
OCTOPUS AIM VCT

Octopus AIM VCT plc

Offer for Subscription for the tax years
2012/2013 and 2013/2014

1 February 2013

To raise up to £10,000,000 by way of
an issue of New Shares



PROSPECTUS
AND APPLICATION FORM

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).

This document, which comprises a prospectus relating to Octopus AIM VCT plc (the "Company") dated 1 February 2013, has been prepared in accordance with the prospectus rules made under Part VI of FSMA, and has been approved for publication by the Financial Services Authority as a prospectus under the Prospectus Rules on 1 February 2013.

The Company and the Directors, whose names appear on page 16 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that Howard Kennedy, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as sponsor for the Company and no-one else and will not, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with any matters referred to herein.

Octopus AIM VCT plc

(registered number 3477519)

Prospectus relating to:

an offer for subscription of up to 15,000,000 New Shares of 1p each to raise up to a maximum of £10 million, payable in full in cash on application

Sponsor

Howard Kennedy

The ordinary shares of the Company in issue at the date of this document are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence, in respect of the New Shares within 10 business days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form and will rank pari passu in all respects.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa.

CONTENTS

Summary	3
RISK FACTORS	9
EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFER	10
LETTER FROM THE CHAIRMAN	11
PART ONE	
Key features	
Introduction to the Offer	14
Terms of the Offer	14
Use of funds	14
Intermediary charges	14
Investment Policy	16
Tax Benefits for Investors	16
The Manager	16
Dividend Policy	16
Buyback Policy	16
The Board	16
The Investment Team	17
Management Remuneration	17
PART TWO	
Tax benefits and considerations for investors	18
PART THREE	
Financial information on the Company	20
PART FOUR	
Investment portfolio	21
PART FIVE	
Additional information on the Company	23
DEFINITIONS	35
TERMS AND CONDITIONS	36
APPLICATION PROCEDURE	40
APPLICATION FORM	41
LIST OF ADVISERS TO THE COMPANY	45

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. The Elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

SECTION A – INTRODUCTION AND WARNINGS

Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.
A.2	Use of Prospectus by financial intermediaries	<p>The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 12 noon on 30 April 2013, unless previously extended by the Directors but may not extend beyond 31 January 2014. There are no conditions attaching to this consent.</p> <p>Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce it to investors.</p>

SECTION B – ISSUER

Element	Disclosure requirement	Disclosure																		
B.1	Legal and commercial name	Octopus AIM VCT PLC																		
B.2	Domicile and legal form	The Company was incorporated and registered in England and Wales on 8 December 1997 as a public company limited by shares under the Companies Act 1985 with registered number 3477519. The Company operates under the CA 2006 and regulations made under the CA 2006.																		
B.5	Group description	Not applicable. The Company is not part of a group.																		
B.6	Major shareholders	The Company is not aware of any person or persons who has, or who following the Offer will or could have, directly or indirectly voting rights representing 3% or more of the issued share capital of the Company or who can, or could following the Offer, directly or indirectly exercise control over the Company. There are no different voting rights for any Shareholder.																		
B.7	Key financial information	<p>Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 28 February 2010, 28 February 2011 and 29 February 2012 and for the six month periods ended 31 August 2011 and 31 August 2012 is set out in the following table.</p> <table><tr><th></th><th>Audited Financial Results for the Year Ended 28 February 2010</th><th>Audited Financial Results for the Year Ended 28 February 2011</th><th>Audited Financial Results for the Year Ended 29 February 2012</th><th>Unaudited Financial Results for the six months ended 31 August 2011</th><th>Unaudited Financial Results for the six months ended 31 August 2012</th></tr><tr><td>Net assets (£'000)</td><td>23,644</td><td>38,940</td><td>39,689</td><td>40,067</td><td>41,391</td></tr><tr><td>Net asset value per Share (p)</td><td>82.0</td><td>94.4</td><td>86.9</td><td>87.6</td><td>86.9</td></tr></table>		Audited Financial Results for the Year Ended 28 February 2010	Audited Financial Results for the Year Ended 28 February 2011	Audited Financial Results for the Year Ended 29 February 2012	Unaudited Financial Results for the six months ended 31 August 2011	Unaudited Financial Results for the six months ended 31 August 2012	Net assets (£'000)	23,644	38,940	39,689	40,067	41,391	Net asset value per Share (p)	82.0	94.4	86.9	87.6	86.9
	Audited Financial Results for the Year Ended 28 February 2010	Audited Financial Results for the Year Ended 28 February 2011	Audited Financial Results for the Year Ended 29 February 2012	Unaudited Financial Results for the six months ended 31 August 2011	Unaudited Financial Results for the six months ended 31 August 2012															
Net assets (£'000)	23,644	38,940	39,689	40,067	41,391															
Net asset value per Share (p)	82.0	94.4	86.9	87.6	86.9															

		<table><tr><td>Revenue return after expenses and taxation (£'000)</td><td>239</td><td>(182)</td><td>51</td><td>13</td><td>47</td></tr><tr><td>Dividend per Share (p)</td><td>5.0</td><td>5.0</td><td>5.0</td><td>2.5</td><td>2.5</td></tr><tr><td>Expenses (£'000)</td><td>53</td><td>901</td><td>1,014</td><td>502</td><td>509</td></tr><tr><td>As a percentage of average Shareholders' funds</td><td>0.2%</td><td>2.3%</td><td>2.6%</td><td>1.3%</td><td>1.2%</td></tr><tr><td>Return per share (p)</td><td>22.1</td><td>17.2</td><td>(1.7)</td><td>(3.3)</td><td>2.5</td></tr></table> <p>Save in respect of an increase in the NAV per Share from 86.9p as at 31 August 2012 (unaudited) to 91.8p as at 21 January 2013 (unaudited), since 31 August 2012 there has been no significant change in the financial or trading position of the Company.</p>	Revenue return after expenses and taxation (£'000)	239	(182)	51	13	47	Dividend per Share (p)	5.0	5.0	5.0	2.5	2.5	Expenses (£'000)	53	901	1,014	502	509	As a percentage of average Shareholders' funds	0.2%	2.3%	2.6%	1.3%	1.2%	Return per share (p)	22.1	17.2	(1.7)	(3.3)	2.5
Revenue return after expenses and taxation (£'000)	239	(182)	51	13	47																											
Dividend per Share (p)	5.0	5.0	5.0	2.5	2.5																											
Expenses (£'000)	53	901	1,014	502	509																											
As a percentage of average Shareholders' funds	0.2%	2.3%	2.6%	1.3%	1.2%																											
Return per share (p)	22.1	17.2	(1.7)	(3.3)	2.5																											
B.8	Key pro forma financial	Not applicable. There is no pro forma financial information in the Prospectus.																														
B.9	Profit forecast	Not applicable. No profit forecast or estimate made.																														
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained within the document are not qualified.																														
B.11	Insufficient Working capital	Not applicable. The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements (that is, for at least the next twelve months from the date of this document).																														
B.34	Investment policy	<p>The objective of the Company is to invest in a broad range of AIM or ISDX Growth Market traded companies in order to generate income and long term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. Start-up companies will usually be avoided.</p> <p>The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, ISDX Growth Market traded investments or unquoted companies where the management view an initial public offering (IPO) on AIM or ISDX Growth Market is a short to medium-term objective. Now the VCT qualifying target has been achieved, the Board intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and shortterm money market deposits with, or issued by, major companies and institutions with a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency, and is not registered in the EU. A proportion of the 20% could be invested in an unauthorised UK smaller company fund managed by Octopus or other direct equity investments. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.</p> <p>Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, at the time of investment the Company's holding in any one company (other than another VCT) must not exceed 15% by value of its investments. 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. However, shareholders should be aware that the Company's qualifying investments are held with a view to long term capital growth as well as income and will often have limited marketability, as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long term borrowings.</p>																														

B.35	Borrowing limits	The Company's articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.
B.36	Regulatory status	The Company is not a regulated entity.
B.37	Typical investor	A typical investor for whom the Offer is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out in Section D of this Summary, considers the investment policy of the Company to be attractive. This may include retail, institutional and sophisticated investors, as well as high net worth individuals who already have a portfolio of investments.
B.38	Investment of 20% or more in a single underlying asset or investment company	Not applicable. The Company will not invest more than 20% in a single underlying asset or investment company.
B.39	Investment of 40% or more in a single underlying asset or investment company	Not applicable. The Company will not invest more than 40% in a single underlying asset or investment company.
B.40	Applicant's service providers	<p>A discretionary investment management agreement dated 3 February 1998 between the Company (1) and Close Investment Limited (2), which was supplemented by a supplemental discretionary investment management agreement dated 19 September 2000, which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010 and 1 February 2013, pursuant to which the Manager provides certain investment management services and administration and secretarial services to the Company for a fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company (the "Fee") calculated in accordance with the Company's normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the financial intermediary charges payable under the Offer and the additional ongoing charges payable to Octopus under the Offer will not exceed 2% of the NAV of the Company per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a venture capital trust for tax purposes or where the Manager ceases to be authorised by the FSA, ceases to be resident in the UK or if there is a change of control of the Manager. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.</p> <p>An agreement dated 1 February 2013 between the Company (1), the Directors (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under it. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary, and which ongoing charges shall be deducted from the Fee, and has agreed to discharge all the external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by the Company, the Directors and the Manager to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the Offer is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.</p>
B.41	Regulatory status of the Manager	The Manager is authorised and regulated by the Financial Services Authority.
B.42	Calculation of Net Asset Value	<p>The net asset value of a Share is calculated by the Manager in accordance with the VCT's accounting policies and is published weekly through a Regulatory Information Service.</p> <p>The calculation of the Net Asset Value per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the VCT could not readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes of Shares or investment in another collective investment undertaking.

B.44	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within the document.
B.45	Portfolio	The Company's investment portfolio is in a variety of sectors and comprises 58 AIM-quoted companies, one non-AIM UK private limited company, two fully listed companies on the premium segment of the Official List and one fully listed company on the standard segment of the Official List. As at 21 January 2013 (the date to which the most recent unaudited financial information has been drawn up), the Company's portfolio of Qualifying Investments comprised, by value, £36,519,695.
B.46	Net Asset Value	The unaudited net asset value per Share as at 21 January 2013 was 91.8p.

SECTION C – SECURITIES

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The Company will issue New Shares under the Offer. The ISIN and SEDOL of the New Shares are GB0034202076 and 3420207 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	The Company will issue New Shares under the Offer, subject to a maximum of £10 million of funds raised.
C.4	Description of the rights attaching to the securities	<p>As Regards Income: The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p>As Regards Capital: On a return of capital on a winding up or on a return of capital (other than on a purchase by the Company of its own shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p>As Regards Voting and General Meetings: Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p>As Regards Redemption: The Shares are not redeemable.</p>
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares.
C.6	Admission	Application has been made to the UK Listing Authority for the New Shares to be admitted to a premium segment of the Official List and an application will be made to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence within 10 Business Days of their allotment.
C.7	Dividend policy	Generally, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Directors aim to maximise tax free distributions to Shareholders from income and realised gains. Currently, the Company has a policy of paying a 5p dividend per year.

SECTION D – RISKS

Element	Disclosure requirement	Disclosure
D.2	Key information on the risks specific to the issuer	<ul style="list-style-type: none"> ■ The Company's investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Company. These factors may affect the performance of the Company. ■ Investment in AIM-traded, ISDX Growth Market traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. ■ Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. If the Company ceases to qualify as a venture capital trust, venture capital trust tax benefits will not be available to Shareholders. ■ If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. ■ A VCT will only pay dividends on its Shares to the extent that they have distributable profits and cash available for that purpose.

D.3	Key information on the risks specific to the securities	<p>■ The value of Shares can fluctuate and investors may not get back the amount they invested.</p> <p>■ Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium tier of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for venture capital trust shares is generally illiquid and Shareholders may find it difficult to realise their investment</p>
-----	---	---

SECTION E – OFFER

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the Issue	The costs and expenses (excluding VAT) relating to the Offer will be up to 5.5% of the gross funds raised by the Company. The net proceeds of the Offer, assuming full subscription and the maximum initial adviser charge, will, therefore be £9,450,000.
E.2a	Reason for the Offer and use of proceeds	<p>The reasons for the Offer are a combination of factors, notably: the attractive entry valuations for new investments; the funding gap created by the banks reluctance to invest in smaller companies; and the advantageous timing in the economic cycle, meaning there are plenty of strong investment opportunities for the Company to access.</p> <p>Funds raised under the Offer will be invested, in part, to take advantage of any rally in valuations and performance of smaller companies as the pace of economic growth accelerates.</p>
E.3	Terms and conditions of the Offer	<p>The Offer Price will be determined by the following formula:</p> <p>■ the most recently announced NAV per Share of the VCT, divided by 0.945 to allow for the issue costs</p> <p>The Company announces its NAV on a weekly basis. Where the share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. In respect of the Offer, the NAV per New Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants (except where the amount is less than £1), without interest.</p> <p>The Offer will be closed on full subscription. The Board reserves the right to close the Offer earlier, or, to extend the closing date of the Offer to a date no later than 31 January 2014 and to accept applications and issue New Shares at any time. New Shares issued will rank pari passu with the existing Shares from the date of issue.</p>
E.4	Material interests	Not applicable. No interest is material to the Offer.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Offer and there are no lock-up agreements.
E.6	Dilution	The existing issued Shares will represent 81.9 per cent of the enlarged ordinary share capital immediately following the Offer, assuming the Offer is fully subscribed at an Offer Price of 96.1p and, on that basis, Shareholders who do not subscribe under the Offer will, therefore, be diluted by 17.9 per cent.
E.7	Expenses charged to the investor	<p>For all investors, the Offer Price per share will be determined by a formula reflecting the Net Asset Value per Share ("NAV") adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Share, divided by 0.945.</p> <p>The Company will pay an initial charge of 3% of the gross sum invested in the Offer to Octopus. This is payable in the same way on all subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then three categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:</p> <p>1) Advised investors – Investors who have invested in the Offer through a financial intermediary and have received advice. Such investors, should they wish to do so, can choose from one of two options for the Company to facilitate payments on their behalf to advisers:</p>

		<p>A. Applications where advice is received and an ongoing annual charge is to be paid</p> <p>i) The Company can facilitate a payment to an adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above.</p> <p>ii) The Company can also facilitate annual payments to an adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the adviser to the investor of up to 0.5% per annum of the investment amount's NAV, whilst the investor continues to hold the Shares, for a maximum of nine years. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share. This cost of ongoing adviser charges will be met by Octopus through a reduction in their annual management fee.</p> <p>If the investor terminates their relationship with the adviser so that the investor no longer receives ongoing advisory services then the Company will not make any further payments of ongoing adviser charges.</p> <p>Or:</p> <p>B. Applications where advice is received and an ongoing charge is not to be paid</p> <p>Where ongoing advisory services are not being provided by the adviser to the investor, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged by such payment, a notional ongoing adviser charge equivalent to 0.5% per annum of the investment amount's NAV will be deemed to have been paid by the Company for a period of nine years. The cost of this notional ongoing adviser charge will be met by Octopus through a reduction in their annual management fee.</p> <p>In both cases (A) or (B), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.</p> <p>2) Non-advised investors – Investors who have invested their money through a financial intermediary and have not received advice</p> <p>An initial commission of 2.5% of the investment will be paid by the Company to the intermediary. An annual trail commission of 0.5% of the investment amount's NAV will be paid by Octopus to the intermediary. Such commission will be available for up to nine years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.</p> <p>3) Direct investors – Investors who have not invested their money through a financial intermediary and have invested directly into the Company</p> <p>If an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount, and an additional annual ongoing charge of 0.5% of the investment amount's NAV, for up to nine years, provided the investor continues to hold the Shares. The cost of this ongoing charge will be met by Octopus through a reduction in its annual management fee.</p> <p>These charges may, according to the proportion of new investors who request the Company to facilitate payments on their behalf by way of an initial adviser charge without the payment of any ongoing charge, create some limited reduction of the net asset value per Share immediately subsequent to subscriptions in the Offer being made. This effect will be mitigated and is ultimately expected to be more than compensated, for continuing investors, by the expected benefits derived from a larger pool of investable funds and the financial benefit in subsequent periods of the absence of ongoing adviser charges in respect of such investments.</p>
--	--	--

RISK FACTORS

Prospective investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks which the Company or its Shareholders will face. Any decision to invest under the Offer should be based on consideration of this document as a whole.

RISK FACTORS RELATING TO THE COMPANY

The past performance of the Company and/or the Manager is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments of the Company. The value of such investments, and the interest income and dividends they generate, may rise or fall.

The Company's investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company. This may affect the performance of the Company.

It can take a number of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods. This may affect the NAV of the Company and, accordingly, the realisation value on any sale of Shares.

Investments in AIM traded, ISDX Growth Market traded and unquoted companies, by their nature, involve a higher degree of risk than investment in companies listed on the Official List Premium Segment. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a venture capital trust, there can be no guarantee that such status will be maintained.

Failure to continue to meet the qualifying requirements could result in the Shareholders losing the tax reliefs available for the Company's Shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should a venture capital trust lose its venture capital trust status, dividends and gains arising on the disposal of shares in that venture capital trust would become subject to tax and the venture capital trust would also lose its exemption from corporation tax on capital gains.

If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.

The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and such changes may apply retrospectively.

The Company will only pay dividends on Shares to the extent that it has distributable profits and cash available for that purpose. A reduction in income from the Company's investments, or low disposal values may adversely affect the dividends payable to Shareholders. Such a reduction could arise, for example, from lower dividends or lower rates of interest paid on the Company's investments, or lower bank interest rates than are currently available, or an inability to realise investments.

RISK FACTORS RELATING TO THE SHARES

The value of Shares can fluctuate and investors may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid. Therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market) and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFER

EXPECTED TIMETABLE

Launch date of the Offer	1 February 2013
First allotments under the Offer	5 April 2013
Subsequent allotments under the Offer	30 April 2013
Closing date of Offer	12 noon on 30 April 2013

- Applications for the 2012/2013 tax year must be received by 12pm on 5 April 2013.
- The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier or to extend the closing date of the Offer (but to no later than 31 January 2014) and to accept Applications and issue New Shares at any time.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Services Authority.
- Dealing is expected to commence in New Shares within ten business days of allotments and share and tax certificates are expected to be dispatched within 14 business days of allotments.

STATISTICS

Costs of Offer*	Up to 5.5% of gross proceeds of Offer
Initial adviser charge or intermediary commission**	Up to 4.5% of gross sum invested in the Offer
Ongoing adviser charge or trail commission***	Up to 0.5% per annum of latest NAV of gross sum invested in the Offer for up to 9 years

* The costs of the Offer are capped at 5.5%. Octopus has agreed to indemnify the Company against the Offer costs in excess of this amount.

** In the case of applications where advice is received and an ongoing charge is not to be paid, an amount equal to 0.5% per annum of the investment amount's NAV will be deducted from Octopus' annual management fee.

***To be paid or met by Octopus through a reduction in its annual management fee.

LETTER FROM THE CHAIRMAN

Octopus AIM VCT plc
20 Old Bailey
London EC4M 7AN

1 February 2013

Dear Investor

The Board is delighted to give investors an opportunity to acquire New Shares in Octopus AIM VCT plc through the Offer.

THE INVESTMENT OPPORTUNITY

The Offer is designed to provide an opportunity for investors looking for the potential to generate investment returns from a portfolio of companies traded on the Alternative Investment Market (AIM) as well as the ISDX Growth Market, through a combination of income tax relief and tax-free capital growth and dividends.

Investors will be able to access a VCT that has consistently paid an average of 5p per Share of tax-free dividends annually since 2007, despite the turbulent economic conditions over recent years, and intends to continue paying an annual dividend of at least 5p. This performance has been driven by a maturing portfolio of companies, with over 80% of the holdings by value being targeted by analysts to report profits in their next financial accounts.

TAX BENEFITS

Qualifying investors will have access to the attractive tax benefits associated with an investment in a VCT, namely:

- up to 30% income tax relief on the investment, provided the New Shares are held for at least five years; and
- tax-free dividends and capital gains

subject to a maximum investment in VCTs of £200,000 in a tax year.

EXPERT VCT MANAGEMENT

Octopus AIM is managed by the six strong Smaller Companies team at Octopus, one of the most experienced teams in the UK small cap sector today, having been involved with AIM since its inception in 1995. The team currently manages more than £250 million across several different AIM and smaller company mandates.

Octopus is an award winning investment manager that has over £2.5 billion under management. It manages more money in venture capital trust funds than any other provider in the industry.

WHY INVEST NOW?

Over the past 50 years UK smaller companies have enjoyed significantly higher earnings growth than their larger counterparts. Over the same period smaller companies indices have delivered better returns than large company indices. The effect of the prolonged recession has meant that this has not held true over the last few years, but some indicators are now strengthening for a resumption of the longer term trend. Octopus believes that the smaller companies market remains an extremely dynamic growth market, yet it is under-researched and inefficient, meaning active managers can discover value. Octopus strongly believes that AIM is therefore an excellent place for shrewd investors who are less concerned about short-term swings in sentiment and prefer to invest in companies that grow their profits over the long-term.

Octopus believes that a combination of factors mean the Company is well placed to continue to deliver on its objectives. Such factors include the attractive valuations of new investments, the funding gap created by the banks' reluctance to lend to small companies and the advantageous timing in the economic cycle.

In the twelve months to 31 December 2012, the NAV total return has made steady upward progress. At the time of publication of this prospectus the NAV stood at 91.8p per share (unaudited), an increase of 11.4%, after adding back dividends, since 29 February 2012 where the NAV stood at 86.9p per share (audited).

Many of the companies in the portfolio have traded well in the last year or more, despite what are generally recognised as far from easy conditions. Given that many commentators expect no change in the economic environment in the short term, it seems logical to expect companies which have traded well to continue to do so in the period ahead.

PERFORMANCE

Original Shares and Tax Year of Issue	Adjusted NAV (unaudited)	Total Dividends Paid	Total Return Without Tax Relief (unaudited)	Total Return With Tax Relief (unaudited)
Octopus AIM VCT Ordinary shares 2010/11	97.1p	15.9p	112.9p	142.9p
Octopus AIM VCT Ordinary shares 2009/10	102.7p	22.4p	125.1p	155.1p
Octopus AIM VCT 'D' shares* 2003/04	91.8p	36.1p	127.9p	147.9p
Octopus AIM VCT 'C' shares 2000/01	53.8p	33.1p	87.0p	107.0p
Octopus AIM VCT Ordinary shares 1997/98	50.0p	79.4p	129.4p	149.4p
Octopus Phoenix VCT 'C' shares 2005/06	53.3p	26.3p	79.6p	119.6p
Octopus Phoenix VCT Ordinary shares 2002/03	39.4p	43.6p	83.0p	103.0p

All the figures above are as at 21 January 2013 and have been rebased to assume investment at 100p and reflect the conversion of shares from their original classes into 'D' Shares at the appropriate time, in accordance with the relevant conversion factors. The NAV shown above for 'D' Shares is the last reported unaudited NAV of the VCT immediately prior to publication of this document. Investment has been assumed at the first allotment in each tax year.

On a Total Return basis, the Company has outperformed both the Small Cap Ex Investment Trust and the AIM Indices over three and five years and the AIM Index over one year. According to Trustnet its one, three and five year performance have been in the top third of AIM VCT funds.

RECENT INVESTMENTS

Both improved sentiment and trading progress in investee companies have been contributors to the rise in the NAV. Additionally, recent new issues and fund raisings on AIM have also provided the fund managers with strong new investment opportunities. The Company has made seven new investments in 2012, which amount to £3.1m in total. These investments cover a range of sectors and, in aggregate, at the date of this document, are showing a profit over the Company's cost of investing.

Octopus has been able to be selective about new investments, because the portfolio already more than meets the minimum VCT investment requirements of HMRC.

There is every possibility that with the continuation of present economic conditions, there will be similar opportunities for attractive investment in the year ahead and the Board would like to be in a position to take advantage of those opportunities as they arise, hence the reason for the fundraising.

REASONS FOR THE OFFER

The raising of further funds by way of the Offer is intended to produce the following benefits:

- to provide existing and new investors with the opportunity to invest into smaller companies in a tax efficient manner, through an experienced investment management team;
- to provide additional funds for new investments into qualifying companies so that the portfolio can potentially be diversified, including investments in larger companies now permitted following the Finance Act 2012: and
- to provide the Company with additional funds for its working capital purposes, not least in support of its buy-back policy, which sustains the secondary market in the shares, and to provide a larger capital base over which to spread the fixed costs of the Company.

RETAIL DISTRIBUTION REVIEW (RDR)

As has been widely publicised, with effect from 31 December 2012, the operation of new FSA regulations, known as the Retail Distribution Review ("RDR"), have changed the manner in which advisers can be paid for the financial advice that they give their clients. In order to look after Shareholders' interests, the Board has been working alongside the Manager to cater for this change. Investors will now be required to give explicit authority and direction for transparent methods of such remuneration. Investors will fall into one of three categories:

1. Investors who have invested their money through a financial intermediary and have received advice (Advised investors)
2. Investors who have invested their money through a financial intermediary and have not received advice (Non-advised investors)
3. Investors who have not invested their money through a financial intermediary and have invested directly into the VCT (Direct investors)

The category applicable to the investor will determine the options available to them to remunerate their financial intermediary and the level of adviser charges the Company will pay. The Board encourages investors to read the Application form and complete the sections that are relevant to their circumstances and choices. If anything is unclear, the investor should consult their financial adviser or call Octopus on **0800 316 2295** (please note that Octopus cannot advise in respect of an investment under the Offer). Details of the remuneration options available to investors are set out in Part One of this Prospectus under the heading 'Intermediary charges'.

BUY-BACK POLICY

The Board has recently announced a change in its long standing policy of providing secondary market liquidity in the shares. The Board has always bought back shares at a 10% discount to the latest NAV. It has recently announced that it will buy-back shares from shareholders at a 5% discount. The Board will monitor the volume of shares bought back and, at present, intends to maintain the existing limit of the share capital that it buys-back and cancels each year at 10% of the total. This aspect of the policy has not changed. This policy is not binding upon the Board and operates at its discretion. However, it is the Board's intention that shareholders should be able to sell their shares back to the Company in the absence of an active secondary market.

The Board believes that this makes the Company a more attractive investment for both existing and new shareholders, particularly in the light of its recent Enhanced Buy-Back facility, which closes on 31 January 2013.

The Board intends to continue to produce weekly unaudited NAV calculations so that it can continue to buy-back shares throughout the year and not be subject to closed period restrictions on dealing in the normal course of circumstances.

Investors are however reminded that selling any VCT shares before they have held them for five years could result in HMRC clawing back any income tax relief previously claimed. Therefore investors are encouraged to consider any investment into the Company as a longer term holding and certainly one for a minimum of five years.

DIVIDENDS

The Company has paid an average dividend of 5p per Share per annum for the past six years, through a semi-annual 2.5 pence dividend. It remains the Board's intention, where possible, to continue at least this level of dividend into the future.

STRUCTURE OF THE OFFER

Both new and existing investors can apply for New Shares which will rank equally with the existing Shares from their dates of issue. The Offer Price will be based on the most recently published net asset value (NAV) of a Share, plus the costs of the Offer. Multiple Applications are permitted.

The minimum investment per applicant is £5,000. There is no maximum investment; however, potential investors should be aware that VCT tax relief is only available on a maximum of £200,000 in VCTs in each tax year.

Investors will be eligible for the dividends paid by the Company as long as they have been allotted New Shares by the record date (usually around four weeks prior to the dividend pay date). The ratio of total normal annual running costs to net assets in the last annual report was shown to be 2.5%.

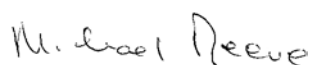
NEXT STEPS

Application forms are attached at the end of this document, together with explanatory notes. The Terms and Conditions of subscription for New Shares are set out on pages 36 to 39.

If you have any questions, you should contact your financial adviser or call Octopus on **0800 316 2295**. Please note that Octopus is not able to provide you with investment, financial or tax advice.

I look forward to welcoming you as a Shareholder and thank all existing Shareholders for their continued support.

Yours sincerely



Michael Reeve
Octopus AIM VCT plc

PART ONE – KEY FEATURES

Introduction to the Offer
Terms of the Offer
Use of funds
Intermediary charges
Investment policy
Tax Benefits for Investors
The Manager
Dividend Policy
Buyback Policy
The Board
The Investment Team
Management Remuneration

INTRODUCTION TO THE OFFER

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies, including those admitted to trading on the Alternative Investment Market (AIM). The Government achieved this by offering VCT investors a series of attractive tax benefits. As a result of these tax benefits, the total invested in VCTs between 1995 and 31 October 2012 was more than £4.5 billion. AIM has around 1,100 companies with a combined market capitalisation of £61.7 billion.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of AIM-traded smaller companies with the objective of generating returns over the medium to long term. The Company will invest in accordance with its investment policy, as set out below.

The Company is seeking to raise £10 million under the Offer. The Offer will remain open until 30 April 2013 unless fully subscribed at an earlier date or unless extended by the Directors (but to no later than 31 January 2014).

TERMS OF THE OFFER

The Offer Price will be determined by the following formula:

**the most recently announced NAV per Share, divided by
0.945 to allow for the issue costs**

Where the share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. For the purpose of determining the Offer Price, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued under the Offer will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants (except where the amount is less than £1), without interest.

The Offer will be closed on full subscription. The Board reserves the right to close the Offer earlier, or, to extend the Offer (but to no later than 31 January 2014) and to accept applications and issue New Shares at any time. New Shares issued will rank pari passu with the existing Shares from the date of issue.

Example

On the assumption that an investor does not receive any advice in respect of his application, an illustration of the application allocation and pricing formula for an aggregate investment of £10,000 under the Offer (using the most recently published NAV) is set out below:

	Unaudited NAV as at 21 January 2013 (p)	Offer Price (p)	Number of New Shares to be allotted
Octopus AIMVCT	91.8	97.2	10,288

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares.

The full terms and conditions applicable to the Offer are set out on pages 36 to 39.

USE OF FUNDS

Octopus believes that a combination of factors, notably: the attractive entry valuations for new investment; the funding gap created by the banks' reluctance to invest in smaller companies; and the advantageous timing in the economic cycle, mean there are plenty of strong investment opportunities for the Company to access. Funds raised under the Offer will be invested, in part, to take advantage of any improvement in the valuations and performance of smaller companies as the pace of economic growth increases. Funds raised under the Offer will be invested in accordance with the Company's published investment policy.

INTERMEDIARY CHARGES

As has been widely publicised, with effect from 31 December 2012, the operation of new FSA regulations, known as the Retail Distribution Review ("RDR"), have changed the manner in which advisers can be paid for the financial advice that they give their clients. In order to look after Shareholders' interests, your Board has been working alongside the Manager to cater for this change. Investors will now be required to give explicit authority and direction for transparent methods of such remuneration. Investors will fall into one of three categories:

1. Investors who have invested their money through a financial intermediary and have received advice (Advised investors)
2. Investors who have invested their money through a financial intermediary and have not received advice (Non-advised investors)
3. Investors who have not invested their money through a financial intermediary and have invested directly into the Company (Direct investors)

The category applicable to the investor will determine the options available to them to remunerate their financial intermediary and the level of adviser charges the Company will pay. The Board encourages investors to read the Application form and complete the sections that are relevant to their circumstances and choices. If anything is unclear, the investor should consult their financial adviser or call Octopus on **0800 316 2295** (please note that Octopus cannot advise in respect of an investment under the Offer).

For all investors, the Offer Price per Share will be determined by a formula reflecting the Net Asset Value per Share ("NAV") adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Share, divided by 0.945.

The Company will pay an initial charge of 3% of the gross sum

invested in the Offer to Octopus. This is payable in the same way on all subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then three categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:

- I. **Advised investors** – Investors who have invested in the Offer through a financial intermediary and have received advice. Such investors, should they wish to do so, can choose from one of two options for the Company to facilitate payments on their behalf to advisers:

- A. **Applications where advice is received and an ongoing annual charge is to be paid**

- i) The Company can facilitate a payment to an adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945.
- ii) The Company can also facilitate annual payments to an adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the adviser to the investor of up to 0.5% per annum of the investment amount's NAV, whilst the investor continues to hold the Shares, for a maximum of nine years. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share. This cost of ongoing adviser charges will be met by Octopus through a reduction in their annual management fee.

If the investor terminates their relationship with the adviser so that the investor no longer receives ongoing advisory services then the Company will not make any further payments of ongoing adviser charges.

Or:

- B. **Applications where advice is received and an ongoing charge is not to be paid**

Where ongoing advisory services are not being provided by the adviser to the investor, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged

by such payment, a notional ongoing adviser charge equivalent to 0.5% per annum of the investment amount's NAV will be deemed to have been paid by the Company for a period of 9 years. The cost of this notional ongoing adviser charge will be met by Octopus through a reduction in their annual management fee.

In both cases (A) or (B), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.

2. **Non-advised investors** – Investors who have invested their money through a financial intermediary and have not received advice

An initial commission of 2.5% of the investment will be paid by the Company to the intermediary. An annual trail commission of 0.5% of the investment amount's NAV will be paid by Octopus to the intermediary. Such commission will be available for up to nine years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

3. **Direct investors** – Investors who have not invested their money through a financial intermediary and have invested directly into the Company

If an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount, and an additional annual ongoing charge of 0.5% of the investment amount's NAV, for up to nine years, provided the investor continues to hold the Shares. The cost of this ongoing charge will be met by Octopus through a reduction in its annual management fee.

These charges may, according to the proportion of new investors who request the Company to facilitate payments on their behalf by way of an initial adviser charge without the payment of any ongoing charge, create some limited reduction of the net asset value per Share immediately subsequent to subscriptions in the Offer being made. This effect will be mitigated and is ultimately expected to be more than compensated, for continuing investors, by the expected benefits derived from a larger pool of investable funds and the financial benefit in subsequent periods of the absence of ongoing adviser charges in respect of such investments.

The re-investment arrangements relating to ongoing adviser charges which are described in section I above will only operate for so long as an investor remains the holder of the new ordinary shares. Any purchaser of those shares will not benefit from the re-investment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of Shares will not benefit from the issue or allotment of any additional new ordinary shares under the arrangements set out above.

Any additional New Shares which are issued under the arrangements which are described in section I above will be issued in full and final satisfaction of any cash sums which would

otherwise be due to the investor. The Company does not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Company is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

INVESTMENT POLICY

The objective of the Company is to invest in a broad range of AIM or ISDX Growth Market traded companies in order to generate income and long term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. Start-up companies will usually be avoided.

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, ISDX Growth Market traded investments or unquoted companies where the management view an initial public offering (IPO) on AIM or ISDX Growth Markets is a short to medium term objective. Now the VCT qualifying target has been achieved, the Board intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short-term money market deposits with, or issued by, major companies and institutions with a minimum Moody's long term debt rating of 'A'. Moody's is an independent rating agency, and is not registered in the EU. A proportion of the 20% could be invested in an unauthorised UK smaller company fund managed by Octopus or other direct equity investments. This 20% will be used to provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Risk is spread by investing in a number of different businesses across a range of industry sectors. In order to qualify as an investment in a qualifying VCT holding, at no time must the VCT make an investment in any one company (other than another VCT) exceeding 15% by value of its total investments. 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. However, shareholders should be aware that the Company's qualifying investments are held with a view to long term capital growth as well as income and may have limited marketability. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long term borrowings.

TAX BENEFITS FOR INVESTORS

Qualifying investors into VCTs will benefit from the following tax advantages:

- Up to 30% of the amount invested deducted from their income tax liability
- Tax free dividends
- Tax free capital gains

THE MANAGER

Octopus AIM VCT is managed by Octopus Investments. Octopus is an award winning investment manager that has over £2.5 billion under management. It manages more VCT funds than any other provider in the industry, and is an expert in investing in UK smaller companies across a range of funds, tax structures and risk/return mandates.

Octopus has more than 200 staff, including over 50 investment professionals, and has twice been voted as one of the 'Top 100 Small Companies to Work For' in the Sunday Times survey. Financial advisers have voted Octopus Best VCT Provider of the Year at the Professional Adviser awards four years in a row. Octopus is one of only two investment managers to have ever received an AAA rating for customer service from Citywire, and currently holds a 5 Star rating for customer service from Financial Adviser magazine.

DIVIDEND POLICY

The Board intends to pay annual dividends of 5 pence, through a semi-annual 2.5 pence dividend. The Company has achieved this, on average, for the past six years and it remains the intention of the Board to continue this policy, subject to available cash and distributable reserves.

BUYBACK POLICY

The Board has recently announced a change in its long standing policy of providing secondary market liquidity in the shares. The Board has always bought back shares at a 10% discount to the latest NAV. It has recently announced that it will buy-back shares from selling shareholders at a 5% discount. The Board will monitor the volume of shares bought back and at present intends to maintain the existing limit of the share capital that it buys-back and cancels each year at 10% of the total. This aspect of the policy has not changed. This policy is not binding upon the Board and operates at its discretion. However, it is the Board's intention that shareholders should be able to sell their shares back to the Company in the absence of an active secondary market.

THE BOARD

The Board comprises four Directors all of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and large quoted companies.

Michael Reeve MBE MA FCA (Chairman)

Michael Reeve is a chartered accountant and was formerly a director of Charterhouse Bank from 1971-74, a managing director of Copleys Bank 1974-80, a director of Rea Brothers 1977-80 and managing director of Greyhound Bank 1981-87. He was the chairman of Finsbury Growth & Income Trust PLC from 1991-2008. He is currently a director of a number of unquoted companies. Michael Reeve became director and chairman in 1998.

Roger Smith MSc (Stanford Sloan Fellow)

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol plc, and chairman of European Motor Holdings PLC from 1992 to 2007. He is chairman of the Central

Finance Board of the Methodist Church. Roger Smith became a director in 1998 and is Chairman of the Audit Committee.

Stephen Hazell-Smith

Stephen Hazell-Smith was the Managing Director of Close Investment Limited until September 2001, having previously founded Rutherford Asset Management in 1993. Prior to this he gained experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK Equity Fund. He also worked at Mercury Asset Management from 1989 to 1992 and was the chairman of PLUS Markets Group PLC between the years of 2005 and 2010. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen Hazell-Smith became a director in 1998.

Marion Sears BSc (Hons)

Marion Sears is Senior Non-Executive director at Dunelm Group plc, the retailer and non-executive director of Persimmon Plc and Fidelity European Values Plc. She was the senior Non-Executive Director of Zetar plc, until its acquisition in 2012. She was previously a Managing Director of Investment Banking at JP Morgan. As a Non Executive she has also served on the Boards of Boehringer Ingelheim Ltd, LGC Holdings plc and Prelude Trust Plc, a healthcare and IT technology focused investment trust, amongst others. Marion Sears became a director on 1 October 2011.

THE INVESTMENT TEAM

Andrew Buchanan

Andrew originally joined Barclays Bank in 1973 to manage investment portfolios. After gaining an MBA from London Business School, he spent time with Mercury Asset Management and Hoare Govett, before joining Rutherford Asset Management in 1993. He established Beacon Investment Trust in 1994, the first fund to specialise in investment in AIM. He joined Close Brothers when it purchased Rutherford and left to join Octopus Investments Limited in 2008. He has been involved in the management of this Company since its launch in 1998 as well as other AIM portfolios.

Kate Tidbury

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 since when she has been involved in the management of this Company as well as other AIM VCTs and IHT portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

Richard started his career at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments Limited to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the ICFC Octopus UK MicroCap Growth Fund.

Edward Griffiths

Edward is a portfolio manager at Octopus Investments Limited involved particularly in the management of AIM portfolios for private individuals. He joined Octopus Investments Limited in 2004 having previously worked at Schroder's and State Street.

Paul Stevens

Paul joined Octopus Investments Limited in 2005 as a member of the AIM investment team and has been involved in the management of AIM portfolios since then.

Stephen Henderson

Stephen joined Octopus in 2008 as a member of the operations team. Having helped in the Multi Manager team, he joined the AIM investment team in 2011.

MANAGEMENT REMUNERATION

Octopus provides investment management, administration and secretarial services to the Company. Previously, this has been for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of the Company. Out of this fee paid to Octopus, Octopus paid all applicable trail commissions to financial intermediaries.

As a result of the implementation of RDR, Octopus is no longer able to pay financial intermediaries where advice has been given in respect of new investments. However, subject to the instructions of the investor, the Company is able to pay financial intermediary charges directly in relation to ongoing adviser charges on new funds raised under this Offer. To ensure that the Company is not financially disadvantaged by such payments, such payments will be deducted from the fee charged by Octopus so that the sum of the fee, the financial intermediary charges and the additional ongoing charges payable to Octopus will not exceed 2% of the NAV of the Company per annum.

The Octopus fee will continue to be paid quarterly in arrears.

There is no performance incentive fee arrangement between Octopus and the Company.

PART TWO – TAX BENEFITS AND CONSIDERATIONS FOR INVESTORS

TAX BENEFITS FOR VENTURE CAPITAL TRUST INVESTORS

The following paragraphs apply to the Company and to individuals holding Shares as an investment who are the absolute beneficial owners of such Shares, and who are resident in the UK. They may not apply to certain classes of individuals, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary, and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive New Shares under the Offer and where the New Shares acquired are within the investor's annual £200,000 VCT limit.

1. Income Tax

1.1 Initial Income Tax Relief

An investor can acquire through the Offer up to £200,000 in each of 2012/13 and 2013/14 tax years. Each application would create an entitlement to income tax relief of 30% of the amount invested. To retain that relief the shares would have to be held for 5 years.

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 income tax relief available can reduce the effective cost of an investment of £10,000 in a venture capital trust to only £7,000, by a qualifying investor subscribing for venture capital trust shares:

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

1.2 Dividend relief

Venture capital trust dividends are free of tax.

1.3 Withdrawal of relief

Relief from income tax on a subscription for venture capital trust shares will be withdrawn if the venture capital trust shares are disposed of (other than between spouses) within five years of issue or if the venture capital trust loses its approval within this period. Dividend relief ceases to be available once the investor ceases to own the venture capital trust shares in respect of which it has been given.

2. Capital Gains Tax

2.1 Relief from capital gains tax on the disposal of Venture Capital Trust shares

Disposing of venture capital trust shares at a profit does not create a chargeable gain for the purposes of UK CGT. Similarly, disposing at a loss does not create an allowable loss for UK CGT.

3. Withdrawal of Approval

If a company which has been granted approval as a

venture capital trust subsequently fails to comply with the conditions for approval as a venture capital trust, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue of the relevant venture capital trust shares.

In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period ending when venture capital trust status has been lost. Any gains on the venture capital trust shares up to the date from which loss of venture capital trust status is treated as taking effect will be exempt, but gains thereafter will be taxable.

Obtaining initial tax reliefs

The Company will provide each investor with a tax certificate which the investor may use to claim income tax relief. To do this, an investor must either obtain a tax coding adjustment from HMRC under the PAYE system, or wait until the end of the tax year and use their self assessment tax return to claim relief.

Shareholders not resident in the UK

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in the Company, as they may be subject to tax in other jurisdictions as well as in the UK.

Tax Position of Venture Capital Trusts

A venture capital trust has to satisfy a number of tests to qualify as a venture capital trust. A summary of these tests is set out below.

Qualification as a Venture Capital Trust

To qualify as a venture capital trust, a company must be approved as such by HMRC. To maintain approval, the conditions summarised below must continue to be satisfied throughout the life of the VCT:

- (i) the venture capital trust's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a venture capital trust or a company which would, if its shares were listed, qualify as a venture capital trust) by the venture capital trust may represent more than 15%, by value, of the venture capital trust's total investments at the time of investment; and
- (iii) the venture capital trust must not have retained more than 15% of the income derived from shares or securities in any accounting period.
- (iv) the venture capital trust must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 70%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;

- (vi) for funds raised before 6 April 2011, have at least 30%, by value, of its qualifying investments represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights;
- (vii) for funds raised after 5 April 2011, have at least 70% by value of the venture capital trust's Qualifying Investments in "eligible shares", that is ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed although they may have certain preferential rights to dividends so long as that right is non cumulative and is not subject to discretion; and
- (viii) not make an investment in a company which causes the company to receive more than £5 million of State Aid investment in the 12 months ended on the date of the investment.

"Qualifying Investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the venture capital trust (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest at all times thereafter). 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 venture capital trust and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production and operating or managing hotels, guest houses, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying

on one or more qualifying trades. Investee companies must have a permanent establishment in the UK. The investee company cannot receive more than £5 million from venture capital trusts or other State Aid investment sources during the 12 month period which ends on the date of the venture capital trust's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The investee company must have fewer than 250 employees. Neither the venture capital trust nor any other company may control the investee company. At least 10% of the venture capital trust's total investment in the investee company must be in eligible shares, as described above.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently becomes listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

Taxation of a Venture Capital Trust

Venture capital trusts are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a venture capital trust, subject to the requirements of company law. The venture capital trust will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

PART THREE – FINANCIAL INFORMATION ON THE COMPANIES

Audited financial information on the Company is published in the annual reports for the years ended 28 February 2010, 28 February 2011 and 29 February 2012 and unaudited information in the interim reports for the six month periods ended 31 August 2011 and 31 August 2012.

These annual reports were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP. All reports were without qualification and contained no statements under section 498(2) or (3) of the CA 2006.

The annual reports referred to above were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the Company's financial condition, changes in financial condition and results of operation for each relevant financial year and the pages of these referred to below, together with the interim report referred to, are being incorporated by reference and can be accessed at the following website: www.octopusinvestments.com.

Where these documents make reference to other documents, such other documents, together with those pages of the annual and interim reports that are not referred to below, are not incorporated into and do not form part of this document.

Such information includes the following:

Description	28 February 2010 Annual Report	28 February 2011 Annual Report	29 February 2012 Annual Report	31 August 2011 Half Year Report	31 August 2012 Half Year Report
Balance Sheet	Page 34	Page 40	Page 39	Page 15	Page 15
Income Statement (or equivalent)	Page 32	Page 39	Page 38	Page 12	Page 12
Statement showing all changes in equity (or equivalent note)	Page 35	Page 41	Page 40	Page 14	Page 14
Cash Flow Statement	Page 36	Page 42	Page 41	Page 16	Page 16
Accounting Policies and Notes	Page 38	Page 44	Page 43	Page 18	Page 18
Auditor's Report	Page 30	Page 37	Page 36	n/a	n/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

Description	28 February 2010 Annual Report	28 February 2011 Annual Report	29 February 2012 Annual Report	31 August 2011 Half Year Report	31 August 2012 Half Year Report
Performance Summary	Page 5	Page 5	Page 1	Page 4	Page 4
Results and Dividends	Page 19	Page 23	Page 21	Page 4	Page 5
Investment Policy	Page 19	Page 23	Page 21	–	–
Outlook	Page 7	Page 9	Page 8	Page 8	Page 8
Manager's Review	Page 8	Page 10	Page 9	–	–
Portfolio Summary	Page 12	Page 13	Page 12	Page 9	Page 9
Business Review	Page 18	Page 22	Page 20	–	–
Valuation Policy	Page 38	Page 44	Page 43	–	–

As at 21 January 2013, the date to which the most recent unaudited financial information on the Company has been drawn up, the Company had unaudited net assets of £43,311,184.

PART FOUR – INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date of this document is as follows (the valuations being the unaudited valuations as at 21 January 2013 and representing more than 50% of the NAV of the Company):

Investee Company	Sector	Book cost as at 21 January 2013	Cumulative movement in valuation	Fair value as at 21 January 2013
Idox Plc	Software & Computer Services	353,373	2,321,067	2,674,440
Advanced Comp Software Plc	Software & Computer Services	576,506	1,425,046	2,001,552
Brooks MacDonald Group Plc	Speciality & Other Finance	745,553	1,244,834	1,990,387
Breedon Aggregates Limited	Construction & Building	902,402	600,199	1,502,600
EKF Diagnostics Plc	Health	930,983	591,967	1,522,950
Escher Group Holdings plc	Software & Computer Services	1,002,580	499,969	1,502,549
Staffline Recruitment Plc	Support Services	332,810	779,340	1,112,150
Vertu Motors Plc	General Retailers	1,264,999	(171,667)	1,093,333
MyCelx Technologies plc	Equities	899,850	192,825	1,092,675
Netcall plc	Telecommunication Services	436,500	720,155	1,156,655
WANdisco Plc	Software & Computer Services	291,320	604,153	895,474
Enteq Upstream Plc	Oil Services	1,031,733	(144,557)	887,176
Brady plc	Software & Computer Services	568,529	317,523	886,052
DP Poland Plc	Leisure & Hotels	546,000	254,800	800,800
Mattioli Woods Plc	Speciality & Other Finance	522,989	373,176	896,164
RWS Holdings Plc	Support Services	367,488	395,012	762,500
Animalcare Group Plc	Food Producers & Processors	304,388	481,334	785,722
GB Group plc	Support Services	330,000	429,000	759,000
TLA Worldwide plc	Media & Entertainment	807,000	-	807,000
Futura Medical Plc	Pharmaceuticals & Biotech	612,730	117,506	730,236
Omega Diagnostics Plc	Health	536,323	111,825	648,148
Matchtech Group Plc	Support Services	346,341	327,059	673,400
Tasty Plc	Leisure & Hotels	369,111	372,490	741,600
Mears Group Plc	Support Services	138,659	288,992	427,652
Tangent Communications Plc	Support Services	578,213	(72,277)	505,936
Gooch & Housego Plc	Electronic & Electrical	488,952	48,648	537,600
Craneware Plc	Software & Computer Services	182,811	348,212	531,023
Judges Scientific Plc	Electronic & Electrical	299,647	186,899	486,546
Sinclair Pharma Plc	Pharmaceuticals & Biotech	770,793	(327,391)	443,401
Cello Group Plc	Media & Entertainment	895,370	(459,410)	435,960
Cohort Plc	Aerospace & Defence	299,925	139,500	439,425
Bond International Plc	Software & Computer Services	353,831	58,419	412,250
Fusionex International plc	Software & Computer Services	278,531	198,685	477,216
Augean Plc	Support Services	397,114	51,275	448,389
Synectics Plc	Support Services	343,754	25,425	369,179
Immunodiagnostic Systems Plc	Health	527,504	(143,834)	383,670

Chime Communications Plc	Media & Entertainment	319,728	38,772	358,500
Corero Network Security Plc	Software & Computer Services	540,000	(263,721)	276,279
Vianet Group Plc	Support Services	359,247	(14,716)	344,532
SQS Software Plc	Software & Computer Services	291,211	39,539	330,750
Corac Plc	Engineering & Machinery	347,954	(34,795)	313,158
Access Intelligence Plc	Software & Computer Services	375,000	(131,250)	243,750
Altitude Group Plc	Media & Entertainment	600,000	(320,833)	279,167
Plastics Capital Plc	Engineering & Machinery	400,000	(136,000)	264,000
Hasgrove Plc	Media & Entertainment	250,000	15,000	265,000
Adept Telecom Plc	Telecommunication Services	599,999	(300,000)	300,000
Active Risk Group Plc	Software & Computer Services	862,163	(601,598)	260,565
Goals Soccer Centres Plc	Leisure & Hotels	205,333	39,437	244,770
In-Deed Online Plc	Support Services	300,591	(100,310)	200,280
Jelf Group Plc	Speciality & Other Finance	186,487	12,498	198,985
Daisy Group Plc	Telecommunication Services	201,119	(43,455)	157,664
Datong Electronics Plc	Electronic & Electrical	500,000	(363,281)	136,719
Woodspeen Plc	Support Services	349,965	(233,310)	116,655
Inditherm Plc	Chemicals	204,000	(93,500)	110,500
Marwyn Management Plc	Investment Companies	550,000	(475,564)	74,436
Tanfield Group Plc	Engineering & Machinery	226,256	(165,416)	60,840
Work Group Plc	Support Services	942,848	(872,574)	70,274
Dods Group Plc	Media & Entertainment	202,792	(166,387)	36,405
SnackTime Plc	Support Services	531,150	(497,550)	33,600
Synarbor Plc	Support Services	14,706	7,352	22,058
Total fixed asset investments		28,995,159	7,524,536	36,519,695
Cash at bank		6,638,802		6,638,802
Net current assets		152,687		152,687
Total net assets				43,311,184

PART FIVE – ADDITIONAL INFORMATION ON THE COMPANY

I. Incorporation

- I.1 The Company was incorporated and registered in England and Wales on 8 December 1997 under the CA 1985 with registered number 3477519 as a public company limited by shares.
- I.2 On 26 January 1998, the Registrar of Companies issued the Company with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- I.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.

2. Registered offices and principal legislation

- 2.1 The registered office of the Company is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**.
- 2.2 The principal legislation under which the Company operates and which governs its shares is the Acts.

3. Share and loan capital

- 3.1 On the incorporation of the Company, two ordinary shares were issued nil paid to the subscribers to the memorandum of the Company, York Place Company Nominees Limited and York Place Company Secretaries Limited.
- 3.2 By special and ordinary resolutions passed by the Company on 20 November 2012:

Special Resolutions

- I. That, in addition to existing authorities,

- (i) the Company be generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its shares of up to 23,710,079 of its own shares at a fixed price equal to the latest published net asset value per share prior to the date of purchase (rounded down to the nearest 0.1p), which price shall, for the purpose of Section 701(3)(b) of the Act, constitute both the maximum and minimum price that may be paid for the shares purchased, pursuant to, or in contemplation of, an enhanced buyback facility;
- (ii) (ii) the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot and issue shares in the capital of the Company up to an aggregate amount of £237,100.79, provided that this power shall be limited to the allotment of shares at a price per share equal to the latest published net asset value of an existing share prior to the date of allotment and divided by 0.945 (rounded up to the nearest 0.1p) pursuant to, or in contemplation of, an enhanced buyback facility, and

- (iii) the directors be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by paragraph (ii) of this resolution 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 shares at a price per share equal to the latest published net asset value of an existing share prior to the date of allotment and divided by 0.945 (rounded up to the nearest 0.1p) pursuant to, or in contemplation of, an enhanced buyback facility

and the authority and powers conferred by this resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2013, save that the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted and purchased and the directors may allot and purchase shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

2. That, in addition to existing authorities and the authorities conferred by resolution 1 set out in this notice:
 - (i) the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £150,000, provided that, the authority conferred by this paragraph (i) shall expire on the conclusion of the annual general meeting of the Company to be held in 2014 (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry, and
 - (ii) the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph (i) of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph (ii) shall expire on the conclusion of the annual general meeting of the Company to be held in 2014 (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares of up to an

aggregate nominal value of £150,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares)

3. That the share premium account of the Company and the capital redemption reserve of the Company be and hereby are cancelled.

Ordinary Resolution

4. That the Related Party Transaction (as defined, and details of which are set out on the circular to shareholders dated 23 October 2012) between the Company and Octopus Investments Limited be and hereby is approved.

- 3.3 At the date of this document the issued fully paid share capital of the Company is:

Class of shares	Nominal value	Issued (fully paid)	
		£	Number
Ordinary Shares	£0.01	471,834	47,183,430

- 3.4 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming (i) the Offer is fully subscribed and (ii) that the Offer Price is 96.1p per New Share) will be as follows:

Class of shares	Nominal value	Issued (fully paid)	
		£	Number
Ordinary Shares	£0.01	575,892	57,589,230

- 3.5 The following allotments and repurchases of Shares have taken place since 1 March 2009:

- 3,776,618 Shares at a weighted average price of 76.86p were bought back;
- 21,013, 271 Shares at a weighted average price of 87.40p were allotted.

- 3.6 Other than the issue of New Shares under the Offer and Shares to be issued under the share buyback referred to at resolution 1 under paragraph 3.2 above, the Company has no present intention to issue any Shares.
- 3.7 The Company does not have in issue any securities not representing share capital.
- 3.8 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied pursuant to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to the Company, except to the extent disapplied by the Company in general meeting. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.9 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future

dividends are waived or agreed to be waived.

- 3.10 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 3.11 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company in the three years immediately preceding the date of this document.

- 3.12 Other than pursuant to the Offer, none of the New Shares has been sold or is available in whole or in part to the public in conjunction with the application for the New Shares to be admitted to the Official List.

- 3.13 The New Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the New Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. New Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles permit the holding of shares in CREST.

- 3.14 The ISIN and SEDOL Codes of the New Shares are GB0034202076 and 3420207 respectively.

4. Memorandum and articles of association

- 4.1 The articles of association of the Company (the “Articles”), contain, *inter alia*, the following provisions.

4.1.1 Voting Rights

Subject to any disenfranchisement as provided in paragraph 4.1.4 below the Shares shall carry the right to receive notice of or to attend or vote at any general meeting of the Company and on a show of hands every holder of Shares present in person (or being a corporation, present by authorised representative) shall have one vote and, on a poll, every holder of ordinary shares who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

4.1.2 Transfer of Shares

The Shares are in registered form and will be freely transferable free of all liens. All transfers of Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a Share shall be executed by or on behalf of the transferor and, in the case of a partly paid Share by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis and may also refuse to register any instrument of

transfer unless:

- (i) it is duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share; and
- (iii) the transferees do not exceed four in number.

4.1.3 Dividends

The Company may in general meeting by ordinary resolution declare dividends to be paid to members in accordance with the Articles, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to a dividend arises. All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

The Shares shall entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the Shares and from income received and accrued which is attributable to the Shares.

The Directors may, with the prior sanction of an ordinary resolution of the Company, offer Shareholders the right to elect to receive in respect of all or part of their holding of Shares, additional Shares credited as fully paid instead of cash in respect of all or part of such dividend or dividends and (subject as hereinafter provided) upon such terms and conditions and in such manner as may be specified in such ordinary resolution. The ordinary resolution shall confer the said power on the Directors in respect of all or part of a particular dividend or in respect of all or any dividends (or any part of such dividends) declared or paid within a specified period but such period may not end later than the date of the annual general meeting next following the date of the general meeting at which such ordinary resolution is passed.

4.1.4 Disclosure of Interest in Shares

If any Shareholder or other person appearing to be interested in Shares is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in Section 793 of the CA 2006, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant Shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to

meetings of the Company in respect of the relevant Shares and additionally in the case of a Shareholder representing at least 0.25 per cent. by nominal value of any class of Shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant Shares.

4.1.5 Distribution of Assets on Liquidation

On a winding-up any surplus assets will be divided amongst the holders of each class of shares in the Company according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges.

The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

4.1.6 Changes in Share Capital

- (i) Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares, which are, or at the option of the Company or the holder are, liable to be redeemed.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amounts, or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.
- (iii) Subject to the CA 2006, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.
- (iv) The Company may by ordinary resolution convert any fully paid up shares into stock of the same class as the shares which shall be so converted, and reconvert such stock into fully paid up shares of the same class and of any denomination.

4.1.7 Variation of Rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the nominal amount of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of such holders.

4.1.8 Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be fewer than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be fewer than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment.

Any Director may in writing under his hand appoint (a) any other Director, or (b) any other person who is approved by the Board as hereinafter provided, to be his alternate. A Director may at any time revoke the appointment of an alternate appointed by him. Every person acting as an alternate Director of the Company shall be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him.

Subject to the provisions of the Statutes (as defined in the Company's articles of association), the Directors may from time to time appoint one or more of their body to be managing director or joint managing directors of the Company or to hold such other executive office in relation to the management of the business of the Company as they may decide.

A Director may continue or become a Director or other officer, servant or member of any company promoted by the Company or in which they may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any remuneration or other benefits derived as Director or other officer, servant or member of such company.

The Directors may from time to time appoint a chairman of the Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office.

The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality, whether at home or abroad, in such manner as they think fit.

4.1.9 Directors' Interests

4.1.9.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.

4.1.9.2 Provided that he has declared his interest in accordance with paragraph 4.1.9.1, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is

otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.

4.1.9.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through the Company, unless his interest arises only because the case falls within one or more of the following paragraphs:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
- (f) any arrangement for purchasing or maintaining for any officer or auditor of

the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a Director, officer or auditor.

4.1.9.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

4.1.10 Remuneration of Directors

4.1.10.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £125,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

4.1.10.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.

4.1.10.3 The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

4.1.11 Retirement of Directors

At the annual general meeting of the Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed despite having attained any particular age and shall not be required to retire by

reason of his having attained any particular age, subject to the provisions of the Act.

4.1.12 Borrowing Powers

Subject as provided below, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Company's articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting there from any balance to the credit or debit of the profit and loss account.

4.1.13 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company.

4.1.14 Duration of the Company

At the annual general meeting of the Company in 2018 and, if the Company has not then been wound

up, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue as a venture capital trust. If the resolution is not passed, the Board shall within 4 months of such meeting convene a general meeting of the Company at which a special resolution for the re-organisation or reconstruction of the Company and/or a special resolution requiring the Company to be wound up voluntarily shall be proposed. If neither of the resolutions is passed, the Company shall continue as a venture capital trust.

4.1.15 General Meetings

The Directors may, whenever they think fit, convene a general meeting of the Company. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved and, in any other case, shall stand adjourned to such day (being not less than ten clear days) and at such time and place as the Board may determine. If at any such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting, a member present in person or by proxy and entitled to vote shall be a quorum.

The chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

5. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company's articles of association are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form pursuant to the Uncertified Securities Regulations 1995. The New Shares have been made eligible for settlement in CREST.

6. Directors' interests

- 6.1 As at the date of this document the Directors and their immediate families have the following interests in the issued share capital of the Company:

Director	No. of Shares	% of Issued Share Capital
Michael Reeve	6,959	0.01
Roger Smith	20,000	0.04
Stephen Hazell-Smith	90,100	0.19
Marion Sears	5,589	0.01

- 6.2 Assuming that (i) the Offer is fully subscribed and (ii) an Offer Price of 97.2p per New Share, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
Michael Reeve	6,959	0.01
Roger Smith	20,000	0.03
Stephen Hazell-Smith	90,100	0.16
Marion Sears	5,589	0.01

- 6.3 At the date of this document and after the Offer has closed, the Company is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company to which voting rights are attached (assuming that (i) the Offer is fully subscribed and (ii) an Offer Price of 97.2p per New Share).
- 6.4 Assuming that (i) the Offer is fully subscribed and (ii) an Offer Price of 97.2p per New Share, the Company is not aware of any person who will, immediately following Admission of the New Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3 per cent. or more of the issued share capital of the Company to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over the Company.
- 6.5 The persons including the Directors referred to in paragraph 6.1 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.
- 6.6 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.7 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 6.8 In addition to their directorships of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Position	Name of company/ partnership	Position still held (Y/N)
Michael Reeve	Director	Saddleback Corporation Ltd	Y
	Director	The Tregear Company Ltd	Y
	Director	Longhorn Mining Ltd	Y
	Director	The Parachute Regiment Charity	Y
	Director	Finsbury Growth & Income Trust plc	N
	Director	Living Land Limited	N
	Director	Nettleton & Co Limited	N
	Director	British Exploring Society	N
	Director	Saddleback Mining Limited	N
	Director	Silk Road Oil & Gas Limited	N

Roger Smith	Director	Cotton Spring Farm Ltd	Y
	Director	Epworth Investment Management Ltd	Y
	Director	Hertfordshire County Showground Ltd	Y
	Director	Methodist International Centre Ltd	Y
	Director	Central Industrial Holdings Limited (in liquidation)	Y
	Director	BB Realisations Limited (in liquidation)	Y
	Director	Filtwick Oil Company Limited	N
	Director	Yellowtiger Limited	N
	Director	The Macintyre Charitable Trust (dissolved)	N
Stephen Hazell-Smith	Director	Puma VCT V Plc	Y
	Director	Webb Capital Asset Management Ltd	Y
	Director	Webb Capital Advisory Management Ltd	Y
	Director	Octopus Phoenix VCT plc (dissolved)	N
	Director	ICAP Securities & Derivatives Exchange Limited	N
	Director	Polemos Plc	N
Marion Sears	Director	Conduit PR Limited	N
	Director	Dunelm Group Plc	Y
	Director	Persimmon Plc	Y
	Director	Fidelity European Values Plc	Y
	Director	Maplin Properties Limited	Y
	Director	Shandon Associates Limited	Y
	Director	Zetar Plc	N
	Director	Prelude Trust Plc	N
	Director	Storford Interiors (UK) Limited	N

The business address of all the Directors is 20 Old Bailey, London EC4M 7AN.

6.9 None of the Directors has at any time within the last five years:

6.9.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

6.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

6.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 6.8 above; or

6.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

6.10 There are no arrangements or understandings with major

shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.

6.11 There are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for the Company.

6.12 The Directors and directors of the Manager do not have any conflicts of interest between their duties to the Company and their private interests or other duties.

7. Directors' letters of appointment

Michael Reeve, Roger Smith and Stephen Hazell-Smith were appointed as Directors on 2 February 1998 pursuant to appointment letters of the same date. Marion Sears was appointed as a Director on 1 October 2011 pursuant to an appointment letter of 29 September 2011. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Michael Reeve, as chairman of the Company, is entitled to annual remuneration of £24,450, while the annual remuneration receivable by Roger Smith, Stephen Hazell-Smith and Marion Sears is £18,340. None of the Directors has a service contract with the Company and no such contract is proposed. In respect of the year ended 29 February 2012, Michael Reeve received £24,450, Roger Smith £18,340, Stephen Hazell-Smith £18,340 and Marion Sears £7,640.

8. The Company and its subsidiaries

The Company does not have any subsidiaries.

9. Offer agreement

An agreement dated 1 February 2013 between the Company (1), the Directors (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under the Offer. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee for up to nine years of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary, the cost of this ongoing charge being met by Octopus through a reduction in its annual management fee, and has agreed to discharge all the costs of the Offer. Under this agreement certain warranties have been given by the Company, the Directors and the Manager to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the Offer is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

10. Takeovers and mergers

10.1 Mandatory takeover bids

The City Code on Takeovers and Mergers (the “Code”) applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover, and that shareholders of the same class are afforded equivalent treatment. The Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers has now been placed on a statutory footing. The Takeovers Directive was implemented in the UK in May 2006 and since 6 April 2007 has effect through the CA 2006. The Directive applies to takeovers of companies registered in an EU member state and admitted to trading on a regulated market in the EU or EEA.

The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company the other holders of securities must be protected. This is reinforced by Rule 9 of the Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent or more of the voting rights to make a general offer. “Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

10.2 Squeeze out

Section 979 of the CA 2006 provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent., of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the relevant company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the CA 2006

must, in general, be the same as the consideration available under the takeover offer.

10.3 Sell out

Section 983 of the CA 2006 permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in a company which amount to not less than 90 per cent., in value of all the voting shares in the company and carry not less than 90 per cent., of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

11. Notifications of shareholdings

The provisions of DTR 5 will apply to the Company and its shareholders. DTR 5 sets out the notification requirements for shareholders and the Company where the voting rights of a shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. DTR 5 provides that disclosure by a shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

12. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by the Company and which contain any provision under which the Company has any obligation or entitlement which is, or may be, material to the Company as at the date of this document:

12.1 The Offer Agreement, details of which are set out in paragraph 9 above.

12.2 The Directors' letters of appointment, details of which are set out in paragraph 7 above.

12.3 A discretionary investment management agreement dated 3 February 1998 between the Company (1) and Close Investment Limited (2), which was supplemented by a supplemental discretionary investment management agreement dated 19 September 2000, which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010 and 1 February 2013, pursuant to which the Manager provides certain investment management services and administration and secretarial services to the Company for a fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company (the “Fee”) calculated in accordance with the Company's normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee the financial intermediary charges payable under the Offer and

the additional ongoing charges payable to Octopus under the Offer will not exceed 2% of the NAV of the Company per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FSA, ceases to be resident in the UK or if there is a change of control of the Manager. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.

13. Related party transactions

Save for the fees paid to the Directors as detailed in paragraph 7 above, the fees paid under the Investment Management and Administration Agreement detailed in paragraph 12.3 above, the fees paid to Octopus of £nil (2010), £273,699.62 (2011), £246,837.41 (2012) and £120,875.52 (current year) in respect of promotion fees and the administration fee payable to Octopus of 5.5% of the gross proceeds raised by the Company pursuant to the Company's recent enhanced share buyback facility, there were no other related party transactions or fees paid by the Company during the years ended 28 February 2010 and 2011 and 29 February 2012 or to the date of this document in the current financial year.

14. Specific disclosures in respect of closed ended funds

- 14.1 The Manager intends to use the proceeds of the Offer in accordance with the Company's objective of spreading investment risk and in accordance with the Company's investment policy. This investment policy is in line with the venture capital trust rules and the Company will not deviate from them. Further, in accordance with the venture capital trust rules, the Company will invest in ordinary shares, in some cases a small number of preference shares where applicable, and may also invest into debt instruments, and always in accordance with such rules.
- 14.2 The Company is not regulated by the FSA (or equivalent overseas regulator) although venture capital trusts need to meet a number of conditions set out in tax legislation in order for the venture capital trust tax reliefs to apply, and comply with the rules and regulations of the UK Listing Authority. The Company must also comply with the Companies Act 2006 and UK law generally.
- 14.3 The Company is governed by the venture capital trust rules in respect of the investments it makes as described in Part 2 of this document. The Company has appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as its venture capital trust status monitor. PwC will report to the Company as a part of its annual reporting obligations. In respect of any breach of the venture capital trust rules, the Company, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Company's shareholders via a Regulatory News Service provider.
- 14.4 The Company will not invest more than 15 per cent. of

its gross assets in any single company, in accordance with the venture capital trust legislation, nor will the Company control the companies in which it invests in such a way as to render them subsidiary undertakings until it has obtained approval as a venture capital trust from HMRC.

- 14.5 The Company will not conduct any trading activity which is significant in the context of its group (if any) as a whole. No more than 10 per cent., in aggregate, of the value of the total assets of the Company at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds.
- 14.6 The Board must be able to demonstrate that it will act independently of the Manager. A majority of the Board (including the Chairman) must not be directors, employees, partners, officers, or professional advisers of or to, the Manager or any company in the Manager's group or any other investment entity which they manage.
- 14.7 The Company will not invest directly in physical commodities.
- 14.8 The Company will not invest in any property collective investment undertaking.
- 14.9 Other than as provided for under its investment policy the Company will not invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (ie solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks)
- 14.10 The Manager is responsible for the determination and calculation of the NAV of the Company on a weekly basis.
- 14.11 The net asset value of the Company's investments will be determined by the Manager in accordance with the British Venture Capital Association's recommendations as set out in the BVCA notes of guidance. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.
- 14.12 The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of net asset value differ from that set out above then this will be communicated to Shareholders through a Regulatory News Service provider.

15. Working capital

The Company is of the opinion that the working capital of the Company is sufficient for its present requirements, that

is, for at least the period of twelve months from the date of this document.

16. Capitalisation and indebtedness

16.1 The capitalisation of the Company as at 31 December 2012 was as follows:

Called up Equity Share Capital	472,514
Share Premium	2,483,598
Special Distributable Reserve	55,261,345
Capital Redemption Reserve	12,907
Capital Reserve Realised	(22,483,034)
Capital Reserve Unrealised:	6,220,704
Revenue Reserve:	285,089
Total Equity Shareholders' Funds	42,253,122

16.2 Since inception, the Company has incurred no indebtedness. The Company has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 4.1.12 of Part Five.

17. Corporate Governance

17.1 The UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (the "Code") applies to the Company. The Directors acknowledge the section headed "Comply or Explain" in the preamble to the Code which acknowledges that some provisions may have less relevance for investment companies and, in particular, consider some areas inappropriate to the size and nature of the business of the Company. Accordingly, the provisions of the Code are complied with save that (i) the Company does not have a chief executive officer or a senior independent director (the Board does not consider this necessary for the size of the Company), (ii) the Company does not have a separate nomination committee (appointments are dealt with by the full Board as and when appropriate), (iii) the Company conducts a formal review as to whether there is a need for an internal audit function, however the Directors do not consider that an internal audit would be an appropriate control for a VCT (iv) the Company does not have a remuneration committee given the size of the Company and as such the whole Board deals with any matters of this nature and (v) as the Company has no major shareholders, the Shareholders are not given the formal opportunity to meet any non-executive Directors at a specific meeting other than the annual general meeting however informal meetings can be arranged.

Audit Committee

17.2 The audit committee of the Company comprises the Board, is chaired by Roger Smith and meets twice a year. The committee has direct access to PKF (UK) LLP, the Company's external auditor. The duties of the audit committee are, inter alia:

17.2.1 to review and approve the half yearly and annual results of the Company and the statutory accounts before submission to the Board;

17.2.2 reviewing and approving the external auditor's terms

of engagement and remuneration; and

17.2.3 reviewing the appropriateness of the Company's accounting policies to consider matters of corporate governance as may generally be applicable to the Company and make recommendations to the Board in connection therewith as appropriate.

Nomination and Remuneration Committees

17.2.4 To date no nomination or remuneration committees have been established. Recommendations for the re-election of Directors are considered by the Board. Matters relating to remuneration of Directors are considered by the Board and any Director is excluded from meetings whose purpose is the setting of his own remuneration.

18. Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since the Company's incorporation which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

19. General

19.1 The estimated costs and expenses relating to the Offer, assuming full subscription are estimated to amount to no more than £550,000 (excluding VAT). Assuming full subscription and costs and expenses equal to 5.5% of the gross proceeds of the Offer, the total net proceeds of the Offer, after all fees, will be £9,450,000.

19.2 PKF (UK) LLP, chartered accountants of Farringdon Place, 20 Farringdon Road, London EC1M 3AP have been the auditors of the Company for over three years and have given unqualified audit reports on the statutory accounts of the Company for all of the financial years to which they have been auditor within the meaning of Section 495 of the CA 2006. None of those reports contained any statements under Section 237(2) or (3) of the CA 2006. Statutory accounts of the Company for each of those financial years have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006. The half-yearly financial reports for the six month periods ended 31 August 2011 and 31 August 2012 and the statutory accounts of the Company for the year ended 28 February 2010, 28 February 2011 and 29 February 2012 have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

19.3 The Company shall take all reasonable steps to ensure that its auditors are independent of it and will obtain written confirmation from its auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.

19.4 Howard Kennedy's office address is at 19 Cavendish Square, London W1A 2AW. Howard Kennedy is regulated by the Financial Services Authority and is acting in the capacity as Sponsor to the Company.

- 19.5 Howard Kennedy has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 19.6 The statements attributed to the Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Manager. The Manager accepts responsibility for those statements, and to the best of the knowledge and belief of the Manager (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of such information.
- 19.7 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 19.8 The Company does not assume responsibility for the withholding of tax at source.
- 19.9 Save in respect of an increase in the NAV per Share from 86.9p as at 31 August 2012 (unaudited) to 91.8p as at 21 January 2013 (unaudited), there has been no significant change in the financial or trading position of the Company since 31 August 2012, the date to which the latest interim financial information has been published, to the date of this document.
- 19.10 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Manager and the Directors are aware.
- 19.11 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a venture capital trust detailed in this document are breached.
- 19.12 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy in this document. There are no firm commitments in respect of the Company's principal future investments. As at 21 January 2013, the Company had £6,638,802 of uninvested cash which has been retained for working capital and follow-on or new investments.
- 19.13 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which, may be at a subsequent date result in a change of control of the Company.
- 19.14 The Company has no employees or subsidiaries.
- 19.15 The typical investor for whom investment in the Company is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out on page 9, considers the investment policy of the Company to be attractive. This may include retail, institutional and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-venture capital trust investments.
- 19.16 The Company does not have any material shareholders with different voting rights.
- 19.17 Application has been made for the admission of the New Shares to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The New Shares will be in registered form. If, following issue, recipients of New Shares should wish to hold their New Shares in uncertificated form they should contact the Company's registrar.
- 19.18 The Directors believe that the effect of the Offer on the earnings of the holders of Shares and New Shares will be positive because the Company's fixed costs will be spread over a larger Company NAV. Had the Offer been undertaken on 1 March 2012, the assets of the Company would have been supplemented by the net proceeds of the Offer, and the earnings enhanced by income earned on capital deployed from those funds.
- 19.19 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.20 The Manager will provide safe custody to the Company in respect of the un-invested cash, general investment and dealing services on a discretionary basis and other related facilities which may include the following investments: shares in investee companies, debenture stock, loan stock, bonds, units, notes, certificates of deposit, commercial paper or other debt instruments, municipal and corporate issues, depository receipts, cash term deposits, money market securities, unit trusts, mutual funds, OEICs, investment funds and similar funds and schemes in the United Kingdom or elsewhere. These services exclude any transaction in relation to futures and options or other derivative type instruments or commodity (or derivative thereof) by the Manager.
- 19.21 The existing issued Shares will represent 81.9 per cent of the enlarged ordinary share capital immediately following the Offer, assuming the Offer is fully subscribed at an Offer Price of 96.1p, and on that basis Shareholders who do not participate in the Offer will, therefore, be diluted by 17.9 per cent.
- 19.22 The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 30 April 2013,

unless previously extended by the Directors but may not extend beyond 31 January 2014. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus in the UK.

19.23 Information on the terms and conditions of the Offer will be given to investors by financial intermediaries at the time that the Offer is introduced to investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in paragraph 19.22 above.

20. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Howard Kennedy, 19 Cavendish Square, London, W1A 2AW whilst the Offer remains open:

- 20.1 the Articles;
- 20.2 the material contracts referred to in paragraph 12 above;
- 20.3 the half year reports of the Company for the 6 month periods ending 31 August 2011 and 31 August 2012 and the annual accounts for the periods ending 28 February 2010, 28 February 2011 and 29 February 2012; and
- 20.4 this document.

1 February 2013

DEFINITIONS

The following definitions apply throughout this document, unless otherwise expressed or the context otherwise requires:

“Acts”

CA 1985 and CA 2006

“Applicant”

the person applying for New Shares using the Application Form

“Application”

an application for New Shares under the Offer

“Application Form”

the application form attached to the end of this document

“Board”

the board of Directors of the Company

“CA 1985”

Companies Act 1985

“CA 2006”

Companies Act 2006

“Company” or “Octopus AIM”

Octopus AIM VCT plc

“Directors”

the directors of the Company (and each a “Director”)

“FSMA”

the Financial Services and Markets Act 2000, as amended

“HMRC”

HM Revenue and Customs

“Howard Kennedy

Howard Kennedy Corporate Services LLP

“ITA 2007”

Income Tax Act 2007 (as amended)

“ISDX Growth Market”

ICAP Securities and Derivatives Exchange Growth Market, a market operated by ICAP

“London Stock Exchange”

London Stock Exchange plc

“NAV”

net asset value

“New Shares”

Shares being offered by the Company pursuant to the Offer (and each a “New Share”)

“Octopus”, the “Manager” or the “Receiving Agents”

Octopus Investments Limited

“Offer Price”

the price per New Share as set out on page 14

“Offer”

the offer for subscription by the Company for New Shares in respect of the tax years 2012/13 and 2013/14 contained in this document

“Official List”

the official list maintained by the UK Listing Authority

“Prospectus Rules”

the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC

“Qualifying VCT”

a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007

“Qualifying Investments”

shares in, or securities of, a Qualifying VCT held by the Company which meets the requirements described in chapter 4 of Part 6 ITA 2007

“Shareholder”

a holder of Shares

“Shareholders”

holders of Shares

“Shares”

ordinary shares of 1p each in the capital of the Company (and each a “Share”)

“Taxes Act”

The Income Tax Act 2007, as amended

“Terms and Conditions”

the terms and conditions of Application, contained in this document on pages 36 to 39, which should be read in full

“Total Return”

the sum of (i) the NAV per Share and (ii) all distributions per Share paid since the first admission of the Shares to the Official List

“VCT Value”

the value of an investment calculated in accordance with Section 278 of the Taxes Act

“venture capital trust” or “VCT”

a company which is, for the time being, approved as a venture capital trust under Section 259 of the Taxes Act

“VCT rules”

Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning venture capital trusts

TERMS AND CONDITIONS

The following terms and conditions apply to the Offer. The section headed "Application Procedure" as set out below also forms part of these terms and conditions of Application.

- I. The maximum amount to be raised by the Company is £10 million. The Offer will close once the Company has reached its aggregate maximum number of New Shares which may be issued.
2. The contract created with the Company by the acceptance of an Application (or any proportion of it) under the Offer will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Company pursuant to the Offer to the Official List (save as otherwise resolved by the Board).
3. The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than £1) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
4. By completing and delivering an Application Form, you:
 - I. irrevocably offer to subscribe the monetary amount for New Shares in the Company under the Offer in the amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the New Shares at the Offer Price determined by dividing the most recently announced NAV per Share of the Company by 0.945 to allow for issue costs, on the terms of and subject to this document and subject to the memorandum and articles of association of the Company. Where the Share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offer will be ex-dividend. In respect of the Offer, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractional of New Shares will not be allotted).
 - II. agree that your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
 - III. agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive certificates in respect of the New Shares allotted to you until you make payment in cleared funds for such New Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it and the Receiving Agents 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 you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to their other rights) rescind the agreement to subscribe such New Shares and may issue such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;
 - IV. agree that, in respect of those New Shares for which your Application per Offer is received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation and allotment, or by notification of acceptance thereof to the Receiving Agents;
 - V. agree that any monies refundable to you by the Company may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will not bear interest;
 - VI. authorise the Receiving Agents to send share certificates in respect of the number of New Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Shares;
 - VII. agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed 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 or Octopus 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 any court of competent jurisdiction;
 - VIII. confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document,

the cover correspondence or any part thereof or involved in the preparation thereof shall have any liability for such information or representation (save for fraudulent misrepresentation or wilful deceit);

- IX. irrevocably authorise the Receiving Agents to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents to execute any document required therefore;
- X. agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning the Company and the Offer contained therein;
- XI. confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
- XII. declare that you are an individual aged 18 or over;
- XIII. agree that all documents and cheques sent by post to, by or on behalf of either the Company or the Receiving Agents, will be sent at the risk of the person entitled thereto;
- XIV. agree, on request by the Company or Octopus, to disclose promptly in writing to Octopus, any information which Octopus may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Company or Octopus to disclose any information relating to your Application as the Company or Octopus consider appropriate;
- XV. agree that Octopus will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Shares pursuant to the Offer or the suitability for you of an investment in New Shares pursuant to the Offer or be responsible to you for providing the protections afforded to its customers;
- XVI. where applicable, authorise the VCT to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
- XVII. declare that the Application Form has been completed to the best of your knowledge;
- XVIII. undertake that you will notify the Company if you are not or cease to be either a venture capital trust qualifying subscriber or beneficially entitled to the New Shares;
- XIX. 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, New Shares under the Offer and that such New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax; and

- XX. agree that information provided on the Application Form may be provided to the registrars and Receiving Agents to process shareholdings details and send notifications to you.
5. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application 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 requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.
 6. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the New Shares have not been and will not be registered under the United States Investment Company Act of 1940, as amended. Octopus will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
 7. The basis of allocation will be determined by the Company (after consultation with Octopus) in their absolute discretion. The right is reserved by the Board to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Company or Octopus consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied. Dealings prior to the issue of certificates for New Shares 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.
 8. Money Laundering Regulations
Investors should be aware of the following requirements in respect of the above law.

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over £10,000 or who invest using third party cheques. Octopus may therefore undertake an electronic search for the purposes of verifying your identity. To do so Octopus may check the details you supply against your particulars on any database (public or other) to which Octopus has access.

Octopus may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If Octopus cannot verify your identity it may ask for a recent, original utility bill and an original HMRC Tax Notification or a copy of your passport certified by a bank, solicitor or accountant from you or a Client Verification Certificate from your IFA.

If within a reasonable period of time following a request for verification of identity, and in any case by no later than 3.00 p.m. on the relevant date of allotment, Octopus has not received evidence satisfactory to it as aforesaid, Octopus, at its absolute discretion, may reject any such Application in which event the remittance submitted in respect of that Application will be returned to the Applicant (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for by members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation.

9. For all investors, the Offer Price will be determined by the following formula: The most recently announced NAV per Share, divided by 0.945.

An initial charge of 3% of the gross sums received by the Company will be paid to Octopus by the Company. Out of this, Octopus will discharge all external costs of advice and their own costs in respect of the Offer.

Payments for Advised Investors, Non-advised investors and Direct investors

Applications where advice is received and an ongoing charge is levied

The Company can facilitate a payment to an adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. The Company can also facilitate annual payments to an adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the adviser to the investor of up to 0.5% per annum of the investment amount's NAV, whilst the investor continues to hold the Shares, for a maximum of nine years. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional

New Shares for the investor, at the then most recently announced NAV per Share. This cost of ongoing adviser charges will be met by Octopus through a reduction in their annual management fee.

If the investor terminates their relationship with the adviser so that the investor no longer receives ongoing advisory services then the Company will not make any further payments of ongoing adviser charges.

Applications where advice is received and an ongoing charge is not levied

Where ongoing advisory services are not being provided by the adviser to the investor, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged by such payment, a notional ongoing adviser charge equivalent to 0.5% per annum of the investment amount's NAV will be deemed to have been paid by the Company for a period of 9 years. The cost of this notional ongoing adviser charge will be met by Octopus through a reduction in their annual management fee.

Applications made through a financial intermediary where no advice is received

An initial commission of 2.5% of the investment will be paid by the Company to the intermediary. An annual trail commission of 0.5% of the investment amount's NAV will be paid by Octopus to the intermediary. Such commission will be available for up to nine years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

Direct applications

If an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount, and an additional annual ongoing charge of 0.5% of the investment amount's NAV, for up to nine years, provided the investor continues to hold the Shares. The cost of this ongoing charge will be met by Octopus through a reduction in its annual management fee.

The re-investment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the new ordinary shares. Any purchaser of those shares will not benefit from the re-investment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of Shares will not benefit from the issue or allotment of any additional new ordinary shares under the arrangements set out above.

Any additional New Shares which are issued under the arrangements which are described above will be issued in full and final satisfaction of any cash sums which would

otherwise be due to the investor. The Company does not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Company is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

The above payments are subject to any future changes in the applicable rules and regulations.

APPLICATION PROCEDURE

SECTION 1

Please insert your full name, permanent address, daytime telephone number, date of birth, email address and national insurance number in Section 1. Your national insurance number is required to ensure you obtain your income tax relief. Joint applications are not permitted but husbands and wives may apply separately.

SECTION 2

Please note that the minimum aggregate investment is £5,000. The maximum investment into VCTs in any tax year, on which VCT tax reliefs are available, is £200,000. Attach your cheque or bankers' draft to the Application Form for the total amount of your investment. Alternatively, you can make your investment via bank transfer.

Please make cheques payable to 'Octopus AIM VCT – Applications' and crossed 'A/C Payee only'. Cheques must be from a recognised UK Bank account and your payment must relate solely to this application.

Bank transfers should be paid to:

'Octopus AIM VCT – Applications'

Sort code: **40-03-28**

Account no: **12684632**

Please reference bank transfers with your surname and initials. Please note that any application received after 12.00pm on 5 April 2013 will be processed in the 2013/2014 tax year. For applications in respect of both tax years, please tick both boxes, filling out the amount you would like to invest separately in the boxes provided. Read the declaration below and sign and date the Application Form.

If this form is completed and signed by the investor named in Section 1:

By signing this form I HEREBY DECLARE THAT:

- i. I have read the Terms and Conditions of Application set out in the prospectus dated 1 February 2013 and agree to be bound by them;
- ii. I will be the beneficial owner of New Shares in Octopus AIM VCT plc;
- iii. I understand the risk factors associated with an investment in Octopus AIM VCT plc;
- iv. to the best of my knowledge and belief, the personal details I have given are correct; and

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs i. to iv.

SECTION 3

Please indicate how you would like us to communicate with you.

SECTION 4

Please tick the one box that is appropriate to you. Details of the three options are:

1. Investors who have invested their money through a financial intermediary and received advice (Advised investors)
2. Investors who have invested their money through a financial intermediary and not received advice (Non-advised investors)
3. Investors who have not invested their money through a financial intermediary and have invested directly into the Company (Direct investors)

If you are an advised investor and would like the Company to facilitate both an initial charge and an ongoing charge to your financial intermediary, please fill out option A, indicating the percentages of

your investment you would like the Company to facilitate, then go to Section 5.

If you are an advised investor and would like the Company to facilitate an initial charge only to your financial intermediary, please fill out option B, indicating the percentages of your investment you would like the Company to facilitate, then go to Section 5.

If you are a non-advised investor please go straight to Section 5.

If you are a direct investor, please go straight to Section 6.

SECTION 5

If the Application is from an authorised financial intermediary, please include full name and address, telephone number and details of your firm's authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission or advisor charges if Octopus is not, in its sole discretion, satisfied that the financial intermediary is authorised.

SECTION 6

Please complete the mandate instruction to have dividends paid directly into your bank or building society.

SECTION 7

If applicable, please insert any special instructions in the box provided.

FREQUENTLY ASKED QUESTIONS

Q: Who should I make the cheque payable to?

A: Cheques should be made payable to 'Octopus AIM VCT – Applications'.

Q: Can I invest via bank transfer instead?

A: Yes – bank transfers should be paid to:

'Octopus AIM VCT – Applications'

Sort code: **40-03-28**

Account no: **12684632**

Please reference bank transfers with your surname and initials.

Q: Where should I send my Application?

A: Your Application Form (and cheque) should be sent to:

**Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN**

Q: What happens after I invest?

A: We will send you confirmation that we have received your application by return of post. You should expect to receive your share certificates and tax certificates within a few weeks of making your investment.

Please send the completed Application Form together with your cheque or bankers' draft to Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN.

If you have any questions on how to complete the Application Form please contact Octopus Investments on 0800 316 2295.



This form allows you to invest in the Octopus AIM VCT.

The form has 7 sections:

1. About the investor
2. Subscription details
3. Investor services
4. About adviser/intermediary payment
5. About the adviser/intermediary (to be completed by your adviser/intermediary)
6. Dividend instructions
7. Special instructions

How to complete the form

- Please read the *Octopus AIM VCT prospectus* available from your financial adviser or on our website.
- Please make sure you answer all the required questions marked with an '*'.
- Tick the boxes that apply, like this: ☒
- Leave boxes blank where they don't apply to you, or strike through the box as relevant.

What happens next?

- We will send you an acknowledgement that we have received your application, and your funds will be invested as quickly as possible.
- Once your funds have been invested we will send you regular performance updates.

When you have completed the form, tick the following to confirm:

- ☐ You've read and understood the *Octopus AIM VCT prospectus* as available from your adviser/intermediary or from the Octopus website.
- ☐ You've answered all the questions that apply to you.
- ☐ If you are paying by cheque, you have enclosed your cheque from a personal account, made payable to '**Octopus AIMVCT plc – Applications**'. We do not accept cheques from business accounts. Bankers' drafts or building society cheques must specifically mention the investor's name.
- ☐ Or, if you are paying via CHAPS/BACS, please transfer your investment to the following account after first sending in your completed application form, making sure that you **reference the payment with your surname and initials**:

Account name:	Octopus AIMVCT plc – Applications
Sort code:	40-03-28
Account number:	12684632

Bank:	HSBC
Branch:	Holborn


Payments need to come from your personal account (we do not accept payments from business accounts).

- ☐ You have signed and dated where indicated in Sections 2 and 6.

Return your completed form and documents to:

Octopus Investments Limited
20 Old Bailey
London EC4M 7AN

Got a question?

 Please speak to your adviser or speak to one of the Octopus team on **0800 316 2295**

 Email: info@octopusinvestments.com

We can't give investment advice, but we're happy to answer questions about anything else.

Before completing this Offer application form you should read the prospectus issued by Octopus AIMVCT dated 1 February 2013 ("Prospectus") which includes the Offer Terms and Conditions of Application and Offer Application Procedure. The offer will close at noon on 5 April 2013 for the 2012/2013 tax year and noon on 30 April 2013 for the 2013/2014 tax year, unless it is fully subscribed prior to that date or extended by the Board (to no later than 31 January 2014).

Section 1 – About the investor

* Title (Mr/Mrs/Miss/Ms/Other)		
* First name(s)		
* Last name		
* Existing Octopus investor?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
* Date of birth	D D M M Y Y Y Y	
* National Insurance number		
* Telephone numbers	Home: Mobile:	Work:
* Address	<div></div> <div></div> <div></div> <div>Postcode</div>	
* Email		

Section 2 – Subscription details

* How much are you investing?	<p>The minimum investment per applicant is £5,000. There is no maximum investment, however tax relief is only available on a maximum £200,000 in each tax year.</p> <p>2012/13 £ <input type="text"/> 2013/14 £ <input type="text"/></p>	
Cheque/bankers' draft, or bank transfer? <i>(Tick one box only)</i>	<input type="checkbox"/> Cheque/bankers' draft Please enclose a cheque from a personal account, made payable to ' Octopus AIMVCT plc – Applications '. We do not accept cheques from business accounts. Bankers' drafts and building society cheques must specifically mention the investor's name.	<input type="checkbox"/> Bank transfer Please transfer your investment to the following account after first sending in your completed application form, making sure that you reference the payment with your surname and initials : Account name: Octopus AIMVCT plc – Applications Sort code: 40-03-28 Bank: HSBC Account number: 12684632 Branch: Holborn <i>Payments need to come from your personal account. We do not accept payments from business accounts.</i>
* Your name		
* Signature		
* Date signed	D D M M Y Y Y Y	

Section 3 – Investor services

How would you like to receive copies of statutory communications, such as annual and interim reports?

☐ Email ☐ Post

How would you like to be updated about your investment?

☐ Email ☐ Post

How would you like to be updated about new VCT funds and other Octopus services?

☐ Email ☐ Post ☐ No thanks

Section 4 – About adviser/intermediary payment

***What type of investment is this?**
(Tick one box only)

- ☐ This is an advised investment – please go to Adviser charges below
- ☐ This is a non-advised investment (ie your intermediary is not providing you with advice) – please leave the rest of this section blank and go to Section 5
- ☐ This is a direct investment (ie you are not submitting this application through an adviser/intermediary) – please leave the rest of this section blank and go to Section 6

Adviser charges

By completing this section, I hereby confirm that the amounts set out below have been agreed with my adviser and, the amounts allocated to me shall be used to subscribe for additional shares in the Company in accordance with the terms and conditions of the Offer.

Please complete either **Option A**, if you require the Company to facilitate initial and ongoing adviser charges, or **Option B** below if you would like the Company to facilitate the initial adviser charge only.

If you have any further questions please talk to your adviser.

Option A – Initial and ongoing adviser charges

Initial (must total 2.5%) To me as additional shares % To my adviser %

Ongoing (must total 0.5%) To me as additional shares % To my adviser %

OR

Option B – Initial adviser charge only

Initial (must total 4.5%) To me as additional shares % To my adviser %

Section 5 – About the adviser/intermediary (to be completed by your adviser/intermediary)

	Adviser/intermediary	Administrator
Company	<input type="text"/>	<input type="text"/>
Title (Mr/Mrs/Miss/Ms/Other)	<input type="text"/>	<input type="text"/>
First name(s)	<input type="text"/>	<input type="text"/>
Last name	<input type="text"/>	<input type="text"/>
Telephone	<input type="text"/>	<input type="text"/>
Address	<input type="text"/> <input type="text"/> <input type="text"/> Postcode <input type="text"/>	<input type="checkbox"/> Please use adviser's address details <input type="text"/> <input type="text"/> <input type="text"/> Postcode <input type="text"/>
Email	<input type="text"/>	<input type="text"/>
FSA number	<input type="text"/>	

Section 5 continued

Email address for adviser charge/commission statements ☐ Adviser/intermediary ☐ Administrator ☐ Other

(Tick one box only)

Email address:

Please give the bank account details for Octopus to pay your adviser charges/commission by BACS

Account name

Account number

Sort code

Octopus reserves the right to withhold adviser/intermediary payments if we are not fully satisfied that you are authorised under the Financial Services and Markets Act 2000 or exempt from authorisation.

Section 6 – Dividend instructions

* Please give us details of the bank account you would like future dividends to be paid into

Account name

Bank or building society name

Account number

Branch address

Sort code

Postcode

* Signature

* Date signed

Section 7 – Special instructions

Special instructions

The company cannot accept any responsibility if any details provided by you are incorrect.



LIST OF ADVISERS TO THE COMPANY

INVESTMENT MANAGER AND ADMINISTRATOR AND RECEIVING AGENTS

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

COMPANY SECRETARY

Patricia Standaloft, ACIS

AUDITOR

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

SOLICITOR

Howard Kennedy LLP
19 Cavendish Square
London
W1A 2AW

SPONSOR

Howard Kennedy Corporate Services LLP
19 Cavendish Square
London
W1A 2AW

TAX ADVISER

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

www.octopusinvestments.com