

# £20 MILLION LINKED OFFER

SECURITIES NOTE WITH  
APPLICATION FORM FOR SHARES  
IN FORESIGHT 3 VCT PLC  
& FORESIGHT 4 VCT PLC

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Foresight Foresight





Linked offer for subscription  
Securities Note with Application Form

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**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 ("THE SECURITIES NOTE") ISSUED BY FORESIGHT 3 VCT PLC ("FORESIGHT 3") AND FORESIGHT 4 VCT PLC ("FORESIGHT 4") (TOGETHER "THE COMPANIES" AND EACH A "COMPANY") DATED 15 OCTOBER 2009.

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 ("THE REGISTRATION DOCUMENT"). A BRIEF SUMMARY WRITTEN IN NON-TECHNICAL LANGUAGE CONVEYING THE ESSENTIAL CHARACTERISTICS OF AND RISKS ASSOCIATED WITH THE COMPANIES AND THE ORDINARY SHARES OF 1 PENCE EACH IN THE CAPITAL OF FORESIGHT 3 ("FORESIGHT 3 ORDINARY SHARES") AND ORDINARY SHARES OF 1 PENCE EACH IN THE CAPITAL OF FORESIGHT 4 ("FORESIGHT 4 ORDINARY SHARES") ("SHARES") WHICH ARE BEING OFFERED FOR SUBSCRIPTION ("OFFER SHARES") ("THE OFFER") IS CONTAINED IN A SUMMARY ISSUED BY THE COMPANIES ("THE SUMMARY"). THE SECURITIES NOTE, REGISTRATION DOCUMENT AND SUMMARY HAVE BEEN PREPARED IN ACCORDANCE WITH THE PROSPECTUS RULES MADE UNDER FSMA AND HAVE BEEN APPROVED BY THE FINANCIAL SERVICES AUTHORITY ("FSA") IN ACCORDANCE WITH FSMA.

THIS SECURITIES NOTE, THE REGISTRATION DOCUMENT AND THE SUMMARY TOGETHER COMPRISE A PROSPECTUS ISSUED BY THE COMPANIES DATED 15 OCTOBER 2009 ("THE PROSPECTUS"). 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 55) 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 £20,000,000 by way of an issue of  
Foresight 3 Ordinary Shares and Foresight 4 Ordinary Shares (Offer Shares)**



Registered in England and Wales  
under number 03121772



Registered in England and Wales  
under number 03506579

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 Offer Shares to be admitted to the Official List and to the London Stock Exchange plc for such Offer Shares to be admitted to trading on its market for listed securities. It is expected that admission to the Official List will become effective and that dealings in the Offer Shares will commence three Business Days following allotment. The Companies' existing issued Shares 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, the Foresight Group website ([www.foresightgroup.eu](http://www.foresightgroup.eu)) 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 5 October 2009 and will close not later than 30 April 2010 or as soon as the Offer is fully subscribed or otherwise at the Directors' discretion. The Directors in their absolute discretion may decide to extend or increase the Offer.

**YOUR ATTENTION IS DRAWN TO THE RISK FACTORS ON PAGES 5 TO 6.**

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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 affect on the Companies' businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Companies, the Boards or investors in the Shares will face. Additional risks not currently known to the Companies or the Boards, or that the Companies or the Boards currently believe are not material, may also adversely affect the Companies' businesses, financial condition and results of operations. The value of the Shares could decline due to any of these risk factors described below, and investors could lose part or all of their investment. Investors who are in doubt should consult their independent financial adviser. The attention of prospective investors is drawn to the following risks.

- The value of 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 Shares will fully reflect the underlying net asset value that Shareholders will be able to realise their shareholding or that dividends will be paid. Investment in the Companies should be seen as a long term investment.
- The past performance of the Companies or other funds managed by Foresight Group, the investment manager to the Companies, is not necessarily an indication of the future performance of the Companies.
- Although the existing Shares issued by the Companies have been (and it is anticipated that the Offer Shares in the Companies to be issued pursuant to the Offer will be) admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities, it is possible that there will not be a liquid market as there is a limited secondary market for VCT shares due to the holding period required to maintain up-front income tax reliefs and investors may find it difficult to realise their investments. The market price of the Shares may not fully reflect, and will tend to be at a discount to, their underlying net asset value. Such a discount may also be exacerbated by the availability of income tax relief on the issue of new VCT shares.
- While it is the intention of the Directors that the Companies will be managed so as to continue to qualify as Venture Capital Trusts, there can be no guarantee that each Company's status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the income tax relief obtained and could also cause a Company to lose its exemption from corporation tax.
- 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 an Investor who subscribes for Offer Shares under the Offer disposes of those shares within five years, the Investor is likely to be subject to clawback by HM Revenue & Customs of any income tax relief originally obtained on subscription.
- Although the Companies may receive conventional venture capital rights in connection with their investments, as a minority investor they may not be in a position fully to protect their interests.
- 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 in order to maintain the VCT status of a Company which may restrict that Company's ability to obtain maximum value from its investments.
- To be qualifying holdings, VCT funds raised after 5 April 2006 must invest in smaller companies with gross assets of not more than £7 million prior to the investment and £8 million post investment. In addition, to be qualifying holdings, VCT funds raised after 5 April 2007 must invest in companies which have no more than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs, companies under the corporate venturing scheme and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period.

- The net asset value of the 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.
- Investment in unquoted companies, AIM-traded and PLUS markets companies by its nature involves a higher degree of risk than investment in companies traded on the main market of the London Stock Exchange. In particular, markets for smaller companies may not be regulated and are often less liquid and there may be difficulties in valuing and disposing of investments in such companies. Disposing of such companies and smaller companies generally through trade sales may be difficult and may not produce hoped for returns and investors could get back less than they invested. Further the valuation of investments and opportunities for realisation depend on stock market conditions. In addition, such companies and smaller companies generally may have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies.
- Where more than one of the funds managed or advised by Foresight Group wishes to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each fund, other than where investments are proposed to be made in a company where a fund has a pre-existing investment where the incumbent investor will have priority. 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 per cent. of a particular VCT's portfolio in Qualifying Companies. This may mean that a Company may receive a greater or lesser allocation than would otherwise be the case under the normal co-investment policy.
- Although Foresight Group are currently seeing a strong dealflow of opportunities, there can be no guarantee that suitable investment opportunities will be identified in order to meet the Companies' objectives.
- In general, investment in technology companies can carry a greater degree of risk than investing in non-technology companies. In particular, the technology may not be able to be developed within the timescale required by the market, at an acceptable cost, or at all and alternative or competing technologies may emerge before full commercial exploitation of the products or services of such companies has taken place.
- Funds raised from the Offer will initially be held in cash or near cash investments. Each Company's policy is to retain, where possible, approximately 15 per cent. of its assets in cash or near cash assets generally for the purposes of costs and follow-on investments. The returns from such investments may be less than the returns achieved from investments in trading or preparing to trade companies, which could dilute returns made by the Companies on existing investments.

# Offer Timetable, Statistics & Costs

## Indicative Offer timetable

Offer opens	15 October 2009
Foresight Shareholder priority period	15 October 2009 to 31 December 2009
Closing Date for 2009/2010 tax year	2 April 2010
Offer closes	12 noon 30 April 2010
Allotment	Monthly
Effective date for the listing of Offer Shares and commencement of dealings	three Business Days following allotment
Share certificates and tax certificates to be despatched	within seven Business Days of allotment

The Directors reserve the right to extend the closing date of the Offer or increase the size of the Offer at their discretion. The Offer will close earlier than the date stated above if it is fully subscribed or otherwise at the Directors' discretion.

## Offer statistics

Maximum amount to be raised for each Company	£10,000,000
Minimum Investor's investment	£5,000
Latest unaudited and restated NAV per Foresight 3 Ordinary Share (as at 30 June 2009) (restated to reflect the merger of the Foresight 3 Ordinary Shares and Foresight 3 C Shares)	100.95p
Latest unaudited NAV per Foresight 4 Ordinary Share (as at 31 May 2009)	100.91p
Estimated Offer Price per Foresight 3 Ordinary Share (based on above unaudited and restated NAV per Foresight 3 Ordinary Share)	107.0p
Estimated Offer Price per Foresight 4 Ordinary Share (based on above unaudited NAV per Foresight 4 Ordinary Share)	107.0p
Maximum estimated number of Foresight 3 Ordinary Shares to be issued*	8,831,775
Maximum estimated number of Foresight 4 Ordinary Shares to be issued*	8,831,775
Estimated issued Foresight 3 Ordinary Share capital*	47,947,064
Estimated issued Foresight 4 Ordinary Share capital*	33,069,438

\* (assuming full subscription at the estimated Offer Price for the Offer Shares set out above and no Foresight Shareholder loyalty bonus being issued)

## Costs and commissions relating to the Offer

Offer costs as a percentage of the gross proceeds**	5.5%
Foresight Shareholder loyalty bonus (to be reinvested by subscribing for additional Offer Shares) (until 31 December 2009 only and included in the 5.5% Offer costs)	2%
Initial commission to intermediaries** (included in the 5.5% Offer costs)	2.25%
Annual commission to intermediaries (subject to a maximum cumulative payment of 2.25%)	0.375%

\*\* (excluding annual trail commission)

# Definitions

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

“Admission”	the date on which Offer 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
“AIM”	the Alternative Investment Market
“Articles”	the articles of association of Foresight 3 and/or Foresight 4, as the context permits
“BDO”	BDO LLP
“Boards”	the board of directors of Foresight 3 and Foresight 4 (and each “a Board”)
“Business Days”	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
“CA 1985”	Companies Act 1985 (as amended)
“CA 2006”	Companies Act 2006 (as amended)
“Companies”	Foresight 3 and Foresight 4 (and each “a Company”)
“Companies Acts”	CA 1985 and CA 2006
“Directors”	the directors of Foresight 3 and/or Foresight 4 from time to time, as the context permits
“FSA”	the Financial Services Authority
“Foresight 3”	Foresight 3 VCT plc
“Foresight 3 C Shares”	C ordinary shares of 1p each in the capital of Foresight 3 allotted to shareholders of Enterprise VCT plc upon its merger with Foresight 3 prior to the subsequent redesignation of this share class to Foresight 3 Ordinary Shares
“Foresight 3 Ordinary Shares”	ordinary shares of 1p each in the capital of Foresight 3 (ISIN number GB00B3QF3772)
“Foresight 4”	Foresight 4 VCT plc
“Foresight 4 Ordinary Shares”	ordinary shares of 1p each in the capital of Foresight 4 (ISIN number GB00B07YBS95)
“Foresight Group”	Foresight Group LLP, which is authorised and regulated by the FSA
“Foresight Shareholder”	an existing shareholder in Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 or Foresight 4
“Investor”	an individual aged 18 or over who is resident in the United Kingdom and who invests in the Company
“IPEVC Guidelines”	the International Private Equity and Venture Capital Valuation Guidelines
“Listing Rules”	the Listing Rules of the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Memorandum”	the memorandum of association of Foresight 3 or Foresight 4, as the context permits (and together “the Memoranda”)
“Money Market Funds”	money market funds, government securities or other liquid assets
“NAV” or “net asset value”	the net asset value of a company calculated in accordance with that company’s normal accounting policies

"Offer"	the offer for subscription of Offer Shares as described in the Prospectus
"Offer Price"	the price at which the Offer Shares will be allotted in each Company pursuant to the Offer
"Offer Shares"	Shares in Foresight 3 and Foresight 4 being offered for subscription pursuant to the Prospectus
"Official List"	the official list of the UK Listing Authority
"Old Foresight 3 Ordinary Shares"	ordinary shares of 1p each in the capital of Foresight 3 before the restructuring of the share capital of Foresight 3 on 24 July 2009
"Pricing Formula"	the formula to calculate the Offer Price of the Offer Shares as set out in this Securities Note
"Prospectus"	together the Registration Document, the Securities Note and the Summary
"Prospectus Rules"	the prospectus rules of the UK Listing Authority
"Qualifying Company"	an unquoted (including an AIM-listed) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
"Receiving Agent"	The City Partnership (UK) Limited
"Registrar"	Computershare Investor Services plc
"Registration Document"	the registration document issued by the Company dated 15 October 2009 in connection with the Offer
"Regulations"	the Uncertificated Securities Regulations 1995
"Securities Note"	this document
"Shareholder"	a holder of Shares in one or more of the Companies (as the context permits)
"Shares"	Foresight 3 Ordinary Shares and/or Foresight 4 Ordinary Shares (as the context permits)
"Summary"	the summary issued by the Company dated 15 October 2009 in connection with the Offer
"The Tax Act"	the Income Tax Act 2007 (as amended)
"Total Return"	the aggregate value of an investment or collection of investments comprising net asset value, valued where appropriate in accordance with IPEVC Guidelines, plus the aggregate amount of all distributions (both revenue and capital) made
"UKLA" or "UK Listing Authority"	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its states, territories and possessions (including the District of Columbia)
"VCT Value"	the value of an investment calculated in accordance with Section 278 of the Tax Act
"Venture Capital Investments"	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
"Venture Capital Trust" or "VCT"	a venture capital trust as defined in Section 259 of the Tax Act

# Letter from the Chairman of the Companies

15 October 2009



## Dear Investor,

We are pleased to invite you to subscribe for new shares in Foresight 3 and Foresight 4 pursuant to the Offer to raise up to £20 million (before expenses) in aggregate. The last linked prospectus offer of Foresight 3 and Foresight 4 in 2005/6 raised £22.5 million, which exceeds the available supply of new shares pursuant to this Offer and interested investors may, therefore, wish to apply early to be sure of full allocation.

Foresight Group, the Companies' investment manager, is currently experiencing general investor interest and strong dealflow in the growth capital and management buyout areas of its business and further funds are sought to enable investments in the attractive opportunities arising. The Boards, therefore, believe that now should be an advantageous time in the UK economic cycle to be making venture capital investments in smaller companies. Prices of assets are expected to be lower and, historically, some of the best private equity and venture capital returns have been made following a recession.

In accordance with the Companies respective investment policies the proceeds of the fund raisings will principally be invested in growth capital investments, which are predominantly focused on Foresight Group's environmental infrastructure dealflow, an area where Foresight has specialised in for the last three years. It's achievements were recognised when it recently received the **Renewable Energy Investor of the Year Award 2009**. Management buyouts will be considered across a broad range of sectors but will include, amongst others, environmental infrastructure, manufacturing and business and consumer services. The Boards are seeking to increase the size of the Companies' funds to enable the Companies to take advantage of such opportunities over the coming months. Additionally, this proposed new fund raising should enable the Companies to spread their cost base over a larger asset base, to the benefit of all Shareholders.

There were no material changes to VCTs announced by the government in the Budget on 22 April 2009, which has meant that VCTs remain one of the more efficient tax breaks to survive the downturn. VCTs should continue to play an important role in backing small British businesses. This comes at a time when financial support is needed more than ever, filling an important funding gap for small businesses when the banks are unwilling or unable to do so. Historically, small companies have been at the forefront in recovering from a recession. Funding provided by VCTs is therefore expected to continue to be part of the recovery of the

UK economy from the current recession. On this basis the Directors believe that new offers by VCTs continue to offer attractive tax incentives for private investors when compared to other types of tax efficient investment.

## Established portfolio

Foresight 3 and Foresight 4 both have established and diversified portfolios, each consisting of more than 25 companies. The Boards' believe that the current portfolios are progressing well. On the advice of Foresight Group, the Directors expect, but cannot guarantee, realisations from the existing portfolios to materialise earlier than could be produced from investments in new companies, which alongside any income they generate will underpin future dividends for Shareholders. Investors in the Offer will participate in the performance of these portfolios from the outset, as an investor's subscription will be split equally between each of the Companies.

## Track record

Foresight 3 and Foresight 4 were created as a result of Foresight Group assuming the management contracts for Advent VCT plc and Advent 2 VCT plc on 30 July 2004.

Foresight 3 subsequently completed a merger with Enterprise VCT plc in September 2008. The merger was completed by the transfer of the assets and liabilities of Enterprise VCT plc to Foresight 3 in consideration for Foresight 3 C Shares being issued to the shareholders of Enterprise VCT plc. The terms of the merger provided for the Foresight 3 C Shares to be converted into the Foresight 3 Ordinary Shares on a relative NAV basis which was completed in July 2009.

The respective performances since Foresight Group's appointment are, on a Total Return basis (including distributions), an increase of 22 per cent. for Foresight 3 (to 30 June 2009, restated to reflect the merger of the Foresight 3 Ordinary Shares and the Foresight 3 C Shares) and an increase of 30 per cent. for Foresight 4 (to 31 May 2009), excluding any form of VCT tax relief.

## Investment manager

Foresight Group has one of the larger and more experienced teams in the VCT industry and has been involved in managing VCTs since 1997. At 30 June 2009 it managed approximately £130 million for the four Foresight Group managed VCTs and the two Keydata VCTs making it the fourth largest VCT manager by assets under management.

Foresight Group was awarded 'Investor of the Year' at the New Energy Awards in London on the 25 February 2009. Foresight Group beat off stiff competition from BlackRock, HgCapital and Invesco to win the award, which 'seeks to recognise the private equity firm, venture capitalist, business angel, serial investor or investing institution that has done the most to help renewable energy prosper and progress in 2008'.

## Dividend policies

The Companies have a policy of a target minimum dividend of 5p per annum per Share.

The Boards seek to maintain these policies, however, the dividends paid from year to year cannot be guaranteed as they depend on a combination of income received on investments and realised capital gains arising from trade sales which are subject to fluctuation.

## The opportunity

Existing Shareholders will be able to add to their current shareholding, including Shareholder commission shares, while benefiting from the tax reliefs available on the issue of new VCT shares for either the tax year 2009/10 or 2010/11, or both.

New investors will be able to participate in the mature portfolio of investee companies in the Companies, access the potential regular dividend payments to Shareholders as well as benefiting from the tax reliefs available on the issue of new VCT shares for either the tax year 2009/10 or 2010/11, or both.

## The Offer and issue of Shares

The Boards have agreed that the Companies should make a linked Offer for subscription for Offer Shares in each of the Companies to raise, in aggregate, £20 million (£10 million for each Company).

Under the Offer each investor's investment will be split into two equal monetary amounts (i.e. an investment of £20,000 will be invested as £10,000 in each Company) and used to purchase such number of Offer Shares in each Company at the Offer Price calculated on the basis of the following formula ("the Pricing Formula"):

**Most recently published NAV of the Shares in the relevant Company (adjusted on the day of allotment for any movements in liquidity, quoted investments and such other movements considered appropriate) divided by 0.945 (to allow for issue costs of 5.5 per cent.), rounded up to the nearest whole pence per Share.**

The Pricing Formula allows new investors to subscribe for Offer Shares at the current net asset value plus costs thereby preventing dilution to existing Shareholders. The application of the Pricing Formula avoids the necessity to repeatedly announce the price of the Offer Shares during the Offer period and makes explicit the basis on which the price of the Offer Shares will be determined.

Investors' Offer Shares will rank pari passu with the existing Shares in issue in respect of dividends declared after the date of issue of the relevant Offer Shares. Investors should also benefit from 30 per cent. income tax relief on their subscription for Offer Shares, which would not be available if Shares were purchased from a third party in the market.

Further details of the Offer are set out in Part One of this document.

## Investor information

A qualifying Investor who pays income tax will be able to receive up to 30 per cent. of their investment back in the form of an income tax rebate (subject to the maximum investment limit of £200,000 in VCTs in any one tax year) provided they hold the Shares subscribed for the minimum five year retention period.

In summary, an Investor under the Offer could benefit from:

- Income tax relief of 30 per cent., if the Offer Shares are retained for five years;
- Tax-free dividends, including capital distributions of realised gains on investments; and
- No capital gains tax on any gains arising on the disposal of the Offer Shares.

Further details of the tax position of Investors can be found on pages 38 to 39.

## Long term investment

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Whilst Investors need to retain their shareholding for a minimum of five years in order to retain income tax relief, Investors should be aware that the nature of the underlying assets means that an investment in the Companies should be regarded as long term in nature and should read the risk factors on pages 5 to 6.

## Application

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The minimum investment under the Offer is £5,000 and you will find the Application Form on page 53.

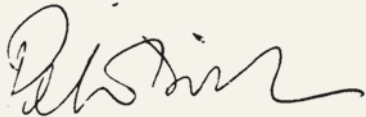
If you have any queries about the Offer please contact Foresight Group:

Tel: 01732 471 812;  
e-mail: [info@foresightgroup.eu](mailto:info@foresightgroup.eu)

It should be noted that Foresight Group will only be able to deal with the practicalities of subscription and are not permitted to provide investment advice in connection with any investment in the Companies.

We very much hope that you will be adding to your holding, whilst we also look forward to welcoming new investors to the Foresight group of VCTs.

Yours sincerely,



**Peter Dicks**  
Chairman

Registered Office: ECA Court, 24-26 South Park,  
Sevenoaks, Kent TN13 1DU

Foresight 3's Company Number 03121772  
Foresight 4's Company Number 03506578

# Part One - The Offer

**Foresight 3 and Foresight 4 are seeking to raise up to £20 million (before expenses) in aggregate through the Offer. The Directors believe that now should be an advantageous time in the economic cycle to be making venture capital investments in smaller companies. Subscribers to the Offer will also benefit from being able to invest in two VCTs which have established and diversified portfolios.**

Foresight Group, the Companies' investment manager, is currently experiencing general investor interest and strong dealflow in the growth capital and management buyout areas of its business. The growth capital investments it seeks are predominantly focused on Foresight Group's environmental infrastructure dealflow, an area where Foresight Group's achievements were recognised when it recently received the Renewable Energy Investor of the Year Award 2009. Management buyouts will be considered across a broad range of sectors but will include, amongst others, environmental infrastructure, manufacturing and business and consumer services.

The additional funds raised under the Offer should enable the Companies to take advantage of such opportunities over the coming months. Foresight 3 and Foresight 4 raised most of their VCT funds prior to 5 April 2006 and so can continue to invest in VCT qualifying companies with gross assets of up to £15 million prior to investment (post 5 April 2006 it became £7 million). As a result, this fund raising should also enhance each Company's ability to invest in companies which qualify for VCT investment under these less restrictive rules. The funds raised should also maintain liquidity and enable the payment of dividends and costs without reducing the overall amount available for investment. Additionally, these funds should enable the Companies to spread their cost base over a larger asset base, to the benefit of all Shareholders.

The Directors believe that new offers by VCTs continue to offer attractive tax incentives for private investors when compared to other types of tax efficient investment.

The Boards of the Companies are proposing to each raise up to £10 million through the issue of Offer Shares pursuant to the Offer to release the available existing funds to take advantage of strong dealflow currently being received, which, in addition to being invested in appropriate investments where applicable, may also be applied against expenses, dividend payments and Shares bought back for cancellation.

## Reasons for the Offer

- Timing - the Directors believe that it is an advantageous time in the economic cycle, when prices

of assets are expected to be lower, to raise further capital to enable the Companies to continue making investments in accordance with their investment strategies.

- Diversification - the Offer should enable the Companies to maintain their portfolio diversification and continue to invest in VCT qualifying investments with gross assets of up to £15 million prior to investment.
- Annual running costs - the fixed running costs for the Companies will be spread over a larger asset base, thereby reducing costs as a percentage of the Companies' assets. Additionally, structuring the Offer as a linked offer enables the considerable costs associated with an offer for subscription and publication of a prospectus to be shared by the Companies.

## Terms of the Offer

An investor's subscription amount will be divided equally between each of the Companies. The amount for each Company will then be divided by the Offer Price per Offer Share in each Company calculated on the basis of the following formula (the "Pricing Formula"):

**Most recently published NAV of the Shares in the relevant Company (adjusted on the day of allotment for any movements in liquidity, quoted investments and such other movements considered appropriate) divided by 0.945 (to allow for issue costs of 5.5 per cent.), rounded up to the nearest whole pence per Share.**

The number of Offer Shares allotted will be determined by the amount subscribed in respect of each Company divided by the Offer Price as determined by the Pricing Formula, rounded down to the nearest whole Offer Share in the relevant Company. Subscription monies greater than £1 and not used to acquire Offer Shares will be refunded. No interest shall accrue or be payable on any amounts refunded.

The Pricing Formula allows new investors to subscribe for Offer Shares at the current net asset value plus costs thereby preventing dilution to existing Shareholders. The application of the Pricing Formula avoids the necessity to repeatedly announce the price of the Offer Shares during the Offer period and makes explicit the basis on which the price of the Offer Shares will be determined.

Investors' Offer Shares will rank *pari passu* with the existing Shares in issue in respect of dividends declared

after the date of issue of the relevant Offer Shares. Qualifying investors will also benefit from 30 per cent. income tax relief on their subscription for Offer Shares, which would not be available if Shares were purchased from a third party in the market.

An illustration of the application of the Pricing Formula is set out below, based on the most recently published unaudited NAVs for each of the Companies.

The unaudited and restated NAV per Foresight 3 Ordinary Shares was 100.95p per share as at 30 June 2009 (restated to reflect the merger of the Foresight 3 Ordinary Shares and Foresight 3 C Shares).

This would give an Offer Price per Foresight 3 Offer Share of 107.0p per share ( $100.95p \div 0.945$ ) rounded up to the nearest whole pence per share.

The unaudited NAV per Foresight 4 Ordinary Share was 100.91p per share as at 31 May 2009.

This would give an Offer price per Foresight 4 Offer Share of 107.0p per share ( $100.91p \div 0.945$ ) rounded up to the nearest whole pence per share.

Consequently, an investor who invested £20,000 under the Offer would receive:

Foresight 3:  $£10,000 \div 107.0p = 9,345$  Foresight 3 Offer Shares

Foresight 4:  $£10,000 \div 107.0p = 9,345$  Foresight 4 Offer Shares

Fractions of Offer Shares will not be issued and Offer Shares to be allotted in each Company will be rounded down to the nearest whole number of shares.

The Offer will be suspended at any time when any Company is unable to issue Offer Shares pursuant to the Offer under any statutory provision and other regulation applicable to the Companies or otherwise at the Directors discretion.

Applications from existing Foresight Shareholders will be given priority to other investors under the Offer. Existing Foresight Shareholders can continue to apply for Offer Shares after the priority period. Applications will, otherwise, be accepted (in whole or part) at the discretion of the Directors, but the Directors intend to meet applications on a 'first come, first served' basis.

## Use of proceeds

It is intended that the proceeds of the Offer will be used by each Company in accordance with its investment policy set out on page 19 and page 20.

## Offer costs

The Offer costs will be 5.5 per cent. of funds subscribed under the Offer (excluding annual trail commission). Costs above this will be met by Foresight Group.

The net proceeds of this Offer assuming full subscription, will therefore amount to approximately £9,450,000 for each Company.

## Foresight Shareholder loyalty bonus

Existing shareholders in Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 or Foresight 4 will be paid a loyalty bonus of 2 per cent. on successful applications under the Offer to 31 December 2009. Such loyalty bonus will be used to purchase additional Offer Shares in the Companies at the same Offer Price in each Company (rounded down to the nearest whole number of Offer Shares). For illustration using the example above:

A Foresight Shareholder who is eligible for a loyalty bonus who invests £20,000 under the Offer would receive:

Foresight 3:  $£200$  (2% of £10,000)  $\div 107.0p = 186$  Foresight 3 Offer Shares

Foresight 4:  $£200$  (2% of £10,000)  $\div 107.0p = 186$  Foresight 4 Offer Shares

No further fees or commission will be due in respect of shares issued pursuant to the loyalty bonus.

## Adviser commission

Authorised financial intermediaries will normally be paid commission of 2.25 per cent. of the value of the relevant investment on successful applications under the Offer.

In addition, provided that they continue to act for their client and the client continues to hold his or her Offer Shares, financial advisers will normally be paid an annual trail commission of 0.375 per cent. of the net asset base value for each such Share. For this purpose, 'net asset base value' means the net assets attributable to such Share as determined from the audited annual accounts of the Company as at the end of the preceding financial year.

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 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. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25 per cent. of the Offer Price of the Offer Share in question.

## Part Two - 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 a UK limited liability partnership owned by its partners. It was founded in 1984 by Bernard Fairman and Peter English and has now grown to a team of 27 people with over 200 years' investing experience between them. 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 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.

Foresight Group's objective is to diversify investments across a variety of sectors within a fund's investment strategy. In part this is to reduce the risks associated with any one area, but it also acknowledges an element of cyclicity, since valuations and the business outlook for a sector change through time. Managing successful exits from investments is also important and Foresight Group has demonstrated its ability to achieve this through several economic cycles. Exits are normally planned for three to five years after the initial investment and Foresight Group will review strategic opportunities and market cycles to determine the right time to exit.

### The Team

#### **Bernard Fairman (60)**

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

#### **Peter English (67)**

Has worked in a variety of engineering and marketing management roles in the UK and USA. His experience includes telecommunications (Nortel) and semiconductors (GEC Semiconductors). He joined 3i Ventures in 1982 and co-founded Foresight Group in 1984, where he continues to work part-time.

#### **David Hughes (57)**

Joined 3i as an investment executive in 1974. While there, he qualified as a certified accountant and became a director of 3i Corporate Finance. He joined Framlington Group in 1993 to establish and manage an investment trust investing in smaller quoted companies and in 1997 was recruited by Bank Austria AG to develop its private equity activities. He joined Advent's VCT team in September 2001 and, following Foresight Group's acquisition of Advent Fund Managers Limited, he was appointed a partner of Foresight Group in July 2004.

#### **Donald MacIennan (58)**

Joined Foresight Group as a partner in April 2001. He is a member of the Investment Committee and leads Foresight Group's management buy-out team. Donald is a chartered accountant and has more than 30 years of private equity experience. He has worked with 3i, NatWest Equity Partners (now Bridgepoint Capital) and Close Ventures (now Albion Ventures).

#### **Andrew Page (40)**

Studied engineering at Nottingham University before joining Unilever's management programme in 1991. He joined Ascot plc in 1996 and held a management role within a £25 million turnover chemical manufacturing subsidiary before joining 3i in August 2000. He joined Advent's VCT team in September 2003. He joined Foresight Group in July 2004 as an investment manager, following Foresight Group's acquisition of Advent Fund Managers Limited and was appointed a partner in September 2005.

**Matt Taylor (45)**

Has a classics degree from Oxford University and has 14 years' experience in private equity, including nine years with 3i. He gained European experience during a three year period with IKB Deutsche Industriebank AG in Dusseldorf. He joined Foresight Group in May 2000 and was appointed a partner in April 2001.

**Gary Fraser (38)**

Is a chartered accountant and a member of the Securities Institute. He worked with Ernst & Young between 1993 and 1999, predominantly in the audit and risk assurance and corporate finance areas. He joined ISIS Asset Management plc in 1999 and was responsible for the provision of company secretarial services for several investment companies including two of the Baronsmead VCTs. He joined Foresight Group in September 2004 as Group Finance Director and was appointed a partner in September 2005.

**Nigel Aitchison (41)**

Joined Foresight Group in 2008 as a partner. He is responsible for market opportunity analysis and customer and supplier contracting. Prior to joining Foresight Group, Nigel was a board director of both Shanks Waste Management Ltd, with annual turnover in excess of £130 million and employing over 800 people, and Shanks PFI Investments Limited, where he was until January 2008 responsible for all operational and business development functions related to projects financed under the Private Finance Initiative (PFI) for public procurement.

**Sonia Powar (36)**

Joined Foresight Group in November 2008 as an investment director. She spent nine years at 3i, initially in its Maidstone office and then in the European Buyout Team in London, focusing on mid market transactions across a broad range of sectors. She was responsible for the origination, execution and portfolio management of investments. Sonia is a chartered accountant, qualifying at PwC, with an honours degree in Mathematics from the University of Nottingham.

**Russell Healey (38)**

Has three years' experience of private equity and corporate finance. He spent ten years in technology and marketing management positions, including four years with Thomson Financial. He has a classics degree from Exeter University and an MBA from London Business School. He joined Foresight Group in October 2007.

**Chris Price (27)**

Joined Foresight Group in April 2007 as an investment manager. He joined from Icon Corporate Finance where he advised a wide range of technology companies, including some in the environmental low carbon sector, on fund raising and M&A transactions. Chris has an MSc in Entrepreneurship from Bristol University and now returns as a visiting lecturer, focusing on fundraising techniques. Chris was named private equity's 'Rising Star' in November 2007 by Unquote Magazine.

**James Livingston (28)**

Joined Foresight Group in 2007 from Deloitte's Strategy Consulting team where he advised businesses in the healthcare and technology sectors. Prior to joining Deloitte James spent a year as a professional athlete rowing for Great Britain. He has a first class degree in Natural Sciences and Management from Cambridge University and holds the CIMA Advanced Diploma in Management Accounting.

**Giles Whitman (30)**

Joined Foresight Group in 2007. He has 5 years experience in financial analysis and due diligence reporting. Prior to joining Foresight Group, he was a member of Ernst & Young's Transaction Advisory Services team, performing both corporate recovery and financial due diligence work. In the latter role, he worked primarily for Spice plc, assessing potential acquisitions in the energy consultancy and utility infrastructure sectors. Giles has also worked as an equity research analyst for HSBC Investment Bank, where he was responsible for researching and valuing large European engineering companies, including major wind-turbine manufacturers. Giles is a Chartered Accountant and an Economics and Economic History graduate from Bristol University.

**Tom Thorp (32)**

Joined Foresight Group in 2008. Tom has over 5 years experience in financial analysis and due diligence reporting with KPMG's Transaction Services and Restructuring teams both in London and Munich. He has advised on a wide range of industries, performing acquisition and vendor due diligence as well as advising on company refinancings and working capital exercises for demergers and AIM listings. Tom is a Chartered Accountant and graduated from Edinburgh University with a degree in Business Studies and Accountancy.

# Track record

## Foresight 3

Foresight Group assumed the management of Advent VCT plc (now Foresight 3) on 30 July 2004. Following the first valuation thereafter on 30 September 2004, the net asset value was the equivalent of 99.1p per Old Foresight 3 Ordinary Share. The unaudited NAV as at 30 June 2009 was 93.2p per Old Foresight 3 Ordinary Share and 51.9p per Foresight 3 C Share (this being the most recent published NAV prior to the date of this document) and 100.95p per Foresight 3 Ordinary Share (restated to reflect the merger of the Foresight 3 Ordinary Shares and Foresight 3 C Shares). In addition Foresight Group resumed distributions to Shareholders, and 18.65p per share (restated) has been paid in dividends bringing the Total Return up to 119.55p from 99.1p (an increase of 22.0 per cent). The first of these dividends, paid in December 2006, was the first paid by the fund in over seven years.

When Foresight Group took over the fund it had £9.3 million in investments and assets. Between July 2004 and 30 June 2009, Foresight Group realised £12.9 million in cash from the sale of investments, leaving £1.3 million remaining from the original portfolio. This represents a return of over 50 per cent. on the original assets of the fund. A further £11.3 million of new monies were raised in the 2005/6 tax year (as well as smaller top-up offers in subsequent tax years totaling £3.4 million) to enable Foresight 3 to make new investments.

Foresight Group actively acquired the management contract for Enterprise VCT plc in April 2008 and then Foresight 3 completed a merger with Enterprise VCT plc in September 2008. The merger was completed by the transfer of the assets and liabilities of Enterprise VCT plc to Foresight 3 in consideration for Foresight 3 C Shares being issued to the shareholders of Enterprise VCT plc. The terms of the merger provided for the Foresight 3 C Shares to be converted into the Foresight 3 Ordinary Shares on a relative NAV basis which was completed in July 2009. Since Foresight Group's appointment in 2004 the fund has made 26 new investments.

## Foresight 4

Foresight Group assumed the management of Advent 2 VCT plc (now Foresight 4) on 30 July 2004. Following the first valuation thereafter on 31 August 2004, the net asset value was the equivalent of 91.2p per Foresight 4 Ordinary Share. The unaudited NAV as at 31 May 2009 was 100.91p per Foresight 4 Ordinary Share (this being the most recent published NAV prior to the date of this document). In addition Foresight Group resumed distributions to Shareholders, so that 17.5p per share has been paid in dividends bringing the return up to 118.4p from 91.2p (an increase of 29.8 per cent.). The first of these dividends, paid in December 2005, was the first paid by the fund in over five years.

When Foresight Group took over the fund it had £10.9 million in investments and assets. Between July 2004 and 31 May 2009, Foresight Group realised £14.5 million in cash from the sale of investments, leaving £2.9 million remaining from the original portfolio. This represents a return of over 50 per cent. on the original assets of the fund. A further £11.3 million of new monies were raised in the 2005/6 tax year (as well as smaller top-up offers in subsequent tax years totaling £3.4 million) to enable Foresight 4 to make new investments. Since Foresight Group's appointment the fund has made 25 new investments.

**The investment performance of the Companies, since Foresight Group's appointment as investment manager to the Companies on 30 July 2004, has been computed using NAV Total Return, which combines the change in net asset values per share and the aggregate dividends paid. In respect of Foresight 3, this has been an increase of 22 per cent. to 30 June 2009 (restated to reflect the merger of the Foresight 3 Ordinary Shares and the Foresight 3 C Shares) and an increase of 30 per cent. for Foresight 4 to 31 May 2009, excluding for both Companies any form of VCT tax relief.**

## Dividends paid to Shareholders

As a result of the profitable realisations made from the maturing portfolios of Foresight 3 and Foresight 4, following Foresight Group's appointment in 2004, the Boards have been able to declare significant dividends for each fund. VCT dividends paid to Shareholders are ordinarily tax-free.

The Companies have a policy of a target minimum dividend of 5.0p per annum per Share.

The record of dividends paid and declared per Share in each Company, since Foresight Group's appointment, is shown below:

<b>Year to 31 March</b>	<b>Foresight 3 (p)</b>	<b>Year to 28 February</b>	<b>Foresight 4 (p)</b>
2006	N/A	2006	5.0
2007	2.2	2007	2.5
2008	11.0*	2008	5.0
2009	5.5*	2009	5.0

\*restated per Foresight 3 Ordinary Share, no dividends were paid per Foresight 3 C Share

All of the information contained in this section 'Track Record' has been derived from the unaudited records of Foresight 3 and Foresight 4. The Boards, which have been so advised by Foresight Group, confirm that they have been accurately reproduced and, so far as the Companies are aware and are able to ascertain from information published by Foresight Group, no facts have been omitted which would render the reproduced information inaccurate or misleading.

# Part Three - Investment Objective & Policy



**The investment objectives and investment policies for both Companies are materially the same.**

## Foresight 3

### Investment objective

The investment objective of Foresight 3 is to provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted companies predominantly in the environmental infrastructure and management buyout sectors in the UK.

It is the intention to maximise tax-free income available to investors from a combination of income received on investments and the distribution of realised capital gains arising from trade sales.

### Investment policy

Foresight Group, Foresight 3's investment manager, will target UK unquoted companies which depend to a significant extent on the application of scientific and technological skills or knowledge as a major source of competitive advantage.

A proportion of realised gains will normally be retained for reinvestment and to meet future costs. Subject to this, Foresight 3 will endeavour to maintain a regular dividend payment of the order of 5p per share although a greater or lesser sum may be paid in any year.

Foresight 3 invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM-traded securities, cash is primarily held in an interest bearing money market open ended investment company (OEIC).

Foresight 3's investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must have no more than £15 million of gross assets at the time of the investment (or £7 million if the funds being invested were raised after 5 April 2006) to be classed as a VCT qualifying holding. Foresight 3 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 and interest bearing securities. It is intended that the significant majority of any funds raised by Foresight 3 will be invested in VCT qualifying investments.

The investment policy is designed to ensure that Foresight 3 continues to qualify and is approved as a VCT by HM Revenue & Customs. Amongst other conditions, Foresight 3 may not invest more than 15 per cent. of its investments in a single company and must have at least 70 per cent. by value of its investments throughout the period in shares or securities comprised in Venture Capital Investments, of which 30 per cent. by value in aggregate must be ordinary shares which carry no preferential rights. (Although only 10 per cent. per investment needs to be in the ordinary shares of the Qualifying Company.)

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

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

Foresight 3 aims to invest in larger more mature unquoted and AIM companies and to achieve this it invests alongside the other Foresight VCTs, and the Foresight Sustainable UK Investment Fund. As such, at the time of initial investment, the combined investment can currently total up to a maximum of £6.0 million for unquoted and for AIM investees.

Foresight 3's Articles permit borrowing to give a degree of investment flexibility. Foresight 3's policy is not to use borrowing.



## Foresight 4

### Investment objective

The investment objective of Foresight 4 is to provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted technology-based companies in the UK.

A proportion of realised gains will normally be retained for reinvestment and to meet future costs. Subject to this, Foresight 4 will endeavour to maintain a regular dividend payment of the order of 5p per share although a greater or lesser sum may be paid in any year. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains arising from trade sales or flotations.

### Investment policy

Foresight Group, Foresight 4's investment manager, will target UK unquoted technology-based companies which depend to a significant extent on the application of scientific and technological skills or knowledge or whose activities embrace a significant technology component as a major source of competitive advantage.

Foresight 4 invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM-traded securities, cash is primarily held in an interest bearing money market open ended investment company (OEIC).

Foresight 4's investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must have no more than £15 million of gross assets at the time of the investment (or £7 million if the funds being invested were raised after 5 April 2006) to be classed as a VCT qualifying holding. Foresight 4 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 and interest bearing securities. It is intended that the significant majority of any funds raised by Foresight 4 will be invested in VCT qualifying investments.

The investment policy is designed to ensure that Foresight 4 continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, Foresight 4 may not invest more than 15 per cent. of its investments in a single company and must have at least 70 per cent. by value of its investments throughout the period in shares or securities comprised in Venture Capital Investments, of which 30 per cent. by value in aggregate across the portfolio must be ordinary shares which carry no preferential rights (although only a minimum of 10 per cent. needs to be in the ordinary shares on a per investment basis).

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

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

Foresight 4 aims to invest in larger more mature unquoted and AIM companies and to achieve this it invests alongside the other Foresight VCTs, and the Foresight Sustainable UK Investment Fund. As such, at the time of initial investment, the combined investment can currently total up to a maximum of £6.0 million for unquoted and for AIM investees.

Foresight 4's Articles permit borrowing to give a degree of investment flexibility. Foresight 4's policy is not to use borrowing.



## Growth capital - environmental infrastructure opportunity

It is expected the UK will require investment of over £30 billion over the next 5-15 years in infrastructure for generating renewable energy and recycling waste. The Directors believe that the UK presents a particularly attractive investment opportunity, partly because it has been so dependent on landfill and is now seeking to catch up with practices used in European countries, and partly due to recent improvements in the legislative framework for renewable energy and recycling. The target markets are immature and fragmented, offering potential opportunities to achieve rapid growth and strong returns on capital and to establish market leadership positions.

The Companies will invest to support companies developing local power stations and recycling facilities, each typically dealing with the power or waste disposal needs of an urban centre. This distributed model, dealing with waste where it arises and generating power where it is needed, is believed to be, more sustainable and economic than a centralised model.

Each power station or recycling facility is expected to produce predictable cashflows after a 12-24 month construction and commissioning phase. The Companies will seek preferential returns from these cashflows, supporting early return of capital to investors in advance of a sale of the investment. Most investments will be structured as a combination of loans and equity to facilitate this preferential return.

## Management buyout (MBO) opportunity

As a result of Foresight Group's development of its management buyout business over the last two years, it has started to receive a steady flow of attractive and profitable MBO opportunities. These opportunities cover a wide range of sectors and provide a regular income stream for investors and provide diversity for the portfolio by sector as well as by investment stage (MBO being later stage and growth capital being earlier stage).

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

The over-riding objective of each Company is to make investments in unquoted companies that have the potential to grow and to achieve a profitable realisation by way of a trade sale or stock market flotation.

## Liquid investments

Each Company's liquid investments will primarily be maintained in Money Market Funds with the objective of generating income whilst maintaining the fund's capital pending investment in Venture Capital 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 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 IPEVC 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 each other and other funds managed or advised by Foresight Group. This will enable each Company 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 generally be made in proportion to the net cash raised for each fund, other than where investments are proposed to be made in a company where a fund has a pre-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 per cent. of a particular VCT's (or other minimum investment requirements of other co-investing funds) portfolio in Qualifying Companies.

Any variation from this co-investment policy insofar as it affects any Company may only be made with the prior approval of the Directors of that Company who are independent of Foresight Group.

## Part Four - The Boards

The Board of each Company comprises non-executive directors, all of whom (except Bernard Fairman) are independent of Foresight Group. The Boards have substantial experience of venture capital businesses and overall responsibility for their Company's affairs, including determining the investment policy of each Company.

In respect of Foresight 3 and Foresight 4, Foresight Group was appointed as discretionary manager where investment decisions have been delegated to Foresight Group.

### Directors of both Companies:

#### **Peter Frederick Dicks (67)** **(Chairman of both Companies)**

Was a founder director of Abingworth plc in 1973, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Private Equity Investor Plc where he is chairman, Polar Capital Technology Trust plc, Graphite Enterprise Trust plc and Standard Microsystems Inc, a US NASDAQ quoted company. In addition, he has been chairman of Foresight VCT plc and Foresight 2 VCT plc since their launch in 1997 and 2004 respectively and has been Chairman of Foresight 3 and Foresight 4 since July 2004. He is also chairman of Unicorn AIM VCT plc.

#### **Bernard William Fairman (60)**

See details set out on page 15.

### Other Directors of Foresight 3:

#### **Graham Ross Russell (76)**

Is chairman of UK Business Incubation, which was initiated by HM Treasury to encourage the growth of early stage companies, and was formerly a trustee for the National Endowment for Science, Technology and the Arts (NESTA), chairman of F&C Capital & Income Trust plc and chairman of the Securities Institute. He was a partner in, and from 1988 to 1990 chairman of, the stockbroking firm Laurence Prust, specialising in corporate finance for smaller and medium sized companies. He was a council member of the London Stock Exchange from 1973 to 1991 and a deputy chairman from 1984 to 1988. He has served on the boards of several UK companies and was chairman of EMAP plc from 1990 to 1994.

#### **John Gregory (61)**

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

#### **Tom Maxwell (61)**

Is a member of the Chartered Institute of Bankers in Scotland and a member of the Society of Investment Professionals. He has considerable fund management and investment trust experience and is a non-executive director of Spirent Communications plc. He has held previous directorships with, among others, Martin Currie Investment Management Limited and Ivory & Sime Investment Management plc.

### Other Directors of Foresight 4:

#### **Christopher Roger Ettrick Brooke (78)**

Was, until May 1999, chairman of Candover Investments plc, an investment trust investing mainly in buy-outs of unquoted companies, having been chief executive of that company since its formation in 1980. From 1969 to 1971 he was managing director of Scientia SA, which was involved in investing in small and medium-sized advanced technology companies in Europe. He was a director of the Pearson Group for eight years and in 1979 became group managing director of EMI until its merger with Thorn in 1980. He was a former non-executive director of Foresight 3 VCT plc. He is a Director of IP Group plc as well as several unquoted companies.

#### **Philip Henry Peter Stephens (67)**

Retired from Williams de Bröe plc in 2002 where he was joint head of corporate finance. He was previously a managing director at UBS which he joined in 1989. He was involved in corporate finance and corporate broking for over thirty-five years. He is currently non-executive chairman of Egdon Resources PLC and Neptune-Calculus Income & Growth VCT plc.

# Part Five - Management, Expenses & Administration

## Investment manager

Foresight Group was appointed as investment manager to Foresight 3 and Foresight 4 on 30 July 2004.

Foresight Group's appointment to each Company is terminable by not less than one year's notice (after the initial appointment term to 31 March 2011 has elapsed for Foresight 3).

## Promoter

Foresight Group is the promoter to the Offer and will receive an initial commission of 5.5 per cent. out of which all of the costs and expenses of the Offer (save for annual trail commission) will be paid. Costs above this will be met by Foresight Group.

## Annual fees

Foresight Group receives a management fee based on the net asset value of each Company as follows:

- 2.5 per cent. per annum in respect of Foresight 3; and
- 2.5 per cent. per annum in respect of Foresight 4

These fees are calculated and payable quarterly in advance together with any applicable VAT.

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 under the investment management agreement and hence is terminable by not less than one year's notice (after the initial appointment term to 31 March 2011 has elapsed for Foresight 3).

Foresight Fund Managers Limited receives fees in respect of this appointment as follows:

- in respect of Foresight 3, 0.3 per cent. of net funds raised and net assets acquired (subject to an annual cap of £100,000 which currently applies) plus VAT, such fee to be increased in each year by not less than the percentage increase in the Retail Prices Index; and
- in respect of Foresight 4, £60,000 (plus VAT) per annum, such fee to be increased in each year by the percentage increase in the Retail Prices Index (£70,843 plus VAT for the year ended 28 February 2009).

These fees are calculated and payable quarterly in arrears.

Martineau receive an annual fee of £10,000 (plus VAT) from each Company for providing legal advice and assistance in relation to the maintenance of the VCT status of that Company and receives usual hourly rates in connection with all other VCT tax advice, legal advice and assistance. The appointment to each Company can be terminated at any time.

A maximum of 75 per cent. of each Company's management expenses is capable of being charged against capital, with the balance to be met from income.

## Annual expenses cap

Annual expenses will be capped at:

- 3.5 per cent. (including irrecoverable VAT), in respect of Foresight 3; and
- 3.5 per cent. (excluding irrecoverable VAT), in respect of Foresight 4

of the relevant Company's aggregate net asset value, which will be calculated quarterly. Any excess over this amount will be borne by Foresight Group. This figure covers the annual expenses incurred by the relevant Company in the ordinary course of its business and includes in respect of the relevant Company, Foresight Group's fee, Foresight Fund Managers Limited's fee, Directors' remuneration, fees payable to the registrar, stockbroker, auditor, solicitors and VCT status advisers.

## Performance related incentive

As is customary in the private equity industry, Foresight Group is also entitled to earn a performance related incentive fee in respect of the management of the Companies.

## Foresight 3

Foresight Group is entitled to a performance related incentive fee of 15 per cent. of dividends paid to Foresight 3 Shareholders provided that certain performance conditions are achieved.

A performance related incentive fee will only be paid to Foresight Group, if initially, the total return (comprising net asset value plus dividends paid) exceeds 100p per Foresight 3 Ordinary Share, both immediately before and immediately after the performance related incentive fee is paid (either through Foresight 3 Ordinary Shares or cash).

After each distribution is made to Foresight 3 Shareholders, the total return required to be achieved to trigger a performance related incentive fee will be amended to take account of the cumulative dividends (net of the performance fee payments made to

Foresight Group) paid following the date of the carried interest agreement i.e. a new high watermark will be calculated on each occasion on which a distribution is made and a performance fee is paid.

The performance incentive fee may be satisfied by either a cash payment or the issue of Foresight 3 Ordinary Shares (or by a combination of both) ultimately at the Foresight 3 Board's discretion. Any new Foresight 3 Ordinary Shares to be issued to Foresight Group would be calculated by dividing the amount to be satisfied by the issue of the Foresight 3 Ordinary Shares by the latest net asset value per Foresight 3 Ordinary Share after taking into account the dividend paid.

This performance related fee will automatically extend to the new funds received under the Offer.

## Foresight 4

In respect of funds raised prior to the offer for subscription launched in 2005 by Foresight 4 ("Foresight 4 2005 Offer"), Foresight 4 has granted to Foresight Group the right to subscribe at par for 2,109,574 Foresight 4 Ordinary Shares if the return per Foresight 4 Ordinary Share then in issue is not less than 270p prior to 1 August 2011 or 360p thereafter. Return for these purposes is the aggregate amount of all distributions (whether in cash or otherwise) paid or declared by Foresight 4 pro rata to all holders of Foresight 4 Ordinary Shares from time to time since incorporation plus the NAV per Foresight 4 Ordinary Share.

Foresight 4 has also granted to Foresight Group an option to subscribe at par for a number of Foresight 4 Ordinary Shares which, after issue, would represent 16.67 per cent. of the Foresight 4 Ordinary Shares capital issued pursuant to the Foresight 4 2005 Offer (and remaining in issue) plus the Foresight 4 Ordinary Shares to be issued pursuant to the option if:

- (a) a Return of not less than 60p per Foresight 4 Ordinary Share is achieved by the seventh anniversary of the close of the 2005 Foresight 4 Offer; or
- (b) a Return of not less than 90p per Foresight 4 Ordinary Share is achieved after the seventh anniversary of the close of the 2005 Foresight 4 Offer but before the End Date;

provided that the NAV per Foresight 4 Ordinary Share in issue when the Return is achieved is achieved or becomes not less than the Net Average Subscription Price before the End Date.

For these purposes the "End Date" is the earlier of any resolution of Foresight 4 Shareholders for the winding up or unitisation of Foresight 4 or the twelfth

anniversary of the 2005 Foresight 4 Offer, "Return" means the cumulative dividends paid per Foresight 4 Ordinary Share following the close of the 2005 Foresight 4 Offer plus the increase in the NAV per Foresight 4 Ordinary Share above the Net Average Subscription Price and "Net Average Subscription Price" means the net proceeds of the 2005 Foresight 4 Offer divided by the number of Foresight 4 Ordinary Shares issued pursuant to that offer.

In respect of the funds raised from the offer for subscription launched by Foresight 4 in January 2008 ("Foresight 4 2008 Offer"), Foresight Group has been granted an option to subscribe at par for a number of Foresight 4 Ordinary Shares which, after issue, would represent 16.67 per cent. of the Foresight 4 Ordinary Shares capital issued pursuant to the Foresight 4 2008 Offer (and remaining in issue) plus the Foresight 4 Ordinary Shares to be issued pursuant to the option if:

- (a) a Return of not less than 70p per Foresight 4 Ordinary Share issued pursuant to the Foresight 4 2008 Offer and remaining in issue is achieved by the seventh anniversary of the close of the Foresight 4 2008 Offer; or
- (b) a Return of not less than 100p per Foresight 4 Ordinary Share issued pursuant to the Foresight 4 2008 Offer and remaining in issue is achieved after the seventh anniversary of the close of the Foresight 4 2008 Offer but before the Second End Date;

provided that the NAV per Foresight 4 Ordinary Share in issue when the Return is achieved is achieved or becomes not less than the Net Average Subscription Price before the Second End Date.

For these purposes the "Second End Date" is the earlier of any resolution of Foresight 4 Shareholders for the winding up or unitisation of Foresight 4 or the twelfth anniversary of the Foresight 4 2008 Offer, "Return" means the cumulative dividends paid per Foresight 4 Ordinary Share following the close of the Foresight 4 2008 Offer plus the increase in the NAV per Foresight 4 Ordinary Share above the Net Average Subscription Price and "Net Average Subscription Price" means the net proceeds of the Foresight 4 2008 Offer divided by the number of Foresight 4 Ordinary Shares issued pursuant to that offer.

The exercise of this performance incentive fee is restricted to the extent payment would breach 5 per cent. of the market capitalisation or the gross assets of Foresight 4 at the time of payment.

The existing performance incentive arrangements will not, unlike the management arrangements, automatically extend to the new funds raised by Foresight 4 pursuant to the Offer. Foresight 4 and

Foresight Group have agreed not to enter into any additional arrangements to cover such funds at this stage as the intention is to review performance incentive arrangements generally in the near future. If the Foresight 4 Board considers it appropriate to amend the performance incentive arrangements, proposals will be put to Foresight 4 Shareholders for approval.

### VCT status monitoring

Martineau is the Companies' VCT status adviser. It carries out 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 Venture Capital Investments.

### Dividend policy

The dividend policy for each Company is to maximise distributions to their Shareholders through a steady flow of dividends from income and realised capital gains. In the early years of a Company, the relevant Board anticipates that any dividend will be paid from the income on that Company's initial liquid investments and from the income on any Venture Capital Investments in loan stock or preference shares. In the medium term, dividends should be funded also by successful realisations of Venture Capital Investments.

A privileged feature of a VCT, not available to an investment trust, is the ability to distribute net realised capital profits tax-free to investors. The Companies intend to take full advantage of this by paying out gains arising from successful realisations of investments.

### Liquidity

The Directors are aware that in the past it has often been difficult for investors to sell VCT shares at or close to net asset value. Each Board intends to pursue a policy of buying back Shares in the Company of which they are Directors in the market at a discount to the NAV of such Shares, thereby seeking, inter alia, to manage the level of discount to net asset value at which Shares may trade in normal markets.

In pursuing this policy, each Board's priority will be to ensure that they are acting prudently and in the interests of remaining Shareholders of the relevant Company. Share buy-backs will be entirely at each Board's discretion and will be subject to the relevant Company having sufficient funds available for such a purpose. Shareholders of each Company have authorised the Company of which they are Shareholders to buy-back Shares as set out on page pages 45 to 46. Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market will ordinarily be cancelled.

### 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.

Reporting Dates	Foresight 3	Foresight 4
Year End	31 March	28 February
Announcement and publication of annual report and accounts to Shareholders	July	June
Announcement and publication of interim results	November	October

# Part Six - Schedule of Larger Investments



## Foresight 3

Set out below are investments with a value of greater than 5 per cent. of Foresight 3's gross assets and an aggregate value greater than 50 per cent. of the Foresight 3 portfolio, including at least the ten largest investments. This unaudited investment portfolio is that carried by Foresight 3 as at the date of this document, which was last revalued as at 30 June 2009. Investments in unquoted growth companies are often expected to make losses during the early stages of their development. In keeping with the Companies co-investment policies a number of the companies within the Foresight 3 portfolio listed below are also companies in which Foresight 4 has invested in. These companies are Closed Loop Recycling Limited, Datapath Holdings Limited, Diagnos Holdings Limited, Global Immersion Limited, O-Gen Acme Trek Limited, Silvigen Limited and The Bunker Secure Hostings Limited.

### Closed Loop Recycling Limited

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

Dates of investment: February 2007  
February 2008  
March 2008  
August 2008  
September 2008

	Current valuation	Year ended	30 June 2008 (£'000)
<b>Amount invested</b>	£3,333,333	<b>Sales</b>	31
<b>Valuation</b>	£3,416,667	<b>Loss before tax</b>	(1,969)
<b>Equity/voting Rights</b>	18.7%	<b>Retained loss</b>	(1,969)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	991
<b>Percentage of net assets of Foresight 3</b>	8.5%		

### Datapath Holdings Limited

is a UK manufacturer of PC based multi-screen computer graphics and video capture hardware, specialising in video wall and data wall technology. Established in 1982, it provides solutions for wide-ranging and varied applications including control rooms, financial dealing rooms, CCTV, distance learning, digital signage and business presentations.

Date of investment: September 2007

	Current valuation	Year ended	31 March 2009 (£'000)
<b>Amount invested</b>	£795,455	<b>Sales</b>	9,346
<b>Valuation</b>	£3,328,723	<b>Profit before tax</b>	2,404
<b>Equity percentage/voting Rights</b>	13.3%	<b>Retained profit</b>	1,799
<b>Valuation methodology</b>	Discounted price/earnings multiple	<b>Net assets</b>	3,039
<b>Percentage of net assets of Foresight 3</b>	8.3%		



## The Bunker Secure Hosting Limited

provides ultra secure IT data centre and managed services to companies and public bodies from owned and leased facilities totaling 41,500 square feet in ex-military bunkers at Ash, Kent, Greenham Common and Bawdsey, Lincolnshire. With particular expertise in Open Source and Microsoft software and systems, web and digital security, The Bunker builds, hosts and manages ultra secure, high availability IT infrastructure platforms for its customers and provides secure co-location services to host customers' servers or back-up servers. The Bunker is highly regarded for its technical skills by its customers, which include top financial, telecoms and web-based businesses that are concerned with data security and have outsourced their mission critical IT systems. The Bunker continues to make good progress in increasing revenues from existing customers and winning new customers under term contracts which generate high visibility of future revenues. Planning permission has recently been obtained to build a new large data centre above ground at Ash.

Dates of investment: May 2006  
March 2007  
February, May 2008

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b>	£702,138	<b>Sales</b>	3,904
<b>Valuation</b>	£1,712,485	<b>Loss before tax</b>	(485)
<b>Equity percentage/voting Rights</b>	7.8%	<b>Retained loss</b>	(485)
<b>Valuation methodology</b>	Discounted revenue multiple	<b>Net assets</b>	3,143
<b>Percentage of net assets of Foresight 3</b>	4.3%		

## Heritage House Media Limited

provides contract publishing and souvenirs to the heritage market. Through the acquisitions of Heritage House Group and Jarrold's Contract Publishing the company provides guide books and souvenirs to stately homes and castles including Chatsworth House, Balmoral and Sandringham as well as to amusement parks, zoos and other tourist attractions. Heritage House Media publishes Hudson's Guide, an annual guide to over 2,100 houses and gardens open to the public. This publication includes, opening dates and times and information on special events. In 2008 the company won an exclusive contract with Visit Britain to publish their range of accommodation guides and in 2009 won a seven year contract to publish the definitive guide to disabled accommodation in the UK. HHM has begun to successfully cross sell its products and has improved distribution and advertising sales across the range of VB publications. The forecast is for 2009 to be "a superb year for domestic tourism" and HHM is well placed to take advantage of this.

Dates of investment: September 2007  
May 2008  
November 2008

	Current valuation	Year ended	30 September 2008 (£'000)
<b>Amount invested</b>	£1,435,088	<b>Sales</b>	3,022
<b>Valuation</b>	£1,435,088	<b>Loss before tax</b>	(1,064)
<b>Equity percentage/voting Rights</b>	24.5%	<b>Retained loss</b>	(1,064)
<b>Valuation methodology</b>	Cost	<b>Net liabilities</b>	(1)
<b>Percentage of net assets of Foresight 3</b>	3.6%		



## Lab901 Limited

founded in 2002 in Midlothian, is an early stage life science instruments business which has developed and patented an automated gel electrophoresis technology for use in DNA/RNA/Protein analysis and also undertakes third party contract development work. The DNA analysis instrument is now being sold through distributors in Europe and Asia, while RNA and Protein instruments have been launched recently. Each comprises a 'laser printer' sized instrument and proprietary 'Screentape' multi-test strip consumable which offer users, principally in research labs, significant benefits over existing methods, including higher throughput speeds, ease of use, lower labour costs, convenience, reliability, reproducibility and accuracy while presenting the results in industry standard graphical formats. Repeat income will be generated from customers' continuous use of the Screentape consumable. ScreenTape is well positioned to displace manual gel electrophoresis products and revolutionise analytical testing in the life science market. Gel electrophoresis is the workhorse of life science laboratories worldwide, the total market being worth around \$600 million per annum and largely served by traditional products, comprising mainly consumables and equipment. Sales of DNA instruments continue to grow. In-house 'Screentape' production has been scaled up and production yield is being improved.

Date of investment: July 2006

	Current valuation	Year ended	31 August 2008 (£'000)
<b>Amount invested</b>	£901,742	<b>Sales</b>	1,942
<b>Valuation</b>	£1,100,005	<b>Loss before tax</b>	(1,296)
<b>Equity percentage/voting Rights</b>	10.9%	<b>Retained loss</b>	(1,270)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	2,686
<b>Percentage of net assets of Foresight 3</b>	2.7%		

## O-Gen Acme Trek Limited

develops, builds, owns and operates biomass to energy and combined heat and power ('CHP') plants. The market is driven by government regulation and incentives. Specifically, landfill tax driving waste operators towards cheaper and more efficient methods of waste disposal such that gate fees will be received by O-Gen from the biomass suppliers. The electricity generated will be sold to the National Grid and attracts Renewable Obligation Certificates ('ROCs') which generate further revenue. The first plant has been completed and is being commissioned. Planning approval has been achieved for three other plants.

Dates of investment: May 2007  
April 2008  
December 2008

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b>	£981,667	<b>Sales</b>	2
<b>Valuation</b>	£1,090,834	<b>Loss before tax</b>	(1,701)
<b>Equity percentage/voting Rights</b>	16.3%	<b>Retained loss</b>	(1,346)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	337
<b>Percentage of net assets of Foresight 3</b>	2.7%		



## Xention Limited

is a drug discovery company focused in the underexploited area of ion channel modulation. The company has developed an integrated approach to ion channel drug discovery comprising numerous components proprietary to the company. Their pipeline of drug molecules sits across a number of indicators, with a particular focus on atrial fibrillation, over-active bladder syndrome and pain, and includes three candidates in phase one trials. In March 2009, Xention signed a two year drug discovery agreement with Ono Pharmaceutical, an international company based in Japan, to apply its proprietary drug discovery platform to ion channel targets selected by Ono.

Dates of investment: September 2003  
July 2004  
March, July 2005  
March 2008  
March 2009

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b>	£950,001	<b>Sales</b>	-
<b>Valuation</b>	£1,002,501	<b>Loss before tax</b>	(5,915)
<b>Equity percentage/voting Rights</b>	3.3%	<b>Retained loss</b>	(5,312)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	2,108
<b>Percentage of net assets of Foresight 3</b>	2.5%		

## Diagnos Holdings Limited

was founded in 1999 and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. As cars have become increasingly sophisticated and more reliant on electronic systems, mechanics need to be able to communicate to the in-car computer running the process or system, which in turn requires a diagnostic tool. Diagnos supplies its 'Autologic' product to well known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche.

Date of investment: February 2009

	Current valuation	Year ended	
<b>Amount invested</b>	£1,000,000	<b>Sales</b>	No accounts filed since the investment was made.
<b>Valuation</b>	£1,000,000	<b>Profit before tax</b>	
<b>Equity percentage/voting Rights</b>	11.9%	<b>Retained profit</b>	
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	
<b>Percentage of net assets of Foresight 3</b>	2.5%		



## ICA Limited

is a leading document management solutions provider in the south east of England. Its core business is reselling and providing maintenance to Ricoh and Toshiba office printing equipment to customers in both the commercial and public sector. Following the management buyout of ICA, the business will significantly enhance its sales and marketing activities to support its sales orientated growth strategy over the next three years.

Date of investment: February 2009

	Current valuation	Year ended	
<b>Amount invested</b>	£1,000,000	<b>Sales</b>	No accounts filed since the investment was made.
<b>Valuation</b>	£1,000,000	<b>Profit before tax</b>	
<b>Equity percentage/voting Rights</b>	28.0%	<b>Retained profit</b>	
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	
<b>Percentage of net assets of Foresight 3</b>	2.5%		

## Vertal Limited

converts food waste into nutrient rich fertilizer products for use in agriculture. Vertal's process is low cost and energy efficient and is based on well-proven technology. The company provides an alternative disposal route for waste at a cost that is becoming increasingly attractive compared to the cost of landfill. Vertal has planning consent for its first facility in Mitcham, South East London.

Date of investment: April 2009

	Current valuation	Year ended	
<b>Amount invested</b>	£1,000,000	<b>Sales</b>	No accounts filed since the investment was made.
<b>Valuation</b>	£1,000,000	<b>Profit before tax</b>	
<b>Equity percentage/voting Rights</b>	11.4%	<b>Retained profit</b>	
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	
<b>Percentage of net assets of Foresight 3</b>	2.5%		

## Onyx Scientific Limited

provides a wide range of chemistry services to the life sciences industry, specialising in custom syntheses, process development and GMP syntheses, as well as providing a range of analytical services. The company employs more than 40 expert scientists and operate from a 3,000 square metre purpose-built facility in Sunderland.

Date of investment: July 2007

	Current valuation	Year ended	31 March 2008 (£'000)
<b>Amount invested</b>	£850,000	<b>Sales</b>	4,185
<b>Valuation</b>	£850,000	<b>Loss before tax</b>	463
<b>Equity percentage/voting Rights</b>	12.5%	<b>Retained loss</b>	289
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	2,675
<b>Percentage of net assets of Foresight 3</b>	2.1%		



## Global Immersion Limited

based in West Sussex, provides planetariums and immersive theatres with projection equipment, design, installation and maintenance services. The most profound change to the immersive theatre market over the last ten years has been the transition from optical-mechanical projection systems to the digital age and the company has identified a number of growth areas to target over the next several years.

Dates of investment: July 2007  
July 2008  
September 2008

	Current valuation	Year ended	Period from 23 April 2007 to 30 June 2008 (£'000)
<b>Amount invested</b>	£1,133,332	<b>Sales</b>	3,198
<b>Valuation</b>	£849,999	<b>Loss before tax</b>	(429)
<b>Equity percentage/voting Rights</b>	34.0%	<b>Retained profit</b>	(329)
<b>Valuation methodology</b>	Cost less provision	<b>Net liabilities</b>	(64)
<b>Percentage of net assets of Foresight 3</b>	2.1%		

## Silvigen Limited

has positioned itself to supply the urgent biomass (e.g. wood pellets) fuel needs of the UK power generation sector and the developing industrial heat sector, both of which are driven by a number of regulatory incentives. The company is currently based out of Goole in North Humberside.

Dates of investment: June 2008  
June 2009

	Current valuation	Year ended	
<b>Amount invested</b>	£843,266	<b>Sales</b>	No accounts filed since the investment was made.
<b>Valuation</b>	£843,266	<b>Profit before tax</b>	
<b>Equity percentage/voting Rights</b>	15.0%	<b>Retained profit</b>	
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	
<b>Percentage of net assets of Foresight 3</b>	2.1%		



## Plum Baby Limited

is a premium, organic, 'super foods' baby food brand, which is now sold in over 2,000 UK stores including Tesco, Sainsbury's, Waitrose and Boots. The company was created by Susie Willis, a former cookery school owner, who recognized a demand for nutritious, organic baby food. The company has launched a number of new recipes over the past year, and is continuing to trade in line with expectations at the time of the investment.

Date of investment: October 2007

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b>	£749,148	<b>Sales</b>	5,888
<b>Valuation</b>	£749,148	<b>Profit before tax</b>	17
<b>Equity percentage/voting Rights</b>	10.4%	<b>Retained Profit</b>	15
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	693
<b>Percentage of net assets of Foresight 3</b>	1.9%		

Foresight 3 also held £1,006,348 in a Barclays Premium Account representing 2.5 per cent. of Foresight 3's net assets.

\* The Foresight 3 Board reviews valuations of unquoted investments on a quarterly basis.

\*\* The above information has been derived from Foresight 3's unaudited accounting records except for the information in respect of investee companies' sales, profits and losses and net assets which has been derived from their latest published financial information. Such information has been accurately reproduced as far as Foresight 3 is aware and is able to ascertain from information published by investee companies and no facts have been omitted which would render the information inaccurate or misleading.



## Foresight 4

Set out below are investments with a value of greater than 5 per cent. of Foresight 4's gross assets and an aggregate value greater than 50 per cent. of the Foresight 4 portfolio, including at least the ten largest investments. This unaudited investment portfolio is that carried by Foresight 4 as at the date of this document, which was last revalued as at 31 May 2009. Investments in unquoted growth companies are often expected to make losses during the early stages of their development. In keeping with the Companies co-investment policies a number of the companies within the Foresight 4 portfolio listed below are also companies in which Foresight 3 has invested in. These companies are Closed Loop Recycling Limited, Datapath Holdings Limited, Diagnos Holdings Limited, Iskra Wind Turbines Limited, Ixaris Systems Limited, O-Gen Acme Trek Limited, The Bunker Secure Hostings Limited and Zoo Digital Group plc.

### Datapath Holdings Limited

is a UK manufacturer of PC based multi-screen computer graphics and video capture hardware, specialising in video wall and data wall technology. Established in 1982 and based in Derbyshire, it provides solutions for wide-ranging and varied applications including control rooms, financial dealing rooms, CCTV, distance learning, digital signage and business presentations.

Date of investment: September 2007

	Current valuation	Year ended	31 March 2009 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£795,455	<b>Sales</b>	9,346
<b>Valuation</b>	£3,328,723	<b>Profit before tax</b>	2,404
<b>Equity percentage/voting Rights</b>	13.3%	<b>Retained profit</b>	1,799
<b>Valuation methodology</b>	Discounted price/ earnings multiple	<b>Net assets</b>	3,039
<b>Percentage of net assets of Foresight 4</b>	13.4%		

### Closed Loop Recycling Limited

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

Dates of investment: February 2007  
February 2008  
March 2008  
August 2008  
September 2008

	Current valuation	Year ended	30 June 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£2,333.333	<b>Sales</b>	31
<b>Valuation</b>	£2,416.667	<b>Loss before tax</b>	(1,969)
<b>Equity percentage/voting Rights</b>	13.6%	<b>Retained profit</b>	(1,969)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	991
<b>Percentage of net assets of Foresight 4</b>	9.8%		



## The Bunker Secure Hosting Limited

provides ultra secure IT data centre and managed services to companies and public bodies from owned and leased facilities totaling 41,500 square feet in ex-military bunkers at Ash, Kent, Greenham Common and Bawdsey, Lincolnshire. With particular expertise in Open Source and Microsoft software and systems, web and digital security, The Bunker builds, hosts and manages ultra secure, high availability IT infrastructure platforms for its customers and provides secure co-location services to host customers' servers or back-up servers. The Bunker is highly regarded for its technical skills by its customers, which include top financial, telecoms and web-based businesses that are concerned with data security and have outsourced their mission critical IT systems. The Bunker continues to make good progress in increasing revenues from existing customers and winning new customers under term contracts which generate high visibility of future revenues. Planning permission has recently been obtained to build a new large data centre above ground at Ash.

Dates of investment: May 2006  
March 2007  
February, May 2008

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£864,168	<b>Sales</b>	3,904
<b>Valuation</b>	£2,106,382	<b>Loss before tax</b>	(485)
<b>Equity percentage/voting Rights</b>	9.5%	<b>Retained profit</b>	(485)
<b>Valuation methodology</b>	Discounted revenue multiple	<b>Net assets</b>	3,143
<b>Percentage of net assets of Foresight 4</b>	8.5%		

## VectorCommand Limited

is an international technology company based in Hampshire providing operational command and control, training and exercising systems to governments, emergency services, national security and major industrial companies throughout the world. Vector's first product, the Tactical Command Trainer, is now used by almost all UK fire and rescue services as well as all fire and rescue services in Australia and New Zealand, with other customers in locations as diverse as Qatar, Sweden and North America. VectorCommand recently launched a new product, the Command Support System, the world's first fully mobile, distributed, interoperable emergency command and control system developed in close collaboration with the London Fire Brigade and the European Union's Civil Protection Mechanism.

Dates of investment: September 1999  
November 2000  
April 2002

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£1,468,750	<b>Sales</b>	Not disclosed
<b>Valuation</b>	£1,416,100	<b>Profit before tax</b>	Not disclosed
<b>Equity percentage/voting Rights</b>	30.3%	<b>Retained profit</b>	Not disclosed
<b>Valuation methodology</b>	Discounted revenue multiple	<b>Net assets</b>	604
<b>Percentage of net assets of Foresight 4</b>	5.7%		



## O-Gen Acme Trek Limited

is based in Staffordshire and develops, builds, owns and operates biomass to energy and combined heat and power ('CHP') plants. The market is driven by government regulation and incentives. Specifically, landfill tax, driving waste operators towards cheaper and more efficient methods of waste disposal such that gate fees will be received by O-Gen from the biomass suppliers. The electricity generated will be sold to the National Grid and attracts Renewable Obligation Certificates ('ROCs') which generate further revenue. The first plant has been completed and is being commissioned. Planning approval has been achieved for three other plants.

Dates of investment: May 2007  
April 2008  
December 2008

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£1,085,000	<b>Sales</b>	2
<b>Valuation</b>	£1,205,658	<b>Loss before tax</b>	(1,701)
<b>Equity percentage/voting Rights</b>	18.0%	<b>Retained profit</b>	(1,346)
<b>Valuation methodology</b>	Price of recent funding round	<b>Net assets</b>	337
<b>Percentage of net assets of Foresight 4</b>	4.9%		

## Diagnos Holdings Limited

was founded in 1999 in Surrey and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. As cars have become increasingly sophisticated and more reliant on electronic systems, mechanics need to be able to communicate to the in-car computer running the process or system, which in turn requires a diagnostic tool. Diagnos supplies its 'Autologic' product to well known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche.

Date of investment: February 2009

	Current valuation	Year ended	
<b>Amount invested</b> (Ordinary Shares and Loans)	£1,000,000	<b>Sales</b>	No accounts filed since the investment was made.
<b>Valuation</b>	£1,000,000	<b>Profit before tax</b>	
<b>Equity percentage/voting Rights</b>	11.9%	<b>Retained profit</b>	
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	
<b>Percentage of net assets of Foresight 4</b>	4.0%		



## ZOO Digital Group plc (AIM Listed)

supplies authoring software and services to film studios and post-production films and to publishers and developers of interactive games on DVD. Authoring is the process of transferring video and audio content to DVD and adding menus and links to allow consumers to navigate the content. In August 2007, ZOO acquired the authoring business of Scope Seven, providing the group with a base near its key customers in California and broader service offering, whilst its head office remained in Sheffield. The company achieved an important milestone for the year ended 31 March 2009 in making a pre-tax profit of £0.2 million compared to a £2.1 million loss in 2008.

Dates of investment: September 2006  
October 2006  
August 2007

	Current valuation	Year ended	31 March 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£1,150,000	<b>Sales</b>	6,567
<b>Valuation</b>	£933,359	<b>Profit before tax</b>	211
<b>Equity percentage/voting Rights</b>	6.4%	<b>Retained profit</b>	185
<b>Valuation methodology</b>	Bid price	<b>Net assets</b>	1,634
<b>Percentage of net assets of Foresight 4</b>	3.8%		

## Iskra Wind Turbines Limited

is a Loughborough based manufacturer of high efficiency tree-sized wind turbines, suitable for volume manufacture and having the best price/performance combination of any tree-sized turbine currently commercially available. The company has an installed base of around 250 units and is forecast to grow strongly based on the BWEA ('British Wind Energy Association') projections of a doubling in the size of the UK market and also its new overseas distribution networks.

Dates of investment: March 2007  
October 2008

	Current valuation	Year ended	31 March 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£1,181,250	<b>Sales</b>	589
<b>Valuation</b>	£885,938	<b>Loss before tax</b>	(1,147)
<b>Equity percentage/voting Rights</b>	14.3%	<b>Retained loss</b>	(993)
<b>Valuation methodology</b>	Cost less provision	<b>Net liabilities</b>	(930)
<b>Percentage of net assets of Foresight 4</b>	3.6%		



## Trilogy Communications Holdings Limited

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

Dates of investment: September 2005  
April 2007

	Current valuation	Year ended	28 February 2009 (£'000)
<b>Amount invested</b> (Ordinary Shares and Loans)	£825,000	<b>Sales</b>	5,872
<b>Valuation</b>	£825,000	<b>Loss before tax</b>	(149)
<b>Equity percentage/voting Rights</b>	12.1%	<b>Retained loss</b>	(9)
<b>Valuation methodology</b>	Cost	<b>Net liabilities</b>	(1,446)
<b>Percentage of net assets of Foresight 4</b>	3.3%		

## Ixaris Systems Limited

based in London, operates online bank accounts and a prepaid electronic payment service integrated with the VISA network. Consumers deposit funds by credit card, cash at Post Offices and similar payment points or via normal bank transfers.

Date of investment: March 2006

	Current valuation	Year ended	31 December 2008 (£'000)
<b>Amount invested</b> (Ordinary Shares)	£750,000	<b>Sales</b>	3,543
<b>Valuation</b>	£750,000	<b>Profit before tax</b>	166
<b>Equity percentage/voting Rights</b>	9.1%	<b>Retained profit</b>	239
<b>Valuation methodology</b>	Cost	<b>Net assets</b>	1,377
<b>Percentage of net assets of Foresight 4</b>	3.0%		

\* The Foresight 4 Board reviews valuations of unquoted investments on a quarterly basis.

\*\* The above information has been derived from Foresight 4's unaudited accounting records except for the information in respect of investee companies' sales, profits and losses and net assets which have been derived from their latest published financial information. Such information has been accurately reproduced as far as Foresight 4 is aware and is able to ascertain from information published by investee companies and no facts have been omitted which would render the information inaccurate or misleading.

# Part Seven - Tax Position of Investors

## 1. Tax reliefs

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential Investors are recommended to consult a professional 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 Offer 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. Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

### (a) Income tax

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

An Investor subscribing for Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 in any tax year. To obtain relief an Investor must subscribe on his own behalf although the Shares may subsequently be transferred to a nominee. The relief is given at the rate of 30 per cent. on the amount subscribed regardless of whether the Investor is a higher rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the 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

An Investor who acquires in any tax year VCT shares (including 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) Purchasers in the market

An individual purchaser of existing Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on investment (as described in paragraph (i) above).

#### (iv) Withdrawal of relief

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

Dividend relief ceases to be available once the Investor ceases to own the VCT shares in respect of which it has been given.

### (b) Capital gains tax

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

A disposal by an Investor of 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) Purchasers in the market

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

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 or treated as never having been given. 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. Illustration of effect of tax relief for Investors

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a qualifying Investor subscribing for VCT shares to only £7,000:

	Effective cost	Tax relief
Investor unable to claim any tax reliefs	£10,000	Nil
VCT investor able to claim full 30 per cent. income tax relief	£7,000	£3,000

The combined effect of the initial income tax relief, tax free dividends and tax-free capital growth can substantially improve the net returns of an investment in a VCT. For example, after launch costs of 5.5 per cent. an investment of £10,000 would show an immediate return of 35 per cent. over the base cost of £7,000 after income tax relief. (Income tax relief is only available if the shares are held for the minimum holding period of five years).

The limit for obtaining income tax relief on investments in VCTs is £200,000 in each tax year.

### **3. Obtaining tax reliefs**

The Companies will provide to each Investor a certificate which the Investor may use to claim income tax relief, either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

### **4. 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.

# Part Eight - Tax Position of the Companies

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 HM Revenue & Customs. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on the London Stock Exchange;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent. by VCT Value of its investments in shares or securities in Venture Capital Investments, of which 30 per cent. by VCT Value must be in ordinary shares which carry no preferential rights to dividends, assets on a winding-up and no rights to be redeemed;
- (e) have at least 10 per cent. by VCT Value of each Venture Capital Investment in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;
- (f) not have more than 15 per cent. 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 per cent. of its income derived from shares and securities in any accounting period.

## 2. Venture Capital Investments

A Venture Capital 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 Parts 3 and 4 of Chapter 6 of the Tax Act and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in any period of 6 months straddling two tax years). The £1 million limit applies separately to each Company.

The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 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. In addition, to be qualifying holdings, VCT funds raised after 5 April 2007 must invest in companies which have no more than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs, companies under the corporate venturing scheme and individuals claiming relief under the Enterprise Incentive Scheme in any rolling 12 month period.

## 3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on OFEX 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 trade must be carried on wholly or mainly 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 per cent. owned.

## 4. Approval as a VCT

A VCT must be approved at all times by HM Revenue & Customs. 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 HM Revenue & Customs 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 funds need to meet such tests.

Foresight 3 and Foresight 4 have received HM Revenue & Customs approval as a VCT.

## 5. Withdrawal of approval

Approval of a VCT may be withdrawn by HM Revenue & Customs if the various tests set out above are not satisfied. 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 Nine - 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 Foresight 3 and Foresight 4 contain provisions requiring the Directors of the relevant Company to put a proposal to that Company's Shareholders for the continuation of the relevant Company following the fifth anniversary of the last allotment of shares in the relevant Company.

In the case of each Company, a general meeting of the Company will be called to propose resolutions as required by the decision of the Shareholder's of that Company.

## CREST

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

## Capitalisation and indebtedness

### Capitalisation and indebtedness of Foresight 3

The following table shows the capitalisation of Foresight 3 as at 31 March 2009, the most recent date in respect of which audited financial information of the Company has been published.

	<b>£'000</b>
Shareholders' equity	551
Legal reserve	21,036
Other reserves	1,654
Profit and loss reserve (or equivalent)	14,986

There has been no material change to the capitalisation of Foresight 3 since 31 March 2009.

The following table shows Foresight 3's (audited) gross indebtedness as at 31 March 2009 (extracted without material adjustment from internal accounting records)

<b>Total current debt</b>	<b>£'000</b>
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
<b>Total non-current debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0

As at 31 March 2009, Foresight 3 had (audited) net liquid assets (excluding its investment portfolio) of £6.0 million as summarised below (extracted without material adjustment from internal accounting records)

	<b>£'000</b>
Cash	1,609
Cash equivalent	3,415
Trading securities	0
Liquidity	5,024
Current financial receivables	1,673
Current bank debt	0
Current portion of non-current debt	0
Other current financial debt	0
Current financial debt	0
Net current assets	6,013
Non current bank loans	0
Bonds issued	0
Other non current loans	0
Non current financial indebtedness	0
Net current assets less non current financial indebtedness	6,013

As at 31 March 2009, Foresight 3 had no borrowings or indebtedness in the nature of the borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees of other contingent liabilities.

#### **Capitalisation and indebtedness of Foresight 4**

The following table shows the capitalisation of Foresight 4 as at 28 February 2009, the most recent date in respect of which audited financial information of the Company has been published.

	<b>£'000</b>
Shareholders' equity	234
Legal reserve	11,252
Other reserves	1,830
Profit and loss reserve (or equivalent)	9,235

There has been no material change to the capitalisation of Foresight 4 since 28 February 2009.

The following table shows Foresight 4's (audited) gross indebtedness as at 28 February 2009 (extracted without material adjustment from internal accounting records)

<b>Total current debt</b>	<b>£'000</b>
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
<b>Total non-current debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0

As at 28 February 2009, Foresight 4 had (audited) net liquid assets (excluding its investment portfolio) of £3.8 million as summarised below (extracted without material adjustment from internal accounting records)

	<b>£'000</b>
Cash	179
Cash equivalent	1,649
Trading securities	0
Liquidity	1,828
Current financial receivables	2,081
Current bank debt	0
Current portion of non-current debt	0
Other current financial debt	0
Current financial debt	0
Net current assets	3,801
Non current bank loans	0
Bonds issued	0
Other non current loans	0
Non current financial indebtedness	0
Net current assets less non current financial indebtedness	3,801

As at 28 February 2009, Foresight 4 had no borrowings or indebtedness in the nature of the borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees of other contingent liabilities.

### Working capital statements

Foresight 3 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 4 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

### Foresight 3

The following special resolutions of Foresight 3 were passed at the annual general meeting held on 3 September 2009:

- (a) the Foresight 3 Directors were authorised pursuant to section 80 of CA 1985 to exercise all of the powers of Foresight 3 to allot relevant securities (which expression shall have the meaning ascribed to it in section 80 of CA 1985) up to an aggregate nominal value of £250,000;
- (b) the Foresight 3 Directors were empowered pursuant to section 95(1) of CA 1985 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 94(2) of CA 1985) for cash pursuant to the authority given in accordance with section 80 CA 1985 by paragraph (a) above, as if section 89(1) of CA 1985 did not apply to such allotment, provided that the power conferred shall expire at the conclusion of the annual general meeting to be held in 2010 and provided further that this power shall be limited to:
  - (i) the allotment of equity securities with an aggregate nominal value not exceeding £150,000 pursuant to offers for subscription of Foresight 3 Ordinary Shares;
  - (ii) the allotment of equity securities with an aggregate nominal value of up to 10 per cent. of the issued Foresight 3 Ordinary Share capital of the where the proceeds of the allotment are to be used in whole or in part to purchase the Foresight 3 Ordinary Shares in the market;
  - (iii) the allotment of equity securities from time to time with an aggregate nominal value of up to 5 per cent. of the issued Foresight 3 Ordinary Share capital; and
- (c) Foresight 3 was empowered to make market purchases (within the meaning of section 163 of CA 1985) of its own shares provided that:
  - (i) the number of Foresight 3 Ordinary Shares to be purchased shall not exceed 3,943,009;
  - (ii) the minimum price which may be paid for Foresight 3 Ordinary Shares is 1p per share;
  - (iii) the maximum price which may be paid for Foresight 3 Ordinary Shares is an amount equal to 105 per cent. of the average of the middle market quotation for Foresight 3 Ordinary Shares taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the Foresight 3 Ordinary Shares were purchased;

- (iv) Foresight 3 may make a contract to purchase Foresight 3 Ordinary Shares, under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Foresight 3 Ordinary Shares pursuant to such contract; and
- (v) the power and authority conferred shall expire at the conclusion of the annual general meeting to be held in 2010 unless renewed or revoked prior to such time.

and provided further that the power and authority conferred by the resolution shall be in substitution for all previous authorities.

### Foresight 4

The following special resolutions of Foresight 4 were passed at the annual general meeting held on 14 July 2009:

- (a) the Foresight 4 Directors were authorised pursuant to section 80 of CA 1985 to exercise all of the powers of Foresight 4 to allot relevant securities (which expression shall have the meaning ascribed to it in section 80 of CA 1985) up to an aggregate nominal value of £250,000; and
- (b) the Foresight 4 Directors be empowered pursuant to section 95(1) of CA 1985 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 94(2) of CA 1985) for cash pursuant to the authority given in accordance with section 80 CA 1985 by paragraph (a) above, as if section 89(1) of CA 1985 did not apply to such allotment provided that this power be limited to:
  - (i) the allotment of equity securities with an aggregate nominal value not exceeding £150,000 pursuant to offers for subscription of Foresight 4 Ordinary Shares;
  - (ii) the allotment of equity securities with an aggregate nominal value of up to 10 per cent. of the issued Foresight 4 Ordinary Share capital of the Company where the proceeds of the allotment are to be used in whole or in part to purchase Foresight 4 Ordinary Shares in the market;
  - (iii) the allotment of equity securities from time to time with an aggregate nominal value of up to 5 per cent. of the issued Foresight 4 Ordinary Share capital; and

and provided that the power and authority conferred be in substitution for any previous

authority granted and shall expire at the conclusion of the annual general meeting to be held in 2010 unless renewed or revoked prior to such time.

- (c) Foresight 4 was empowered to make market purchases (within the meaning of section 163 of CA 1985) of its own Shares provided that:
- (i) the number of Foresight 4 Ordinary Shares to be purchased shall not exceed 3,512,601;
  - (ii) the minimum price which may be paid for Foresight 4 Ordinary Shares is 1p per share;
  - (iii) the maximum price which may be paid for Foresight 4 Ordinary Shares is an amount equal to 105 per cent. of the average of the middle market quotation for Foresight 4 Ordinary Shares taken from the daily official list of the London Stock Exchange for the five business days immediately preceding the day on which the Foresight 4 Ordinary Shares were purchased;
  - (iv) Foresight 4 may make a contract to purchase Foresight 4 Ordinary Shares, under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Foresight 4 Ordinary Shares pursuant to such contract; and
  - (v) the power and authority conferred shall expire at the conclusion of the annual general meeting to be held in 2010 unless renewed or revoked prior to such time

and provided further that the power and authority conferred by the resolution shall be in substitution for all previous authorities.

## Share rights

The following provisions apply to each of the Companies, mutatis mutandis, unless otherwise stated.

### Dividends and assets on a winding up

The Company may by ordinary resolution and, subject to the provisions of the Companies Act 1985 (as amended) and of the Articles, declare dividends to be paid to Shareholders according to their respective rights and interest in the profit of the respective class of shares provided that no dividend shall exceed the amount recommended by the Directors.

The Directors may pay interim dividends if it appears to them that they are justified in so doing by the profits of the relevant class of shares available for distribution and the position of such class of shares.

Except as otherwise provided by the rights that attach to any class of share, dividends shall be apportioned and

paid pro rata according to the amounts paid up on the shares on which the dividend is paid (except where those amounts are paid up in advance of calls).

If any dividend remains unclaimed after a period of twelve years from the date of the declaration of that dividend, it shall be forfeited and shall cease to remain owing by the respective class of shares.

The Directors may with the prior authority of an ordinary resolution of the Company, subject to the provisions of the Articles of the Company, offer to holders of any class of shares the right to elect to receive shares credited as fully paid, instead of the whole (or some part, to be determined by the Directors) of any dividend specified by the ordinary resolution. Under current law, no tax will be withheld by the Company when it pays a dividend.

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

### Voting rights

Subject to any special rights which may apply to any class of shares that may have been issued or may from time to time be held, every member who is present in person, including any corporation present by its duly authorised representative, or by proxy, at a general meeting of the Company shall, on a show of hands, have one vote. On a poll every member present in person or by proxy shall have one vote for each Share of which he is a holder.

Where shares are held jointly, the vote of the senior who has tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the holding.

A Shareholder will lose his right to vote at a general meeting or at any separate meeting of the holders of any class of share, whether in person or by proxy, unless all calls presently payable by him in respect of those shares, together with interest and expenses (if any) have been paid in full to the Company, even where those shares are jointly held. The right to vote, together with all other rights and benefits of membership, will also be lost where the member (or any other person claiming to have an interest in such shares) has been issued with a notice pursuant to section 212 of CA 1985 (as amended) (which requires the member or such other person to declare his interest in the shares) and has failed to give the required information to the Company within the prescribed period of fourteen days and has been served with a default notice.

### Variation of class rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the Companies Acts, be varied by the passing of an extraordinary resolution at a general meeting of such holders or the written consent of three quarters in nominal value of the issued shares of the affected class. At such a meeting, the necessary quorum shall be at least two members of the class holding (or representing by proxy) not less than one third in nominal value of the capital paid up on the issued shares of that class and at an adjourned meeting one person (whether present in person or by proxy) holding shares of that class in question.

### Issue of Shares

Subject to the provisions of the Companies Acts relating to authority, pre-emption rights and otherwise, and to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

### Transfer of Shares

A Shareholder may transfer any or all of his shares by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer should be signed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. The transfer shall not become effective until the name of the transferee is entered into the register of members. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, either generally or in respect of any class of shares provided that the register shall not be closed for more than thirty days in any year.

The Directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares where the shares in question are not fully paid up (or, in the case of Foresight 3 and Foresight 4, in respect of which the Company has a lien) where such refusal does not restrict dealings on an open and proper basis. The Directors may refuse to recognise an instrument of transfer unless the instrument of transfer is (a) in respect of only one class of share; (b) is in favour of not more than four transferees; and (c) is lodged at the transfer office accompanied by the relevant share certificates and any other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

No transfer will be registered if a member, or any other person appearing to be interested in the shares held by him, has been served with a notice under section 212 of

the CA 1985 (as amended) and, at the end of the prescribed period of fourteen days, is in default in supplying the information thereby required provided that those shares represent at least 0.25 per cent. (calculated exclusively of treasury shares) in nominal value of the issued shares of any class and subject to the exceptions specified in the Articles relating to the disclosure of interests. Restrictions on transfers do not apply to a sale to a bona fide, unconnected, third party.

### Dilution

If the Offer is fully subscribed (assuming an Offer Price of 107.0p per Foresight 3 Ordinary Share and assuming no Foresight Shareholder loyalty bonus shares are issued), the existing 39,115,289 Foresight 3 Ordinary Shares would represent 81.6 per cent. of the enlarged issued Foresight 3 Ordinary Share capital.

If the Offer is fully subscribed (assuming an Offer Price of 107.0p per Foresight 4 Ordinary Share and assuming no Foresight Shareholder loyalty bonus shares are issued) the existing 24,237,663 Foresight 4 Ordinary Shares would represent 73.3 per cent. of the enlarged issued Foresight 4 Ordinary Share capital.

### Significant change

There has been no significant change in the financial or trading position of Foresight 3 since 31 March 2009, the date to which last audited financial statements for Foresight 3 have been published.

There has been no significant change in the financial or trading position of Foresight 4 since 28 February 2009, the date to which last audited financial statements for Foresight 4 have been published.

### Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on weekdays, Saturdays and public holidays excepted, at the offices of Martineau, 35 New Bridge Street, London EC4V 6BW whilst the Offer is open.

- the Memoranda and Articles of the Companies;
- the audited financial statements for Foresight 3 for the years ended 31 March 2007, 2008 and 2009;
- the audited financial statements for Foresight 4 for the years ended 28 February 2007, 29 February 2008 and 28 February 2009;
- the material contracts referred to in paragraph 5 of Parts I and II of the Registration Document;
- the Registration Document;
- the Summary; and
- this Securities Note.

# Part Ten - Application for Offer Shares

## Terms and conditions of application

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the admission of the Offer Shares of the Companies being issued to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities unless otherwise so resolved by the Board of the relevant Company in which 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 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 the Company in a separate client account.
2. 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.
3. 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 Offer Shares, subject to the provisions of (i) the Prospectus, (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 Offer 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 Offer 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 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 Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Companies (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it 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 Offer Shares, the Companies may (without prejudice to its other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);
  - e) 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;
  - f) 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 Company 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;
  - g) agree that, in respect of those Offer Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notice of acceptance thereof by The City Partnership (UK) Limited;
  - h) 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;
  - i) 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);
- j) 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 this document (the Securities Note), the Registration Document, the Summary and any supplementary prospectus filed with the FSA and you accordingly agree that no person responsible solely or jointly for this document (the Securities Note) and/or the Registration Document and/or the Summary and/or any supplementary prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
- k) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
- l) warrant that you are not under the age of 18 years;
- m) agree that such Application Form is addressed to the Companies, BDO LLP and The City Partnership (UK) Limited;
- n) agree to provide the Companies and/or The City Partnership (UK) Limited with any information which it 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 (as the same may be amended from time to time);
- o) 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;
- p) agree that BDO LLP and Foresight Group will not regard you as its customer by virtue of your having made an application for Offer Shares or by virtue of such application being accepted; and
- q) 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 Offer Shares and that the Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.
4. 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 Offer 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 United Kingdom. No person receiving a copy of this document (the Securities Note), the Registration Document, the Summary and any supplementary prospectus filed with the FSA or an Application Form in any territory other than the United Kingdom 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 United Kingdom wishing to make an application for Offer 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.
5. The basis of allocation will be determined by the Companies (after consultation with BDO LLP) in its absolute discretion. It is intended that applications will be accepted in the order in which they are received. The Offer will be closed at 12.00 noon on 30 April 2010 or as soon as full subscription is reached (unless extended by the Directors or closed earlier at their discretion). 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 •. 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 Offer Shares.

6. Save where the context requires otherwise, terms defined in this document (the Securities Note), the Registration Document, the Summary 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.
7. Applicants who are existing Foresight Shareholders will be paid a loyalty bonus of 2 per cent. of the amount invested in relation to successful applications received by 31 December 2009, which will be used to purchase additional Offer Shares in each Company at the same Offer Price (rounded down to the nearest whole Offer Share). Such applicants accordingly instruct the Companies to retain such commission payable and apply it to purchase such additional Offer Shares on this basis. No further commissions or fees will be payable in respect of the Offer Shares issued pursuant to a loyalty bonus. The loyalty bonus may not be taken as a cash payment.
8. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp or full address details and FSA number will normally be paid 2.25 per cent. commission on the amount payable by the applicant in respect of the Offer Shares allocated for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold such Offer Shares, such intermediaries will be paid an annual trail commission of 0.375 per cent. of the net asset base value (as determined from the audited annual accounts of the relevant Company) for each such Offer Share held by the applicant. For this purpose, "net asset base value" means the net assets attributable to the Offer 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.

It is expected that annual trail commission will be paid 5 months after the year end of the relevant Company 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 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 would exceed 2.25 per cent. of the Offer Price of each such Offer 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.

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 monthly.

9. Financial intermediaries may agree to waive initial commission in respect of your application. If this is the case then the amount of your application will be increased by an amount equivalent to the amount of commission waived.

### **Lodging of Application Forms and dealing arrangements**

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF. The Offer opens on 15 October 2009 and will close on 30 April 2010 (or earlier if fully subscribed or at the discretion of the Directors). The Directors in their absolute discretion may also decide to extend 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 Offer Shares will commence within three Business Days following allotment and that share certificates will be despatched within seven Business Days of allotment of the Offer 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 by sending 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 Offer 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 Offer 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 3 & Foresight 4 VCTs".

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 the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant.

## > BOX 3

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 or more. The verification requirements of the Money Laundering Regulations 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 delay of confirmation. If The City Partnership (UK) Limited has previously received the appropriate documents, you will not need to provide them again.

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 applicant's identity may be provided by means of a "Letter of Introduction", from an IFA 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 IFA), 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 3 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.



# Application Form

## FORESIGHT 3 VCT PLC & FORESIGHT 4 VCT PLC ("the Companies")

Offer Shares of 1p each in 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 so as to arrive as soon as possible but in any case no later than 12.00 noon on 30 April 2010. Before completing this Application Form you should read the Terms and Conditions of Application on pages 48 to 50 and the Application Procedures on page 51.

The application list will open on 15 October 2009 and will be closed at any time thereafter (provided the Offer is fully subscribed or otherwise at the Directors' discretion) but not later than 12.00 noon on 30 April 2010 (unless the closing date is extended by the Directors). If subscription monies are to be applied for tax relief in the tax year 2009/10 the closing date shall be 12.00 noon on 2 April 2010.

### > BOX 1

Title: Mr/Mrs/Miss/Dr/Other

.....

Forenames

.....

Surname(s)

.....

Address

.....

.....

Post Code

.....

Telephone (work)

.....

Telephone (home)

.....

Date of Birth

.....

National Insurance Number

.....

I offer to subscribe for the following amount in the Companies on the Terms and Conditions of Application as set out in the Securities Note dated 15 October 2009, the Prospectus and subject to the Memoranda and Articles of the Companies. Applications must be for a minimum of £5,000 and thereafter in multiples of £500.

### > BOX 2

Total

.....

Tax year 2009/10

.....

2010/11

.....

£

.....

£

.....

£

.....

I enclose a cheque or banker's draft drawn on a UK clearing bank, made payable to "Foresight 3 & Foresight 4 VCTs".

### > BOX 3

Signature of Applicant

.....

Date

.....

continued over>



## Intermediary to complete

### Name of Financial Adviser

.....  
Title Mr/Mrs/Miss

.....  
Forenames

.....  
Surname

.....  
Email address

.....  
Telephone

### Name of Administrator/Support Staff

.....  
Title Mr/Mrs/Miss

.....  
Forenames

.....  
Surname

**Chelsea Financial Services  
St James Hall  
Moore Park Road  
London  
SW6 2JS**

**FSA Number: 114493**

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

.....  
Insert the amount of the commission (up to a maximum of 2.25 per cent.) that you wish to be waived and invested in additional Shares for your client:

**The Companies' intention is to pay all trail commission by direct debit. Please supply bank details.**

Intermediary Bank Details

.....  
Name

.....  
Sort Code

.....  
Account Number

# Corporate Information for the Companies

## **Directors (Non-executive)**

### **of both Companies**

Peter Frederick Dicks  
(Chairman of both Companies)  
Bernard William Fairman

### **Foresight 3**

Graham Ross Russell  
John Howard Gregory  
Thomas James Maxwell

### **Foresight 4**

Christopher Roger Ettrick Brooke  
Philip Henry Peter Stephens

## **Registered Office and Head Office**

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

## **Telephone Number**

01732 471 800

## **Company Registration Numbers**

Foresight 3 - 03121772  
Foresight 4 - 03506579

## **Website**

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

## **Company Secretary and Accountant**

### **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

## **Receiving Agent**

### **The City Partnership (UK) Limited**

Thistle House, 21 Thistle Street  
Edinburgh EH2 1DF

## **Registrars**

### **Computershare Investor Services PLC**

P.O. Box 859  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## **Auditors**

### **Ernst & Young LLP**

1 More London Place  
London SE1 2AF

## **Broker**

### **Singer Capital Markets Limited**

1 Hanover Street  
London W15 1YZ

## **Bankers**

### **Barclays Bank plc**

54 Lombard Street  
London EC3P 3AH

**Foresight Group**

ECA Court  
South Park  
Sevenoaks  
Kent  
TN13 1DU  
United Kingdom  
t:+44 (0) 1732 471800  
f:+44 (0) 1732 471810

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

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