

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

If you have sold or otherwise transferred all of your Shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass this document to the person who now owns the Shares.

CIRCULAR TO SHAREHOLDERS

of

FORESIGHT VCT PLC

Registered in England and Wales under number 3421340

NOTICE OF GENERAL MEETING

to be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London, SE1 9SG on 8 March 2017

IN CONNECTION WITH PROPOSALS SEEKING SHAREHOLDERS' APPROVAL OF

an Offer for Subscription to raise up
to £20,000,000 by issues of Ordinary Shares
(the "**Offer Shares**")

and

proposed co-investment and performance incentive arrangements with the
Company's manager

Applications will be made to the UK Listing Authority for the Ordinary Shares offered for subscription pursuant to the Prospectus to be admitted to the premium segment of the Official List of the UK Listing Authority. Application will also be made to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that admission will become effective and that trading in the Offer Shares will commence three Business Days following allotment. Share certificates will be dispatched within ten Business Days following allotment. The Company's existing issued Shares are traded on the London Stock Exchange's main market for listed securities.

Whether or not you plan to attend the general meeting, please complete and submit the enclosed proxy form in accordance with the instructions printed on the form. The proxy form must be received by 10.30am on 6 March 2017.

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Form of proxy enclosed

SECTION 1

LETTER FROM THE CHAIRMAN OF FORESIGHT VCT PLC

Directors

John Gregory (Chairman)
Peter Dicks
Jocelin Harris
Gordon Humphries

Registered Office

The Shard
32 London Bridge Street
London SE1 9SG

2 February 2017

Dear Shareholder

Following an excellent response to the Company's previous fundraising which closed on 23 December 2016, the Board of Foresight VCT plc now proposes to offer for subscription, to existing Shareholders and members of the public, up to £20 million¹ worth of additional Ordinary Shares ("**Offer Shares**") in order to raise further funds for investment and to cover outgoings (the "**Offer**"). This means that, subject to Shareholders' approval, potential Investors will be invited to subscribe for Offer Shares in the Company pursuant to the Prospectus which will be published today. A copy of the Securities Note, which forms part of the Prospectus, is enclosed with this Circular.

For these purposes you are being asked to vote, at a general meeting of the Company, to approve various resolutions required to implement the Offer. The Meeting has been convened to be held on 8 March 2017 and the Resolutions to be put to Shareholders are set out in detail in Section 3 of this document. In addition, with the twin goals of aligning the interests of the Manager with Shareholders and incentivising the Manager to deliver enhanced performance, Shareholders are being asked to approve a proposed new co-investment and performance incentive arrangement as detailed further below. As the Manager and its associates are considered to be related to the Company, the entry into the co-investment and performance incentive arrangements constitutes a related party transaction for the purpose of the Listing Rules and therefore requires Shareholders' approval.

The Offer

Reasons for the Offer

The Board and the Manager believe there is still an attractive opportunity, as the economy continues to improve, to make further growth investments in order to generate returns for Ordinary Shareholders. The ability to continue this programme of investment is particularly important to maintain returns in the future and the Offer is being launched to take advantage of a continuing flow of attractive investment opportunities being received by the Manager.

Investment opportunity

Maturing portfolio - The Company's Ordinary Share fund comprises a substantial and maturing portfolio of 27 investee companies operating across a range of sectors, and with a combined carrying value of over £65 million, to which investors in the Offer will receive immediate exposure.

Strong deal flow - The Manager has informed the Board that it continues to experience strong deal flow for Ordinary Share fund investment and that it believes that current entry valuations are attractive. Since the June 2016 interim accounts, the Company has concluded two new investments at a cost of £4.8 million. The majority of these businesses are generating profits and are considered by the Directors and the Manager as having good growth opportunities ahead of them. Further attractive new investments are at an advanced stage of negotiation.

Regular tax-free dividends - The Company has to date paid out over £48 million of dividends and the Board is targeting a 5p per share annual dividend, free of tax to qualifying Shareholders.

Commitment to controlling costs - Funds raised under the Offer will increase the Company's net assets overall and allow the Company's fixed administrative costs to be spread across a wider asset base, thereby reducing the administrative costs of the Company per Share. The Company currently has an expenses cap of 2.4% agreed with the Manager.

¹ The Board may utilise a further £20 million over allotment facility in the event of high demand.

Realisations – The Company's Ordinary Shares fund has achieved a number of profitable realisations over the past four years which have helped with the diversification of the portfolio and funded dividends. A number of other businesses within the current portfolio are making good progress and the Board considers there is the potential within the Ordinary Shares fund for more successful realisations within the next 18 to 24 months.

Loyalty discount – Existing investors in VCTs managed by the Manager will receive an additional loyalty discount of 0.5% through application of the Pricing Formula. The Company will be reimbursed by Promoter, from its Promoter's fee, for the costs of the loyalty bonus incentive.

Together with the rest of the Board, I believe this Offer represents an attractive investment opportunity. Members of the Board will be investing personally and it is the Board's hope that the Offer will be attractive to a wide range of investors, including existing Shareholders, experienced investors and those who are coming to VCTs for the first time.

Full details of the Offer will be set out in the Registration Document, Summary and Securities Note which together comprise a Prospectus in accordance with the Prospectus Rules made under Section 84 of FSMA, and which is published as at today's date.

A copy of the Securities Note is enclosed with this Circular. All documents comprising the Prospectus will also be available from the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, SE1 9SG and the following website: <http://www.foresightgroup.eu>.

The Offer Shares will rank *pari passu* with the existing Ordinary Shares.

Although the Offer Shares are intended to be issued in certificated form, Shareholders can transfer their holding into uncertificated form following allotment should they so wish.

Proposed co-investment and performance incentive arrangements with the Manager

At the time the Company merged with Foresight 2 VCT plc in 2015 (the "**Merger**"), the performance incentive arrangements which had previously been in place with the Manager, in respect of the Ordinary Shares fund, were terminated. Pursuant to these arrangements, the Manager had been entitled to subscribe at par for such number of Ordinary Shares as represented 15% (at the prevailing NAV) of each distribution made to Ordinary Shareholders. This right was subject to a total return hurdle of 180.4p per Ordinary Share. At the point at which the previous arrangements were terminated, the total return stood at 151.7p per Ordinary Share, approximately 15.9% short of the target. The new arrangements proposed, which are detailed below, now require the Manager to achieve two separate performance hurdles and also to co-invest with the Ordinary Shares fund to further align its interests with those of Shareholders.

The Board is of the opinion, as stated at the time of the Merger, that suitable incentive arrangements can act to align the interests of the Manager with Shareholders and to incentivise it to generate enhanced returns to Shareholders. It is therefore proposed, subject to Shareholders' approval, that the new co-investment and performance incentive scheme described below be entered into with the Manager if Shareholders agree.

Co-investment arrangements

In order to align the interests of the Manager and its staff with those of the Shareholders, it is proposed that the Manager and individual members of its private equity team ("**management team**") co-invest, alongside the Ordinary Shares fund, for equity shares in each new investee company at the same price per share paid by the Company.

The number of shares the management team will subscribe for in each investment will represent 1.5% of the total value of the Company's investment, up to a maximum of 5% of the holding of ordinary shares² subscribed by the Company. This 1.5% allocation will be split as to 75% to the individual members of the Manager's private equity team and 25% to the Manager itself.

The Directors believe that these arrangements will align the interests of the management team with the Company through their personal investment in each company in which the Ordinary Shares fund invests.

² If 1.5% of the total investment would result in the co-investment exceeding 5% of the Company's ordinary share holding, the excess will be invested in the next levels of financial instrument (e.g. preference shares) which are subscribed by the Company.

Co-Investment worked example

	(£)
Total Investment by Ordinary Shares fund	4,000,000
<i>Eligible Shares</i>	<i>1,200,000</i>
<i>Loan</i>	<i>2,800,000</i>
Total Co-Investment	60,000
	<i>(1.5% of £4,000,000)</i>
Split	
<i>Manager - 25%</i>	<i>15,000</i>
<i>Individual members of the management team - 75%</i>	<i>45,000</i>

Performance Incentive

In order to incentivise the Manager to generate enhanced returns for Shareholders, once the Company has received back at least £1 for each £1 invested in ordinary shares in an investee company, the Manager and the management team will potentially be entitled to a performance incentive payment. Such payments will only be available on new investments made after these arrangements have been approved by Shareholders at the General Meeting.

The proposed performance incentive fee entitlement will only arise subject to two performance hurdles, one calculated on an 'Ordinary Shares fund as a whole' basis and one on a 'per investment' basis.

Hurdle A: The 3-year NAV Total Return of the overall Ordinary Shares fund being at least 100p per Ordinary Share³

Hurdle B: For each individual investment, the achievement of an annual growth rate of 4% (adjusted, upwards only, for RPI) from the date of investment.

Hurdles A and B must be met both before and after any performance incentive payments are made. In addition, Hurdle A will be increased over time by amounts equal to any performance incentive payments made to the Manager under the scheme.

Should both these hurdles be met, profits which exceed Hurdle B on each such new investment from full and/or partial realisations at that time will be split 80% to the Company and 20% to the Manager and management team.

Performance incentive worked example (1)

The above investment is sold after 3 years for a multiple of 2x cost. During that period, the RPI has been 2% per annum. Immediately following the point of sale, the NAV Total Return of the Ordinary Shares fund is 95p per share.

Total profit on VCT investment	4,000,000
Hurdle A	Not achieved
<i>Requires NAV Total Return of at least 100p per share</i>	
Hurdle B	Achieved
<i>Requires annual 6% increase in value of investment (4% plus RPI of 2%)</i>	<i>With 26% annual increase in value</i>
Amount payable to the Manager:	£0

³ The NAV Total Return for Hurdle A is calculated from the starting NAV of 88.0p per Ordinary Share, which was the NAV at the time of the Merger with Foresight 2 VCT plc completed in December 2015.

Performance incentive worked example (2)

The same investment is sold after 3 years for a multiple of 1.5x cost. During that period, the RPI has been 2% per annum. Immediately following the point of sale, the NAV Total Return of the Ordinary Shares fund is 102p per share.

Total profit on VCT investment	2,000,000
<i>Hurdle A</i>	Achieved
<i>Requires NAV Total Return of at least 100p per share</i>	
<i>Hurdle B</i>	Achieved
<i>Requires annual 6% increase in value of investment (4% plus RPI of 2%)</i>	<i>With 14% annual increase in value</i>
Amount payable to the Manager	£256,000
	<i>£2,000,000 less £720,000 x 20%</i>
	<i>(£720,000 is the amount required to achieve Hurdle B - £4 million invested for 3 years at a minimum 6% annual return)</i>

The Manager and the Promoter, as its agent and associate, are regarded as related parties of the Company under the Listing Rules. Therefore the entering into of the co-investment and performance incentive arrangements constitutes a related party transaction for the purpose of the Listing Rules and requires Shareholders' approval.

Costs of the Offer

In relation to the Offer, and through the mechanism of a Pricing Formula, each Investor shall bear the cost of:

- (a) a Promoter's Fee payable to the Manager amounting to:
 - a. 2.5% of the amount subscribed by Investors who subscribe through authorised intermediaries; or
 - b. 5.5% of the amount subscribed by Investors who subscribe directly,
- (b) commission to authorised intermediaries of:
 - a. 3% of the amount subscribed by Professional Client Investors and Execution-Only Investors; or
 - b. such initial amount as may be agreed between Retail Client Investors and their advisers and communicated to the Company on an application for Offer Shares, subject to the allotment of the Offer Shares, and

the Company shall pay:

- (c) annual trail commission to authorised intermediaries of Execution-Only Investors and Professional Client Investors at the rate of 0.5% of the net asset base value of the Offer Shares subscribed for as at the end of each financial year of the Company subject to a cumulative maximum of 3%.

Rather than levying a blanket charge on Investors from which to pay their various financial advisers, the Pricing Formula allows each Investor's shareholding to be reduced by an exact amount which is equivalent to whatever adviser charge they have agreed meaning a fair outcome for all.

It should be noted that commission is still determined by the Company in respect of applications made by Professional Client Investors and Execution-Only Investors. This commission has been set at 3%. This figure is put into the Pricing Formula in respect of Investors who fall into either of those two categories.

Investors are invited to subscribe an amount in pounds sterling rather than apply for a particular number of Offer Shares. The number of Offer Shares issued to a successful applicant will be determined by reference to the Pricing Formula set out below:

$$\text{Price} = \text{NAV} / X$$

where NAV is the latest Net Asset Value per Ordinary Share at the time of each allotment; and

$$X = 1 - \text{Total Net Fees}^3 (\%)$$

The number of Offer Shares to be allotted will be determined by dividing the amount subscribed by that applicant by the bespoke issue price given by the formula rounded down to the nearest whole Share. Fractions of Shares will not be allotted.

In all cases, the Company shall pay the relevant Promoter's Fee and settle either Adviser Charges or commission (as relevant) to Investors' financial intermediaries. Where the Company settles an Adviser Charge on behalf of an Investor, this will be paid from the Company's share premium account attributable to Shares issued prior to 5 April 2014. All charges will in effect be borne by the subscribers out of the charges paid under the Pricing Formula.

Therefore, if an Investor (to whose application a Promoter's Fee of 2.5% is applicable and who has agreed an Adviser Charge of 3% and who is entitled to a 0.5% loyalty discount) were to subscribe £10,000, with the Company's Net Asset Value standing at 83.3p, he would pay 87.7p⁴ per Share and receive a total of 11,402 Offer Shares.

A new Investor who had agreed a smaller Adviser Charge of 2% with their financial intermediary would pay 87.2p⁵ per Share and receive 11,467 Offer Shares for his £10,000 subscription.

Trail commission of 0.5% per annum (subject to a maximum cumulative payment of 3%) is payable to the advisers of Execution-Only Investors and Professional Client Investors but this is a cost borne by the Company.

Financial effects of the Offer on the assets, liabilities and earnings of the Company

As at 30 June 2016 the Company had net assets of approximately £129.3 million, with £94.5 million attributable to the Ordinary Share fund.

If no Offer Shares are subscribed for under the Offer then the Offer will have no impact on the net assets of the Company.

To the extent that Offer Shares are subscribed for under the Offer then the net assets of the Company would be increased by the net amount, after costs, subscribed for those Offer Shares. The short term impact of the Offer on earnings will be dilutive as the additional costs will currently be greater than any interest earned on cash balances raised. Once the net funds raised have been successfully invested, the impact of the Offer should in due course be accretive to earnings and net assets per share.

Risk factors

Subject to an individual's own circumstances, the potential tax reliefs available to investors in VCTs are attractive. Potential Investors in Offer Shares should however note the following risks that exist in relation to VCT investments.

Participants should be aware that any Shares subscribed for under the Offer must be held for five years in order to qualify for VCT Relief.

Funds raised by the issue of Offer Shares will need to be invested in accordance with the VCT Rules within three years. Failure to do so might result in the Company losing its qualifying status as a VCT resulting in adverse tax consequences for Investors. The Board believes that the net funds raised, if any, under the Offer can be successfully invested by the Manager both in support of existing portfolio companies and in the pipeline of new opportunities which the Manager has been seeing in recent months.

Whilst it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that such status will be maintained. In addition, changes to the VCT Rules, effective from Royal Assent to the Finance No 2 Act 2015, restrict the age of companies into which VCTs can invest and prohibit VCTs from funding the acquisition of businesses. A lifetime State aided investment limit for ordinary investee companies of £12 million has also been introduced. These changes mean there will be fewer companies available to the Enlarged Company to invest in and commensurately greater competition for deals. Failure to comply with certain of these new rules can lead to loss of VCT status with attendant adverse tax consequences for Shareholders.

³ "Total Net Fees" is the aggregate of the relevant Promoter's Fee, Commission or Adviser Charge less any applicable loyalty discounts applicable to each Investor, expressed as a percentage of funds subscribed. The Total Net Fees figure will in each case be calculated as a percentage of 1 (e.g. 0.055 would equate to 5.5%).

⁴ The investor has net costs of 5.0% (2.5% + 3.0% - 0.5%) which expressed as a percentage of 1 is 0.05, therefore X = 0.95. The NAV of 83.3p divided by 0.95 gives his share price of 87.7p

⁵ The investor has net costs of 4.5% (2.5% + 2.0%) which expressed as a percentage of 1 is 0.045, therefore X = 0.955. The NAV of 83.3p divided by 0.955 gives his share price of 87.7p

The net asset value of the Offer Shares will reflect the performance and the value of the underlying assets in the Ordinary Share Fund portfolio. The value of investments and income derived from them can rise and fall. The level of returns to holders of Offer Shares may be less than expected if there is a delay in the investment programme such that all or part of any net proceeds of the Offer are held in cash or near cash investments for a period or if the interest rates obtained on loans, or overall returns on equity investments made with the monies raised pursuant to the Offer, are low.

Action to be taken

In order that the Offer may be launched and co-investment and performance incentive arrangements put into effect, you are being asked to vote at a general meeting of the Company. Your approval of the Proposals is required in accordance with the Companies Act 2006, the Listing Rules and the Articles. The entry into the new Co-investment and Performance Incentive Agreement constitutes a related party transaction under the Listing Rules. The Board, which has been so advised by BDO the Company's sponsor, considers these arrangements to be fair and reasonable as far as Shareholders are concerned. In providing advice, BDO has taken into account the Board's commercial assessment of the related party transaction.

The Manager, as a related party, will not, and has taken all reasonable steps to ensure its associates do not, vote on the resolution to approve the Co-investment and Performance Incentive Agreement.

The Meeting has been convened to be held on 8 March 2017 at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, London SE1 9SG. The Resolutions required to implement the above Proposals, and which accordingly will be put to Shareholders at this Meeting, and are set out below.

If passed, the Resolutions to be proposed at this Meeting would:

- authorise the Directors to proceed with the Offer and allot (i) Offer Shares and (ii) New Ordinary Shares pursuant to the Dividend Investment Scheme (described below);
- disapply pre-emption rights so that Offer Shares can be allotted on a monthly basis and in due course, New Ordinary Shares pursuant to the Dividend Investment Scheme, without the need to make pre-emptive offers to existing Shareholders;
- authorise the Company to reduce its share premium account by the amount standing to the credit thereto from time to time, subject to confirmation by an order of the court; and
- authorise the Company to enter into the Co-investment and Performance Incentive Agreement pursuant to which, inter alia, the Manager will co-invest and be entitled to performance incentive payments in respect of the Ordinary Shares fund subject to the achievement of certain performance hurdles.

This Circular has been sent to all Shareholders as, in accordance with the Act, the constituent parts of the Offer require Shareholder approval at a general meeting. A Meeting has therefore been convened to be held on 8 March 2017 at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, SE1 9SG. The Resolutions required to implement the Offer will accordingly be put to the Shareholders of the Company at the Meeting and are set out in detail in the notice of meeting which appears in Section 3 of this Circular.

No change in investment policy

The Offer will not involve any material change in the investment policy of the Company which remains as stated in the Company's prospectus published in connection with the Merger on 13 November 2015.

Dividend Reinvestment Scheme

The Company operates a Dividend Reinvestment Scheme (the "Scheme") for Ordinary Shareholders wishing to elect to receive new Ordinary Shares as an alternative to receiving cash dividends. Any new Ordinary Shares issued under the Scheme will be allotted at the last published Net Asset Value per Ordinary Share of the Company (adjusted to take into account the dividend to be paid). Dividend reinvestment schemes enable shareholders to increase their total shareholding in a company without incurring dealing costs, issue costs or stamp duty. Any new Shares issued should qualify for VCT tax reliefs available at the time of subscription, provided that they are then held for the necessary qualifying period. New Shares issued will rank *pari passu* with the existing Ordinary Shares and will be issued either in certificated form or uncertificated form, depending on the Shareholder's wishes. Fractions of Shares will not be issued, but carried forward and included in calculating a Shareholder's next Dividend Investment Scheme allotment.

New Ordinary Shares allotted under the Scheme will form part of each Shareholder's annual limit for investing in VCTs. Investors wishing to participate in the Scheme should tick the relevant box on the Application Form. Shareholders who do not wish to invest under the Offer but wish to participate in the Scheme in respect of their existing holding should contact the scheme administrator whose details are included, along with the terms and conditions of the scheme, in Part 7 of the Securities Note that forms part of the Company's prospectus dated 2 February 2017 (a copy of which is enclosed herewith) no later than 10 days before the scheduled payment date of a dividend in respect of which they wish to participate. 10 days' notice is also required to withdraw from the scheme and receive a cash dividend. On or as soon as practicable after a day on which any dividend is due to be paid to a Shareholder, a Shareholder's entitlement shall be applied on behalf of that Shareholder to subscribe for the maximum number of whole new Ordinary Shares which can be allotted with those funds based on the latest published NAV of an Ordinary Share. The number of Ordinary Shares to be allotted to a Shareholder under the Scheme shall be calculated by dividing the Shareholder's available cash by the appropriate NAV per share. Shareholders may only elect to participate in respect of their entire holding but may contact the scheme administrator in respect of individual dividends which they wish to receive as part-cash part-shares. The election for Shares will continue unless the Scheme administrator is notified as set out in the terms and conditions. As soon as practicable after allotment of the Ordinary Shares, Shareholders will be sent a statement detailing the information of their allotment.

The Company may, in its absolute discretion and at any time, suspend or terminate the Scheme.

Recommendations

The Board considers that the Proposals to effect the Offer and Resolutions to be considered at the Meeting are in the best interests of the Company and its Shareholders as a whole.

Accordingly the Board unanimously recommends that Shareholders vote in favour of all the Resolutions at the Meeting as they intend to do in respect of their own beneficial shareholdings of 202,534 Ordinary Shares and 10,362 Infrastructure Shares which in aggregate represent approximately 0.13% of the entire issued share capital of the Company. The Directors do not hold any Planned Exit Shares. The Manager and its associates, who together hold 1,265,579 shares representing approximately 0.74% of the entire issued share capital of the Company, also intend to vote in favour of all the Resolutions save for Resolution 4 on which they are not permitted to vote.

Next steps

Enclosed with this document is a form of proxy for use at the Meeting. Shareholders are asked to complete and return the form of proxy to the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to be received as soon as possible, and in any event to arrive no later than 10.30am on 6 March 2017. Completion and return of a form of proxy will not affect a Shareholder's right to attend and vote at the Meeting should he or she wish to do so.

I look forward to welcoming you at the Meeting and to your support for the Resolutions to be proposed at them.

Yours sincerely

John Gregory

Chairman of Foresight VCT plc

Registered Office: The Shard, 32 London Bridge Street, London SE1 9SG

Appendix to the letter from the Chairman of Foresight VCT plc

Additional Information

1. Share capital

As at 1 February 2017 (this being the latest practicable date prior to the publication of this document), the issued share capital of the Company was as follows:

	Number of shares	Nominal value (£)
Ordinary Shares	127,985,288	1,279,852.88
Planned Exit Shares	11,404,314	114,043.14
Infrastructure Shares	32,495,246	324,952.46
Total	171,884,848	1,718,848.48

2. Directors and their interests

As at 1 February 2017 (this being the latest practicable date prior to the publication of this document), the interests of the directors were as follows:

	Director's Fees (£)	Ordinary Shares held	Planned Exit Shares held	Infrastructure Shares held	% of entire issued Share capital
John Gregory	30,000	24,756	-	-	0.01%
Peter Dicks	22,500	115,145	-	-	0.07%
Jocelin Harris	22,500	50,000	-	10,362	0.04%
Gordon Humphries	25,000	12,633	-	-	0.01%
Total	100,000	200,534	-	10,362	0.13%

3. The Directors are not aware of any person who directly or indirectly is interested in 3% or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
4. Save for the issue of 14,217,566 Ordinary Shares pursuant to a previous offer for subscription, there has been no significant change in the financial or trading position of the Company since 30 June 2016, the date of the Company's latest unaudited interim financial report.

5. Material contracts

- 5.1 Set out below is a summary of all contracts (not being contracts entered into in the ordinary course of business) entered into by the Company in the last two years that are material and all other contracts (not being contracts entered into in the ordinary course of business) that contain any provision under which the Company has an obligation or entitlement which is material to the Company as at the date of the document.
- 5.1.1 An investment management agreement made on 21 June 2012 (the "IMA") between (1) the Company, (2) Foresight Group (CI) Limited and (3) Foresight Group LLP pursuant to which Foresight Group (CI) Limited manages the Company and also provides secretarial, administration and custodian services to the Company. The appointment may be terminated by not less than one year's notice in writing by either party. The appointment may also be terminated in circumstances of material breach by the Company or Foresight or if Foresight is no longer authorised by the Guernsey Financial Services Commission to provide such services.

The Manager, has, as is permitted, and as approved by the Board, under the agreement, appointed Foresight Group LLP to provide investment advisory services to the Manager for the purposes of fulfilment of the provision of investment management obligations to the Company under the agreement and has sub-contracted the provision of administration services to Foresight Group LLP. Foresight Group LLP has delegated the provision of administration services to Foresight Fund Managers Limited, which is also the appointed Company secretary. Foresight Fund Managers Limited is a wholly owned subsidiary of Foresight Group LLP, which is a subsidiary undertaking of Foresight. Foresight Group LLP is authorised and regulated in the UK by the FCA.

The Manager receives (A) 2% of the NAV attributable to the Ordinary Shares, (B) 1% of the NAV attributable to the Planned Exit Shares and (C) 1% of the NAV attributable to the Infrastructure Shares and (D) an administration fee from the Company of £110,000 (subject to RPI uplift capped at £130,000). Such fees are payable quarterly in arrears and for the year ended 31 December 2015 totalled £1,277,000 in respect of (A) - (C), plus an administration fee of £100,000. This confidence is reflected in the Manager having agreed to lower its annual management charge to 1% in respect of any cash above £20 million held within the fund following the launch of this Offer. This reduced rate will be reviewed by the Board on an annual basis.

The normal annual expenses of the Company under the IMA are capped at an amount equivalent to 2.4% of the Company's net assets. Any excess over this amount is borne by the Manager.

The agreement contains provisions indemnifying the Manager against any liability not due to its default, negligence, fraud or breach of financial services regulatory requirements.

- 5.1.2 A carried interest agreement between the Company (1) and the Manager (2) dated 28 January 2010 pursuant to which the Manager is entitled, once the holders of Planned Exit Shares have received 110p of distributions per Planned Exit Share, to the next 15p of distributions per Planned Exit Share, and to 20% of all further distributions per Planned Exit Share. This entitlement can be satisfied at the discretion of the Board wholly or partly in cash and wholly or partly by the issue of a number of Planned Exit Shares which, on issue, will have an aggregate net asset value (using the most recently published net asset value per Planned Exit Share in the relevant Company) equal to the amount to be satisfied through the issue of such shares.
- 5.1.3 A carried interest agreement between the Company (1) and the Manager (2) dated 6 October 2011 pursuant to which the Manager will be entitled, once the holders of Infrastructure Shares have received 100p of distributions per Infrastructure Share, to an amount equal in value to 15% of distributions made to the holders of Infrastructure Shares. This entitlement can be satisfied at the discretion of the Board wholly or partly in cash and wholly or partly by the issue of a number of Infrastructure Shares which, on issue, will have an aggregate net asset value (using the most recently published net asset value per Infrastructure Share) equal to the amount to be satisfied through the issue of such shares.
- 5.1.4 A sponsor and promoter's agreement dated 15 January 2016 between the Company (1), the Directors (2) the Manager (3) and BDO (4) whereby the Manager has agreed to act as promoter in connection with the Offer and BDO has agreed to act as sponsor. The agreement contains warranties given by the Company and the Directors to the Manager and BDO. The Company will pay to the Manager a promoter's fee of (i) 2.5% of the amount subscribed under the Offer by Execution-Only Investors, Professional Client Investors and Retail Client Investors and (ii) 5.5% of the amount subscribed under the Offer by Investors who apply without a financial intermediary (subject to a maximum aggregate payment of £1.65 million unless the Offer is increased). The Company shall also be responsible for paying 0.5% per annum of the net asset value of the Offer Shares (until a cumulative maximum of 3% has been paid) as annual trail commission to the financial intermediaries of Professional Client Investors and Execution-Only Investors.
- 5.1.5 A sponsor and promoter's agreement dated 23 January 2017 between the Company (1), the Directors (2) the Promoter (3) and BDO (4) whereby the Promoter has agreed to act as promoter in connection with the Offer and BDO has agreed to act as sponsor. The agreement contains warranties given by the Company and the Directors to the Promoter and BDO. The Company will pay to the Promoter a promoter's fee of (i) 2.5% of the amount subscribed under the Offer by Execution-Only Investors, Professional Client Investors and Retail Client Investors and (ii) 5.5% of the amount subscribed under the Offer by Investors who apply without a financial intermediary (subject to a maximum aggregate payment of £1.1 million unless the Offer is increased). The Company shall also be responsible for paying 0.5% per annum of the net asset value of the Offer Shares to the independent financial intermediaries of Professional Client Investors and Execution-Only Investors.
- 5.1.6 A co-investment and performance incentive agreement between the Company (1) and the Manager (2) to be entered into subject to Shareholders' approval at the General Meeting, pursuant to which the Manager and certain members of its private equity team will co-invest alongside the Company's Ordinary Shares fund in respect of new investments and the Manager and the management team will separately be entitled to performance incentive payments in respect of the performance of investments to be made by the Ordinary Shares fund subject to the achievement of certain hurdles.

6. BDO LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and for no one else in relation to this matter and will not be responsible to any other person for the protections afforded to clients of BDO LLP in relation to this advice. BDO LLP has given and not withdrawn its written consent to the inclusion in this document of its name in the form and context in which they appear.

7. 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 Foresight Group LLP, The Shard, 32 London Bridge Street, London SE1 9SG whilst the Offer is open:

- the Memorandum and Articles of the Company;
- the material contracts referred above;
- the annual accounts and reports of the Company for the financial periods ended 31 December 2014 and 2015;
- the unaudited interim financial report of the Company for the 6 months ended 30 June 2016;
- the Registration Document;
- the Securities Note;
- the Summary;
- this Circular; and
- the letter of consent from BDO.

2 February 2017

SECTION 2

DEFINITIONS

In this Circular and the notice of Meeting attached the following expressions have the following meanings:

the Act	the Companies Act 2006 (as amended)
Articles	the current articles of association of the Company
Board or Directors	the board of directors of the Company
Business Days	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
Circular	this document
Co-investment and Performance Incentive Agreement	the agreement proposed to be entered into between the Company and the Manager, subject to Shareholders' approval at the General Meeting, pursuant to which the Manager and the management team will co-invest alongside the Ordinary Shares fund as well as being entitled to certain performance incentive payments subject to achievement of performance hurdles
Company or Foresight VCT	Foresight VCT plc
Dividend Investment Scheme	the scheme pursuant to which Shareholders can elect to reinvest their cash dividends received from the Company in additional Ordinary Shares, the terms and conditions of which can be found in Part 5 of the Securities Note
Execution-Only (Investor)	a transaction which is executed by an FCA authorised firm upon the specific instructions of a client where the firm does not give advice relating to the merits of the transaction or make a personal recommendation (and 'Execution-Only Investor' shall mean an Investor who subscribes for Offer Shares in such a manner)
FCA	the Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
Infrastructure Shares	infrastructure shares of 1p each in the capital of the Company
Investor	an individual who subscribes for Offer Shares pursuant to the Offer
Listing Rules	the listing rules of the UKLA
London Stock Exchange	London Stock Exchange plc
Manager or Foresight Group	Foresight Group CI Limited, the Company's manager, which is licensed by the Guernsey Financial Services commission
Meeting	the general meeting of the Company to be held on 8 March 2017 to be convened in accordance with notice set out in this document
Merger	the merger of the Company with Foresight 2 VCT plc which completed on 18 December 2015
Net Asset Value or NAV	the net asset value attributable to the Shares calculated in accordance with the Company's normal accounting policies in force at the date of circulation

Offer	the offer for subscription to raise in aggregate up to £20,000,000 (unless increased at the Directors' discretion by up to an additional £20,000,000) by issues of Ordinary Shares by the Company pursuant to the Prospectus
Offer Shares	those Ordinary Shares proposed to be issued pursuant to the Prospectus
Ordinary Shares	ordinary shares of 1p each in the capital of the Company
Ordinary Share fund	the aggregate of the capital raised by subscriptions for Ordinary Shares issued by the Company and all income and assets derived therefrom and all expenses and liabilities attributable thereto
Planned Exit Shares	planned exit shares of 1p each in the capital of the Company
Professional Client Investor	an Investor who applies for Offer Shares through their IFA where the IFA has classified the Investor as an elective professional client for the purposes of the FCA Rules and their IFA is an Article 3 MiFID exempt firm
Promoter	Foresight Group LLP, the promoter of the Offer
Proposals	the proposals to implement the Offer, enter into the Performance Incentive Agreement and approve the Resolutions to be proposed at the Meeting
Prospectus	together the Registration Document, Securities Note and Summary issued by the Company in connection with the Offer
Qualifying Company	an unquoted (including an AIM-listed) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act for investment by a VCT
Qualifying 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 of the Tax Act
Registration Document	the registration document dated 2 February 2017 in connection with the Company
Resolutions	the resolutions to be proposed at the Meeting (and each a "Resolution")
Retail Client Investor	an Investor who applies for Offer Shares through their IFA where the IFA has classified the Investor as a retail client for the purposes of the FCA rules
Securities Note	the securities note dated 2 February 2017 in connection with the Offer Shares
Shares	Ordinary Shares and/or Planned Exit Shares and/or Infrastructure Shares as the context requires
Shareholders	the holders of Shares
Summary	the summary issued by the Company dated 2 February 2017 in connection with the Offer
UKLA or UK Listing Authority	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
Tax Act	the Income Tax Act 2007 (as amended)
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
VCT or Venture Capital Trust	a venture capital trust as defined in section 259 of the Tax Act

SECTION 3

FORESIGHT VCT PLC

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Foresight VCT plc will be held at the offices of Foresight Group LLP, The Shard, 32 London Bridge Street, SE1 9SG on 8 March 2017 at 10.30am for the purposes of considering and, if thought fit, passing the following resolutions.

Resolutions 1 and 4 will be proposed as ordinary resolutions, that is to say, resolutions to be passed by a simple majority.

Resolutions 2 and 3 will be proposed as special resolutions, that is to say, as resolutions to be passed by a majority of not less than 75%.

1. Authority to allot Ordinary Shares

THAT, conditionally upon the passing of Resolution 2 below, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the 2006 Act") to allot Ordinary Shares having the rights and being subject to the restrictions set out in the articles of association of the Company and to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company pursuant to:

- (i) an offer for subscription set out in the prospectus of even date herewith (the "Offer") and subject to a maximum aggregate nominal amount of £450,000; and
- (ii) a dividend investment scheme implemented by the directors and subject to a maximum aggregate nominal amount of £45,000;

and provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted or rights to subscribe for or to convert securities into Ordinary Shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or to convert securities into Ordinary Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This resolution is additional to and does not revoke or replace existing and unexercised authorities previously granted to the Directors to allot Shares or grant rights to subscribe for or convert securities into Shares.

2. Disapplication of pre-emption rights

THAT, conditionally upon the passing of Resolution 1, the Directors be and hereby are given the general power to allot equity securities (as defined by section 560 of the Act) for cash pursuant to the authority conferred by Resolution 1 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities with an aggregate nominal value not exceeding £450,000 in connection with the offer for subscription described in the prospectus of even date herewith and an aggregate nominal value not exceeding £45,000 in connection with the dividend investment scheme implemented by the Directors.

The power granted by this resolution will expire on the fifth anniversary of the date of the passing of this resolution save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution is additional to and does not revoke or replace existing and unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply.

3. Reduction of share premium account

THAT in accordance with Section 641 of the Act the Company be generally authorised to reduce its share premium account (the amount standing to the credit of which will be increased on the issue of Ordinary Shares under the Offer) by up to 100% of the amount standing to the credit thereof provided that any reduction pursuant to this resolution is confirmed by order of the court.

4. Co-investment and Performance Incentive Arrangements

THAT, the Company be authorised to enter into a co-investment and performance incentive agreement with, amongst others, its Manager, Foresight Group CI Limited, on the terms set out in the circular to Shareholders containing this Notice.

By order of the Board

Foresight Fund Managers Limited
Company Secretary

The Shard
32 London Bridge Street
London
SE1 9SG

2 February 2017

NOTES TO THE NOTICE OF GENERAL MEETING OF FORESIGHT VCT PLC

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at: 10.00pm on 6 March 2017; or, if this Meeting is adjourned, at 10.00pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Foresight Group LLP website provides information regarding the Meeting

2. Information regarding the meeting, including the information required by section 311A of the Act, is available from www.foresightgroup.eu.

Attending in person

3. If you wish to attend the meeting in person, please bring with you the attendance card provided.

Appointment of proxies

4. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
5. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
6. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
7. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using hard copy proxy form

9. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be: completed and signed; sent or delivered to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and be received by Computershare Investor Services PLC no later than 10.30am on 6 March 2017.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Electronic Proxy Appointment

10. You may appoint a proxy electronically at www.investorcentre.co.uk/eproxy. To appoint a proxy electronically, you will be asked to provide the Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically and all electronic proxy appointments must be received no later than 10.30am on 6 March 2017.

Appointment of proxy by joint members

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

12. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

13. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 10.30am on 6 March 2017. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

15. As at 1 February 2017, the Company's issued share capital comprised 127,985,288 Ordinary Shares of 1p each, 11,404,314 Planned Exit Shares of 1p each and 32,495,246 Infrastructure Shares of 1p each. Each Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at on 1 February 2017 is 171,884,848. The website referred to in note 2 will include information on the number of shares and voting rights.

Questions at the Meeting

16. Under section 319A of the Act, the Company must answer any question asked by a Shareholder relating to the business being dealt with at the meeting unless: answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Communication

17. Except as provided above, members who have general queries about the Meeting should call the Foresight shareholder helpline on 020 3667 8159.

Nominated persons

18. If you are a person who has been nominated under section 146 of the Act to enjoy information rights (Nominated Person), you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

SECTION 4

EXPLANATION OF RESOLUTIONS

Explanation of Resolutions

Resolution 1: Grant of authority to allot Ordinary Shares

If passed, this resolution authorises the Directors to allot Ordinary Shares and to grant rights to subscribe for the Offer Shares in accordance with section 551 of the Act up to a maximum nominal amount of £450,000 of Ordinary Shares in respect of the Offer and £45,000 of Ordinary Shares in respect of the Dividend Investment Scheme. The authority granted by this resolution will expire on the fifth anniversary of the date of the passing of this resolution. The Directors intend to exercise this authority in order to allot Offer Shares pursuant to the Offer and New Ordinary Shares pursuant to the Dividend Investment Scheme. This resolution is additional to and does not revoke the authority granted in relation to the Ordinary Shares of the Company at the Company's last annual general meeting. The Company does not hold Shares in treasury.

Resolution 2: Disapplication of pre-emption rights

If passed, this resolution will give the Directors power, pursuant to the authority granted by Resolution 1, to allot equity securities (as defined by section 560 of the Act) without first offering them to Ordinary Shareholders in proportion to their existing holdings, up to a maximum nominal amount of £450,000 of Ordinary Shares in respect of the Offer and £45,000 in respect of the Dividend investment Scheme which would represent approximately 35% and 3.5% respectively of the Company's issued ordinary shares (excluding treasury shares) as at 1 February 2017. The Directors intend to exercise this power in order to allot Ordinary Shares pursuant to the Offer and Dividend Investment Scheme.

The power granted by this resolution will expire on the fifth anniversary of the passing of this resolution save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution is additional to and does not revoke or replace existing and unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

Resolution 3: Reduction of the Company's share premium account

If passed this resolution will, subject to court approval, allow the Company's share premium account to be reduced. If the share premium account is reduced, unless the court orders otherwise, the reserve created by the cancellation will be treated as a realised profit. Shareholders' approval for a reduction of share capital of the Company, including its share premium, is necessitated by section 641 of the Act. The Directors are aware that the VCT rules prohibit the return of capital to Shareholders within three years from the end of the accounting period in which the relevant share capital was raised and will not make any distributions in contravention of rule.

Resolution 4: Co-investment and Performance Incentive arrangements with Foresight

If passed, this resolution will authorise the Company to enter into a co-investment and performance incentive agreement with, amongst others, the Manager, Foresight Group CI Limited, in respect of the future performance of Company's Ordinary Shares fund's investments, subject to the achievement of certain hurdles.

The key terms of the Co-investment and Performance Incentive Agreement are set out in the Chairman's letter on pages 4 - 6.

Conditionality

Resolution 1 concerning the authority of the Directors to issue the Offer Shares is conditional on the approval of Resolution 2, concerning the disapplication of pre-emption rights.

Resolution 2 is also conditional on the approval of Resolution 1.

If the Resolutions 1 and 2 are not approved, the proposed Offer will not proceed.

