2.0% to 20 December 2011, thereafter 1% to 29 February 2012
Initial commission to intermediaries	3.0%
Annual trail commission to intermediaries (subject to a maximum cumulative payment of 3%)	0.5%

\* including commission, Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares and New Investor Early Bird Additional Infrastructure Shares, but excluding annual trail commission.

## Dear Investor

Investing in infrastructure has become accepted by many pension funds and other institutional investors as a recognised part of their portfolio, offering diversification away from the traditional mix of equities, bonds and real estate. To help make this sector more accessible to private investors, we are pleased to introduce a joint offer for subscription to raise, in aggregate, up to £30 million in a new class of VCT shares; Infrastructure Shares. This offer provides an opportunity, both for Existing Foresight 1 and Foresight 2 Shareholders and New Investors, to benefit from the anticipated combination of recurring income, capital growth and potentially lower risk than traditional VCTs, in addition to the attractive tax benefits of a VCT.

### **The Infrastructure Investment Opportunity**

It is intended that the Infrastructure Shares fund invests in companies which own and operate essential assets and services. The investments are expected to involve long-term contracts with strong counter-parties, Governmental concessions or other characteristics offering long-term stability. This may include the delivery of infrastructure between the public and private sectors through Private Finance Initiative ("PFI") contracts. Some infrastructure assets do not meet VCT qualification criteria, while Foresight Group has identified a range of opportunities which it expects to be qualifying including street-lighting, waste recycling and photovoltaic solar systems.

Investing in infrastructure has the potential to deliver recurring levels of income, often in the region of 8.0% to 12.0% (assuming a high level of gearing which is common in this sector), which can be delivered tax-free to qualifying investors in VCTs. VCTs offer attractive tax reliefs to qualifying investors, including up to 30% income tax relief on investment and tax-free distributions (subject to annual investment limits and qualifying holding periods).

### **Managed by a leading VCT manager with an infrastructure focus**

Foresight Group has built a significant capacity to fund and invest in infrastructure opportunities, starting with waste processing infrastructure in 2006, and since then widening out to cover social infrastructure, onsite power and energy efficiency, as well as environmental infrastructure sectors including waste processing, biomass and solar power. The Group has already invested in infrastructure projects with a total transaction value to date of more than £250 million. In early 2011, the Group also secured a further £60 million commitment from the European Investment Bank for a £70 million institutional fund for investment in waste processing infrastructure.

Foresight Group has been managing VCTs for more than 13 years. It is responsible for the best ever performing VCT (Foresight 1 original ordinary shares), and has received recognition from commentators and its peers, including being awarded Equity Provider of the Year at the 2011 Renewable Energy Finance Forum Awards, VCT of the year at the 2010 Investor Allstars Awards and being named Venture Capital House of the Year at the Unquote' British Private Equity Awards in 2009.

In addition to launching its own funds, the Group has won the support of the independent boards of seven other VCTs to assume the management role in place of the incumbent managers.

### **Planned exit and zero discount buyback policy**

For investors who prefer to hold the Infrastructure Shares to generate long-term income, each Company intends to offer an Individual Roll-Over Option pursuant to which investors in the Infrastructure Shares fund may elect to remain invested or to realise their holdings after the five year minimum holding period. Foresight Group intends to manage the Infrastructure Shares fund with the necessary flexibility to meet individual investor's preferences.

The Boards recognise that discounts to net asset value have been a recurring challenge for VCT investors who need to sell for a variety of reasons. The Companies intend, therefore, to operate buyback policies during the first five years from first Admission of the Infrastructure Shares to buy back Infrastructure Shares at a zero discount to net asset value (subject to liquidity, regulations and transaction costs). The Boards will review their respective buyback policies following this initial five year period.

### **Alignment of interests**

The Infrastructure Shares fund will have an annual investment management fee equivalent to 1.75% of the net assets of the Infrastructure Shares fund, with the potential for the Manager to earn a performance incentive fee of an amount equivalent to 15% of Distributions in excess of 100p per Infrastructure Share and the Boards believe this should align the interests of investors and Foresight Group. Performance incentive fees will not be paid to Foresight Group until investors have received total Distributions of 100p per Infrastructure Share.

**The Offer**

The Offer seeks to raise a maximum of £15 million (before expenses) for each Company. The Offer will be open until 12 noon on 29 June 2012 allowing investors to subscribe for Infrastructure Shares in both the 2011/2012 and the 2012/2013 tax years (unless fully subscribed or otherwise at the discretion of the Boards). A successful application will be split equally between the Companies.

Existing Foresight 1 and Foresight 2 Shareholders whose applications are accepted under the Offer will receive additional Infrastructure Shares equivalent to 2.5% of the original amount invested (where applications are accepted by 20 December 2011) and 1% of the original amount invested (where applications are accepted by 29 February 2012).

New Investors (ie applicants other than Existing Foresight 1 and Foresight 2 Shareholders) who apply early will receive additional Infrastructure Shares equivalent to 2% of the original amount invested (where applications are accepted by 20 December 2011) and 1% of the original amount invested (where applications are accepted by 29 February 2012).

Such additional Infrastructure Shares will be split equally between the Companies, and will be financed by Foresight Group from the 5.5% promotion fee payable to it.

**Next steps**

If you wish to invest, please read the Prospectus and then complete the Application Form, which you will find at the end of this document.

If you have any questions regarding this investment please contact your financial adviser or call Mike Currie (and his sales team) at Foresight Group on 01732 471812. Please note that Foresight Group is not able to give investment, financial or tax advice.

We believe that the Infrastructure Shares fund will be attractive to a wide range of investors, including investors who are considering investing in VCTs for the first time. We hope that Existing Foresight 1 and Foresight 2 Shareholders will add to their holding and look forward to welcoming New Investors as Shareholders to the Companies.

Yours faithfully,

**John Gregory**  
Chairman  
Foresight VCT plc

**Jocelin Harris**  
Chairman  
Foresight 2 VCT plc

# PART ONE – THE INFRASTRUCTURE OPPORTUNITY

## Background

Investing in infrastructure has become accepted by many pension funds and other institutional investors as a recognised part of their portfolio. It is a type of investment that offers diversification away from the traditional mix of equities, bonds and real estate, and is regarded by some as uncorrelated to, and protected against, market volatility and inflation.

Today, institutional investors can choose from a range of diversified or specialist infrastructure funds and some invest directly in the underlying assets. For private individuals, however, access to infrastructure investments can be limited. The Offer is designed to create a route for private investors to obtain exposure to this sector whilst benefiting from the tax advantages of a VCT.

### What is infrastructure?

A traditional definition of “infrastructure” might mean simply roads, utility networks and public buildings. In reality, the range of services with infrastructure characteristics is much wider, ranging from street lighting, information technology and recycling centres to energy efficiency contracting and onsite power plants.

Infrastructure businesses can have a number of attractive characteristics for investors including:

- Long-term contracts with Governmental or blue-chip counterparties;
- Protection from competition, because of natural monopolies, regulation or concessions granted by public authorities;
- Inflation-linked revenues over 10-50 year contract durations; and
- Barriers to entry because of high capital costs.

### What returns can be expected?

Target returns on infrastructure investment typically range from 8%-12% (compound equity annual return), depending on the level of risk inherent in the underlying contracts, whether the project is fully operational or at the construction stage and other factors. These returns assume a high level of gearing alongside the equity investment.

Foresight Group will aim to select investments in infrastructure that can provide a more predictable cash yield that will help support the objective of a 5p annual dividend per Infrastructure Share. This is equivalent to a gross annual yield of up to 10.6% (for a 40% tax payer) and 12.4% (for a 50% tax payer) subject to investors' personal circumstances.

### Benefits of infrastructure investing

Investing in infrastructure is expected to achieve an appealing combination of:

- stable and predictable cashflows;
- low correlation to economic, business and market cycles; and
- relatively low default rates.

Foresight Group expects to focus the investment programme of the Infrastructure Shares fund in the following three key areas of infrastructure (though the Companies may also invest in other infrastructure sectors).

### PFI

The Private Finance Initiative or “PFI” is an approach to contracting between the public and private sectors for the delivery of infrastructure. Under PFI, a private sector consortium contracts with public sector clients to provide services on a long-term basis, typically 25-30 years.

Since the launch of the Private Finance Initiative in 1992, over 700 PFI projects delivering investment of over £49 billion have been signed, of which 500 projects are already operational.

### Energy efficiency

There is increasing demand for energy performance contracting, whereby building improvements that save energy are paid for through the resulting utility bill savings. In some cases the installer guarantees the improvement in energy efficiency and commits to pay the difference if at any time the savings fall short of the guarantee. This sort of project absorbs approximately £48 million of investment each year in the UK and the potential market is estimated to be £1 billion.

### Onsite power

Generating electricity or heat on-site - also known as “distributed energy” - can reduce both overall energy cost and dependence on potentially unreliable grid electricity. This market is expected to grow significantly over the next five years, with technologies such as photovoltaic solar systems and ground-source heating becoming increasingly prevalent alongside combined heat and power plants, which represent the majority of currently installed distributed energy capacity in industry. There are more than 1,400 distributed energy plants in the UK with a capital cost estimated at around £400 million, excluding the largest plants. Most existing combined heat and power plants are fuelled by natural gas, where the technology has a long track record of reliable operations.

### Investment strategy

The Companies intend to provide equity finance for infrastructure projects. Foresight Group will focus on fully operational plants which are already income producing, but projects may also be funded at the construction stage, provided that the infrastructure risk is covered by contractual arrangements.

The focus will be on projects that involve service delivery, rather than letting-type projects (which would not usually qualify under VCT rules). Within the PFI sector, typical examples are waste management, information technology, highways maintenance and street lighting.

Investments will generally be positioned for sale after five years to crystallize gains and return capital to investors. On the basis of current market activity, the Boards are advised by Foresight Group that the infrastructure assets will be generally readily marketable to strategic acquirers looking to gain scale, pension funds with appetite for long-term contractual yields and specialist funds building their portfolios. Subject to investors' intentions in respect of the Individual Roll-Over Option, Foresight Group intends to apply a long-term hold approach focused on income.

In July 2011 the Government announced a consultation which may affect the selection of investments for the Infrastructure Shares fund. Based on the proposals set out in the consultation document, Foresight Group is confident that, although the number of available investment opportunities might be restricted, this should not impede implementing the investment strategy.

#### **Market size**

Foresight Group intends to source opportunities both in new projects raising capital for the first time and in operational projects being sold on the secondary market. On this basis, the market opportunity is estimated at £2-5 billion during the investment period of the Infrastructure Shares fund.

The total capital value of all signed projects in the PFI sectors targeted by Foresight Group is over £8 billion, with an estimated £2.5 billion of new projects in the pipeline. The energy efficiency market is at an early stage, but Foresight Group expects a market of £100 to £200 million of such projects over the next three years. The installed base of onsite power plants matching Foresight Group's criteria is around £400 million. Demand for new plants is driven by their potential to reduce energy costs and cut a building's carbon footprint by between 30% and 35%. Infrastructure projects are typically funded as to 75-90% by bank lending, so the equity opportunity is estimated at 10-25% of the total project values.

#### **Expected rate of investment**

Assuming that £30 million (before expenses) is raised under the Offer, Foresight Group expects to complete six to eight transactions per year, each with a total investment requirement in a range of £2-10 million. Under current VCT rules, the Companies are able to invest up to £2 million per transaction, which would equate to approximately £12 to £16 million per annum (assuming six to eight transactions per year), such investment may be alongside other funds managed by the Group. The Boards expect that the Infrastructure Shares fund should be fully invested within two years of the closing date of the Offer. For the larger opportunities, Foresight Group intends to work with third party co-investors and banks to deliver the full financing required.

#### **Will the opportunity be affected by cuts in Government spending or a weak economy?**

Despite cuts in public spending, old or worn infrastructure still needs replacing and investment in waste management facilities, onsite power and in improving energy efficiency is needed to meet legislative commitments. The Government confirmed in its 2010 Budget that it will continue to encourage increased funding for infrastructure projects from the private sector.

Overall levels of investment can be expected to fall if the economy weakens. However the supply of capital from banks and equity investors has reduced and there are often infrastructure owners looking to sell, including banks seeking to de-leverage and contractors whose main objective is to earn profits through delivering new contracts, rather than holding projects as investments. As a result, the funds investment programme is not expected to be materially affected by a weaker economic climate.

#### **How does Foresight Group source investments?**

Foresight Group will source infrastructure opportunities through the team's network of contacts, built over many years from working in the sector. The team also has a good understanding of the regulatory environment as well as technologies specifically required in areas such as waste management, onsite power and energy efficiency contracting.

Foresight Group does not generally compete with large diversified infrastructure funds, which tend to focus on toll roads, airports and other major projects. There are a number of infrastructure funds which specifically target PFI assets, but such funds tend to prioritise accommodation-based projects, which are outside the Companies' investment focus.

## PART TWO – THE OFFER

The Companies are seeking to raise up to £30 million before expenses, an aggregate of £15 million per Company before expenses, through the Offer. A maximum of 30 million Infrastructure Shares (15 million Infrastructure Shares per Company) will be issued pursuant to the Offer (unless increased at the Boards' discretion).

### Terms of the Offer

The Offer will be open from 7 October 2011 until:

- 12 noon on 5 April 2012 (in respect of applications for the 2011/2012 tax year; and
- 12 noon on 29 June 2012 (in respect of applications for the 2012/2013 tax year)

unless fully subscribed earlier or otherwise at the discretion of the Boards.

The Infrastructure Shares are being offered at 100p per share. Successful applications will be split equally between the Companies. Applications will be accepted on a first come, first served basis (subject always to the discretion of the Boards).

The Offer is conditional on valid applications being received amounting to £6 million (£3 million per Company) (before expenses) which would result in the Minimum Net Proceeds of £5.67 million (£2.835 million per Company) being raised by 5 April 2012. If this is not reached, the Offer will be withdrawn and application monies returned. This minimum application level will not be reduced.

The Infrastructure Shares will be issued fully paid and in registered form. The initial allotment of Infrastructure Shares will be made once the minimum application level for both Companies is reached. Thereafter, allotments are expected to be made monthly (subject to the discretion of the Boards). Details of allotments will be announced by no later than the end of the Business Day following allotment.

Application has been made to the UK Listing Authority for the Infrastructure Shares to be admitted to the Official List and to the London Stock Exchange plc for such Infrastructure Shares to be admitted to trading on the premium segment of the London Stock Exchange's main market for listed securities. Dealings in Infrastructure Shares are expected to commence within three Business Days and share certificates are expected to be dispatched within ten Business Days, in each case, of allotment. If application monies are required to be returned, these will be returned at the risk of the applicant, without interest. The Offer is not underwritten.

### Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares

Existing Foresight 1 and Foresight 2 Shareholders will receive additional Infrastructure Shares equivalent to 2.5% of the original amount invested under the Offer (where applications are accepted by 20 December 2011) and 1% of the original amount invested under the Offer (where applications are accepted by 29 February 2012).

By way of illustration, an Existing Shareholder who invests £10,000 under the Offer would receive up to 250 additional Infrastructure Shares if their application is accepted by 20 December 2011 or 100 additional Infrastructure Shares if their application is accepted by 29 February 2012.

No further fees or commissions will be due in respect of such additional Infrastructure Shares issued.

### New Investor Early Bird Additional Infrastructure Shares

New Investors (ie applicants who are not Existing Foresight 1 and Foresight 2 Shareholders) who apply early will receive additional Infrastructure Shares equivalent to 2% of the original amount invested under the Offer (where applications are accepted by 20 December 2011) and 1% of the original amount invested under the Offer (where applications are accepted by 29 February 2012), financed by Foresight Group from the promotion fee payable to it.

By way of illustration, a New Investor who invests £10,000 under the Offer would receive 200 additional Infrastructure Shares if the application was accepted by 20 December 2011 or 100 additional Infrastructure Shares if the application was accepted by 29 February 2012.

No further fees or commissions will be due in respect of such additional Infrastructure Shares issued.

The full terms and conditions are set out at the end of this document, together with the Application Form and details of the application procedure.

**Use of proceeds**

The proceeds of the Offer will be used by each Company in accordance with its investment policy set out in Part Four.

**Promoter and Offer costs**

Foresight Group will act as promoter to the Offer and has agreed to underwrite the costs and expenses of the Offer (excluding annual trail commission) for a fee of 5.5% of the gross proceeds of the Offer. Out of this fee, Foresight Group will be responsible for paying all costs and expenses of the Offer including intermediary commissions (but excluding annual trail commission), Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares and New Investor Early Bird Additional Infrastructure Shares. Each Company will be responsible for paying annual trail commission in respect of Infrastructure Shares issued in the relevant Company.

The net proceeds of this Offer will, assuming full subscription, therefore amount to approximately £28,350,000 (£14,175,000 for each Company).

**Adviser commission**

Financial intermediaries will normally be paid an initial commission of 3% of the value of the relevant investment on successful applications by investors under the Offer.

Financial intermediaries may agree to waive their initial commission in respect of your application. If this is the case then the amount of such waived commission will be reinvested to purchase additional Infrastructure Shares in the Companies at £1 per share on your behalf.

In addition, provided that they continue to act for their client and the client continues to hold his or her Infrastructure Shares, authorised financial intermediaries will normally be paid an annual trail commission of 0.5% of the net asset base value per share. For this purpose 'net asset base value' means the net assets attributable to such Infrastructure Shares as determined from the audited annual accounts of the Company as at the end of the preceding financial year. No payment of annual trail commission shall be made to the extent that the cumulative trail commission would exceed 3% of the Offer Price of the relevant Infrastructure Share.

The annual trail commission will be paid shortly after the later of the annual general meeting of the relevant Company and, where applicable, the date of payment of the final dividend on Infrastructure Shares in each year. The Companies shall be entitled to rely on a notification from a Shareholder that he or she has changed his or her adviser.

**Minimum and maximum investment**

The minimum subscription under the Offer is £5,000. Applications in excess of £5,000 may be made for any higher amount in multiples of £500. The maximum investment on which income tax relief can be claimed by any individual is £200,000 in each of the 2011/12 and 2012/13 tax years.

**Claiming income tax relief**

The Companies will send share certificates and a tax certificate as quickly as possible after Infrastructure Shares are allotted to successful applicants. Investors then have two options on how to reclaim the tax relief:

- an investor can write to their HM Revenue & Customs office to ask them to change the tax coding under the PAYE system (this is the system that calculates how much tax is paid each month), so that income tax relief will be received on a monthly basis through pay cheques; or
- an investor can claim income tax relief by completing the relevant sections of annual tax returns.

## PART THREE – THE BOARDS AND FORESIGHT GROUP

The Board of each Company comprises non-executive directors, all of whom are independent (except Peter Dicks), and have substantial experience of quoted and unquoted companies, as well as expertise in investment management. Each Board has overall responsibility for its Company's affairs, including determining the investment policy and approving the valuation of investments in that Company and its net asset value.

The Boards have delegated investment decisions to Foresight Group (save for where conflicts of interest and/or regulatory requirements require the relevant Board to make investment decisions).

### Foresight 1 Directors

#### **John Gregory (Chairman)**

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

#### **Gordon Humphries**

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

### Foresight 2 Directors

#### **Jocelin Harris (Chairman)**

Jocelin Harris is a qualified solicitor and since 1986 has run Durrington Corporation which provides finance and advice for small businesses. Before this he was a director of private bank Rea Brothers for 7 years. He has personally invested in over 40 development stage companies over the last 25 years and is currently Chairman or Non-Executive Director of a number of them in the UK and the USA. He is also a Director of Unicorn AIM VCT plc and Vice Chairman of the Governing Body of Queen Mary University of London.

#### **David Quysner CBE**

David Quysner has more than 40 years' experience of venture capital and SME finance. He spent 13 years with 3i before joining the venture capital firm Abingworth in 1982, becoming its Managing Director in 1994 and its Chairman in 2001. He is also Chairman of Capital for Enterprise Limited, which manages and delivers HM Government schemes that provide financial support for SMEs and Chairman of RCM Technology Trust plc. He is a Director of ANGLE plc, Private Equity Investor plc and Medical Research Council Technology Limited. He was Chairman of the British Venture Capital Association in 1996/97.

### Director of both Foresight 1 and Foresight 2

#### **Peter Dicks**

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 SportingBet plc and Private Equity Investor plc where he is chairman, Polar Capital Technology Trust plc, Graphite Enterprise Trust plc and Standard Microsystems Inc, a US-NASDAQ quoted company. In addition, he has been a director of Foresight 1 and Foresight 2 since their launch in 1997 and 2004 respectively and is a director of Foresight 3 VCT plc, Foresight 4 VCT plc, Foresight 5 VCT plc and Foresight Clearwater VCT plc. He is also chairman of Unicorn AIM VCT plc.

### Foresight Group

The Boards believe that the success of any VCT is dependent on the judgement, experience and skills of the investment manager.

Foresight Group is an alternative asset manager with a 26 year track record and specific expertise in infrastructure and private equity. The team has over 200 years' of collective investment experience and combines investors' capital and its own hands-on expertise with the intention of creating long-term value and generating attractive returns for shareholders. Foresight Group offers both private and institutional investors access to a range of investment opportunities and a comprehensive management service in its chosen areas of specialisation.

Members of the Foresight Group team take non-executive positions on the boards of investee companies where this is appropriate. Foresight Group expects to be central to decision-making by the investee companies in the following areas:

- definition and review of strategy and its implementation
- recruitment and incentivisation of key management and board members
- fundraising from banks and other external sources
- mergers, acquisitions and exits

Foresight Group has taken a lead or sole investor role in the majority of its VCT investments and intends to continue this approach in making investments for the Companies.

## Investment team and committee

Foresight Group's investment committee for the Infrastructure Shares fund comprises the following individuals:

### **Bernard Fairman**

Bernard Fairman is the chairman of the Group and is responsible for group business development, strategy and administration, as well as having final responsibility for all significant investment decisions made on behalf of funds managed by the Group. Over the past 25 years he has led the Group's development into a business that now manages over £400 million with 38 staff in the UK, Italy and Spain. For ten years he was a director of smartcard innovator Gemplus, involved in its growth from start-up to over \$1 billion annual revenues.

### **David Hughes**

David Hughes is responsible for Foresight Group's private equity investment activities and portfolio management. David has 37 years experience of unquoted investment management, initially with 3i and subsequently through establishing fund management operations for Framlington Investment Management Limited, Baltic plc and Bank Austria AG, London. He has been involved in VCT management since 2004.

### **Andrew Page**

Andrew Page spent nine years in operational management roles in industry before starting his career in private equity management in 2000. He has worked at Unilever, Dow Chemical and Ascot and was a chief engineer with responsibility for large chemical plants. His operational experience includes manufacturing process management and engineering procurement, and allows Andrew to contribute a unique insight to selection and management of project-based investments.

### **Nigel Aitchison**

Nigel Aitchison has a deep understanding of project management and engineering in the environmental infrastructure sector. As managing director of Shanks PFI Investments, Nigel successfully established two major infrastructure projects, taking responsibility for complex contractual arrangements and helping to raise over £150 million in bank financing.

### **Jamie Richards**

Jamie Richards has led Foresight Group's solar infrastructure team since inception in 2007. He has played a key role in creating Foresight Group's network of lenders, advisers, installation contractors and asset owners, and has been directly involved in financing 29 megawatts of solar assets. Jamie is a chartered accountant with 17 years experience across fund management, banking and asset financing and has worked at PricewaterhouseCoopers, Citigroup and Macquarie.

### **David Conlon**

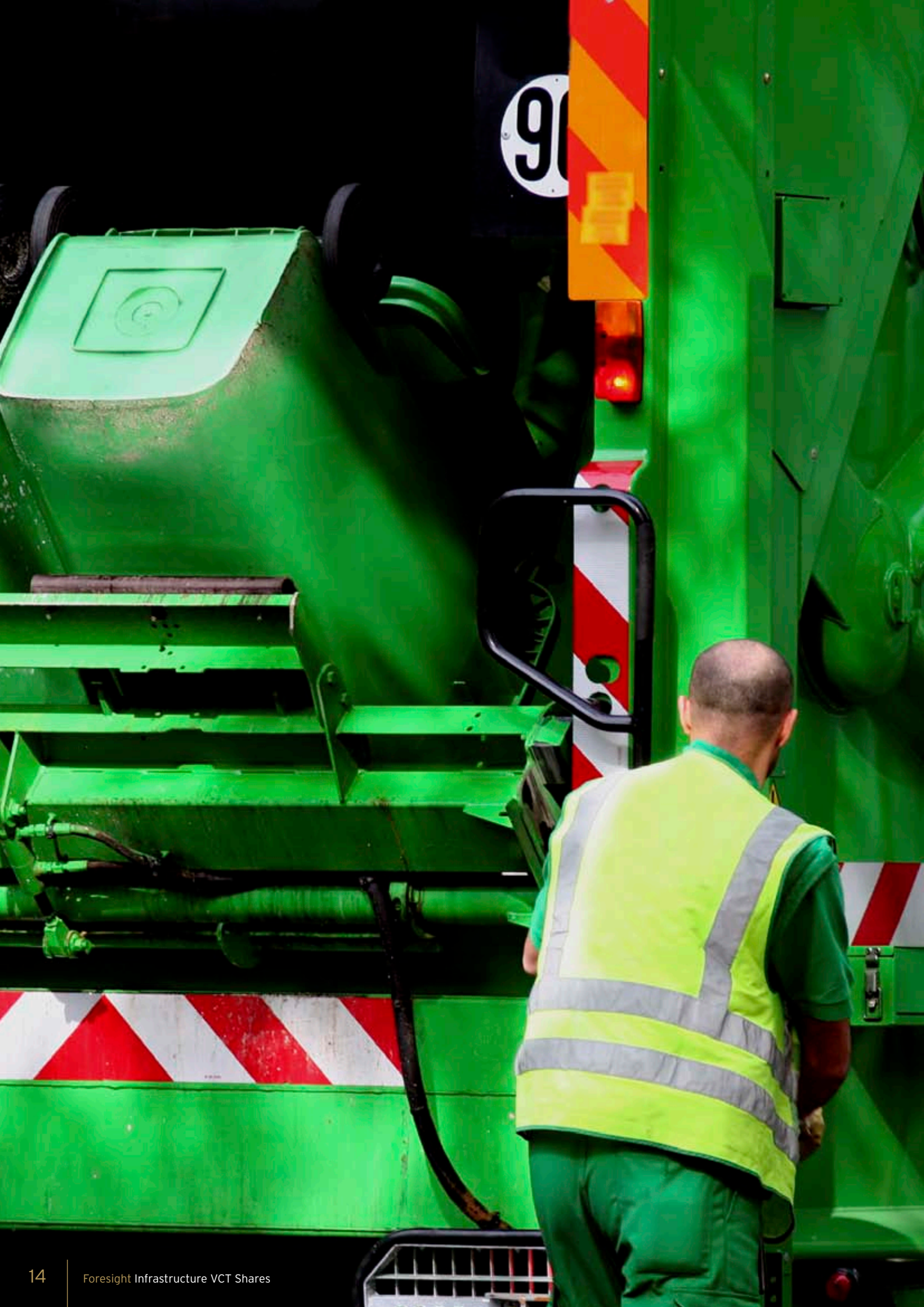
David Conlon has invested over £100 million of equity in PFI assets whilst at the Land Securities Trillium Infrastructure Fund. His role involved origination, structuring, negotiation and due diligence. His sector exposure includes renewable energy and conventional infrastructure assets.

### **Adrienne Bloch**

Adrienne Bloch has 16 years experience in Public Private Partnerships (PPP) infrastructure projects including schools, hospitals and other public sector projects. Her experience covers banking and structured finance, as well as public sector accounting and risk transfer. She is a winner of the Ambassador for London Award for PPP innovation and is a qualified town planner. Adrienne has held senior roles within Lend Lease Corporation, Amey plc and John Laing plc.

### **Foresight Group CI Limited**

Foresight Group has recently been subject to a restructuring of its membership when Bernard Fairman transferred his holding in Foresight Group to Foresight Group CI Limited (a company incorporated and registered in Guernsey, with registered number 51471) of which he is the sole shareholder. Foresight Group CI Limited has, therefore, become the controlling member of Foresight Group. Bernard Fairman now provides his services to Foresight Group, through Foresight Group CI Limited so there has been no material change in the manner in which Foresight Group provides services to the Companies.



## PART FOUR – INVESTMENT OBJECTIVES AND POLICIES

The investment objectives and investment policies for both Companies in respect of the Ordinary Shares, Planned Exit Shares and Infrastructure Shares are the same and are set out below. In addition, Foresight 2 has C Shares, the investment objective of which is also set out below.

### Investment objectives

#### Ordinary Shares

The investment objective of the Ordinary Shares fund is to provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted 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.

#### Foresight 2 C Shares

The investment objective of the Foresight 2 C Shares fund is to provide investors with attractive returns from Qualifying Investments in companies that are already profitable or are expected to become so in the near term.

#### Planned Exit Shares

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

#### Infrastructure Shares

The investment objective of the Infrastructure Shares fund is to invest in companies which own and operate essential assets and services which enjoy long term contracts with strong counterparties or Government concessions. To ensure VCT qualification, Foresight Group will focus on companies where the provision of services is the primary activity and which generates long term contractual revenues, and thereby facilitating the payment of regular predictable dividends to investors.

### Investment policy

The Companies will target UK unquoted companies which they believe will achieve the objective of producing attractive returns for Shareholders.

#### Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM listed securities, cash is primarily held in interest-bearing money market open ended investment companies (OEICs) as well as in a range of non-qualifying companies. Non Qualifying Investments may include holdings in money-market instruments, short-dated bonds, unit

trusts, OEICs, structured products and other assets where Foresight Group believes that the risk/return portfolio is consistent with the overall investment objectives of the portfolio.

#### UK companies

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

#### Asset mix

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

#### Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to 15% of the portfolio at the time of investment.

#### Investment style

Investments are selected in the expectation that value will be enhanced by 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.

#### Borrowing powers

The Company has a borrowing limit of an amount not exceeding an amount equal to the adjusted capital and reserves (being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of its reserves). Whilst the Company does not currently borrow, its policy allows it to do so.

#### Liquid investments

Each Company's liquid investments will primarily be maintained in Money Market Funds with the objective of generating income whilst maintaining the Company's capital pending investment in Qualifying Investments. Money Market Funds invest their assets in money market instruments (i.e. cash and near cash, such as bank deposits, very short term fixed interest securities or floating rate notes). The net asset value of the underlying money market fund is expected to remain constant during the life of the investments but the underlying yield is expected to fluctuate on a daily basis. The main objective will be the protection of capital so that priority will be given to the credit rating of the funds used rather than the rate of interest offered.

**Valuation policy**

Unquoted investments will be valued at fair value in accordance with the IPEVC Valuation Guidelines. Investments in AIM and PLUS market traded companies will be valued at the prevailing bid price.

**Co-investment policy**

Each Company expects to co-invest alongside the other and other funds managed or advised by Foresight Group, as well as co-investing between the various share classes in each Company. This will enable each Company (or the relevant share class) to invest in a wider range and a larger size of transactions than it might otherwise be able to access.

Where more than one of the funds managed or advised by Foresight Group wishes to participate in an investment opportunity, allocations will be made in accordance with Foresight Group's allocation policy as at the date of allocation. The policy provides that allocations are made firstly to any fund (or the relevant fund attributable to a share class) with an existing investment in the relevant company, secondly to any fund (or the relevant fund attributable to a share class) whose investment strategy is specifically focussed on the business of the relevant company and thirdly to all other funds (or the relevant fund attributable to a share class) whose investment strategy is consistent with the business of the relevant company.

Within each stage, allocations are made pro rata to the net funds raised by each fund (or the relevant fund attributable to a share class), except where there is an existing investment, in which case allocation is pro rata to such existing investment.

Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70% of a particular VCT's portfolio in Qualifying Investments.

Any variation from this co-investment policy insofar as it affects any Company (or relevant Share class) may only be made with the prior approval of the independent Directors of that Company.

**Dividend policy**

The Boards' objective is to pay dividends of 5p per Infrastructure Share in each year, except in respect of the first year from the closing date of the Offer when it is intended that no dividend will be paid. The level of dividends is not guaranteed. Dividends are expected to be paid bi-annually commencing in 2013.

The table below shows how the tax benefits available on VCT shares, subject to investors' personal circumstances, can increase the effective yield after tax and on a gross equivalent basis.

Illustrative Yields	Offer Prices	Target Annual Dividends	Tax free yield	Gross equivalent yield	
				40% taxpayer	50% taxpayer
Before 30% income tax relief	100p	5p	5.0% p.a.	7.4% p.a.	8.7% p.a.
After 30% income tax relief	70p	5p	7.1% p.a.	10.6% p.a.	12.4% p.a.

**1** Tax-free yield is calculated by dividing the target annual dividends by the Offer Price, as adjusted under 3 below.  
**2** The gross equivalent yield is calculated by dividing the tax-free yield by 67.5% (based on a 32.5% income tax charge to a 40% taxpayer on taxable gross non-VCT dividends including the notional 10% tax credit) or by 57.5% (based on a 42.5% income tax charge to a 50% taxpayer on taxable gross non-VCT dividends including the notional 10% tax credit).  
**3** The yields listed for "After 30% income tax relief" are based on an Offer Price of 100p multiplied by 70% to reflect initial income tax relief of 30%. Investors will be required to pay the full Offer Price and claim the income tax relief separately.

**Zero discount buy back policy**

The Boards recognise that discounts to net asset value have been a recurring challenge for VCT investors who need to sell for a variety of reasons. The Companies' intend, therefore, to operate buy back policies during the first five years from first Admission to buy back Infrastructure Shares in the market at a price which is at a zero discount to their net asset value, less transaction costs payable to market makers and stockbrokers. Operation of this policy will be subject to applicable legislation and Shareholder authorities. The operation of this policy is also subject to the relevant Company having sufficient liquidity. Each Company has taken Shareholder authorities to pursue such a policy up to the annual general meeting that will be held in 2012. The Boards will further review their respective buyback policies following the initial five year period.

As investors must hold their Infrastructure Shares for at least five years in order to avoid a claw back by HM Revenue & Customs of income tax relief received in respect of their investment, the Directors expect that the number of Infrastructure Shares which may be offered for a Company to buy back during the five year holding period will be small.

**Planned exit and Individual Roll-Over Option**

The Boards expect that many investors will want to realise their investment at the end of the five year minimum holding period. Each Company intends, therefore, to provide an Individual Roll-Over Option pursuant to which holders of Infrastructure Shares may advise whether they wish to stay invested or to realise their holdings after the five year minimum holding period. Foresight Group intends to select investments that are expected to be readily saleable between the fifth and sixth anniversaries of the close of the Offer. This approach is intended to achieve returns of at least 130p to Qualifying Investors before the sixth anniversary, resulting in a tax-free cash return of 86% on their investment, net of upfront tax reliefs, and a gross equivalent compound annual return of 19.6% per annum (for a 40% taxpayer) or 23.5% per annum (for a 50% taxpayer).

Some investors may, however, wish to stay invested for the longer term to take advantage of the potential stream of future dividends from long-term infrastructure assets, so the Companies intend to offer an Individual Roll-Over Option. This will allow each investor to provide notice, at any time over the next four years, whether he or she wishes to stay invested, or to exit as planned. Notification should be in writing only addressed to Foresight Group, ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU. Foresight Group intends to manage the Infrastructure Shares fund to provide the necessary flexibility consistent with meeting each investor's preference and the Companies will write to their Infrastructure Shareholders as soon as possible after the five year minimum holding period to advise of exit options.

The Companies may not be able to meet the wishes of Shareholders in whole or part, because of, for example, statutory or regulatory restrictions, the ability to realise investments made by the Companies or the level of costs involved in effecting preferences.

## PART FIVE – MANAGEMENT, EXPENSES AND ADMINISTRATION

Foresight Group will receive an annual management fee of 1.75% of the net asset value of the Infrastructure Shares fund in respect of each Company. These fees will be calculated and payable quarterly in advance, together with any applicable VAT. The Infrastructure Shares will not bear any part of the annual management fees relating to other Share classes within each Company.

Foresight Group may retain for its own benefit and without liability to account to the Companies (subject to full disclosure having been made to the relevant Board), any arrangement fees and directors' or monitoring fees which it receives in connection with any unquoted investments made by the Companies. Foresight Group will be liable for legal, accounting and any other fees incurred on potential investments by the Companies which do not proceed to completion.

Foresight Fund Managers Limited, a wholly owned subsidiary of Foresight Group, has been appointed as company secretary and accountant to both Companies.

Foresight Fund Managers Limited will receive an annual fee (calculated and payable quarterly in arrears) in respect of its appointment.

- Foresight 1 - £100,000 plus any applicable VAT.
- Foresight 2 - 0.3% of net funds raised (subject to an annual cap of £100,000) plus any applicable VAT and subject to annual increases by not less than the percentage increase in the Retail Prices Index (such fee currently being £117,859 plus VAT per annum).

These fees are applicable for services across all Share classes within each Company and will include the Infrastructure Shares.

75% of each Company's management expenses is charged against capital, with the balance to be charged against income.

### **Annual expenses cap**

As a new share class within each Company, the Infrastructure Shares funds will benefit from the Company's fixed administration costs being spread across each Company's various Share classes. This benefit is expected to be over £100,000 when compared to the fixed costs of a newly formed VCT engaging in a similar offer. The benefit of sharing the fixed costs across an additional share class is also expected to result in a cost saving of over £100,000 in aggregate for the existing Share classes of each Company.

The Infrastructure Shares fund in each Company will bear the annual expenses specifically attributable to it plus its proportion of the general annual expenses of the relevant Company based

on the net asset value of the Infrastructure Shares fund as a proportion of that Company's aggregate net assets.

The annual expenses for Foresight 2 are capped at an amount equivalent to 3.6% of the net assets of Foresight 2. Any excess over this amount is borne by Foresight Group. Foresight Group has agreed, however, that, for the duration of the existence of the Infrastructure Shares in Foresight 2, this annual cap will be reduced from 3.6% to 3.0% and, thereafter, 3.3%. Foresight 1 does not have an annual expenses cap.

Annual expenses falling within the Foresight 2 cap include expenses incurred in the ordinary course of its business and include management and administration fees, Directors' remuneration, fees payable to the registrar, stockbroker, auditors, solicitors and VCT status advisers. Annual expenses do not include exceptional items, performance incentive fees, annual trail commission and irrecoverable VAT.

### **Performance incentive fees**

Foresight Group will be entitled to a performance incentive fee in each Company of an amount equal in value to 15% of Distributions made to the holders of Infrastructure Shares in the relevant Company in excess of 100p per Infrastructure Share (issued under the Offer and remaining in issue at the date of calculation). No payment of the performance incentive fee will be made by a Company to Foresight Group until Distributions in the relevant Company exceed 100p per Infrastructure Share (issued under the Offer and remaining in issue at the date of calculation).

Performance incentive fees may, at the discretion of the respective Board, be satisfied wholly or partly in cash or by the issue of new Infrastructure Shares (subject to the issue of shares not being in breach of the Listing Rules, cause the relevant Company to lose VCT status or result in Foresight Group, together with concert parties, having to make an offer under the Takeover Code). In respect of an issue of new Infrastructure Shares, Foresight Group will be entitled to subscribe at par for such number of Infrastructure Shares as will, on issue, have an aggregate net asset value (using the most recently published net asset value per Infrastructure Share in the relevant Company) equal to the amount payable in respect of the performance incentive fee.

**VCT status monitoring**

Martineau is the Companies' VCT status adviser. It carries out regular reviews of the Companies' investment portfolios to ensure continuing compliance and, when requested to do so by the Boards or Foresight Group, reviews prospective investments to ensure that they are Qualifying Investments.

**Investor communications**

The Directors recognise the importance of maintaining regular communications with Shareholders. In addition to the announcement and publication of the annual report and accounts and the interim results for the Companies as detailed below, the Companies also publish and circulate to their Shareholders quarterly statements of net asset value. Foresight Group will also publish information on new investments and the progress of companies within the Companies' portfolio from time to time.

<b>Reporting dates</b>	<b>Foresight 1</b>	<b>Foresight 2</b>
Year end	31 December	30 September
Announcement and publication of annual report and accounts to Shareholders	April	January
Announcement and publication of interim results	August	May

## Investors

### 1. Tax reliefs

**The following is only a summary of the law concerning the tax position of individual qualifying investors in VCTs. Potential investors are recommended to consult a duly authorised independent financial adviser as to the taxation consequences of an investment in a VCT.**

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for Infrastructure Shares under the Offer. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Qualifying investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

A qualifying investor is an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT.

#### (a) Income tax

##### (i) Relief from income tax on investment

A qualifying investor subscribing for Infrastructure Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

To obtain relief, qualifying investors must subscribe on their own behalf although the Infrastructure Shares may subsequently be transferred to a nominee.

The relief is given at the rate of 30% on the amount subscribed regardless of whether the qualifying investor is a higher rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the qualifying investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

##### (ii) Dividend relief

A qualifying investor, who acquires, in any tax year, VCT shares having a value of up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

##### (iii) Purchases in the market

A qualifying investor who purchases existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph 1(a)(ii) above) but not relief from income tax on investment (as described in paragraph 1(a)(i) above).

##### (iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares (including Infrastructure Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed below.

#### (b) Capital gains tax

##### (i) Relief from capital gains tax on the disposal of Infrastructure Shares

A disposal by a qualifying investor of Infrastructure Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

##### (ii) Purchases in the market

An individual purchaser of existing Infrastructure Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph b(i) above).

##### (c) Loss of VCT approval

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out below.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

### 2. Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

## Venture Capital Trusts

The Companies each have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

### 1. Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by VCT Value of its investments in shares or securities in Qualifying Investments, of which 70% by VCT Value for funds raised after 5 April 2006 must be in eligible shares;
- (e) have at least 10% by VCT Value of each Qualifying Investment in eligible shares;
- (f) at the time of the relevant investment, not have more than 15% by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (g) not retain more than 15% of its income derived from shares and securities in any accounting period.

The term 'eligible shares' means shares which carry no preferential rights to voting, dividends and assets on a winding-up and no rights to be redeemed or, for funds raised after 5 April 2011, shares which do not carry any rights to be redeemed or a preferential right to assets on a winding-up or dividends (in respect of the latter, where the right to the dividend is cumulative or, where the amount or dates of payment of the dividend may be varied by the company, a shareholder or any other person).

## 2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of ITA 2007 and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in any period of six months straddling two tax years).

The conditions are detailed, but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within certain time periods and not be controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

For funds raised after 5 April 2006, the gross assets test was amended to £7 million immediately before and £8 million immediately after investment. In addition, for funds raised after 5 April 2007, to be qualifying holdings, investments must be in companies which have fewer than 50 full-time (equivalent) employees and do not obtain more than £2 million of investment from VCTs (where funds were raised after 5 April 2007) and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period.

The Government announced in March 2011 that, subject to EU State Aid approval being received, legislation will be introduced in forthcoming tax years to increase the above mentioned limits. The gross assets test referred to above is proposed to be increased to £15 million immediately before and £16 million immediately after the investment, the number of permitted employees for an investee company is proposed to be increased from 50 to 250 and the amount of investment obtained by companies from VCTs or under the Enterprise Investment Scheme is proposed to be increased to £10 million in any rolling 12 month period. Such revised limits may, however, be lower than these once agreed with the EU and implemented by the Government.

## 3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

The company must have a permanent establishment in the UK, but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51% owned.

## 4. Consultation with HM Treasury

The Government issued a consultation document in July 2011 with proposals to simplify the venture capital schemes (Enterprise Investment Scheme and Venture Capital Trusts Scheme) and to improve their focus. The proposals are to ensure that the venture capital schemes remain effective and appropriately targeted to incentivise investment into companies that are essential for growth in the UK. The outcome of this consultation may result in the implementation of legislation which may amend the provisions relating to Qualifying Investments and Qualifying Companies (and which may be retrospective).

## 5. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

Both Companies have received approval as a VCT from HMRC.

## 6. Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

**The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.**

# PART SEVEN – OTHER INFORMATION

## Life of the Companies

It is intended that the Companies should have an unlimited life, but also that Shareholders should have the opportunity to review the future of the Companies at appropriate intervals.

The Articles of each Company contain provisions requiring the relevant Board to put a proposal to its Company's Shareholders for the continuation of the relevant Company following the fifth anniversary of the last allotment of shares in that Company.

A general meeting of the relevant Company will be called to propose resolutions as required by the decision of the Shareholders' of that Company.

## Crest

The Infrastructure Shares will be in registered form and will be eligible for electronic settlement. Each Company will have its Infrastructure Shares admitted to the CREST system so that, should they wish to, investors will be able to hold their Infrastructure Shares in uncertificated form.

## Capitalisation and indebtedness

### (a) Foresight 1

As at 6 October 2011 (the latest practicable date prior to publication of this document), Foresight 1 has no indebtedness, whether guaranteed, secured, unsecured, due and/or contingent and there is no intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

The following table shows the capitalisation of Foresight 1 as at 30 June 2011, extracted without material adjustment from Foresight 1's unaudited Foresight 1 Half Year Report to 30 June 2011.

	£'000
Shareholders' equity	349
Legal reserve	27,336
Other reserves	(1,963)
Profit and loss reserve (or equivalent)	11,283

There has been no material change to the capitalisation of Foresight 1 since 30 June 2011 and 6 October 2011, the latest practicable date before the date of publication of this document.

### (b) Foresight 2

As at 6 October 2011 (the latest practicable date prior to publication of this document), Foresight 2 has no indebtedness, whether guaranteed, secured, unsecured, due and/or contingent and there is no intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

The following table shows the capitalisation of Foresight 2 as at 30 June 2011, extracted without material adjustment from Foresight 2's unaudited management accounts to 30 June 2011.

	£'000
Shareholders' equity	521
Legal reserve	9,747
Other reserves	24
Profit and loss reserve (or equivalent)	42,827

There has been no material change to the capitalisation of Foresight 2 since 30 June 2011 and 6 October 2011, the latest practicable date before the date of publication of this document.

## Working capital statements

### Foresight 1

Foresight 1 is of the opinion that its working capital is sufficient for its present requirements, that is for the twelve month period following the date of this document.

### Foresight 2

Foresight 2 is of the opinion that its working capital is sufficient for its present requirements, that is for the twelve month period following the date of this document.

## Shareholder authorities for the Offer

### Foresight 1

The following resolutions were passed by Foresight 1 on 30 September 2011 and separate class meetings of the holders of Foresight 1 Ordinary Shares and Foresight 1 Planned Exit Shares held on 3 October 2011:

#### 1. That:

- 1.1 in addition to existing authorities, the Foresight 1 Directors were generally and unconditionally authorised in accordance with section 551 of the CA 2006 to exercise all the powers of Foresight 1 to allot Infrastructure Shares and to grant rights to subscribe for or to convert any security into Infrastructure Shares ("Rights") up to an aggregate nominal amount of £180,000, provided that the authority conferred expires on the fifth anniversary of the date of the passing of the resolution (unless renewed, varied or revoked by the Company in a general meeting), save that Foresight 1 shall be entitled to make offers or agreements before the expiry of this authority which would or might require Infrastructure Shares to be allotted or Rights to be granted after such expiry and the Foresight 1 Directors shall be entitled to allot Infrastructure Shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired;
- 1.2 in addition to existing authorities, the Foresight 1 Directors were empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (which expression have the meaning ascribed to it in section 560(1) of the CA 2006) for cash pursuant to the authority conferred above or by way of a sale of treasury shares, as if section 561(1) of the CA 2006 did not apply to such allotment, provided that the power conferred shall expire on the conclusion of the annual general meeting of Foresight 1 to be held in 2012 (save that Foresight 1 shall be entitled to make offers or agreements before the expiry of such power which would or might require shares to be allotted and issued after such expiry and the Foresight 1 Directors shall be entitled to allot shares

pursuant to any such offer or agreement as if this power had not expired) and provided further that this power shall be limited to:

(i) the allotment and issue of Infrastructure Shares with an aggregate nominal value of up to £150,000 in connection with an offer for subscription;

(ii) the allotment and issue of Infrastructure Shares at an issue price of 1p per share with an aggregate nominal value of up to 10% of the issued Infrastructure Share capital of the Company from time to time to Foresight Group in connection with performance incentive arrangements with the Company; and

(iii) the allotment and issue of Infrastructure Shares with an aggregate nominal value of up to 10% of the issued Infrastructure Share capital of Foresight 1 from time to time

in each case where the proceeds may, in whole or part, be used to purchase Infrastructure Shares in Foresight 1;

**1.3** in addition to existing authorities, Foresight 1 was empowered to make one or more market purchases (within the meaning of section 693(4) of the CA 2006) of its own Infrastructure Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

(i) the aggregate number of Infrastructure Shares which may be purchased shall not exceed 2,248,500;

(ii) the minimum price which may be paid per Infrastructure Share is 1p, the nominal value thereof;

(iii) the maximum price which may be paid per Infrastructure Share is an amount equal to the most recently published net asset value per Infrastructure Share prior to the date of purchase (less transaction costs);

(iv) the authority conferred shall expire on the conclusion of the annual general meeting of Foresight 1 to be held in 2012, unless such authority is renewed prior to such time; and

(v) Foresight 1 may make a contract to purchase Infrastructure 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 such shares.

## **Foresight 2**

The following resolutions were passed by Foresight 2 on 30 September 2011 and separate class meetings of the holders of Foresight 2 Ordinary Shares, Foresight 2 C Shares and Foresight 2 Planned Exit Shares held on 3 October 2011:

### **1. That:**

**1.1** in addition to existing authorities, the Foresight 2 Directors were generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all the powers of Foresight 2 to allot Infrastructure Shares in Foresight 2 and to grant rights to subscribe for or to convert any security into Infrastructure Shares in Foresight 2 ("Rights") up to an aggregate nominal amount of £180,000, provided that the authority conferred shall expire on the fifth anniversary of

the date of the passing of this resolution (unless renewed, varied or revoked by Foresight 2 in a general meeting), save that Foresight 2 shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if the authority had not expired;

**1.2** in addition to existing authorities, the Foresight 2 Directors were empowered pursuant to sections 570 and 573 of CA 2006 to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of CA 2006) for cash pursuant to the authority conferred above or by way of a sale of treasury shares, as if section 561(1) of CA 2006 did not apply to such allotment, provided that the power conferred shall expire on the conclusion of the annual general meeting of Foresight 2 to be held in 2012 (save that Foresight 2 shall be entitled to make offers or agreements before the expiry of such power which would or might require shares to be allotted and issued after such expiry and the Foresight 2 Directors shall be entitled to allot shares pursuant to any such offer or agreement as if this power had not expired) and provided further that this power shall be limited to:

(i) the allotment and issue of Infrastructure Shares with an aggregate nominal value of up to £150,000 in connection with an offer for subscription;

(ii) the allotment and issue of Infrastructure Shares at an issue price of 1p per share with an aggregate nominal value of up to 10% of the issued Infrastructure Share capital of Foresight 2 from time to time to Foresight Group in connection with performance incentive arrangements with Foresight 2; and

(iii) the allotment and issue of Infrastructure Shares with an aggregate nominal value of up to 10% of the issued Infrastructure Share capital of Foresight 2 from time to time

in each case where the proceeds may, in whole or part, be used to purchase Infrastructure Shares in Foresight 2;

**1.3** in addition to existing authorities, Foresight 2 was empowered to make one or more market purchases within the meaning of section 693(4) of CA 2006 of its own Infrastructure Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

(i) the aggregate number of Infrastructure Shares which may be purchased shall not exceed 2,248,500;

(ii) the minimum price which may be paid per Infrastructure Share is 1p, the nominal value thereof;

(iii) the maximum price which may be paid per Infrastructure Share is an amount equal to the most recently published net asset value per Infrastructure Share prior to the date of purchase (less transaction costs);

(iv) the authority conferred shall expire on the conclusion of the annual general meeting of Foresight 2 to be held in 2012, unless such authority is renewed prior to such time; and

(v) Foresight 2 may make a contract to purchase Infrastructure 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 such shares.

## Share rights

The following provisions apply to each of the Companies, mutatis mutandis, unless otherwise stated. References in this section to "the Company" mean the relevant Company, references to the Board mean the relevant Board and references to "Directors" mean the directors of the relevant Company from time to time.

### Dividends

The rights of members to receive dividends are as follows:

(i) the Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Ordinary Shares;

(ii) the Planned Exit Shareholders shall be entitled to receive in that capacity, any dividends paid out of the net income derived from the assets attributable to the Planned Exit Shares;

(iii) the Infrastructure Shareholders shall be entitled to receive in that capacity, any dividends paid out of the net income derived from the assets attributable to the Infrastructure Shares; and

(iv) in the case of Foresight 2 only, the C Shareholders shall be entitled to receive in that capacity, any dividends paid out of the net income derived from the assets attributable to the C Shares.

The members of the Company may declare a final dividend in accordance with the respective rights of the members by passing an ordinary resolution at a general meeting of the Company. No such dividend may exceed the amount recommended by the Directors.

The Directors may at any time and in accordance with CA 2006:

(i) recommend to the shareholders that a final dividend be declared and recommend the amount of any such dividend; and

(ii) pay a distribution by way of an interim dividend out of the profits of the Company.

However, no such recommendation shall be made or interim dividend paid unless it appears to the directors to be justified by the position of the Company in accordance with the respective rights of the members.

### Distributions of assets on a winding up

The capital and assets of the Company shall on a winding up or on a return of capital be applied as follows:

(i) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares pro rata according to their holdings of Ordinary Shares;

(ii) the Planned Exit Share Surplus shall be divided amongst the holders of the Planned Exit Shares pro rata according to their holdings of Planned Exit Shares;

(iii) the Infrastructure Share Surplus shall be divided amongst the holders of Infrastructure Shares pro rata according to their holdings of Infrastructure Shares; and

(iv) in the case of Foresight 2 only, the C Share Surplus shall be divided amongst the holders of the C Shares pro rata according to their holdings of C Shares.

The capital and assets of the Company shall save as otherwise provided for any class of share in the Company on a winding up or other return of capital be applied pro rata to Shareholders.

### Voting rights

Subject to the provisions of CA 2006 or any special terms as to voting which any shares of the Company may have been given or may for the time being be held, on a show of hands, every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll, every member shall have one vote for every share of which he is the holder. A proxy need not be a member of the Company.

The appointment of a proxy shall if in the form of an instrument be delivered to the registered office or at such other specified place in the UK or if in an electronic form be received at any specified address not less than 48 hours (during business hours) before the time appointed for holding the meeting.

In respect of the Company no member shall, unless the Board otherwise determines, be entitled to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting or separate meeting of the holders of any class of shares in the capital of the Company unless all monies presently payable in respect of the member's share(s) have been paid.

Subject to the provisions of the CA 2006 or any special terms as to voting which any shares of the Company may have been given or may for the time being be held, no shareholders in the Company will have different voting rights per share than any other Shareholder.

### Variation of class rights

Whenever the capital of the Company is divided into different classes of shares, the rights attaching to any class may (unless otherwise provided by the terms of that class) be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of such holders.

The holders of each class of share in the Company shall be required to approve and, accordingly, without such approval, the special rights attached to the relevant class of share shall be deemed to be varied, inter alia, by

(i) any alteration to the Articles; or

(ii) any consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued share capital of the Company; or

(iii) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company other than pursuant to the exercise of subscription rights in accordance with the terms of the share options granted or to be granted in relation to performance related incentive fees to the investment manager(s) of the Company from time to time; or

(iv) the selection of any accounting reference date other than 31 December (in the case of Foresight 1) and 30 September (in the case of Foresight 2).

#### **Issue of Shares**

The Board has general and unconditional authority to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount equal to the section 551 CA 2006 amount, for each prescribed period. The prescribed period means any period for which the authority conferred by the Articles is given by ordinary or special resolution stating the section 551 CA 2006 amount and/or the power conferred by the Articles is given by special resolution stating the section 561 CA 2006 amount. The section 551 amount means, for any prescribed period, the amount stated in the relevant special resolution. The section 561 amount means, for any prescribed period, the amount stated in the relevant special resolution. Under CA 2006, the authority so given may at any time (subject to the said section 551) be renewed or further renewed for a further period not exceeding five years, revoked or varied by ordinary resolution of the Company in general meeting.

The Board is empowered for each prescribed period to allot equity securities for cash pursuant to an authority conferred under the Articles as if section 561(1) of CA 2006 did not apply to any such allotment provided that its power is limited to the allotment of equity securities in connection with a pre-emptive issue or otherwise, by the allotment or deemed allotment of equity securities equal to the section 561 amount.

#### **Transfer of Shares**

Subject to such of the restrictions of CA 2006 as may be applicable, any member may transfer all or any of his Shares by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instruments shall be signed by or on behalf of the transferor and (except in the case of a fully paid share) the transferee.

The Board may decline to register any transfer unless the instrument of transfer, duly stamped, is lodged with the Company accompanied by the certificate for the shares to which it relates together with such other evidence as the Board may reasonably require, and the transfer is in respect of only one class of share and, in the case of a transfer to joint holders, the number of joint holders does not exceed four.

All transfers of shares in certificated form may be effected by a transfer in writing in any usual form or any other form approved by the Board.

The instrument of transfer of any such certificated shares shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The Board may refuse to register any transfer of a partly paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis.

### **Dilution**

#### **Foresight 1**

If the Offer is fully subscribed the existing 34,874,104 Foresight 1 Shares would represent 69.9% of the enlarged issued Foresight 1 Share capital.

#### **Foresight 2**

If the Offer is fully subscribed the existing 51,967,621 Foresight 2 Shares would represent 77.6% of the enlarged issued Foresight 2 Share capital.

In each case, the Infrastructure Shares constitute a separate class of share with separate class rights to other Shares in the relevant Company as described above.

### **Significant change**

#### **Foresight 1**

There has been no significant change in the financial or trading position of Foresight 1 since 30 June 2011, the date to which the last unaudited Foresight 1 Half Yearly Report has been published.

#### **Foresight 2**

There has been no significant change in the financial or trading position of Foresight 2 since 31 March 2011, the date to which the last unaudited Foresight 2 Half Yearly Report has been published.

#### **Documents available for inspection**

Copies of the following documents will be available for inspection during usual business hours on weekdays, Saturday's and public holidays for the life of the Prospectus, at the registered office of the Companies and at the offices of Martineau, 35 New Bridge Street, London EC4V 6BW:

- the Memoranda and Articles of the Companies;
- the audited financial statements for Foresight 1 for the years ended 31 December 2008, 2009 and 2010 and the Foresight 1 Half-Yearly Report for the six month period to 30 June 2011;
- the audited financial statements for Foresight 2 for the years ended 30 September 2008, 2009 and 2010 and the Foresight 2 Half-Yearly Report for the six month period to 31 March 2011;
- the material contracts referred to in paragraph 5 of Parts One and Two of the Registration Document; and
- the Prospectus.

# DEFINITIONS

The following definitions are used throughout this document unless the context requires otherwise:

<b>“Admission”</b>	the date on which Infrastructure Shares allotted pursuant to the Offer are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s market for listed securities
<b>“AIM”</b>	the Alternative Investment Market
<b>“Articles”</b>	the articles of association of Foresight 1 and/or Foresight 2, as the context permits
<b>“BDO”</b>	BDO LLP a UKLA registered sponsor authorised and regulated by the Financial Services Authority
<b>“Boards”</b>	the boards of directors of the Companies (and each “a Board”, as the context permits)
<b>“Business Days”</b>	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
<b>“CA 1985”</b>	Companies Act 1985 (as amended)
<b>“CA 2006”</b>	Companies Act 2006 (as amended)
<b>“Companies”</b>	Foresight 1 and Foresight 2 (and each “a Company”, as the context permits)
<b>“Directors”</b>	the directors of a Company or the Companies from time to time, as the context permits (and each a “Director”)
<b>“Distributions”</b>	amounts paid by way of dividends, tender offers, share buy-backs relating to an exit opportunity, proceeds on a sale or liquidation of the relevant Company and any other proceeds or value received, or deemed to be received, by Shareholders in the relevant Company in respect of Infrastructure Shares, excluding any income tax relief on subscription
<b>“Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares”</b>	the additional Infrastructure Shares available to Existing Foresight 1 and Foresight 2 Shareholders in respect of successful applications under the Offer by Existing Foresight 1 and Foresight 2 Shareholders (as described in Part Two)
<b>“Existing Foresight 1 and Foresight 2 Shareholders”</b>	Shareholders of one or both of the Companies
<b>“Foresight 1”</b>	Foresight VCT plc
<b>“Foresight 1 Annual Reports”</b>	the annual report and financial statements for the years ended 31 December 2008, 2009 and 2010 of Foresight 1
<b>“Foresight 1 Half Yearly Report”</b>	the half yearly report and financial statements for the six month period ended 30 June 2011 of Foresight 1
<b>“Foresight 1 Shares”</b>	Foresight 1 Ordinary Shares and/or Foresight 1 Planned Exit Shares and/or Foresight 1 Infrastructure Shares, as the context permits, (and each a “Foresight 1 Share”)
<b>“Foresight 2”</b>	Foresight 2 VCT plc
<b>“Foresight 2 Annual Reports”</b>	the annual report and financial statements for the years ended 30 September 2008, 2009 and 2010 of Foresight 2
<b>“Foresight 2 C Shares”</b>	C ordinary shares of 1p each in the capital of Foresight 2 (and each a “Foresight 2 C Share”)
<b>“Foresight 2 C Shares fund”</b>	the assets and liabilities of Foresight 2 attributable to the holders of Foresight 2 C Shares
<b>“Foresight 2 Half Yearly Report”</b>	the half yearly report and financial statements for the six month period ended 31 March 2011 of Foresight 2
<b>“Foresight 2 Shares”</b>	Foresight 2 Ordinary Shares and/or Foresight 2 C Shares and/or Foresight 2 Planned Exit Shares and/or Foresight 2 Infrastructure Shares, as the context permits, (and each a “Foresight 2 Share”)
<b>“Foresight Group”</b>	Foresight Group LLP, which is authorised and regulated by the FSA
<b>“FSA”</b>	the Financial Services Authority
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Group”</b>	Foresight Group and Foresight Group CI Limited
<b>“HMRC”</b>	HM Revenue & Customs
<b>“Individual Roll-Over Option”</b>	where an investor advises at any time over the next four years, whether he or she wishes to stay invested or to realise their holdings after the five year minimum holding period
<b>“Infrastructure Shareholders”</b>	the holders of Infrastructure Shares in Foresight 1 and/or Foresight 2, as the context permits (and each an “Infrastructure Shareholder”)
<b>“Infrastructure Shares”</b>	infrastructure shares of 1p each in the capital of Foresight 1 and/or Foresight 2, as the context permits, being offered for subscription pursuant to the Prospectus (ISIN GB00B45M5X62 in respect of Foresight 1 Infrastructure Shares and ISIN GB00B5M3H114 in respect of Foresight 2 Infrastructure Shares) (and each an “Infrastructure Share”)
<b>“Infrastructure Shares fund”</b>	the assets and liabilities of the relevant Company attributable to the holders of Infrastructure Shares in that Company

<b>"IPEVC Valuation Guidelines"</b>	the International Private Equity and Venture Capital Valuation Guidelines
<b>"Listing Rules"</b>	the Listing Rules of the UK Listing Authority
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Memorandum"</b>	the memorandum of association of Foresight 1 or Foresight 2, as the context permits (together "the Memoranda")
<b>"Minimum Net Proceeds"</b>	the minimum net proceeds of the Offer, this being £5.67 million (£2.835 million per Company)
<b>"Money Market Funds"</b>	money market funds, Government securities or other liquid assets
<b>"NAV" or "net asset value"</b>	the net asset value of a company calculated in accordance with that company's normal accounting policies
<b>"New Investor Early Bird Additional Infrastructure Shares"</b>	the additional Infrastructure Shares available to New Investors in respect of successful applications under the Offer by New Investors (as described in Part Two)
<b>"New Investors"</b>	successful applicants under the Offer who are not Existing Foresight 1 and Foresight 2 Shareholders
<b>"Offer"</b>	the joint offer for subscription of Infrastructure Shares as described in the Prospectus
<b>"Offer Price"</b>	the price at which the Infrastructure Shares will be allotted in each Company pursuant to the Offer, this being 100p per share
<b>"Official List"</b>	the official list of the UK Listing Authority
<b>"Ordinary Shareholders"</b>	the holders of Ordinary Shares in Foresight 1 and/or Foresight 2, as the context permits (and each an "Ordinary Shareholder")
<b>"Ordinary Shares"</b>	the ordinary shares of 1p each in the capital of Foresight 1 and/or 2, as the context permits, (and each an "Ordinary Share")
<b>"Ordinary Shares fund"</b>	the assets and liabilities of the relevant Company attributable to the holders of Ordinary Shares in that Company
<b>"Planned Exit Shareholders"</b>	the holders of Planned Exit Shares in Foresight 1 and/or Foresight 2, as the context permits (and each a "Planned Exit Shareholder")
<b>"Planned Exit Shares"</b>	the planned exit ordinary shares of 1p each in the capital of Foresight 1 and/or 2, as the context permits, (and each a "Planned Exit Share")
<b>"Planned Exit Shares fund"</b>	the assets and liabilities of the relevant Company attributable to the holders of Planned Exit Shares in that Company
<b>"Prospectus"</b>	together the Registration Document, the Securities Note and the Summary
<b>"Prospectus Rules"</b>	the prospectus rules of the UK Listing Authority
<b>"Qualifying Company"</b>	an unquoted (including an AIM-listed) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
<b>"Qualifying Investments"</b>	shares in, or securities of, a Qualifying Company held by a venture capital trust which meets the requirements described in Parts 3 and 4 of Chapter 6 to the Tax Act
<b>"Qualifying Investor"</b>	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
<b>"Receiving Agent"</b>	The City Partnership (UK) Limited
<b>"Registrar"</b>	Computershare Investor Services PLC
<b>"Registration Document"</b>	the registration document issued by the Company dated 7 October 2011 in connection with the Offer
<b>"Securities Note"</b>	this document
<b>"Shareholders"</b>	holders of Shares in one or both of the Companies, as the context permits, (and each a "Shareholder")
<b>"Shares"</b>	Foresight 1 Shares and/or Foresight 2 Shares, as the context permits (and each a "Share")
<b>"Summary"</b>	the summary issued by the Company dated 7 October 2011 in connection with the Offer
<b>"The Tax Act"</b>	the Income Tax Act 2007 (as amended)
<b>"UKLA" or "UK Listing Authority"</b>	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"United States" or "US"</b>	the United States of America, its states, territories and possessions (including the District of Columbia)
<b>"VCT Value"</b>	the value of an investment calculated in accordance with section 278 of the Tax Act
<b>"Venture Capital Trust" or "VCT"</b>	a venture capital trust as defined in section 259 of the Tax Act



# APPLICATION FOR INFRASTRUCTURE SHARES

## TERMS AND CONDITIONS OF APPLICATION

**The section headed "Application procedures" forms part of these terms and conditions of application.**

1. The Offer is conditional on valid applications being received amounting to, in aggregate, £6 million (£3 million per Company), which would result in the Minimum Net Proceeds of £5.67 million (£2.835 million per Company) being raised by 5 April 2012. If this is not reached, the Offer will be withdrawn and application monies will be returned, without interest, by post at the risk of the applicant. The minimum application level under the Offer, upon which the Offer is conditional, will not be reduced.
2. The contract created by the acceptance of applications in the manner herein set out will be conditional on the admission of the Infrastructure Shares of the Companies being issued to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities unless otherwise so resolved by the Board of the relevant Company in which Infrastructure Shares are being issued. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Infrastructure Shares than the number applied for, or if there is a surplus of funds from the application amount, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application monies will be retained by Foresight 1 on behalf of the Companies in a separate client account with all other application monies.
3. The Companies reserve the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts. In the meantime application monies will be retained by Foresight 1 on behalf of the Companies in a separate client account with all other application monies.
4. By completing and delivering an Application Form, you (as the applicant):
  - (a) irrevocably offer to subscribe for the amount of money specified in your Application Form which will be applied to purchase Infrastructure Shares in each Company (to be split equally between the Companies), subject to the provisions of (i) the Prospectus (including any supplementary prospectus issued by either or both Companies and filed with the FSA), (ii) these terms and conditions and (iii) the Memoranda and Articles;
  - (b) authorise the Companies' Registrar to send definitive documents of title for the number of Infrastructure Shares for which your application is accepted and to procure that your name is placed on the register of members of the Companies in respect of such Infrastructure Shares and authorise the Receiving Agent to send you a crossed cheque, for any monies returnable, by post to your address as set out in your Application Form;

(c) in consideration of the Companies agreeing that they will not, prior to the closing date of the Offer, offer any Infrastructure Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Companies which will become binding upon despatch by post or delivery by hand of your Application Form duly completed to the Companies' receiving agent, The City Partnership (UK) Limited;

(d) agree and warrant that your cheque or banker's draft will be presented for payment on receipt and will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the Infrastructure Shares applied for or to enjoy or receive any rights or distributions in respect of such Infrastructure Shares unless and until you make payment in cleared funds for such Infrastructure Shares and such payment is accepted by the Companies (which acceptance shall be in their absolute discretion and may be on the basis that you indemnify them against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Companies of such late payment in respect of such Infrastructure Shares, the Companies may (without prejudice to their other rights) treat the agreement to allot such Infrastructure Shares as void and may allot such Infrastructure Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Infrastructure Shares (other than return of such late payment);

(e) agree that Foresight 1 will hold, on behalf of the Companies, any monies in respect of your application on trust for the payment of the Offer Price in respect of the Infrastructure Shares for which you have applied (to the extent that such application is not accepted, such monies will be returned without interest and the interest will be retained by the Companies for use by the Companies for any purpose).

(f) agree that any documents of title and any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest, any monies not used to purchase Infrastructure Shares of an amount less than £1 will not be returnable and will be retained by the Companies in equal amounts for use by the Companies for any purpose;

(g) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

**(h)** agree that, in respect of those Infrastructure Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by such shares being allotted to you. A notice of acknowledgement of receipt of your application will be provided by The City Partnership (UK) Limited;

**(i)** agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application Form;

**(j)** agree that, having had the opportunity to read the Prospectus and any supplementary prospectus issued by the Companies and filed with the FSA, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein and any supplementary prospectus issued by the Companies and filed with the FSA (whether or not so read);

**(k)** confirm that in making such application you are not relying on any information or representation in relation to the Companies other than those contained in the Prospectus (including any supplementary prospectus issued by either or both Companies and filed with the FSA) and you accordingly agree that no person responsible solely or jointly for the Prospectus (including any supplementary prospectus issued by either or both Companies and filed with the FSA) or involved in the preparation thereof shall have any liability for any such information or representation;

**(l)** confirm that you have reviewed the restrictions contained in paragraphs 5 and 6 below and warrant as provided therein;

**(m)** warrant that you are not under the age of 18 years;

**(n)** agree that such Application Form is addressed to the Companies, BDO LLP and The City Partnership (UK) Limited;

**(o)** agree to provide the Companies and/or The City Partnership (UK) Limited with any information which they may request in connection with your application and/or in order to comply with the Venture Capital Trust or other relevant legislation and/or the Money Laundering Regulations 2007 (as the same may be amended from time to time);

**(p)** warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite Governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Companies, BDO LLP, The City Partnership (UK) Limited or Foresight Group acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;

**(q)** agree that BDO LLP and Foresight Group will not regard you as its customer by virtue of your having made an application for Infrastructure Shares or by virtue of such application being accepted;

**(r)** declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring Infrastructure Shares and that the Infrastructure Shares are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax; and

**(s)** consent to the information provided on the Application Form being provided to The City Partnership (UK) Limited and the Companies' Registrar to process shareholding details and send notifications to you.

5. No action has been or will be taken in any jurisdiction by, or on behalf of, the Companies which would permit a public offer of Infrastructure Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of this document other than in the UK. No person receiving a copy of this document (the Securities Note), the Registration Document, the Summary, any supplementary prospectus issued by the Companies and filed with the FSA or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application for Infrastructure Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite Governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Infrastructure Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdictions ("the USA"). In addition, the Companies have not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. No application will be accepted if it bears an address or post mark in the USA.
6. The basis on which applications are accepted will be determined by the Companies (after consultation with BDO LLP) in their absolute discretion. It is intended that applications will generally be accepted in the order in which they are received. The Offer will be closed at 12 noon on 29 June 2012 or as soon as full subscription is reached (unless extended by the Directors in their absolute discretion or closed earlier at their discretion). The Directors may, in their absolute

discretion, also decide to increase the Offer (such increase to be completed, and subject to, the issue of a supplementary prospectus). The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications which may otherwise be accepted. Application monies not accepted (or if the Offer is withdrawn) will be returned to the applicant in full by means of a cheque, posted at the applicant's risk. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Application Procedures set out on page 32. In particular, but without limitation, the Companies (after consultation with BDO LLP) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these Terms and Conditions. The Offer is not underwritten. The Offer will be suspended if at any time any of the Companies are prohibited by statute or other regulations from issuing Infrastructure Shares.

7. Save where the context requires otherwise, terms defined in the Prospectus and any supplementary prospectus filed with the FSA bear the same meaning when used in these Terms and Conditions of Application and in the Application Form.
8. Existing Foresight 1 and Foresight 2 Shareholders will receive additional Infrastructure Shares equivalent to 2.5% of the original amount invested under the Offer (where applications are accepted by 20 December 2011) and 1% of the original amount invested under the Offer (where applications are accepted by 29 February 2012). New Investors who apply early will receive additional Infrastructure Shares equivalent to 2% of the original amount invested under the Offer (where applications are accepted by 20 December 2011) and 1% of the original amount invested under the Offer (where applications are accepted by 29 February 2012). Such applicants accordingly instruct the Companies to issue additional Infrastructure Shares on this basis. No further additional Infrastructure Shares will be issued and/or fees payable in respect of the Infrastructure Shares issued pursuant to the Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares and New Investor Early Bird Additional Infrastructure Shares.
9. Financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp or full address details and FSA number will, where such applications are accepted, normally be paid 3% initial commission on the amount payable by the applicant in respect of the Infrastructure Shares allocated for each such Application Form.

Financial intermediaries may agree to waive initial commission in respect of your application. If this is the case then such commission will be reinvested to purchase additional Infrastructure Shares in the Companies at £1 per share by an amount equivalent to the amount of commission waived.

The City Partnership (UK) Limited will collate the Application Forms bearing the financial intermediaries' stamps or full address details and calculate the initial commission payable which will be paid as soon as practicable following the relevant allotment.

10. In addition, provided that the financial intermediary continues to act for the client and the client continues to hold or be the beneficial owner of such Infrastructure Shares, financial intermediaries will usually be paid an annual trail commission of 0.5% of the net asset base value (as determined from the audited annual accounts of the relevant Company) for each such Infrastructure Share held by the applicant. For the avoidance of doubt, annual trail commission will be paid in respect of successful applications by Existing Foresight 1 and Foresight 2 Shareholders. For this purpose, "net asset base value" means the net assets attributable to the Infrastructure Share held by the applicant in question as determined from the audited annual accounts of the relevant Company as at the end of the preceding financial year. No trail commission will be payable in respect of the additional Infrastructure Shares issued pursuant to the existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares and New Investor Early Bird Additional Infrastructure Shares.

It is expected that annual trail commission will be paid shortly after the later of the annual general meeting of the relevant Company and, where applicable, the date of payment of the final dividend of the Infrastructure Shares fund in each year. The administration of annual trail commission will be managed on behalf of the Companies by Foresight Fund Managers Limited which will maintain a register of financial intermediaries entitled to trail commission. The Companies shall be entitled to rely on a notification from a client that he has changed his adviser, in which case, the trail commission will cease to be payable to the original adviser and will be payable to the new adviser. No payment of trail commission by the Companies shall be made to the extent that the cumulative trail commission including initial commission would exceed 3% of the Offer Price of each such Infrastructure Share held by the applicant. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp or full address details to substantiate any claim for selling commission.

## LODGING OF APPLICATION FORMS AND DEALING ARRANGEMENTS

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to Foresight VCTs Offer, The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF. The Offer opens on 7 October 2011 and will close at 12 noon on 5 April 2012 for the 2011/2012 tax year and 29 June 2012 for all other applications (or earlier if fully subscribed or at the discretion of the Boards). The Boards in their absolute discretion may also decide to extend and/or increase the Offer. If you post your Application Form, you are recommended to use first class post and to allow at least two Business Days for delivery.

It is expected that dealings in the Infrastructure Shares will commence within three Business Days following allotment and that share certificates will be despatched within ten Business Days of allotment of the Infrastructure Shares. Allotments will be announced on an appropriate Regulatory Information Service.

Temporary documents of title will not be issued. Dealings prior to receipt of share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

To the extent that any application is not accepted any payment will be returned without interest by returning the applicant's cheque or banker's draft or a crossed cheque in favour of the applicant through the post, at the risk of the person entitled thereto.

## APPLICATION PROCEDURES

Before making any application to acquire Infrastructure Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. To fill out the Application Form:

### BOX 1

Insert your full name and address in BLOCK CAPITALS. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the Infrastructure Shares issued to you pursuant to the Offer. You must not use a nominee name, as this will jeopardise your entitlement to tax reliefs. You must also give your own address, full postcode, date of birth and National Insurance Number. Telephone numbers will only be used in case of a query with regard to your application.

### BOX 2

Insert (in figures) the total amount you wish to invest. Your application must be for a minimum of £5,000 and thereafter in multiples of £500.

If you are paying by cheque please make it payable to "Foresight VCTs Infrastructure Share Offer".

Cheques must be honoured on first presentation. A separate cheque must accompany each application. No receipt for your payment will be issued. The cheque or banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque. Additionally, if you use a building society cheque or banker's draft, you should write the name, address and date of birth of the person named in Box 1 of the Application Form on the back of the cheque or banker's draft. Any monies not accepted will be returned by sending back the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant.

### BOX 3

Please tick the related box if you are an existing Shareholder of Foresight 1 and/or Foresight 2 to receive the Existing Foresight 1 and Foresight 2 Shareholder Additional Infrastructure Shares equivalent to 2.5% of the original amount invested under the Offer (where applications are accepted by 20 December 2011) and 1% of the original amount invested under the Offer (where applications are accepted by 29 February 2012).

If you are an Existing Foresight 1 and Foresight 2 Shareholder and you fail to tick Box 3, the Company is entitled to assume that you are a New Investor and apply other relevant commission rates payable (if any).

### BOX 4

Sign and date the form. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.

**Money Laundering Notice - Important Procedures for Applications of the Sterling equivalent of €15,000 (£13,000 approx) or more. The verification requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in a delay of confirmation.**

If the application is for the Sterling equivalent of €15,000 or more (or is one of a series of linked applications the value of which exceeds that amount):

**A** Verification of the investor's identity may be provided by means of a "Letter of Introduction", from an intermediary or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request;

or

**B** If an application is made direct (not through an intermediary), you must ensure that the following documents are enclosed with the Application Form:

1. either a certified copy of your passport or driving licence; and
2. a recent (no more than three months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

If an Existing Foresight 1 and Foresight 2 Shareholder has previously provided The City Partnership (UK) Limited the appropriate money laundering documents, you should not need to provide them again.





# APPLICATION FORM INFRASTRUCTURE SHARES FORESIGHT VCT AND FORESIGHT 2 VCT ("THE COMPANIES")



This Application Form should be completed in full and sent by post or by hand addressed to: Foresight VCTs Offer, The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF. This Application Form should be returned as soon as possible, but in any case so as to be received no later than 12.00 noon on 5 April 2012 for applications for the 2011/2012 tax year.

Before completing this Application Form you should read the Terms and Conditions of Application on pages 29 to 32 and the Application Procedures on page 32.

The application list will open on 7 October 2011 and will close 12.00 noon on 29 June 2012 (unless fully subscribed or otherwise at the discretion of the Directors).

## BOX 1

Title Mr/Mrs/Miss/Dr/Other:  
.....

Forenames:  
.....

Surname(s):  
.....

Address:  
.....  
.....

Post Code:  
.....

Telephone (work):  
.....

Telephone (home):  
.....

Date of Birth:  
.....

National Insurance No:  
.....

I offer to subscribe for the following amount in the Companies for Infrastructure Shares on the Terms and Conditions of Application as set out in the Securities Note dated 7 October 2011, the Prospectus and subject to the Memorandum and Articles of the Companies. Definitions used in the Securities Note apply herein. Applications must be for a minimum of £5,000 and thereafter in multiples of £500.

## BOX 2

Total	Tax year 2011/12	2012/13
£	£	£

I enclose a cheque or banker's draft drawn on a UK clearing bank, made payable to "Foresight VCTs Infrastructure Share Offer".

## BOX 3

I am an existing shareholder in

Foresight 1

Foresight 2

## BOX 4

Signature of Applicant  
.....

Date  
.....

# APPLICATION FORM INFRASTRUCTURE SHARES FORESIGHT VCT AND FORESIGHT 2 VCT ("THE COMPANIES")



## INTERMEDIARIES TO COMPLETE (FSA NO. MUST BE QUOTED)

Name of Financial Adviser: Clubfinance Ltd.

FSA No. 400139

Title Mr/Mrs/Miss: Mr

Forenames: David

Surname: Scrivens

Email address: contact@clubfinance.co.uk Telephone: 01442 217 287

### Name of Administrator/Support Staff

Title Mr/Mrs/Miss: Dr

Forenames: Philip

Surname: Rhoden

Stamp of Financial Intermediary or full address details:

If commission is to be paid to a network or head office, please give details:

### Waived Commission

Commission waived will be invested as additional shares for your client.

Please insert the figure in the box that you wish to be waived

Trail commission will be paid directly to intermediaries; therefore, please provide bank details.

### Intermediary Bank Details

Account Name

Bank/Building Society

Sort Code

Account No.

#### Data protection :

Foresight Group LLP and The City Partnership (UK) Limited will use the information you give for administration, research and statistical purposes. Information provided by you will be held in confidence by Foresight Group LLP and The City Partnership (UK) Limited and will not be passed on to any other product or service companies. Your details may be used by Foresight Group LLP and The City Partnership (UK) Limited to send you information on other products and services they offer. If you would prefer not to receive such information, please tick this box.

# CORPORATE INFORMATION FOR BOTH COMPANIES

## DIRECTORS (NON-EXECUTIVE)

### **Foresight 1**

John Howard Gregory (Chairman)  
Peter Frederick Dicks  
Gordon James Humphries

### **Foresight 2**

Jocelin Montague St John Harris (Chairman)  
Peter Frederick Dicks  
David William Quysner

## COMPANY SECRETARY AND ADMINISTRATOR

Foresight Fund Managers Limited  
ECA Court  
24-26 South Park  
Sevenoaks  
Kent TN13 1DU

## INVESTMENT MANAGER AND PROMOTER

Foresight Group LLP  
ECA Court  
24-26 South Park  
Sevenoaks  
Kent TN13 1DU

## SOLICITORS AND VCT STATUS ADVISER

Martineau  
No. 1 Colmore Square  
Birmingham B4 6AA

## SPONSOR

BDO LLP  
125 Colmore Row  
Birmingham B3 3SD

## AUDITORS

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

## REGISTERED OFFICE AND HEAD OFFICE

ECA Court  
24-26 South Park  
Sevenoaks  
Kent TN13 1DU

## TELEPHONE NUMBER

01732 471 800

## COMPANY REGISTRATION NUMBER

Foresight 1 - 03421340  
Foresight 2 - 05200494

## WEBSITE

[www.foresightgroup.eu](http://www.foresightgroup.eu)

## REGISTRARS

Computershare Investor Services PLC

The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## RECEIVING AGENT

The City Partnership (UK) Limited  
Thistle House  
21-23 Thistle Street  
Edinburgh EH2 1DF

## BROKER

Singer Capital Markets Limited  
1 Hanover Street  
London W15 1YZ

## BANKERS

Barclays Bank plc  
54 Lombard Street  
London EC3P 3AH



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