

Octopus Apollo VCT Prospectus

The issue by Octopus Apollo VCT plc of Scheme Shares in connection with the acquisition of the assets and liabilities of Octopus Eclipse VCT plc.

Offer for Subscription by Octopus Apollo VCT plc, for the tax years 2016/2017 and 2017/2018, to raise up to £20 million by way of an issue of Offer Shares.



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 financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).

This document, which comprises a prospectus relating to Octopus Apollo VCT plc (the “Company”) dated 4 November 2016, has been prepared in accordance with the prospectus rules made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under the Prospectus Rules on 4 November 2016.

The Company, the Directors and the Proposed Director, whose names appear on pages 30 to 31 of this document, accept responsibility for the information contained herein. To the best of the knowledge of the Company, the Directors and the Proposed Director (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 Conduct 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 Apollo VCT plc

(registered number 5840377)

Prospectus relating to:

the issue by Octopus Apollo VCT plc of Scheme Shares in connection with the acquisition of the assets and liabilities of Octopus Eclipse VCT plc

offer for subscription by Octopus Apollo VCT plc of Offer Shares to raise up to a maximum of £20 million, payable in full in cash on application

Sponsor

Howard Kennedy Corporate Services LLP

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 on 20 December 2016 with regards to the Scheme Shares and within 10 business days of their allotment with regards to the Offer Shares. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form. The New Shares will rank pari passu in all respects with the existing Shares. The Offer is conditional on the passing by the Shareholders of Resolution 2 at the General Meeting.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, 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.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. The Elements are numbered in Sections A—E.

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 only to those persons who have tabled the 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 such securities.
A.2	Consent for Use of Prospectus by financial intermediaries	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 3 November 2017. The Merger is expected to complete on 19 December 2016. There are no conditions attaching to this consent. Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.

Schedule B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Octopus Apollo VCT plc.
B.2	Domicile and legal form	Octopus Apollo VCT plc was incorporated and registered in England and Wales on 7 June 2006 as a public company limited by shares under the Companies Act 1985 with registered number 5840377.
B.5	Group description	The Company is not presently part of a group.
B.6	Major shareholders	The Company is not aware of any person or persons who have, or who following the Offer and the Merger 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 and the Merger, directly or indirectly exercise control over the Company. There are no different voting rights for any Shareholder.
B.7	Selected financial	Selected historical financial information relating to the Company, which has been extracted from the audited and unaudited financial statements referenced in the following tables, is set

information

out below:

	Year Ended 31 January 2014 (audited)	Year Ended 31 January 2015 (audited)	Year Ended 31 January 2016 (audited)	Six months ended 31 July 2015 (unaudited)	Six months ended 31 July 2016 (unaudited)
Net assets (£'000)	63,905	119,563	127,741	134,238	152,139
Net asset value per Share (p) (Ordinary, C Ordinary, D Ordinary)	86.8, N/A, N/A	84.8, 98.2, N/A	82.3, N/A, 93.7	83.6, 98.0, N/A	83.0, N/A, 92.3
Revenue return after expenses and taxation (£'000)	1,599	1,630	1,689	1,182	1,052
NAV plus cumulative dividends paid (p) (Ordinary, C Ordinary*, D Ordinary**)	109.3, N/A, N/A	112.3, 105.0, N/A	114.8, N/A, 98.7	113.6, 105.0, N/A	115.5, N/A, 97.3
Dividend paid per Share during the period (p) (Ordinary, C Ordinary*, D Ordinary**)	5.0, N/A, N/A	5.0, N/A, N/A	5.0, N/A, N/A	2.5, N/A, N/A	2.5, N/A, N/A
Total Expenses (£'000)	2,174	3,551	4,405	2,086	2,163
As a percentage of average Shareholders' funds	3.4%	3.0%	3.4%	1.6%	1.4%
Earnings per Share (p)	2.5	3.3	2.0	1.0	0.8

* This includes dividends paid to shareholders formerly in Octopus VCT Plc prior to merger with the Company on 28 November 2014.

** This includes dividends paid to shareholders formerly in Octopus VCT 2 Plc prior to merger with the Company on 27 January 2016.

On 28 November 2014 the Company merged with Octopus VCT plc with a total of 52,035,840 C ordinary shares of 1 pence each being issued to former shareholders of Octopus VCT plc.

		<p>Net proceeds of £23.4 million, £3.9 million and £26.7 million and £39.5 million were raised by the Company under offers for subscription which opened on 1 October 2012, 1 December 2013, 24 October 2014 and 2 November 2015 respectively.</p> <p>On 21 August 2015 a payment of 98.0p per C share was paid in respect of those C shares that did not convert to Shares, reducing the NAV of the Company by approximately £34 million.</p> <p>On 27 January 2016 the Company merged with Octopus VCT 2 plc with a total of 19,082,726 D ordinary shares of 1 pence each being issued to former shareholders of Octopus VCT 2 plc.</p> <p>On 4 August 2016 a payment of 92.3p per D share was paid in respect of those D shares that did not convert to Shares, reducing the NAV of the Company by approximately £14.4 million.</p> <p>Save in respect of these matters, both during the financial periods referred to above and since 31 July 2016 there has been no significant change in the financial condition or operating results of the Company.</p>																																													
B.8	Key pro forma financial information	<p>Unaudited pro forma statement of earnings</p> <p>The following unaudited pro forma statement of earnings of the Enlarged Company has been prepared to illustrate the effect of the Merger and the Offer on the earnings of Apollo for the six months ended 31 July 2016 as if the Merger and the Offer had occurred at the start of the period, 1 February 2016. The six month earnings for Eclipse are for the period ended 31 March 2016.</p> <p>The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Apollo's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.</p> <p>The unaudited pro forma statement of earnings is based on the earnings of Apollo for the six months ended 31 July 2016, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2016 and has been prepared in a manner consistent with the accounting policies adopted by Apollo in preparing such information and on the basis set out in the notes set out below.</p> <p>Unaudited pro forma statement of earnings</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Octopus Apollo VCT Plc (Note 1) £'000</th> <th style="text-align: center;">Octopus Eclipse VCT Plc (Note 2) £'000</th> <th style="text-align: center;">Merger Costs (Note 3) £'000</th> <th style="text-align: center;">Pro forma total £'000</th> </tr> </thead> <tbody> <tr> <td>Realised gain on disposal of fixed asset investments</td> <td style="text-align: right;">987</td> <td style="text-align: right;">143</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1,130</td> </tr> <tr> <td>Fixed asset investment holding gains</td> <td style="text-align: right;">367</td> <td style="text-align: right;">41</td> <td style="text-align: right;">-</td> <td style="text-align: right;">408</td> </tr> <tr> <td>Current asset investment holding gains</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Investment income</td> <td style="text-align: right;">2,188</td> <td style="text-align: right;">207</td> <td style="text-align: right;">-</td> <td style="text-align: right;">2,395</td> </tr> <tr> <td>Investment management fees</td> <td style="text-align: right;">(1,405)</td> <td style="text-align: right;">(351)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(1,756)</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;">(758)</td> <td style="text-align: right;">(273)</td> <td style="text-align: right;">(331)</td> <td style="text-align: right;">(1,362)</td> </tr> <tr> <td>Return on ordinary activities before tax</td> <td style="text-align: right;">1,379</td> <td style="text-align: right;">(233)</td> <td style="text-align: right;">(331)</td> <td style="text-align: right;">815</td> </tr> <tr> <td>Taxation on return of ordinary</td> <td style="text-align: right;">(70)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(70)</td> </tr> </tbody> </table>		Octopus Apollo VCT Plc (Note 1) £'000	Octopus Eclipse VCT Plc (Note 2) £'000	Merger Costs (Note 3) £'000	Pro forma total £'000	Realised gain on disposal of fixed asset investments	987	143	-	1,130	Fixed asset investment holding gains	367	41	-	408	Current asset investment holding gains	-	-	-	-	Investment income	2,188	207	-	2,395	Investment management fees	(1,405)	(351)	-	(1,756)	Other expenses	(758)	(273)	(331)	(1,362)	Return on ordinary activities before tax	1,379	(233)	(331)	815	Taxation on return of ordinary	(70)	-	-	(70)
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activities

Return on ordinary activities
after tax

1,309	(233)	(331)	745
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Notes

1. The earnings of Apollo for the six months ended 31 July 2016 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2016.

Adjustments

2. The earnings of Eclipse for the six months ended 31 March 2016 have been extracted without material adjustment from the unaudited half-yearly report of Eclipse for the six months ended 31 March 2016. This adjustment is expected to have a continuing impact on the earnings of the Company.
3. An adjustment has been made to reflect the transaction costs relating to the Merger which are to be expensed. The commission on the gross proceeds of the Offer will be set off against the share premium account within Shareholder's equity. No account has been taken of any potential irrecoverable VAT. This adjustment will not have a continuing impact on the earnings of the Company.
4. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Merger occurred on 1 February 2016 and that may subsequently have affected the results of the Company in the six months ended 31 July 2016.
5. No account has been taken of the trading performance of Apollo since 31 July 2016 or the trading performance of Eclipse since 31 March 2016 nor of any other event save as disclosed above.

Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of Apollo as if the Merger and the Offer had taken place on 1 February 2016. The unaudited net assets of Eclipse are stated as at 31 March 2016.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Apollo's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of Apollo as at 31 July 2016, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2016 and has been prepared in a manner consistent with the accounting policies adopted by Apollo in preparing such information and on the basis set out in the notes set out below.

Unaudited pro forma statement of net assets

Octopus Apollo VCT Plc (Note 1) £'000	Octopus Eclipse VCT Plc (Note 2) £'000	Fund raising (Note 3) £'000	Pro forma total £'000
115,435	26,234	-	141,669

		<p>Fixed asset investments</p> <p>Current assets:</p> <table> <tr> <td>Money market funds</td> <td>-</td> <td>2,046</td> <td>-</td> <td>2,046</td> </tr> <tr> <td>Debtors</td> <td>5,248</td> <td>286</td> <td>-</td> <td>5,534</td> </tr> <tr> <td>Cash at bank</td> <td>35,632</td> <td>4,261</td> <td>18,500</td> <td>58,393</td> </tr> <tr> <td></td> <td>40,880</td> <td>6,593</td> <td>18,500</td> <td>65,973</td> </tr> <tr> <td>Creditors</td> <td>(4,176)</td> <td>(213)</td> <td>-</td> <td>(4,389)</td> </tr> <tr> <td>Net current assets</td> <td>36,704</td> <td>6,380</td> <td>18,500</td> <td>61,584</td> </tr> <tr> <td>Net assets</td> <td>152,139</td> <td>32,614</td> <td>18,500</td> <td>203,253</td> </tr> </table> <p>Notes</p> <ol style="list-style-type: none"> The net assets of Apollo as at 31 July 2016 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2016. <p>Adjustments</p> <ol style="list-style-type: none"> The net assets of Eclipse as at 31 March 2016 have been extracted without material adjustment from the unaudited half-yearly report of Eclipse for the six months ended 31 March 2016. The Offer is estimated to raise net proceeds of £18.5 million (£20.0 million gross proceeds less estimated expenses of £1.5 million). The merger costs have also been accounted for. No account has been taken of the financial performance of Apollo since 31 July 2016 or the trading performance of Eclipse since 31 March 2016 nor of any other event save as disclosed above. 	Money market funds	-	2,046	-	2,046	Debtors	5,248	286	-	5,534	Cash at bank	35,632	4,261	18,500	58,393		40,880	6,593	18,500	65,973	Creditors	(4,176)	(213)	-	(4,389)	Net current assets	36,704	6,380	18,500	61,584	Net assets	152,139	32,614	18,500	203,253
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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 the Company's present requirements (that is, for at least the next twelve months from the date of this document).																																			
B.34	Investment objective and policy including investment restrictions	<p><u>Investment Policy</u></p> <p>The Company's investment policy is designed to enable the Company to comply with the VCT qualifying conditions. It is intended that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of unquoted investments and up to 20% in cash or near cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.</p> <p>Investments are structured using various unquoted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the venture capital legislation. The portfolio is diversified by investing in a broad range of industry sectors and by holding investments in companies at various stages of maturity in the corporate development</p>																																			

		<p>cycle, though investments are not generally made in early stage companies which have yet to achieve profitability and cash generation. The normal investment period is in the range from five to seven years. Any uninvested funds are typically held in cash and money market funds.</p> <p>Risk is spread by investing in a number of different businesses within different industry sectors using a variety of securities. The maximum amount invested in any one company is limited to any HMRC annual investment limits and, generally, no more than 15% of the Company's assets, at cost, are invested in the same company.</p> <p>The value of individual investments is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. The Company's VCT 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 are normally made using shareholders' funds and it is not intended that the Company will take on any long-term borrowings.</p>
B.35	Borrowing limits	The Articles restrict borrowings to 50% of the adjusted capital and reserves. The current policy, however, is that investments will normally be made using the shareholders' funds and it is not intended that the Company will take on any long-term borrowings. As at the date of this document the Company has no borrowings.
B.36	Regulatory status	The Company is authorised and regulated by the FCA as a self managed alternative investment fund.
B.37	Typical investor	A typical investor for whom the Company is designed is a UK 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 to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who already have a portfolio of non-VCT 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>Octopus receives an annual investment management fee of an amount equal to 2% of the net assets of the Company. Octopus also receives an annual administration and accounting fee equal to 0.3% of the net assets of the Company and a company secretarial fee of £20,000. The annual administration and accounting fee arrangements will continue to apply to the Enlarged Company, spread across the enlarged net assets. The annual investment management fee will continue to apply in respect of the Enlarged Company.</p> <p>Octopus is entitled to an annual performance related incentive fee in each accounting period, subject to the NAV plus cumulative dividends paid being at least 100p at the end of the relevant period. The amount of the fee will be equal to 20% of the amount by which the NAV plus cumulative dividends paid at the end of the relevant period exceeds the higher of the:</p>

		<ul style="list-style-type: none"> NAV plus cumulative dividends paid as at the previous year end plus the average Bank of England base rate over the period and the highest NAV plus cumulative dividends paid as at the end of the accounting period commencing on 1 February 2012 or any subsequent accounting period. <p>The annual performance related incentive fee arrangements will continue to apply to the Enlarged Company.</p>
B.41	Regulatory status of the Manager/ custodian	Octopus is authorised and regulated by the Financial Conduct Authority.
B.42	Calculation of Net Asset Value	<p>The NAV of a Share is calculated in accordance with the Company's accounting policies and is published at least every six months through a Regulatory Information Service.</p> <p>The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Company 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 re umbrella collective investment undertaking	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	<p>The Company's investment portfolio comprises predominantly UK unquoted companies across various sectors including software, engineering, telecommunications, distribution and manufacturing.</p> <p>The Company's portfolio of investments was valued at £115.4 million as at 31 July 2016 (the date to which the most recent unaudited financial information has been drawn up). Since this date, the Company's has sold its holdings in CSL DualCom Holdings Limited and Atlantic Screen International Limited, bringing the value of the portfolio down to £103 million.</p>
B.46	Most recent Net Asset Value	The unaudited NAV per Share as at 31 July 2016 was 83.0p. A dividend of 2.5p per Share was subsequently paid on 26 August 2016.

Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The Company will issue new ordinary shares of 1p each pursuant to the Scheme and the Offer. The ISIN and SEDOL of the Scheme Shares and Offer Shares are GB00B17B3479 and B17B347 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be	The maximum number of Offer Shares to be issued pursuant to the Offer is 23,474,178 Offer Shares assuming a full subscription and an Offer Price of 85.2p. The number of Scheme

	issued	Shares to be issued pursuant to the Scheme will be determined at the Scheme Calculation Date by reference to the Merger Value and the Roll-Over Value.
C.4	Description of the rights attaching to the securities	<p><u>As Regards Income:</u> The holders of the Shares shall be entitled to receive such dividends as the Directors resolve to pay in respect of the Shares.</p> <p><u>As Regards Capital:</u> On a return of capital on a winding up or any other return of capital (other than on a purchase by the Company of its 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><u>As Regards Voting and General Meetings:</u> 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><u>As Regards Redemption:</u> 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 the 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 will commence, on 20 December 2016 with regards to the Scheme Shares and within 10 business days of their allotment with regards to the Offer Shares.
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 pay tax free distributions to Shareholders.

Section D — Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the issuer	<ul style="list-style-type: none"> Shareholders may be adversely affected by the performance of the investments, which may restrict the ability of the Company to distribute any capital gains and revenue received on the investments. The Company's investments may be difficult, and take time, to realise. Investment in unquoted companies, which comprise most of the Company's portfolio of companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. The Company will only pay dividends on its Shares to the extent that it has distributable reserves and cash available for that purpose. The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks. The Finance Act 2014 restricts income tax relief on subscription to a VCT after 5 April 2014 where, within 6 months, whether before or after the subscription, the investor

		had disposed of shares in that VCT or a VCT which at any time merges with that VCT.
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> • The value of the Shares may go down as well as up. Shareholders may not receive back the full amount invested and could lose part or all of their investment. • 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 buyback 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 premium segment of 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 and Shareholders may find it difficult to realise their investment.

Section E — Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and expenses of the Issue	<p>The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs of undertaking the Merger are approximately £331,000.</p> <p>The aggregate net proceeds of the Offer, assuming a £20 million subscription and the maximum initial charge, will be £18.5 million. The costs and expenses (excluding VAT but including initial intermediary commission) relating to the Offer for the Company and the expenses charged to an investor, either directly or indirectly, will be up to 7.5% of the gross funds raised by the Company.</p>
E.2a	Reason for the Offer, use of proceeds and estimated net amount of the proceeds	<p>The Company's success to date has highlighted that the model used by Octopus is one that can lead to good returns. The Board believes that the Company's portfolio is well positioned to continue this trend, delivering regular income to those investors able to take a long-term view to investing in well-run, VCT qualifying UK companies. The Board also believes that the funding gap created by the banks' reluctance to fund smaller companies, means that there are plenty of strong investment opportunities that can be accessed. The funds raised under the Offer will be invested in accordance with the Company's investment policy. Some of the funds raised will be used to invest into new portfolio companies and some may be used to further support the Company's existing portfolio. The net proceeds of the Offer, assuming a £20 million subscription and the maximum initial charge, will be £18.5 million.</p>
E.3	Terms and conditions of the Offer	<p>The Offer Price will be determined by the following formula:</p> <ul style="list-style-type: none"> • the most recently announced NAV per Share of the Company, divided by 0.945 <p>The Company announces its NAV on a six monthly 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 for the Company will be ex-dividend. In respect of the Offer, the NAV per Offer Share will be rounded up to one decimal place and the number of Offer Shares to be issued will be rounded down to the nearest whole number (fractions of Offer Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants without interest, except where the amount is less than the Offer Price of one Offer Share in which case it will be donated to charity.</p> <p>The Offer will be closed on full subscription, i.e. once the full £20 million has been raised. The Board reserves the right to close the Offer earlier and to accept applications and issue Offer Shares at any time prior to the close of the Offer. Offer Shares issued will rank pari passu with the existing Shares from the date of issue.</p> <p>The Offer is conditional upon the passing by Shareholders of Resolution 2 at the General Meeting.</p>

E.4	Material interests	Not applicable. No interest is material to the issue of the New Shares.
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	Amount and percentage of dilution	<p>The existing issued Shares in the Company will represent 73.7% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme and the Offer, assuming that (i) the Offer is fully subscribed at an Offer Price of 85.2p and (ii) 38,899,060 Scheme Shares are issued pursuant to the Merger and on that basis Shareholders who do not receive Offer Shares or Scheme Shares will, therefore, be diluted by 26.3%.</p> <p>The existing issued Shares in the Company will represent 81.8% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme, assuming (i) the Offer does not proceed and (ii) 38,899,060 Scheme Shares are issued pursuant to the Merger, and on that basis Shareholders who do not receive Scheme Shares will, therefore, be diluted by 18.2%.</p> <p>The existing issued Shares in the Company will represent 88.2% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming (i) the Offer is fully subscribed at an Offer Price of 85.2p and (ii) the Scheme does not proceed, and on that basis Shareholders who do not receive Offer Shares will, therefore be diluted by 11.8%.</p>
E.7	Expenses charged to the investor	<p>The anticipated cost of undertaking the Merger is approximately £331,000, including VAT, legal and professional fees, stamp duty and the costs of winding up Eclipse. The costs of the Merger will be split proportionately between the Company and Eclipse by reference to their respective NAVs at the Scheme Calculation Date.</p> <p>In respect of the Offer, for all investors, the Offer Price will be determined by a formula reflecting the NAV per Share 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. A more detailed explanation is set out at E3 above.</p> <p>In consideration for the promotion and investment management that Octopus provides to the Company, the Company will pay an initial charge of 3.0% of the gross sums 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 four 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) <u>A direct investment</u> Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Company.</p> <p>In consideration for the promotion, investment management and secretarial services that Octopus provides to 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 latest NAV for up to nine years, provided the investor continues to hold the Shares.</p> <p>2) <u>An advised investment where advice is received for an upfront fee with an ongoing adviser charge</u> Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.</p> <p>The Company can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment</p>

		<p>amount. If the investor has agreed with his/her intermediary/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 Offer Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above.</p> <p>The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to nine years, whilst the investor continues to hold the Shares. 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 Offer Shares for the investor, at the most recently announced NAV per Share. Any residual amount less than the cost of an Offer Share will be donated to charity.</p> <p>If the investor terminates his relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Company will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.</p> <p>3) <u>An advised investment where advice is received for an upfront fee with no ongoing adviser charge</u></p> <p>Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice, including investors who are investing through intermediaries/advisers using financial platforms.</p> <p>Where an investor agreed an upfront fee only, 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 intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional Offer 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.</p> <p>In both cases (2) or (3), 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>4) <u>A Non-advised investment using an intermediary</u></p> <p>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 ongoing charge of 0.5% of the investment amount's latest NAV will be paid by the Company 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>These charges may, according to the proportion of Advised Investors where advice is received for an upfront fee only, create some limited reduction of the NAV 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>
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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 the Company or the Shareholders will face. Any decision to invest under the Offer should be based on consideration of this document as a whole.

Scheme related risk factors

Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and Eclipse Shareholders. If the Scheme is not approved and/or effected, the expected benefits of the Scheme will not be realised and the Company will be responsible for the costs of the Proposals relating to the Scheme.

Shareholders may be adversely affected by the performance of the investments, whether acquired from Eclipse or made by the Company. The performance of the investments acquired from Eclipse, as well as the investments of the Company, may restrict the Company's ability following the Merger to distribute any capital gains and revenue received on the investments transferred from Eclipse to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company will, following the Scheme, be shared pro rata amongst all Shareholders.

Offer related risk factors

The Offer is conditional on the approval by Shareholders of resolution 2 to be proposed at the General Meeting. If Resolution 2 is not approved, the Offer will be withdrawn and the expected benefits of the Offer will not be realised and the Company will be responsible for the costs of the Proposals relating to the Offer.

The Finance Act 2014 restricts income tax relief on subscription to a VCT after 5 April 2014, where, within 6 months, whether before or after the subscription, the investor had disposed of shares in that VCT or a VCT which at any time merges with that VCT. A receipt of Scheme Shares pursuant to the Merger is not a subscription to the Company for these purposes, but Shareholders and Eclipse Shareholders who have subscribed for shares in the Company and Eclipse since 5 April 2014 should note this.

Risk factors relating to the Company

The past performance of the Company and/or Octopus 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 fall and adversely affect the performance of the Company.

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. Both of these may adversely 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 adversely affect the performance of the Company.

Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. 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 VCT, 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 VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company lose its VCT status, dividends and gains arising on the disposal of shares in the Company would become subject to tax and the Company 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 may apply retrospectively, which may adversely affect an investment in the Company.

Any purchaser of existing Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded only to subscribers of Offer Shares on the amount invested.

The Company will only pay dividends on Shares to the extent that it has distributable reserves and cash available for that purpose. A reduction in income from the Company's investments 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.

The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from share capital or reserves arising from the issue of shares within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

Risk factors relating to the Shares

The value of the Shares may go down as well as up and Shareholders may not receive back the full amount invested.

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 buyback 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 because VCT shares usually trade at a discount to NAV) and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

Tax relief on subscriptions for shares in a VCT is restricted where, within six months, whether before or after the subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT. Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS

Expected Timetable for the Scheme

The Company

Latest time and date for receipt of Forms of Proxy for the General Meeting	2.30 pm on 8 December 2016
General Meeting	2.30 pm on 12 December 2016
Scheme Calculation Date	after 5.00 pm on 16 December 2016
Scheme Effective Date for the transfer of the assets and liabilities of Eclipse to the Company and the issue of Scheme Shares	19 December 2016
Announcement of the results of the Scheme	19 December 2016
Admission of, and dealings in, Scheme Shares issued to commence	20 December 2016
CREST accounts credited (if applicable)	20 December 2016
Certificates for Scheme Shares despatched to Eclipse Shareholders	Week commencing 9 January 2017

Eclipse

Latest time for receipt of forms of proxy for the Eclipse First General Meeting	2.30 pm on 5 December 2016
Eclipse First General Meeting	2.30 pm on 7 December 2016
Latest time for receipt of forms of proxy for the Eclipse Second General Meeting	10.30 am on 15 December 2016
Final expected date of trading of the Eclipse Shares	16 December 2016
Scheme Record Date for Eclipse Shareholders' entitlements under the Scheme	5.00 pm on 16 December 2016
Scheme Calculation Date	after 5.00 pm on 16 December 2016
Dealings in Eclipse Shares suspended*	7.30 am on 19 December 2016
Eclipse register of members closed	9.30 am on 19 December 2016
Eclipse Second General Meeting	10.30 am on 19 December 2016
Scheme Effective Date for the transfer of the assets and liabilities of Eclipse to the Company and the issue of Scheme Shares	19 December 2016
Announcement of the results of the Scheme	19 December 2016
Cancellation of the Eclipse Shares' listing	8.00 am on 20 December 2016

(*The final expected date of trading of the Eclipse Shares will be 16 December 2016. See the timetable for the Company with regard to admission, CREST accounts being credited and certificates being despatched in respect of the Scheme Shares)

Expected Timetable for the Offer

Launch date of the Offer	4 November 2016
Deadline for receipt of applications for first allotment	9.00 am on 5 January 2017
First allotments under the Offer	6 January 2017
Deadline for receipt of applications for final allotment in 2016/17 tax year	12 noon on 5 April 2017
Deadline for receipt of applications for final allotment in 2017/18 tax year	12 noon on 3 November 2017
Closing date of the Offer	12 noon on 3 November 2017

- The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier and to accept Applications and issue Offer Shares at any time following the receipt of valid applications.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority.
- Dealing is expected to commence in Offer Shares within ten business days of allotments and share and tax certificates are expected to be despatched within 14 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified through a Regulatory Information Service.

Offer Statistics

Costs of Offer	Up to 7.5% of gross proceeds of Offer
Initial adviser charge or intermediary commission	Up to 4.5% of gross proceeds of Offer
Ongoing adviser charge or annual ongoing charge	Up to 0.5% per annum of the latest NAV of gross sums invested in the Offer for up to 9 years

- The cost of the Offer is capped at 7.5%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

Loyalty Discount

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1.0%. This reduction will be met by Octopus through an equivalent reduction in the costs of Offer fee referred to above.

LETTER FROM THE CHAIRMAN

Octopus Apollo VCT plc

33 Holborn
London
EC1N 2HT

4 November 2016

Dear Investor,

With net assets of £152.1 million at 31 July 2016, Octopus Apollo VCT plc is one of the largest VCTs in the UK, bringing numerous benefits to both our shareholders and the smaller companies we back. The Company aims to provide investors with regular tax-free dividends through its portfolio of established UK smaller companies and by making new investments in younger companies with a proven commercial track record.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of unquoted smaller companies with the aim of generating a regular stream of tax free dividends. New investors will benefit from immediate exposure to a large, established VCT with an existing portfolio of around 33 investments across a range of sectors.

Over the two decades since VCTs were introduced, successive governments have shown continued support for the scheme, but have adjusted the rules surrounding VCT investment to ensure that VCT money continues to be directed where it is needed the most. As investors will be aware, over the last 18 months, the Government has enacted significant changes to the rules surrounding VCT investments. For the Company the changes will have no impact on the existing portfolio, however new investments will have to be made into companies that are less than seven years old from their first commercial sale, which is typically younger than has been the case previously. The Company has also historically benefitted from the Manager's expertise in the energy sector, with current energy generating assets of approximately £23.7 million in the portfolio today. Since April 2016, no further investments in energy generation have been permitted.

Whilst these new rules create more complexity for the Manager to deal with, we remain confident in the investment team's ability to find suitable companies for the Company's mandate, with attractive positions in their markets and a good commercial track record. It is against this backdrop that the Board has announced that it intends to raise a further £20 million under a new share offer. The Manager intends to continue investing via a combination of both debt and equity to ensure that the Company receives a regular income from loan interest and repayments that enable the Company to pay investors regular tax-free dividends. By investing in a company's debt, as well as its shares, there is a greater chance that the Company will get some or all of its money back if a business doesn't succeed. The equity holding also allows the Company to benefit from capital growth if the underlying companies perform well.

All VCTs invest in smaller, unquoted companies that carry a greater risk of losing money than their larger blue chip counterparts. Within the bounds of VCT legislation, the Company aims to invest in more established, profitable VCT qualifying companies with the aim of providing a regular stream of tax free dividends to investors.

The Manager typically looks for the following attributes when making a new investment:

- An established and successful management team with a strong track record at the company
- A proven commercial track record
- A broad customer base and high levels of repeat business

- A competitive advantage over competitors that reduces the risk of losing customers

At the point of investment most of the companies the Company supports are already generating profits but require funding to unlock further growth. So whilst the Company is providing much needed development finance to these companies, there is less potential for volatility than there might be in earlier stage companies which are yet to develop a diverse customer base or predictable revenue streams.

The investment team has a proactive approach towards seeking new opportunities via desk-based research and through contacts in the accountancy, private equity and corporate finance community. They see a large volume of potential transactions which they evaluate to see if they may suit the Company's investment mandate. The investment team uses a rigorous screening and due diligence process, including commissioning independent advisory firms to supplement the research undertaken by the team. Investments also require the approval of various independent committees within Octopus, as well as the Board.

As well as producing investment returns, the Company's portfolio is also actively aiding the growth of UK smaller companies, a key factor in the Government's continued support of the venture capital trust industry. The Board believes that the portfolio is well positioned to continue delivering a regular stream of tax free dividends to those investors able to take a long-term view on investing in well-run UK smaller companies.

The Merger

Octopus Eclipse VCT plc was launched in March 2004 and over time has evolved to a similar investment mandate to that of the Company. When launched, it made sense to have several separate VCTs investing alongside one another due to the VCT rules in force at the time. Today, the rationale for having multiple small VCTs has disappeared and changes to Merger Regulations in September 2004 subsequently allowed VCTs to merge without affecting their VCT status. Since then, a number of VCTs have taken advantage of the new regulations to create larger, more efficient VCTs, as when Octopus Apollo 1, 2, 3 & 4 merged into the current Octopus Apollo VCT plc.

In common with most companies, VCTs have a number of fixed costs that they have to incur as part of their day to day activities. As public companies, VCTs are subject to listing costs, registrar costs, audit costs as well as the costs of their non-executive directors, all of which would be more efficient being split across a larger asset base. In addition to the cost savings, having a larger VCT with a more diverse set of holdings gives the Manager more flexibility on how it manages the portfolio within the VCT Rules as well being able to maximise investment opportunities and facilitate better liquidity management for Shareholders.

With the above in mind, on 27 September 2016, the Board and the Eclipse Board announced that they had entered into discussions to consider a merger of the Companies to create a single, larger VCT with the intention of improving Shareholder value.

The Merger is expected to deliver a number of additional benefits to Shareholders including:

- participation in a larger VCT with a more diversified portfolio, thereby spreading the portfolio risk across a broader range of investments;
- efficiencies in annual running costs and administration for the Enlarged Company compared to the separate companies;
- enhancing the ability of the Enlarged Company to find high quality new investments, raise funds, as well as pay dividends and support buybacks in the future.

The proposal is to merge the Companies using a scheme of reconstruction (the "Scheme") by which the assets and liabilities of Eclipse will be transferred to the Company.

The Scheme will, if effected and assuming the Offer is fully subscribed, result in an Enlarged Company that will be

one of the biggest VCTs in the UK. Post-merger, the Enlarged Company is targeting an annual tax-free 5% dividend yield. Tax free special dividends may also be payable if investments are sold for a significant profit from the portfolio.

Performance

The diverse portfolio of investee companies continues to perform well and the Company has a strong track record of converting investment performance into tax-free dividends for investors. Since 31 January 2016, the Manager has delivered on a number of strong exits, returning around £26.8 million back to the Company. These include Callstream, Project Tristar, SCM World, CSL Dualcom and Atlantic Screen International and have enabled the Company to announce a special dividend of 16.5p per Share, in addition to the regular dividend of 2.5p per Share, to be paid on 2 December 2016. The full five year performance history is shown below:

		Year to 31 July 2016	Year to 31 July 2015	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012
Performance (Total return including dividends)	Company	2.3%	2.0%	5.3%	0.9%	6.7%
	Eclipse	0.9%	-4.1%	24.3%	1.6%	-8.2%

The performance information above shows the total return of the Company and Eclipse for the last five years to 31 July. The annual total return is calculated from the movement in NAV over the year to 31 July, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return. Performance shown is net of all fees and costs.

Past performance is not a reliable indicator of future results and may not be repeated. Please note, the NAV per Share may be higher than the Share price, which is the price you may get for the Shares in the secondary market.

Dividends and dividend Policy

Following payment of the special and regular dividend on 2 December 2016, it is expected that the NAV per share of the VCT will fall by 19p. The intention of the Board is to continue targeting payment of an annual 5% dividend yield as has been the case since the merger of the four Apollo VCTs in September 2012. Based off the reduced NAV per share we expect a 5% dividend yield to equate to a payment of roughly 3p per year, distributed to shareholders through two 1.5p dividends. This is a reduction from the current 5p per share per year, but remains consistent with our historic dividend payments, preserving the targeted 5% yield.

The Offer

The Offer is intended for investors looking for a VCT that aims to provide a regular stream of tax free dividends by investing in profitable VCT qualifying smaller companies through a combination of debt and equity. Investors will benefit from immediate exposure to an established VCT with a portfolio of around 33 investments.

The Company is seeking to raise up to £20 million under the Offer which is conditional upon the passing by Shareholders of Resolution 2 at the General Meeting to be held at 2.30 pm on 12 December 2016 at 33 Holborn, London EC1N 2HT.

I would like to thank all of our existing Shareholders for their enduring support of the Company and the UK's small businesses. I look forward to meeting you at the General Meeting in December.

Yours sincerely

Murray Steele

Chairman

Octopus Apollo VCT plc

PART ONE: THE SCHEME

The Scheme

Conditions of the Scheme

Terms of the Scheme

Share Certificates, Mandates and Listing

Taxation

The Scheme

The mechanism by which the Merger will be completed is as follows:

- Eclipse will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of Eclipse will be transferred to the Company in consideration for the issue of Scheme Shares.

The Scheme will be completed on a relative unaudited NAV basis, adjusted for the anticipated costs of the Scheme, rolling into the Scheme Shares at the Roll-Over Value. The Merger Value and the Roll-Over Value will be based on the latest unaudited valuations of the Companies' investments. An accounting firm will review the latest unaudited NAVs of the Companies and valuations of the Companies' investments prior to the Scheme Effective Date and will confirm that they have been prepared in accordance with similar principles as would have been used in producing year end accounts. The effect of the Scheme will be that the Eclipse Shareholders will receive Shares with the same total net asset value as at the Scheme Calculation Date as their Eclipse Shares.

The Scheme is conditional upon the approval by the Shareholders of Resolution 1 to be proposed at the General Meeting and by the Eclipse Shareholders of the Resolutions to be proposed at the Eclipse General Meetings, as well as the other conditions set out below.

As the Company and Eclipse have a similar investment objective and policy, the same investment manager and other common advisers, the Merger should be achievable without major additional cost or disruption to the Company and Eclipse and their combined portfolio of investments.

The aggregate anticipated cost of undertaking the Merger is approximately £331,000, including VAT, legal and professional fees, stamp duty and the costs of winding up Eclipse. The Liquidators fees included in this figure are expected to be up to £15,000. The costs of the Merger will be split proportionately between the Company and Eclipse by reference to their respective NAVs at the Scheme Calculation Date.

Shareholders should note that the Merger will be outside the provisions of the City Code on Takeovers and Mergers.

As is required by CA 2006, prior to the allotment of the Scheme Shares, the Company will be sending to Shareholders and Eclipse Shareholders at their registered addresses and uploading on to Octopus' website a report on the Merger which will be prepared by Scott-Moncrieff.

The portfolio of assets which will be transferred from Eclipse to the Company as part of the Scheme are all considered to be in keeping with the Company's investment policy, particularly as a number of these are common across the respective portfolios of the Company and Eclipse. The extent of the liabilities (if any) which will be transferred from Eclipse to the Company as part of the Scheme will be those which are incurred in the ordinary course of business and merger costs which remain unpaid at the time of transfer. Any such liabilities are expected to be nominal in comparison to the value of the assets.

Eclipse Shareholders who do not vote in favour of the resolution to be proposed at the Eclipse First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Eclipse Shareholders and the Liquidators (or by arbitration), which would be expected to be at a significant discount to the net asset value of an Eclipse Share. If the conditions of the Scheme are not satisfied, the Companies will continue in their current form and the

Boards will continue to review all options available to them regarding the future of the Companies.

Clearance has been requested from HMRC that the Scheme meets the requirements of the Merger Regulations and, therefore, that the implementation of the Scheme should not affect the status of the Company as a VCT. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following the Merger so that the Company continues to qualify as a VCT.

Further information regarding the terms of the Scheme is set out in Part One of this document. Details of the risks relating to the Scheme and those generally associated with investing in a VCT are set out on pages 15 to 16 of this document.

Following the transfer of the assets and liabilities by Eclipse to the Company, the listing of the Eclipse Shares will be cancelled and Eclipse will be wound up.

Conditions of the Scheme

The Scheme is conditional upon:

- the passing of Resolution 1 to be proposed at the General Meeting;
- notice of dissent not having been received from Eclipse Shareholders holding more than 10% in nominal value of the entire issued share capital of Eclipse under Section 111 of IA 1986;
- the passing of the Resolutions to be proposed at the Eclipse General Meetings; and
- HMRC approval of the Merger on terms satisfactory to the Company.

Subject to the above, the Scheme will become effective immediately after the passing of the special Resolution for the winding up of Eclipse to be proposed at the Eclipse Second General Meeting. If it becomes effective, the Scheme will be binding on the Shareholders and Eclipse Shareholders (including dissenting Eclipse Shareholders) and all persons claiming through or under them.

Terms of the Scheme

On the Scheme Effective Date, the Liquidators will receive all the cash, undertakings and other assets and liabilities of Eclipse and will deliver to the Company:

- particulars of all of the assets and liabilities of Eclipse;
- a list certified by the registrars of the names and addresses of, and the number of Eclipse Shares held by each of the Eclipse Shareholders on the register at 5.00 pm on the Scheme Record Date;
- an estimate of the winding-up costs of Eclipse; and
- the amount estimated to be required to purchase the holdings of any dissenting Eclipse Shareholders.

On the Scheme Effective Date, the Company and the Liquidators (on behalf of Eclipse) will enter into the Transfer Agreement pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of Eclipse to the Company in exchange for the issue of Scheme Shares (credited as fully paid) to the Eclipse Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of Eclipse to the Company, the Company will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of Eclipse and the purchase for cash of any holdings of dissenting Eclipse Shareholders.

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Merger Value, the Roll-Over Value and the number of Scheme Shares to be issued, in order that the Eclipse Shareholders will receive Shares with the same total net asset value as at the Scheme Calculation Date as their Eclipse Shares, the following provisions will apply:

Merger Calculations

Roll-Over Value

The Roll-Over Value will be calculated as:

$$\frac{A - (B + C)}{D}$$

where:

A = the unaudited net assets of Eclipse as at the Scheme Calculation Date (taken from the Eclipse unaudited management accounts to that date), plus or minus any adjustment that both the Board and the Eclipse Board consider appropriate to reflect any other actual or contingent benefit or liability of Eclipse;

B = the costs of the Scheme to be apportioned to Eclipse (by reference to the Roll-Over Value and the Merger Value, but ignoring merger costs), plus £1,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Eclipse incurred by the Company, which will indemnify the Liquidators in respect of all costs of Eclipse following the transfer on the Scheme Effective Date);

C = the amount estimated to be required to purchase the holdings of Eclipse Shares from dissenting Eclipse Shareholders; and

D = the number of Eclipse Shares in issue as at close of business on the Scheme Record Date (save for any Eclipse Shares held by dissenting Eclipse Shareholders).

Merger Value

The Merger Value will be calculated as:

$$\frac{E - F}{G}$$

where:

E = the unaudited net assets of the Company as at the Scheme Calculation Date (taken from the Company's unaudited management accounts to that date), plus or minus any adjustment that the Board and the Eclipse Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company;

F = the costs of the Scheme to be apportioned to the Company (by reference to the Roll-Over Value and the Merger Value, but ignoring merger costs); and

G = the number of Shares in issue as at close of business on the Scheme Record Date.

Scheme Shares to be issued to Eclipse Shareholders

The number of Scheme Shares to be issued to Eclipse Shareholders (save for any dissenting Eclipse Shareholders) will be calculated as follows:

$$\frac{H}{I} \times J$$

where:

H = the Roll-Over Value;

I = the Merger Value; and

J = the number of Eclipse Shares in issue as at close of business on the Scheme Record Date (save for any Eclipse Shares held by dissenting Eclipse Shareholders).

The Scheme Shares will be issued directly to Eclipse Shareholders (disregarding Eclipse Shares held by dissenting Eclipse Shareholders), in each case pro rata to their existing holdings of Eclipse Shares on the instruction of the Liquidators.

The merger ratios used to allocate the Scheme Shares to each Eclipse Shareholder will be rounded down to six decimal places and entitlements will be rounded down to the nearest whole number and any fractional entitlements per Eclipse Shareholder (which will not exceed £2) will be aggregated and sold, with the proceeds retained for the benefit of the Enlarged Company.

The Company will not issue the Scheme Shares until the report prepared by Scott-Moncrieff under CA 2006 in respect of the Scheme has been provided to the Company and sent to Shareholders and Eclipse Shareholders.

Based on the formulae above but using NAVs of 80.5p and 31.5p for the Company and Eclipse respectively, being the latest published unaudited NAVs of the Companies as at the date of this document and after subsequent dividend payments, 0.391304 Scheme Shares would have been issued to Eclipse Shareholders for every Eclipse Share held (assuming no dissenting Eclipse Shareholders) had the Merger been completed on 3 November 2016.

Share Certificates, Mandates and Listing

Where Eclipse Shareholders hold their Eclipse Shares in certificated form, they will receive a new certificate for the Scheme Shares issued. Where Eclipse Shareholders hold their Eclipse Shares in uncertificated form, their CREST accounts will be credited with the holding in Scheme Shares.

The Company operates a dividend reinvestment scheme (the "DRIS"). If Eclipse Shareholders become holders of Shares and would like to participate in the DRIS they may do so by contacting Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 15 Business Days before the payment of a dividend by the Company. The DRIS will apply to a Shareholder's entire holding of Shares and participation in the DRIS can be cancelled at any time with written authority from the Shareholder. The terms and conditions of the DRIS are also set out at the end of this document.

An application has been made to the UKLA for the Scheme Shares to be issued pursuant to the Scheme to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such Scheme Shares to be admitted to trading on its market for listed securities. From the date of issue, the Scheme Shares will rank pari passu with each other.

Taxation

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, 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 tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The Company and Shareholders

The implementation of the Scheme should not affect the VCT reliefs obtained by Shareholders on subscription for existing Shares. The implementation of the Scheme should not affect the status of the Company as a VCT. It is the intention of the Board to continue to comply with the requirements of ITA 2007 so that the Company continues to qualify as a VCT.

Eclipse Shareholders

The receipt by Eclipse Shareholders of Scheme Shares should not constitute a disposal of their Eclipse Shares for UK tax purposes. Eclipse Shareholders should, for UK tax purposes, effectively be able to treat the Scheme Shares received as if they had been acquired at the same cost and on the same date as the original Eclipse Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original Eclipse Shares will not, therefore, be subject to clawback as a result of the Merger, but instead will then attach to the Scheme Shares. As the Company is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying Shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Scheme Shares providing they are held for the usual VCT minimum holding period.

For Eclipse Shareholders holding (together with their associates) more than 5% of the Eclipse Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the Eclipse Shares should also apply to them.

Eclipse Shareholders who do not vote in favour of the Resolution to be proposed at the Eclipse First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Eclipse Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of an Eclipse Share. In addition, Eclipse Shareholders should note that a purchase of Eclipse Shares by the Liquidators from a dissenting Eclipse Shareholder will be regarded as a disposal of such Eclipse Shares for tax purposes, thereby triggering the repayment of any income tax rebate on Eclipse Shares subscribed for in the five years prior to purchase. The sale price received may not be sufficient to cover the amount of payment due.

Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of Eclipse (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 confirming that the receipt of Scheme Shares should not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been requested from HMRC to confirm that the Scheme meets the requirements of the Merger Regulations and that, as such, the receipt by Eclipse Shareholders of Scheme Shares should not prejudice tax reliefs obtained by those Eclipse Shareholders on existing Eclipse Shares and should not be regarded as a disposal.

The Finance Act 2014 restricts income tax relief on subscription to a VCT after 5 April 2014 where, within 6 months (before or after), the investor had disposed of shares in that VCT or a VCT which at any time merges with that VCT. A receipt of Scheme Shares pursuant to the Merger is not a subscription to the Company for these purposes but Shareholders who have subscribed for shares in the Company or Eclipse since 5 April 2014 should note this.

PART TWO: THE OFFER

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Introduction to the Offer

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £458 million was invested in VCTs in the 2015/2016 tax year, the largest amount for a decade.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of unquoted smaller companies with the aim of generating returns over the medium to long-term. The net proceeds of the Offer will be invested in accordance with the Company's investment policy, as set out below.

The Company is seeking to raise £20 million under the Offer. Both new and existing investors can apply for Offer Shares, which will rank equally with the existing Shares. As such, all investors are accessing a well-established portfolio. The Offer Price will be based on the most recently published NAV of a Share at the date of allotment. Multiple applications are permitted.

The minimum investment is £5,000. There is no maximum investment. However, potential investors should be aware that tax relief is only available on a maximum investment of £200,000 in each tax year. A married couple, can invest up to £200,000 each in any one tax year with both individuals benefiting from the tax reliefs.

The Offer is conditional upon the passing by Shareholders of Resolution 2 at the General Meeting.

Terms of the Offer

The full terms and conditions applicable to the Offer are set out on pages 83 to 88.

Use of funds

The aggregate net proceeds of the Offer, assuming a £20 million subscription and the maximum initial charge, will be £18.5 million.

The funds raised under the Offer will be invested in accordance with the Company's investment policy. Some of the funds raised will be used to invest into new portfolio companies and some will be used to further support the Company's existing portfolio.

Intermediary Charges

Details are set out in the Terms and Conditions of the Offer on pages 83 to 88.

Investment Policy

The Company's Investment Policy is as follows.

The Company's investment policy is designed to enable the Company to comply with the VCT qualifying conditions. It is intended that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of unquoted investments and up to 20% in cash or near cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Investments are structured using various unquoted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the venture capital legislation. The portfolio is diversified by investing in a broad range of industry sectors and by holding investments in companies at various stages of maturity in the corporate development cycle, though investments are not generally made in early stage companies which have yet to achieve profitability and cash generation. The normal investment period is in the range from three to seven years. Any uninvested funds are typically held in cash and money market funds.

Risk is spread by investing in a number of different businesses within different industry sectors using a variety of securities. The maximum amount invested in any one company is limited to any HMRC annual investment limits and, generally, no more than 15% of the Company's assets, at cost, are invested in the same company.

The value of individual investments is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. The Company's VCT 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 are normally made using shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

Tax Benefits for Investors

VCTs are Government-led investment vehicles designed to incentivise investors for supporting smaller, higher-risk companies. Qualifying investors are entitled to claim a number of tax incentives on investments up to £200,000 each tax year (as more fully set out in Part Three of this document). These include:

- Income tax relief – investors can claim 30% upfront income tax relief on the amount invested, provided Shares are held for at least five years. For example, with an investment of £10,000, £3,000 can be taken off your income tax bill although the amount of income tax you claim cannot exceed the amount of income tax due.
- Tax-free dividends and capital gains - meaning that any growth in the portfolio value is not subject to tax.

Dividend Policy and Dividend Reinvestment Scheme

VCTs are able to make dividend payments from distributable reserves. These distributions are not subject to any further tax to Qualifying Subscribers. In order to qualify as a VCT, the Company may not retain more than 15% of the income it receives from shares and securities.

The amount of these dividends depends, amongst other things, on the level of income and capital returns generated by the Qualifying Investments, the performance of the non-Qualifying Investments and the amount

raised by the Offer. In the medium to long-term the size of dividends paid to Shareholders will depend largely on the level of profits realised from the disposal of investments.

The Company is targeting a regular annual dividend of 3p per Share per annum in order to retain its historic 5% dividend yield. The Company has adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares. Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Scheme should obtain the usual VCT tax advantages as set out above.

Investors under the Offer may elect to participate in the Dividend Reinvestment Scheme by completing the dividend reinvestment section of the Application Form, and should be aware that it will apply to their entire holding of New Shares and any existing Shares. Participation in the Dividend Reinvestment Scheme by a Shareholder can be cancelled at any time with written authority from the Shareholder or by calling Octopus on 0800 316 2295.

Buyback Policy

The Board also intends to continue to consider repurchasing Shares following the merger of up to 14.99% of its enlarged share capital for the purposes of the general buyback policy. The Board believes that it is in the best interests of the Company and the Shareholders to make occasional market purchases of the Shares, to allow any Shareholders who need to sell their Shares to do so and to reduce to a degree any discount to NAV in the current market price than might otherwise prevail. The Board will agree the discount to NAV at which Shares will be bought back and regularly reviews the buyback policy. The Board's current policy is to buy back shares at a 5% discount to NAV.

Any future repurchases will be made in accordance with guidelines established by the Board from time to time and will be subject to having the appropriate authorities from Shareholders and sufficient funds available for this purpose. All buybacks are subject to the discretion of the Board. There may, however, be periods during a year where the Company will be prohibited from buying back Shares and which may include the periods of up to four months after its financial year end and up to three months after its half year end. Share buybacks will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market will ordinarily be cancelled.

The Board

The Board comprises four directors who are independent of Octopus. 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 larger quoted companies.

Murray Steele (Chairman)

Murray was appointed as Director and Chairman on completion of the merger of Octopus Apollo VCT 1 plc, Octopus Apollo VCT 2 plc and Octopus Apollo VCT 4 plc with the Company. Murray has had a broad range of experience as a Director of a number of companies. At present he is Chairman of LINX – the London Internet Exchange, Surface Generation Limited, a hi-tech engineering company, and a non-executive director of James Walker Group, an international engineering group with revenues of £200 million. Murray has Bachelor's and Master's degrees in mechanical engineering from the University of Glasgow, an MBA from Cranfield School of Management and holds an accounting qualification. Murray was formerly a director of Octopus Apollo VCT 4 plc which was placed into Members Voluntary Liquidation on 28 September 2012 following the merger of the Apollo VCTs and was dissolved on 15 April 2014.

Christopher Powles

Chris was appointed as a Director on 28 September 2012 upon the merger of Octopus Apollo VCT 1 plc, Octopus Apollo VCT 2 plc and Octopus Apollo VCT 4 plc with the Company. Chris has extensive experience in the UK smaller companies sector. He was the principal founder of *Pi Capital*, a private client fund management company that specialises in investing in smaller unquoted companies. Prior to selling his stake in *Pi Capital* in 2002 he led the investment of more than £25 million into 14 companies. Subsequently he was the finance director of an AIM-traded company, as well as a non-executive director of both listed and private companies. Currently he is involved in renewable energy, being a director of three companies in that sector. Chris is a chartered accountant, having qualified at what is now part of PricewaterhouseCoopers LLP, and has a BA Hons degree from Oxford University. Chris was formerly a director of Octopus Apollo VCT 4 plc which was placed into Members Voluntary Liquidation on 28 September 2012 following the merger of the Apollo VCTs and was dissolved on 15 April 2014.

James Otter

James was formerly Chairman of Octopus VCT plc and became a Director upon the merger of Octopus VCT plc and the Company in November 2014. James was also a director of Hygea VCT plc, which specialises in investing in early stage bioscience companies. He had led several Hygea investees as CEO. He is currently working on projects in the growing area of health IT. Previous positions include being a main board director of Spectris plc, working on a turnaround project in Denmark, and a director of Glide Pharmaceutical Technologies Limited. The bulk of his career was spent in international commercial roles with Zeneca Agrochemicals (formerly ICI and now Syngenta). James has an MBA from INSEAD and a degree in Natural Sciences from Cambridge.

Ian Pearson

Ian was formerly Chairman of Octopus VCT 2 plc and was appointed as a Director on 27 January 2016, on completion of the merger of Octopus VCT 2 with the Company. He works in strategy and business development. He is a Non-Executive Director at Thames Water, Chairman of Code Investing and a member of PwC's Advisory Board. Until standing down before the general election in 2010, Ian had over nine years' experience at a senior level in government, including important roles as Minister for Climate Change and the Environment, Minister for Trade, Minister for Science and Innovation and a Minister in Northern Ireland. As Economic Secretary to the Treasury from 2008 – 2010, Ian was at the heart of the UK's response to the global financial crisis. Amongst other things, he was responsible for growth, enterprise and productivity issues, the EU Budget, where he led negotiations for the UK, Public/Private Partnerships including Private Finance Initiative, and Infrastructure UK. Prior to his governmental career, Ian was joint chief executive of WMEB Group, providing venture and growth capital to SMEs and consultancy to a range of public and private clients.

In the event that the Merger proceeds, Alex Hambro will join the Board on completion of the Merger and Ian Pearson will step down from the Board on 31 January 2017.

Alex Hambro

Alex has been Chairman of Eclipse VCT plc since 1 February 2014 having been appointed as a director of that company on 1 November 2012. He was a non-executive director of Octopus Eclipse VCT 4 plc. Alex has spent the last 25 years in the venture capital and private equity sector, much of this time at Hambros plc and associated organisations. As a director of Hambro Group Investments, he was responsible for the establishment and operations of the Hambro Private Equity Group, which sponsored nine fund managers in the UK, Europe, the US and Australia. Since leaving Hambros in 1999, he has assisted several venture capital organisations with their fundraising and marketing programmes and has acted as a consultant to a number of investors on their venture capital investment strategies. Alex is Chairman of Judges Scientific Plc and Benchmark Holdings Plc and a non-executive director of a portfolio of private companies.

The Investment Team

Octopus Investments Limited was launched in 2000 by three founders who wanted to create an investment company that put its customers first. Today it has more than 440 employees and £5.8 billion in assets under management (Source: Octopus investments Limited, August 2016). It has tens of thousands of clients and has built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. Octopus launched its first VCT in 2002 and is now the UK's largest VCT manager, managing over £600 million of VCT money on behalf of over 25,000 investors (Source: Octopus Investments Limited, August 2016).

Members of the team are frequently appointed as non-executive directors and sit on the boards of the companies they work with. This allows them to play a prominent role in each company's ongoing development, and ensures the team can closely monitor the company's progress while offering continued support to the business.

The Company's investment team is supported by the Octopus Investment Committee, which provides a further layer of independent challenge and insight to the team's investment decisions. The Committee is formed of senior investment professionals that are independent of the Company's investment team.

The Company's investment team comprises:

Grant Paul-Florence, Investment Director

Grant has over eleven years of experience in private equity and venture capital investing across a wide range of industry sectors. He has held a variety of non-executive directorships and is currently a board observer for Clifford Thames Group and Care Monitoring and Management. Grant has operational experience, having previously been head of corporate development of a specialist logistics business. He is a chartered accountant and worked in the corporate finance team at PricewaterhouseCoopers in London.

Ian Potter, Investment Director

Ian joined Octopus in 2013 and is responsible for making new investments, monitoring portfolio companies and fundraising. Ian is currently a non-executive Director for ISG, TSC and Vista Retail Support. Before joining Octopus, Ian spent over 8 years in leveraged finance at The Royal Bank of Scotland, including experience in origination and structuring, portfolio management and restructuring activity. Ian also worked at Ernst & Young in the Transaction Advisory Services group and is a qualified chartered accountant.

Edward Keelan, Investment Manager

Edward joined Octopus in 2008 and is responsible for making new investments, monitoring portfolio companies and fundraising. He has non-executive director experience in the power industry and distribution sector and currently sits on the board of Countrywide Healthcare Supplies and Anglo European. Prior to Octopus Edward was with KorteQ, a small business consultancy spun out of Rolls-Royce.

Clara Hansen, Investment Associate

Clara is responsible for identifying and analysing investment opportunities as well as supporting the team with deal execution and portfolio monitoring. She is currently a board observer for Care Monitoring and Management. Clara has over five years of investment banking and venture capital experience across Paris, London and Hong Kong.

Charles Street, Investment Analyst

Charles is responsible for identifying and screening investment opportunities and supporting the team with deal execution and portfolio management. Charles joined Octopus from Cambridge University Business School and has previously worked at HSBC Investment Bank.

Management Remuneration

Full details of the Manager's remuneration are set out at paragraph 8.5 of Part Seven.

Investment Process

The Company's investment team uses several different approaches to find suitable companies to invest in. As well as conducting its own research, the team regularly talks to companies that specialise in finding or providing financing for small and medium-sized businesses. This helps to identify funding gaps in companies that could suit the Company's investment mandate. Much of this work is driven by forming strong relationships, so the reputation of the team, and the performance track record of the Company, are important factors.

Investments are usually structured as part loan and part equity. This helps to ensure that the VCT:

- Receives a regular income from loan interest and repayments that enable the Company to pay investors regular tax-free dividends. By investing in a company's debt, as well as its shares, there's a greater chance that the Company will get some or all of its money back if the business doesn't succeed.
- Can also benefit from capital growth when the investment team sells the equity stake it has in a business. This means the Company can participate in the value created by the company if it grows.

This combination of debt and equity investment helps ensure the VCT continues to generate a stable, regular income. The equity component enables the VCT to benefit further if the underlying companies perform well. The investment team uses a rigorous screening and due diligence process, including commissioning independent advisory firms to supplement the research undertaken by the team. Investments also require the approval of various independent committees within Octopus, as well as the Board.

To maintain its focus on providing a stable, regular tax-free income, where possible the investment team will remain focused on finding companies that display the following characteristics:

- An established and successful management team with a strong track record at the company
- A proven commercial track record and history of generating good annual profits
- A broad customer base and high levels of repeat business
- A competitive advantage over competitors that reduces the risk of losing customers

Performance History

Since its launch in 2006, the Company has built a strong track record of paying regular tax-free dividends, targeting an annual yield of 5%.

One of the main benefits of VCTs is their potential for paying tax-free dividends to investors. The Company paid its first dividend in 2008 and by August 2016 had paid out a total of 35p per Share to investors.

As well as regular tax-free dividends, the Company's investors could also potentially benefit from their shares increasing in value over the years. As long as the Shares are held for at least five years, there's no capital gains tax to pay when you eventually choose to sell them. Please remember, past performance is not a reliable indicator of future results and the value of Shares can fall as well as rise.

Five-year performance

Year to 31 July	2012	2013	2014	2015	2016
Annual total return	6.7%	0.9%	5.3%	2.0%	2.3%
Annual dividend yield	5.6%	4.9%	5.7%	5.8%	3.0%*

*Due to the final dividend for the year to 31 January 2016 only being paid in August 2016, the dividend yield at 31 July 2016 is below the target of 5%. Including this dividend the annual yield to 31 July 2016 would be 6.0%.

The performance information above shows the total return of the Company for the last five years to 31 July, the VCT's interim accounting period. The annual total return for the Company is calculated from the movement in NAV over the year to 31 July, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return. The NAV is the combined value of all the assets owned by the VCT after deducting the value of its liabilities (such as debts and financial obligations). Performance shown is net of all ongoing fees and costs. The annual dividend yield is calculated by dividing the dividends paid per year by the NAV at the start of the period.

Past performance is not a reliable indicator of future results and may not be repeated. Please note, the NAV per share may be higher than the Share price, which is the price you may get for the Shares on the open market.

Example Investments - Commercial companies with a competitive edge

Clifford Thames: enabling car makers to sell replacement parts

Clifford Thames is a key partner to some of the world's leading motor manufacturers. They depend on the Chelmsford-based company's software, consultancy and business outsourcing expertise to enable dealerships to sell replacement parts. Customers include Ford, GM Europe, Jaguar Land Rover, Mercedes-Benz and Renault. Global expansion has seen Clifford Thames open offices in ten countries. The data its software captures is used by customers in over 160 countries. The company is an attractive investment for the Company because its revenue streams are recurring, so they are likely to be more stable and predictable. The Board is impressed by its proven management team, long trading history and excellent customer service.

"Octopus first invested in us in 2010 and quickly developed not only a firm grasp of the business, but also a very close, open and honest relationship. We highly value the support and strategic advice that Octopus has brought to the company and the long term partnership we have created."

Calvin Barnett, chief executive officer, Clifford Thames

Countrywide Healthcare Supplies: keeping care homes well stocked

Countrywide Healthcare Supplies is a 'one-stop shop' supplier to the UK's rapidly growing care home sector. The company specialises in delivering a wide range of healthcare and cleaning products, as well as furniture and bedding. From its 80,000 square foot distribution centre in South Yorkshire, Countrywide serves many of the biggest names in the UK care home industry. The company was set up by four former National Health Service work colleagues and now employs over 60 people. The Board was attracted to Countrywide by its strong and recurring revenues. The Board thinks the company has a good focus on customer service, with high levels of customer retention creating repeat business opportunities.

"It was clear the team at Octopus knew exactly what we were looking to achieve at Countrywide, and the potential for growth that could be realised. Octopus shares our vision, they understand the market and they are as enthusiastic and committed to delivering high quality customer service as we are."

Alastair Kitching, managing director, Countrywide

ISG Technology: Offering end-to-end wireless connectivity for UK retailers

ISG designs and installs wireless network systems for large multi-site retailers such as Tesco, Next and Selfridges, as well as other public and private sector customers across the UK. It is able to rapidly deliver large and reliable systems, providing Wi-Fi connections used by employees and in systems that improve the customer experience

or record customer buying habits. These systems are critical to a business and therefore must be installed with little or no disruption to customers. Because of its strong expertise, ISG is often contracted to do the design, installation and on-going maintenance. The business has headquarters in Surrey and five service delivery centres across the UK. It also runs a technical service centre in Bulgaria. The Board was attracted by the management team's impressive track record and the high quality service proposition of the business in a growing market.

“We are very pleased to have the financial backing of Octopus, and enjoy working with the team. We felt they brought a flexible and creative approach to the financing of the business, and we look forward to continuing to grow the business with them.”

Mike Morrison, chief executive officer, ISG Technology

CMM: Monitoring software for remote workforces

It's important for care and facility management companies to be able to keep track of their remote employees, especially if they work at multiple locations. Home visits by care companies, in particular, are becoming more popular. Customers like Saga, Mitie, Servest and several UK councils use CMM's remote workforce management software to monitor the time and attendance of their workers as well as the outcome of the care provided. The Board is excited by this investment because CMM is a growing business with contracted recurring revenues in a fast-growing sector. The care market is expanding rapidly to meet the increasing demands of an ageing population, with more people looking for care in their own homes for longer. The Board believes CMM is well positioned to expand further, both in the UK and overseas.

“Whilst we have had many other potential investors contact us over the past few years there has only ever been one that we seriously considered. Octopus recognise the challenges faced by owner/managers and this is one of the reasons why we felt their expertise would get us to the next level.”

Peter Longman, group chief executive officer, CMM

Merger plans

As well as raising new funds, the Company is also proposing to merge with Eclipse. The investment strategies of the Company and Eclipse have become closely aligned over time. Both have invested successfully alongside one another in some of the same companies, and believe combining the two VCTs is in the best interests of Shareholders for the following reasons:

- Greater portfolio diversity - Combining the portfolios of the Companies would create a larger portfolio of companies, expanding the Company's current range of investments. This would instantly create a more diversified portfolio of around 62 companies for investors.
- Economies of scale - The costs of running the Enlarged Company will be lower than the costs of running two separate VCTs. There are a number of fixed costs that every VCT must pay, including registrar fees, audit and accountancy fees and salaries for the board of directors for example. In addition, every year the Companies are legally required to send every Shareholder and Eclipse Shareholder different sets of reports and accounts. If the Merger is agreed the Enlarged Company would be able to send Shareholders one single report each time. For investors in the Company, spreading these fixed costs over a larger merged VCT will be beneficial.

After the merger, Shareholders would be invested in a well-diversified VCT portfolio featuring an expanded number of companies from a larger number of investment sectors. They would own shares in a VCT of significant size and strength, making it one of the largest VCT in the UK, according to the Association of Investment Companies (Source: Association of Investment Companies: 24 October 2016).

The investment approach taken by Eclipse is similar to that of the Company. Both Companies target stable returns and payment of a regular dividend by investing in Qualifying Investments in UK smaller companies that are operating in various sectors and making a positive contribution to the UK economy in terms of tax and employment.

Conflicts of interest

Octopus has built strong relationships with many of the companies in which the Company invests, and sometimes uses different sources of funding to invest in the same companies. This can present 'conflicts of interest', as explained below. With these relationships, there's a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group or with the interests of Octopus. Conflicts of interest are not a problem in themselves and Octopus manages them carefully to make sure that investors are treated fairly at all times.

The Company's investment team will usually invest funds from the Company along with funds from other Octopus-managed products and sometimes even Octopus itself. Through this co-investment, investors in the Company can have access to deals that may not have been possible without being part of the larger deal with other Octopus investors.

The Company often places an Octopus employee on the board of the companies it invests in, either as an observer or a director. This means the Company is able to closely monitor the investment we've made on behalf of the Company's investors. It does, however, mean that as company directors, those employees have obligations to all shareholders of the company, and not just the Company's investors.

Sometimes the Company is unable to invest as much money as it would like due to restraints such as the size of a company or the number of shares available. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully. Similarly, when investments held by a number of different investors come to be sold, the interests of all parties may not be fully aligned. The Company has agreed policies and processes in place to make sure this is done fairly, but sometimes, investors may still be limited in the amounts they can invest or restricted in the timing of an exit.

Octopus may receive fees from the companies that the Company invests in (for example, when making or selling an investment in a company, as well as for appointing a representative to the board of directors). Such fees do not typically exceed 1.5% annually of the total amount invested by all Octopus managed funds (including the Company). This typical fee is based on an investment of £5 million and a holding period of five years. The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus.

Octopus has a number of controls in place to manage conflicts of interest on behalf of investors:

- The Investment Committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed.
- In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by the Conflicts Committee, which is responsible for ensuring conflicts are handled appropriately.
- As the Company is a publicly listed company, the Board is required to act independently and represent Shareholders' best interests at all times.

PART THREE: TAX POSITION OF SHAREHOLDERS, ECLIPSE SHAREHOLDERS AND INVESTORS UNDER THE OFFER

General

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 tax in a jurisdiction other than the UK, you should consult your financial adviser.

The tax reliefs set out below relating to the Offer are available to individuals aged 18 or over who receive Offer Shares under the Offer and where the Offer Shares acquired are within the investor's annual £200,000 limit. The reliefs are not available for investments in excess of £200,000 per tax year.

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs, and will continue to do so, to enable it to qualify as a VCT.

The Scheme

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 confirming that the receipt of Scheme Shares should not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has been requested from HMRC to confirm that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Eclipse Shareholders of Scheme Shares should not prejudice tax reliefs obtained by the Eclipse Shareholders on existing Eclipse Shares and should not be regarded as a disposal.

The implementation of the Scheme should not affect the VCT reliefs obtained by Shareholders on subscription for existing Shares. The implementation of the Scheme should not affect the status of the Company as a VCT. It is the intention of the Board to continue to comply with the requirements of ITA 2007 so as to continue to qualify as a VCT.

Tax Position of Eclipse Shareholders

The receipt by Eclipse Shareholders of Scheme Shares should not constitute a disposal of their Eclipse Shares for UK tax purposes. Eclipse Shareholders should, for UK tax purposes, effectively be able to treat the Scheme Shares received pursuant to the Scheme as if they had been acquired at the same cost and on the same date as the original Eclipse Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original Eclipse Shares will not, therefore, be subject to clawback, but instead will then attach to the Scheme Shares. As the Company is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying Shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Scheme Shares.

For Eclipse Shareholders holding (together with their associates) more than 5% of the Eclipse Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the Eclipse Shares should also apply to them.

Eclipse Shareholders who do not vote in favour of the Resolution to be proposed at the Eclipse First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Eclipse Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of an Eclipse Share. In addition, Eclipse Shareholders should note that a purchase of Eclipse Shares by the Liquidators from dissenting Eclipse Shareholders will be regarded as a disposal of such Eclipse Shares for tax purposes, thereby triggering the repayment of any income tax relief

on Eclipse Shares subscribed for in the five years prior to purchase. The sale price received may not be sufficient to cover the amount of payment due.

Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of certain of the assets of Eclipse (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Eclipse Shareholders not resident in the UK

Eclipse 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 Investors under the Offer

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

Tax Benefits for VCT investors

1. Income Tax

1.1 Initial Income Tax relief

An investor can acquire Offer Shares of up to a maximum of £200,000 under the Offer in each of 2016/17 and 2017/18 tax years. The relief is subject to an amount which reduces the investor's income tax liability for the tax year to nil. Each application creates an entitlement to income tax relief of 30% of the amount invested. To retain that relief the Offer Shares 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 VCT to only £7,000, by a qualifying investor subscribing for VCT shares:

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

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

1.2 Dividend relief

Dividends paid on ordinary shares in a VCT are free of income tax. VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. Dividends paid from realised profits may be made without loss of VCT status.

1.3 Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period. Dividend relief is not available for dividends paid in an accounting period during which the VCT loses its approval.

2. Capital Gains Tax

2.1 Relief from capital gains tax on the disposal of VCT shares

Disposing of a VCT share at a profit does not create a chargeable gain for the purposes of UK Capital Gains Tax. Similarly, disposing at a loss does not create an allowable loss for UK Capital Gains Tax.

3. Withdrawal of approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, 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 VCT shares.

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

4. Other tax considerations

4.1 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.

4.2 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.

5. Tax Position of the Company

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

5.1 Qualification as a VCT

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 VCT'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 VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;

- (iv) the VCT 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 VCT'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;
- (viii) not make an investment in a company which causes that company to receive more than £5 million of State Aid investment in the 12 months ended on the date of the investment;
- (ix) not return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for shares occurs.
- (x) no investment can be made by the Company into a company which causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of State Aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded;
- (xi) no investment can be made by the Company in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where a turnover test is satisfied;
- (xii) no funds received from an investment into a company can be used to acquire another existing business or trade or provide a return of capital to one of its shareholders; and
- (xiii) the VCT must not make a non-Qualifying Investment other than those specified in section 274 ITA 2007.

"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 VCT (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 VCT 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, operating or managing hotels or guest houses, generation of electricity, power or heat, 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 VCTs or other State Aid investment sources during the 12 month period which ends on the date of the VCT's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment or £16 million immediately thereafter. The investee company must have fewer than 250 employees or 500 employees in the case of a Knowledge Intensive Company. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in eligible shares, as described above. The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of State Aid investment (including from VCTs) over the company's lifetime. The company's first commercial sale must be no more than 7 years before the VCT's investment (10 years for a Knowledge Intensive Company) prior to the date of investment, except where previous Risk Finance State Aid was received by the company within 7 years or where a turnover test is satisfied. Funds received from an investment by a VCT cannot be used to acquire another existing business or trade.

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.

5.2 Taxation of a VCT

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

PART FOUR: PRO FORMA FINANCIAL INFORMATION

ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The Directors
Octopus Apollo VCT PLC
6th Floor
33 Holborn
London
EC1N 2HT

4 November 2016

Howard Kennedy Corporate Services LLP
No 1 London Bridge
London
SE1 9BG

Dear Sirs

Octopus Apollo VCT PLC ("the Company")

Pro forma financial information

We report on the pro forma financial information (the "Pro forma Financial Information") set out in Part A and Part B of Part IV of the prospectus dated 4 November 2016 (the "Prospectus") of Octopus Apollo VCT PLC, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Merger and the Offer (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the six months ending 31 July 2016. This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, or consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, which are included, in the form and context in which they are

included, with our consent and with our having authorised the contents of this Part Four, required by and given solely for the purposes of complying with item 23.1 of annex 1 of the PD Regulation.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

Scott- Moncrieff

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED COMPANY

Part A – Unaudited pro forma statement of earnings

The following unaudited pro forma statement of earnings of the Enlarged Company has been prepared to illustrate the effect of the Merger and the Offer on the earnings of Apollo for the six months ended 31 July 2016 as if the Merger and the Offer had occurred at the start of the period, 1 February 2016. The six month earnings for Eclipse are for the period ended 31 March 2016.

The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Apollo's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma statement of earnings is based on the earnings of Apollo for the six months ended 31 July 2016, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2016 which is incorporated by reference in Part Five of this document and has been prepared in a manner consistent with the accounting policies adopted by Apollo in preparing such information and on the basis set out in the notes set out below.

Unaudited pro forma statement of earnings

	Octopus Apollo VCT Plc (Note 1) £'000	Octopus Eclipse VCT Plc (Note 2) £'000	Merger Costs (Note 3) £'000	Pro forma total £'000
Realised gain on disposal of fixed asset investments	987	143	-	1,130
Fixed asset investment holding gains	367	41	-	408
Current asset investment holding gains	-	-	-	-
Investment income	2,188	207	-	2,395
Investment management fees	(1,405)	(351)	-	(1,756)
Other expenses	(758)	(273)	(331)	(1,362)
Return on ordinary activities before tax	1,379	(233)	(331)	815
Taxation on return of ordinary activities	(70)	-	-	(70)
Return on ordinary activities after tax	1,309	(233)	(331)	745

Notes

1. The earnings of Apollo for the six months ended 31 July 2016 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2016 which is incorporated by reference in Part Five of this document.

Adjustments

2. The earnings of Eclipse for the six months ended 31 March 2016 have been extracted without material

adjustment from the unaudited half-yearly report of Eclipse for the six months ended 31 March 2016 which is incorporated by reference in Part Five of this document. This adjustment is expected to have a continuing impact on the earnings of the Company.

3. An adjustment has been made to reflect the transaction costs relating to the Merger which are to be expensed. The commission on the gross proceeds of the Offer will be set off against the share premium account within Shareholder's equity. No account has been taken of any potential irrecoverable VAT. This adjustment will not have a continuing impact on the earnings of the Company.
4. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Merger occurred on 1 February 2016 and that may subsequently have affected the results of the Company in the six months ended 31 July 2016.
5. No account has been taken of the trading performance of Apollo since 31 July 2016 or the trading performance of Eclipse since 31 March 2016 nor of any other event save as disclosed above.

Part B – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of Apollo as if the Merger and the Offer had taken place on 1 February 2016. The unaudited net assets of Eclipse are stated as at 31 March 2016.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Apollo's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of Apollo as at 31 July 2016, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2016 which is incorporated by reference in Part Five of this document and has been prepared in a manner consistent with the accounting policies adopted by Apollo in preparing such information and on the basis set out in the notes set out below.

Unaudited pro forma statement of net assets

	Octopus Apollo VCT Plc (Note 1) £'000	Octopus Eclipse VCT Plc (Note 2) £'000	Fund raising (Note 3) £'000	Pro forma total £'000
Fixed asset investments	115,435	26,234	-	141,669
Current assets:				
Money market funds	-	2,046	-	2,046
Debtors	5,248	286	-	5,534
Cash at bank	35,632	4,261	18,500	58,393
	40,880	6,593	18,500	65,973
Creditors	(4,176)	(213)	-	(4,389)
Net current assets	36,704	6,380	18,500	61,584
Net assets	152,139	32,614	18,500	203,253

Notes

1. The net assets of Apollo as at 31 July 2016 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2016 which is incorporated by reference in Part Five of this document.

Adjustments

2. The net assets of Eclipse as at 31 March 2016 have been extracted without material adjustment from the unaudited half-yearly report of Eclipse for the six months ended 31 March 2016 which is incorporated by reference in Part Five of this document.
3. The Offer is estimated to raise net proceeds of £18.5 million (£20.0 million gross proceeds less estimated expenses of £1.5 million). The merger costs have also been accounted for.
4. No account has been taken of the financial performance of Apollo since 31 July 2016 or the trading performance of Eclipse since 31 March 2016 nor of any other event save as disclosed above.

PART FIVE: FINANCIAL INFORMATION RELATING TO THE COMPANY AND ECLIPSE

Audited financial information relating to the Company is published in the annual reports for the years ended 31 January 2014, 31 January 2015 and 31 January 2016 and unaudited information in the half-year reports for the six month periods ended 31 July 2015 and 31 July 2016. Audited financial information relating to Eclipse is published in the annual reports for the years ended 30 September 2013, 30 September 2014 and 30 September 2015 and unaudited information in the half-year reports for the six month periods ended 31 March 2015 and 31 March 2016.

The annual reports referred to above relating to the Company were audited by Grant Thornton UK LLP of 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB. The annual reports referred to above relating to Eclipse were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All reports were without qualification and contained no statements under section 498(2) or (3) of the CA 2006. All reports were prepared in accordance with Financial Reporting Standard 102 with the exception of the annual report for the Company for the year ended 31 January 2014 and the annual report for Eclipse for the year ended 30 September 2013 which were prepared in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted 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 and Eclipse'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 half-year reports referred to above, 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 half-year reports that are not referred to below, are not relevant to investors and are not incorporated into and do not form part of this document.

Such information includes the following:

Apollo

	31 January 2014	31 January 2015	31 January 2016	31 July 2015	31 July 2016
Description	<u>Annual Report</u>	<u>Annual Report</u>	<u>Annual Report</u>	<u>Half Year Report</u>	<u>Half Year Report</u>
Balance Sheet	Page 49	Page 56	Page 51	Page 23	Page 21
Income Statement (or equivalent)	Page 46	Page 52	Page 48	Page 18	Page 13
Statement showing all changes in equity (or equivalent)	Page 48	Page 59	Page 54	Page 21	Page 16

note)

Cash Flow Statement	Page 50	Page 63	Page 57	Page 26	Page 21
Accounting Policies and Notes	Page 52	Page 64	Page 58	Page 28	Page 25
Auditor's Report	Page 42	Page 48	Page 43	N/a	N/a

The Company and the Directors confirm that the Company's most recent two years' financial information has been presented and prepared in a form which is consistent with that which will be adopted in the Company's next published annual financial statements.

Such information also includes operating/financial reviews as follows:

Description	31 January 2014 <u>Annual Report</u>	31 January 2015 <u>Annual Report</u>	31 January 2016 <u>Annual Report</u>	31 July 2015 <u>Half Year Report</u>	31 July 2016 <u>Half Year Report</u>
Performance Summary	Page 1	Page 1	Page 1	Page 9	Page 4
Results and Dividends	Page 7	Page 10	Page 5	Page 7	Page 5
Investment Policy	Page 5	Page 8	Page 13	N/a	N/a
Outlook	Page 8	Page 12	Page 7	Page 11	Page 7
Manager's Review	Page 14	Page 17	Page 12	N/a	N/a
Portfolio Summary	Page 16	Page 19	Page 14	Page 13	Page 8
Business Review	Page 9	Page 13	Page 8	N/a	N/a
Valuation Policy	Page 15	Page 19	Page 14	N/a	N/a

As at 31 July 2016, the date to which the most recent unaudited financial information on the Company has been drawn up, the unaudited NAV per Share was 83.0p. A dividend of 2.5p per Share was subsequently paid on 26 August 2016.

Eclipse

Description	30 September 2013 <u>Annual</u> <u>Report</u>	30 September 2014 <u>Annual</u> <u>Report</u>	30 September 2015 <u>Annual</u> <u>Report</u>	31 March 2015 <u>Half Year</u> <u>Report</u>	31 March 2016 <u>Half Year</u> <u>Report</u>
Balance Sheet	Page 52	Page 47	Page 47	Page 16	Page 13
Income Statement (or equivalent)	Page 49	Page 44	Page 46	Page 14	Page 11
Statement showing all changes in equity (or equivalent note)	Page 51	Page 46	Page 48	Page 15	Page 12
Cash Flow Statement	Page 53	Page 48	Page 49	Page 17	Page 14
Accounting Policies and Notes	Page 55	Page 50	Page 50	Page 19	Page 15
Auditor's Report	Page 46	Page 40	Page 41	N/a	N/a

The Company and the Directors confirm that Eclipse's most recent two years' financial information has been presented and prepared in a form which is consistent with that which will be adopted in the Company's next published annual financial statements.

Such information also includes operating/financial reviews as follows:

Description	30 September 2013 <u>Annual Report</u>	30 September 2014 <u>Annual Report</u>	30 September 2015 <u>Annual Report</u>	31 March 2015 <u>Half Year Report</u>	31 March 2016 <u>Half Year Report</u>
Performance Summary	Page 7	Page 7	Page 6	Page 5	Page 4
Results and Dividends	Page 7	Page 1	Page 1	Page 6	Page 2
Investment Policy	Page 5	Page 5	Page 3	N/a	N/a
Outlook	Page 8	Page 8	Page 8	Page 7	Page 6
Manager's Review	Page 13	Page 13	Page 9	N/a	N/a
Portfolio Summary	Page 14	Page 14	Page 11	Page 8	Page 8
Business Review	Page 9	Page 9	Page 19	N/a	N/a
Valuation Policy	Page 15	Page 15	Page 10	N/a	N/a

As at 31 March 2016, the date to which the most recent unaudited financial information on Eclipse has been drawn up, the unaudited NAV per Eclipse Share was 32.5p. A dividend of 1.0p per Eclipse Share was subsequently paid on 24 June 2016.

PART SIX: INVESTMENT PORTFOLIO OF THE COMPANY AND ECLIPSE

The Company

The investment portfolio of the Company as at the date of this document is as follows (the valuations being the unaudited valuations as at 31 July 2016 and representing UK companies and 67.7% of the NAV of the Company as at 31 July 2016):

Investments	Sector	Movement		Fair Value as at 31 July 2016 (£'000)	Debt/Equity
		Investment cost as at 31 July 2016 (£'000)	in fair value to 31 July 2016 (£'000)		
Clifford Thames Group Limited	Automotive Software & data	13,318	2,260	15,578	Debt/Equity
Vista Retail Support Limited	Retail support services	6,758	2,378	9,136	Debt/Equity
Healthcare Services and Technology Limited	Healthcare	7,186	759	7,945	Debt/Equity
Anglo European Group Limited	Manufacturing	5,000	-	5,000	Debt/Equity
Byena Limited	Investment Company	5,000	-	5,000	Debt/Equity
Coupra Limited	Information Technology	5,000	-	5,000	Debt/Equity
Emercor Limited	Investment Company	5,000	--	5,000	Debt/Equity
Finnavor Limited	Investment Company	5,000		5,000	Equity
Galvara Limited	Investment Company	5,000	-	5,000	Debt/Equity
Haravar Limited	Investment Company	5,000	-	5,000	Debt/Equity
Other*	Various	37,498	(2,151)	35,347	Debt/Equity
Total		99,760	3,246	103,006	

* Other comprises 23 investments: Acquire Your Business Ltd, Angelico Solar Limited, Aquaso Limited, Bramante Solar Limited, British Country Inns plc, Canaletto Solar Limited, Countrywide Healthcare Services Limited, Dyscova Limited, EKF Diagnostics plc, Kabardin Limited, Leonardo Solar Limited, Modigliano Solar Limited, Pirlo Solar Limited, PTB Films, Quickfire, Quickfire2, Red Poll Power Limited, Superior Heat Limited, Tanganyika Heat Limited, Tintoretto Solar Limited, Tiziano Solar Limited, Valloire Power Limited, and Winnipeg Heat (Caspian).

Since 31 July 2016 there have been two disposals, proceeds of which totalled £15.3 million. There have been no acquisitions.

Eclipse

The investment portfolio of Eclipse as at the date of this document is as follows (the valuations being the unaudited valuations as at 31 March 2016 and representing UK companies and 71% of the NAV of Eclipse as at 31 March 2016):

Investments	Sector	Investment cost as at 31 March 2016 (£'000)	Movement in fair value to 31 March 2016 (£'000)	Fair Value as at 31 March 2016 (£'000)	Debt/Equity
Oxifree UK Limited	Manufacturing	2,524	-	2,524	Debt/Equity
Dyscova Limited	Investment company	2,200	-	2,200	Debt/Equity
Spiralite Holdings Limited	Manufacturing	2,200	-	2,200	Debt/Equity
Plastics Capital plc	Engineering	1,698	395	2,093	Equity
Luther Pendragon Limited	Media & Marketing Services	2,380	(630)	1,750	Debt/Equity
Barrecore Ltd	Consumer Products	1,648	-	1,648	Equity
Artesian Solutions Limited	Technology & Communications	1,175	321	1,496	Equity
History Press Limited	Publishing	4,179	(2,828)	1,351	Debt/Equity
Sourceable Limited	Consumer Products	644	371	1,015	Equity
Secret Escapes Limited	Consumer Products	542	448	990	Equity
Other*	N/A	6,458	(570)	5,888	Debt/Equity
Total		25,648	(2,493)	23,155	

* Other comprises 20 investments: Augean plc, Behaviometrics AB, Cello Group plc, CurrencyFair Limited, Ecrebo Limited, Ergomed plc, Eve Sleep Limited, Hasgrove Limited, Mi-Pay Group plc, MIRACL Limited, Nektan plc, Origami Energy Limited, Segura Systems Limited, Tailsco Limited, Tanfield Group plc, Time out Group plc, Trafi Limited, Vertu Motors plc, Yu Group plc, Zynstra Limited.

Since 31 March 2016, there have been four disposals, the proceeds of which totalled £7.1 million, and 9 acquisitions, the investment cost of which totalled £3.3 million.

Enlarged Company

The investment portfolio of the Enlarged Company as at the date this document is as follows, assuming the Company acquired Eclipse as at 31 July 2016 (the valuations being the unaudited valuations as at 31 July 2016 for the Company and as at 31 March 2016 for Eclipse):

Investments	Sector	Investment cost as at 31 July 2016 (Apollo) and 31 March 2016 (Eclipse) (£'000)	Movement in fair value to 31 July 2016 (Apollo) and 31 March 2016 (Eclipse) (£'000)	Fair Value as at 31 July 2016 (Apollo) and 31 March 2016 (Eclipse) (£'000)	Debt/Equity
Clifford Thames Group Limited	Automotive Software & data	13,318	2,260	15,578	Debt/Equity
Vista Retail Support Limited	Retail support services	6,758	2,378	9,136	Debt/Equity
Healthcare Services and Technology Limited	Healthcare	7,186	759	7,945	Debt/Equity
Anglo European Group Limited	Manufacturing	5,000	-	5,000	Debt/Equity
Byena Limited	Investment Company	5,000	-	5,000	Debt/Equity
Coupra Limited	Information Technology	5,000	-	5,000	Debt/Equity
Emercor Limited	Investment Company	5,000	-	5,000	Debt/Equity
Finnavor Limited	Investment Company	5,000	-	5,000	Equity
Galvara Limited	Investment Company	5,000	-	5,000	Debt/Equity
Haravar Limited	Investment Company	5,000	-	5,000	Debt/Equity
Other*	Various	63,146	(4,644)	58,502	Debt/Equity
Total		125,408	753	126,161	

*Other comprises 52 investments: Acquire Your Business Ltd, Angelico Solar Limited, Aquaso Limited, Artesian Solutions Limited, Augean plc, Barrecore Ltd, Behaviometrics AB, Bramante Solar Limited, British Country Inns plc, Canaletto Solar Limited, Cello Group plc, Countrywide Healthcare Services Limited, CurrencyFair Limited, Dyscova Limited, Ecrebo Limited, EKF Diagnostics plc, Ergomed plc, Eve Sleep Limited, Hasgrove Limited, History Press Limited, Kabardin Limited, Leonardo Solar Limited, Luther Pendragon Limited, Mi-Pay Group plc, MIRACL Limited, Modigliano Solar Limited, Nektan plc, Origami Energy Limited, Oxifree UK Limited, Pirlo Solar Limited, Plastics Capital plc, PTB Films, Quickfire, Quickfire2, Red Poll Power Limited, Secret Escapes Limited, Segura Systems Limited, Sourceable Limited, Spiralite Holdings Limited, Superior Heat Limited, Tailsco Limited, Tanfield Group plc, Tanganyika Heat Limited, Time out Group plc, Tintoretto Solar Limited, Tiziano Solar Limited, Trafi Limited, Valloire Power Limited, Vertu Motors plc, Winnipeg Heat (Caspian), Yu Group plc and Zynstra Limited.

PART SEVEN: ADDITIONAL INFORMATION RELATING TO THE COMPANY

1 INCORPORATION

- 1.1 The Company was incorporated and registered in England and Wales on 7 June 2006 under the CA 1985 with registered number 5840377 as a public company limited by shares.
- 1.2 On 14 July 2006, the Registrar of Companies issued the Company with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales on 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 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

2 REGISTERED OFFICE AND PRINCIPAL LEGISLATION

- 2.1 The registered office of the Company is at 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295.
- 2.2 The Company is authorised and regulated by the FCA as a self managed alternative investment fund.
- 2.3 The principal legislation under which the Company operates and which governs its shares is the Acts and regulations made thereunder.

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, SDG Registrars Limited and SDG Secretaries Limited.
- 3.2 By ordinary and special resolutions passed by the Company on 30 November 2015, the Directors were authorised in accordance with Section 551 of the CA 2006 to allot Shares up to an aggregate nominal amount of £7,000,000 (representing 55.7% of the issued Shares at 30 October 2015), for a period expiring 18 months from the passing of the resolution (unless previously renewed, varied or revoked by the Company in general meeting) and disapplied the pre-emption provisions of Section 561 of the CA 2006 in respect of any such allotment, for a period expiring 18 months from the passing of the resolution (unless previously renewed, varied or revoked by the Company in general meeting).
- 3.3 The following Resolutions will be proposed at the General Meeting:
 1. THAT, subject to the Scheme becoming unconditional:
 - 1.1 the acquisition of the assets and liabilities of Eclipse on the terms set out in the Circular be and hereby is approved; and
 - 1.2 the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Shares up to an aggregate nominal amount of £5 million in connection with the Scheme (representing 28.5% of the issued share capital of the Company as at 3 November 2016, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 1.2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting).
 2. THAT, in addition to (i) existing authorities and (ii) the authorities conferred by Resolution 1 set out in this notice:

- 2.1 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 Shares and to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal amount of £4 million (representing 22.8 % of the issued share capital of the Company as at 3 November 2016, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2.1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in 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;
- 2.2 the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2.1 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 2.2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
- (a) the allotment and issue of Shares up to an aggregate nominal value of £4 million pursuant to offer(s) for subscription; and
 - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,

where the proceeds may in whole or part be used to purchase Shares.

3. THAT, in addition to (i) existing authorities and (ii) the authorities conferred by Resolution 1 and 2 set out in this notice:
- 3.1 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 Shares up to an aggregate nominal amount of £1 million in connection with the Company's dividend reinvestment scheme (representing 5.7% of the issued share capital of the Company as at 3 November 2016, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 3.1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in 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 after such expiry;
- 3.2 the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 3.1 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 3.2 shall expire on the date falling 18 months from the date of the passing of this Resolution (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 up to an aggregate nominal value of £1 million in connection with the Company's dividend reinvestment scheme.
4. THAT , the articles of association produced to the meeting, and for the purpose of identification initialed by the Chairman, be adopted as the articles of association of the Company.

5. THAT the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
 - (a) the aggregate number of Shares which may be purchased shall not exceed 26,259,520 Shares;
 - (b) the minimum price which may be paid per Share is the nominal value thereof;
 - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;
 - (d) the authority conferred by this Resolution shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting); and
 - (e) the Company may make a contract to purchase Shares under the authority conferred by this Resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority.
6. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the Company's share premium account at the date that the court order granting the cancellation is made, be cancelled.
7. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the Company's capital redemption reserve at the date that the court order granting the cancellation is made, be cancelled.

For the purposes of these Resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

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

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	17,518,027	175,180,266

In addition, there are 15,620,519 economically worthless deferred shares resulting from the former D ordinary shares, that will be bought back in due course by the Company for a nominal value.

3.5 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming (i) the Offer is fully subscribed, (ii) that the Offer Price is either 85.2p or 52.1p and (iii) that 38,899,060 Scheme Shares are issued pursuant to the Merger) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid) (Offer Price = 85.2p)</i>		<i>Issued (fully paid) (Offer Price = 52.1p)</i>	
		<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	23,755,350	237,553,504	25,246,704	252,467,041

3.6 The following allotments and repurchases of Shares have taken place since 1 February 2013:

Allotment date	Shares issued	Issue price (p)
15 February 2013	18,043,313	94.50
20 March 2013	4,855,005	94.50
3 April 2013	7,758,249	94.50
5 April 2013	5,012,898	94.50
30 April 2013	961,319	94.00
3 June 2013	1,490,277	91.40
28 June 2013	3,100,553	91.80
21 February 2014	4,552,069	89.70
27 August 2014	15,563	86.90
19 December 2014	4,345,635	88.90
22 December 2014	881,211	88.90
13 March 2015	5,222,578	88.90
31 March 2015	6,541,808	88.90
4 April 2015	3,534,572	88.90
28 April 2015	1,382,366	88.90
2 July 2015	2,413,053	89.30
31 July 2015	166,021	82.30
21 August 2015**	19,809,055	83.40
28 August 2015	4,190,865	86.70
1 October 2015	3,383,579	86.70
11 December 2015	2,328,139	85.20
18 December 2015*	303,243	80.90
08 January 2016	7,638,436	85.20
23 February 2016	5,415,410	85.80
23 February 2016*	512	82.30
23 March 2016	7,614,240	85.80
23 March 2016*	1,428	82.30
23 March 2016*	44	80.90
30 March 2016	3,543,202	85.80
05 April 2016	8,363,388	85.80
13 April 2016	1,285,617	85.80
13 May 2016	1,369,255	85.80
13 May 2016	15,667	85.80

13 May 2016	922	85.80
13 May 2016	11,324	85.80
23 June 2016	2,011,192	86.70
04 August 2016***	3,850,093	83.00
10 August 2016	4,387,618	87.40
26 August 2016*	685,018	80.50
16 September 2016	3,777,225	84.80

* Shares allotted to those shareholders participating in the DRIS

** Shares allotted to former C Ordinary shareholders who converted their C shareholding into Ordinary shares at a ratio of 1.17506 Ordinary shares per C Ordinary share.

*** Shares allotted to former D Ordinary shareholders who converted their D shareholding into Ordinary shares at a ratio of 1.11205 Ordinary shares per D Ordinary share.

The Company allotted 15,620,519 deferred shares on 5 August 2016 at nil consideration in respect of the D ordinary shareholders who elected to receive the D share dividend.

Buyback date	Shares bought	Price (p)
15 February 2013	18,868,091	89.70
29 April 2013	150,000	84.75
3 May 2013	788,540	84.75
28 May 2013	184,200	82.25
31 July 2013	414,397	82.75
30 September 2013	270,849	82.75
18 November 2013	169,387	80.50
22 January 2014	257,907	80.75
29 May 2014	613,406	82.50
30 May 2014	225,000	82.50
25 June 2014	110,000	80.00
31 July 2014	340,721	80.00
1 October 2014	160,000	82.50
7 October 2014	166,745	82.50
22 December 2014	150,000	80.00
28 January 2015	464,523	80.00
30 January 2015**	230,021	88.00
11 June 2015	340,000	80.50
26 June 2015	69,236	80.50
31 July 2015	219,363	78.00
6 October 2015	945,151	79.25
9 October 2015	629,662	79.25
05 November 2015	387,979	79.25
10 November 2015	434,567	79.25
29 January 2016	834,486	78.00

29 January 2016	696,491	78.00
02 June 2016	350,000	78.70
07 June 2016	280,000	78.70
08 June 2016	235,000	78.70
22 July 2016	280,585	78.70
07 September 2016	240,079	77.00
19 October 2016	375,000	77.00

** Buyback of C ordinary shares

- 3.7 Other than the issue of Offer Shares, Scheme Shares and, subject to the approval of Resolution 3 at the General Meeting, Shares under its Dividend Reinvestment Scheme, the Company has no present intention to issue any Shares.
- 3.8 The Company does not have in issue any securities not representing share capital.
- 3.9 The provisions of Section 561(1) of CA2006 (to the extent not disapplied subject 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 the 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.
- 3.10 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.
- 3.11 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.12 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 since 1 February 2013.
- 3.13 Other than pursuant to the Offer and the Scheme, none of the New Shares have been sold or are 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.
- 3.14 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 of the Company permit the holding of shares in CREST.
- 3.15 The ISIN and SEDOL Codes of the Shares are GB00B17B3479 and B17B347 respectively.

4 DIRECTORS' INTERESTS

4.1 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	Number of Shares	% of Issued Share Capital
Murray Steele	30,102	less than 0.1%
James Otter	17,630	less than 0.1%
Christopher Powles	5,868	less than 0.1%
Ian Pearson	12,046	less than 0.1%

4.2 Assuming that (i) the Offer is fully subscribed at an Offer Price of 85.2p and (ii) that 38,899,060 Scheme Shares are issued pursuant to the Merger, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer and the Merger will be:

Director	Number of Shares	% of Issued Share Capital
Murray Steele	35,970	less than 0.1%
James Otter	17,630	less than 0.1%
Christopher Powles	11,736	less than 0.1%
Ian Pearson	12,046	less than 0.1%
Alex Hambro	12,048	less than 0.1%

4.3 At the date of this document, the Company is not aware of any person who has or will hold (after the Scheme has completed and/or the Offer has closed) directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company to which voting rights are attached (assuming that (i) the Offer is fully subscribed at an Offer Price of 85.2p and (ii) 38,899,060 Scheme Shares are issued pursuant to the Merger) or who could, directly or indirectly, jointly or severally, exercise control over the Company.

4.4 The persons, including the Directors, referred to in paragraphs 4.1 to 4.2 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.

4.5 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.

4.6 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.

4.7 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)
Murray Steele	Director	Surface Generation Limited	Y
	Director	WMB Steele (2009) & Co. Limited	Y

	Director	JWPS Trustees Limited	Y
	Director	JWSEMPP Trustees Limited	Y
	Director	James Walker Trustees Limited	Y
	Director	James Walker Group Limited	Y
	Director	London Internet Exchange Limited	Y
	Director	Healthy Board Services Ltd	Y
	Director	CBG Holdings Limited (in liquidation)	Y
	Director	Ringmount Limited (Dissolved)	N
	Director	Octopus Apollo VCT 4 plc (Dissolved)*	N
James Otter	Director	Octopus VCT plc (Dissolved)*	N
	Director	TCS Cellworks Limited	Y
	Director	Jott Limited	Y
	Director	Ellipson Limited	Y
	Director	Venda Group Limited (in liquidation)	Y
	Director	Hygea VCT plc	N
	Director	Axon Limited	N
	Director	Glide Pharmaceutical Technologies Limited	N
Christopher Powles	Director	Little Sutton Energy Company Limited	N
	Director	Susenco Management Limited	Y
	Director	Flights Mill Community Hydro Power Limited	Y
	Director	Bicester Energy Company Limited	Y
	Director	Octopus Apollo VCT 4 plc (Dissolved)*	N
Ian Pearson	Director	Thames Water Utilities Limited	Y
	Director	Code Investing Limited	Y

Director	IPP Associates Limited	Y
Director	Octopus VCT 2 plc (in liquidation)	Y

* In members voluntary liquidation prior to being dissolved

The business address of all the Directors is 33 Holborn, London EC1N 2HT.

- 4.8 Save as set out above, none of the Directors has at any time within the last five years:
- 4.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- 4.8.2 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;
- 4.8.3 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 4.7 above; or
- 4.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 4.9 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.10 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.
- 4.11 The Directors and Octopus do not have any conflicts of interest between their duties to the Company and their private interests or other duties.

5 DIRECTORS' LETTERS OF APPOINTMENT

Murray Steele and Christopher Powles were appointed as Directors on 28 September 2012, James Otter was appointed as a Director on 28 November 2014 and Ian Pearson was appointed as a Director on 27 January 2016. 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. Murray Steele, as Chairman of the Company, is entitled to annual remuneration of £30,000, and Chris Powles, as Chairman of the Audit Committee, is entitled to annual remuneration of £25,000, while the annual remuneration receivable by the other Directors is £22,500. None of the Directors has a service contract with the Company and no such contract is proposed. In respect of the year ended 31 January 2016, Murray Steele received £25,000, Christopher Powles received £20,000, James Otter received £20,000, Ian Pearson received £231 and Matt Cooper, who resigned as a director on 27 January 2016, received £20,000.

In the event that the Merger proceeds, Alex Hambro will join the Board and will receive an annual remuneration of £22,500. Ian Pearson will stand down from the Board on 31 January 2017.

6 THE COMPANY AND ITS SUBSIDIARIES

The Company does not have any subsidiaries.

7 OFFER AGREEMENT

An agreement dated 4 November 2016, between the Company (1), the Directors (2), Octopus (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 Scheme and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus 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 NAV of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary, for up to nine years and has agreed to discharge all 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 Octopus to the other parties. 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 is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

8 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:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 2 November 2015, between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the offer for subscription that was launched on 2 November 2015 (the "2015 Offer") and the merger between the Company and OVCT2 and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2015 Offer. Under the agreement Octopus was paid an initial fee of up to 5.0% of the funds received under the 2015 Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the 2015 Offer who invested directly into the Company and not through a financial intermediary, for up to nine years and agreed to discharge all external costs of advice and their own costs in respect of the 2015 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to the other parties. The Company 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.
- 8.3 An offer agreement dated 24 October 2014, between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the offer for subscription that was launched on 24 October 2014 (the "2014 Offer") and the merger between the Company and OVCT and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2014 Offer. Under the agreement Octopus was paid an initial fee of up to 5.0% of the funds received under the 2014 Offer and an ongoing fee of 0.5% per annum of the NAV of the

investment amounts received from investors under the 2014 Offer who invested directly into the Company and not through a financial intermediary for up to nine years and agreed to discharge all external costs of advice and their own costs in respect of the 2014 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to the other parties. The Company also agreed to indemnify Howard Kennedy in respect of its role as sponsor to the 2014 Offer. The warranties and indemnity are in usual form for a contract of this type.

- 8.4 The letters of appointment of the Directors, details of which are set out in paragraph 5 above.
- 8.5 An investment management agreement dated 27 July 2006, as varied by deeds of variation dated 16 August 2012, 28 April 2014, 24 October 2014 and 2 November 2015 (the "IMA") between the Company (1) and Octopus (2) pursuant to which Octopus provides discretionary investment management and administration services to the Company. The appointment of Octopus is terminable by either party on not less than 12 months' notice in writing and may also be terminated in circumstances of material breach by either of these parties. Octopus receives an annual management fee of an amount equal to 2% of the net assets of the Company, calculated on a daily basis from 31 January and payable quarterly in arrears, together with any applicable VAT thereon in respect of investment management services. Octopus also receives an annual administration and accounting fee of an amount equal to 0.3% of the net assets of the Company, calculated at annual intervals as at 31 January and payable quarterly (plus VAT) and an annual company secretarial fee of £20,000 per annum payable annually or quarterly.

Pursuant to the IMA, Octopus is entitled to an annual performance related incentive fee in each accounting period, subject to the total return being 100p at the end of the relevant period. The amount of the fee will be equal to 20% of the amount by which the total return as at the end of the relevant period exceeds the total return as at 31 January 2012 plus cumulative Bank of England base rate or, if greater, the highest total return as at the end of the accounting period commencing on 1 February 2012 or any subsequent accounting period.

The normal annual expenses of the Company under the IMA are capped each year at an amount agreed between the Company and Octopus. For the current year the normal annual expenses are capped at an amount equal to 3.3% of the Company's net assets, this being the amount set on launch of the Company. Any excess over this amount will be borne by Octopus. Normal annual expenses means the annual expenses of the Company incurred in its ordinary course of business and includes the annual investment management, administration, and secretarial fees, directors' remuneration, normal fees payable to the Company's registrars, stockbroker, auditors, solicitors and VCT status advisers. It does not include any exceptional items, annual trail commission or irrecoverable VAT thereon.

Octopus has the right to charge transaction, directors', monitoring, consultancy, corporate finance, introductory, syndication fees, commissions and refunds of commissions in respect of the management of the Company's investment portfolio. Such fees do not typically exceed 1.5% of the total amount invested by all Octopus managed funds (including the Company) per annum, assuming an investment of £5 million and a holding period of five years. The costs of all deals that do not proceed to completion will be borne by Octopus. The agreement includes indemnities given by the Company to Octopus which are usual for this type of agreement.

The following contracts will be entered into subject, inter alia, to the approval by Shareholders of Resolution 1 to be proposed at the General Meeting:

- 8.6 A transfer agreement between the Company and Eclipse (acting through the Liquidators) to give effect to the Scheme pursuant to which all of the assets and liabilities of Eclipse will be transferred to the

Company (subject only to the consents from third parties which may be required to transfer such assets and liabilities) in consideration for Scheme Shares, as described in Part One of this document. If any of the parties so require, Eclipse, acting by the Liquidators, shall promptly give instructions to any person holding any part of Eclipse's assets as nominee of or on trust for Eclipse, requiring such person to transfer such assets to the Company. Eclipse, acting by the Liquidators, will also undertake to execute and deliver such other documents and take such other steps as shall be reasonably required by the Company to vest in the Company the assets to be transferred to the Company under this agreement and otherwise to give the Company the full benefit of this Agreement. The Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of Eclipse will be transferred on receipt to the Company as part of the Scheme.

- 8.7 A deed of indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme.

9 RELATED PARTY TRANSACTIONS

Save for the fees paid to the Directors as detailed in paragraph 5 above, the fees paid under the investment management agreement detailed in paragraph 8.5 above, the promoter's fee of £0.14 million paid to Octopus in respect of the Company's top-up offer launched on 2 December 2013, the promoter's fee of £0.3 million paid to Octopus in respect of the Company's offer for subscription that was launched on 24 October 2014, the promoter's fee of £0.7 million paid to Octopus in respect of the Company's offer for subscription that was launched on 2 November 2015 and the promoter's fee payable in respect of the Offer Agreement, there were no other related party transactions or fees paid by the Company during the years ended 31 January 2014, 31 January 2015 and 31 January 2016 or for the period from 31 January 2016 to the date of this document.

10. WORKING CAPITAL

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements, that is, for at least the period of twelve months from the date of this document.

11. CAPITALISATION AND INDEBTEDNESS

- 11.1 The capitalisation of the Company as at 31 July 2016 was as follows:

<u>Capital and reserves</u>	£'000
Called up Equity Share Capital	16,745
Share Premium	1,438
Special Distributable Reserve	128,328
Capital Redemption Reserve	2,672
Capital Reserve Realised	(1,087)
Capital Reserve Unrealised:	2,988
Revenue Reserve:	1,055
 Total Equity Shareholders' Funds	 <u>152,139</u>

Since 31 July 2016, a dividend totalling £14.4 million was paid to investors and additional allotments have occurred as detailed in 3.6 above. Save in respect of these matters there has been no material change to the capitalisation since 31 July 2016.

11.2 As at 31 August 2016 the Company had 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 14.1.12 below.

12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

Audit Committee

12.1 The audit committee of the Company comprises the Board, is chaired by Christopher Powles and meets twice a year and on an ad hoc basis as necessary. The committee has direct access to Grant Thornton UK LLP, 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB, the Company's external auditor. The duties of the audit committee are, inter alia:

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

12.1.2 to review and approve the external auditor's terms of engagement and remuneration; and

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

Nomination and Remuneration Committees

12.1.4 A nomination committee consisting of James Otter and Christopher Powles has been established to consider recommendations for the re-election of Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors are considered by the Board and any Director is excluded from meetings the purpose of which is the setting of his own remuneration.

13. LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 month period ending on the date of this document which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

14. ARTICLES OF THE COMPANY

14.1 The articles of association of the Company (the "Articles"), contain, inter alia, the following provisions.

14.1.1 Voting Rights

Subject to any disenfranchisement as provided in paragraph 14.1.4 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 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.

14.1.2 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.

14.1.3 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 half-year 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.

14.1.4 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% 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.

14.1.5 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 CA 2006, 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 CA 2006, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

14.1.6 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 CA 2006, 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.

14.1.7 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.

14.1.8 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 to be 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.

14.1.9 Directors' Interests

14.1.9.1 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 CA 2006, the nature of his interest.

- 14.1.9.2. Provided that he has declared his interest in accordance with paragraph 14.1.9.1, 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.
- 14.1.9.3 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 1% 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.

14.1.9.4 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.

14.1.10 Remuneration of Directors

14.1.10.1 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 £100,000 per year) to be divided among them in such proportion and manner as the Directors may determine. Subject to the passing of Resolution 4 at the General Meeting, the Articles shall be amended to provide that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £150,000 per year.

14.1.10.2 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.

14.1.10.3 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.

14.1.11 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 CA 2006.

14.1.12 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 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.

14.1.13 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 CA 2006, 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 CA 2006, any expenses, loss or liability (or provision therefore) 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.

14.1.14 Duration of Company

- (i) The Directors shall procure that at the fifteenth annual general meeting of the Company (and thereafter at five yearly intervals) an ordinary resolution will be proposed to the effect that the Company shall continue in being. If such resolution is not passed the board shall within four months of that meeting convene a general meeting to propose either or both of the following:
 - (a) a special resolution for the reorganisation or reconstruction of the Company; or
 - (b) a special resolution to wind up the Company voluntarily.
- (ii) On any voluntary winding-up of the Company, the liquidator may, with the sanction of an special resolution and any other sanctions required by law, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

14.1.15 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.

14.2 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 subject to the Uncertificated Securities Regulations 2001. The New Shares have been made eligible for settlement in CREST.

15. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

15.1 Octopus 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 VCT Rules and the Company will not deviate from them. Further, in accordance with the VCT Rules, the Company will invest in ordinary shares, in some cases in a small number of preference shares where applicable, and always in accordance with such rules.

15.2 The Company is authorised and regulated by the FCA as a self managed alternative investment fund. VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the rules and regulations of the UK Listing Authority.

15.3 The Company is regulated by the VCT Rules in respect of the investments they make as described in Part Three of this document. The Company has appointed PricewaterhouseCoopers of 1 Embankment Place, London WC2N 6RH ("PwC") as its VCT status monitor. PwC will report to the Company as a part of its annual reporting obligations. In respect of any breach of the VCT Rules, the Company, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Shareholders via a Regulatory Information Service provider.

15.4 The Company will not invest more than 15% of its gross assets in any single company, in accordance with the VCT 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 VCT from HMRC.

15.5 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%, 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% of their total assets in other listed closed-ended investment funds.

15.6 The Board must be able to demonstrate that it will act independently of Octopus. A majority of the Board (including the Chairman) must not be directors, employees, partners, officers, or professional advisers of or to, Octopus or any company in Octopus's group or any other investment entity which they manage.

15.7 The Company will not invest directly in physical commodities.

15.8 The Company will not invest in any property collective investment undertaking.

- 15.9 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 (i.e. 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).
- 15.10 Octopus is responsible for the determination and calculation of the NAV of the Company on at least a six monthly basis.
- 15.11 The NAV of the Company's investments will be determined by Octopus at least every six months 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. The NAV of the Company will be communicated to Shareholders via a Regulatory Information Service at the same frequency as the determinations.
- 15.12 The calculation of the NAV of the Company's investments will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension will be communicated to Shareholders through a Regulatory Information Service provider.

16. CORPORATE GOVERNANCE

The UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (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 due 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) new Directors do not receive a full, formal and tailored induction on joining the Board and such matters are addressed on an individual basis as they arise (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 Board as a whole deals with any matters of this nature and (v) as the Company has no major shareholders, the Shareholders are not given the opportunity to meet any non-executive Directors at a specific meeting other than the annual general meeting.

17. TAKEOVERS AND MERGERS

17.1 Mandatory takeover bids

The City Code on Takeovers and Mergers (the "Takeover 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 Takeover Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers (the

“Panel”) 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 Takeover 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 Takeover Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30% 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% but not more than 50% 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% of the voting rights.

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

17.2 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% 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% 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.

17.3 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%, in value of all the voting shares in the company and carrying not less than 90% 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.

18. NOTIFICATIONS OF SHAREHOLDINGS

The provisions of disclosure guidance and transparency rule 5 (“DGTR 5”) will apply to the Company and its Shareholders. DGTR 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% and each 1% thereafter up to 100%. DGTR 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.

19. GENERAL

- 19.1 The estimated costs and expenses relating to the Offer, assuming full subscription, all investors being Advised Investors, and all choosing to pay their advisors a 2.5% upfront fee, payable by the Company is estimated to amount to approximately £1.1 million in aggregate. On the above assumptions, the aggregate total net proceeds of the Offer, after all fees, is expected to be approximately £18.9 million. The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs of undertaking the Merger are approximately £331,000.
- 19.2 Grant Thornton UK LLP, chartered accountants of 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB have been the auditor of the Company since its incorporation. Grant Thornton UK LLP have given unqualified audit reports on the statutory accounts of the Company for all of the financial years set out in Part Five 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. The statutory accounts set out in Part Five have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006.
- 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 it complies with guidelines on independence issued by its national accountancy and auditing bodies.
- 19.4 Howard Kennedy's office address is at 1 London Bridge, London SE1 9BG. Howard Kennedy is regulated by the Financial Conduct 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 Octopus in this document have been included in the form and context in which they appear with the consent and authorisation of Octopus. Octopus accepts responsibility for those statements and to the best of the knowledge and belief of Octopus, 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 There has been no significant change in the financial or trading position of the Company since 31 July 2016, the date to which the latest unaudited half-year 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 Company and the Directors are aware.

- 19.11 Shareholders will be informed, by means of the half-year and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a VCT 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 Company's investment policy, as set out in this document. There are no firm commitments in respect of any of the Company's principal future investments. As at 31 July 2016, the Company had £35.6 million 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 at a subsequent date result in a change of control of the Company.
- 19.14 The Company has no employees.
- 19.15 The typical investor for whom the Company is designed is a UK 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 at pages 15 to 16, considers the Investment Policy to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who already have a portfolio of non-VCT investments.
- 19.16 The Company does not have any major 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 wish to hold their New Shares in uncertificated form they should contact the Company's registrar.
- 19.18 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.
- 19.19 Octopus 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 Octopus.
- 19.20 The existing issued Shares in the Company will represent 73.7% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme and the Offer, assuming (i) the Offer is

fully subscribed at an Offer Price of 85.2p and (ii) 38,899,060 Scheme Shares are issued pursuant to the Merger and, on that basis, Shareholders who do not receive Offer Shares or Scheme Shares will, therefore, be diluted by 26.3%.

- 19.21 The existing issued Shares in the Company will represent 81.8% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme, assuming (i) the Offer does not proceed and (ii) 38,899,060 Scheme Shares are issued pursuant to the Merger and, on that basis, Shareholders who do not receive Scheme Shares will, therefore, be diluted by 18.2%.
- 19.22 The existing issued Shares in the Company will represent 88.2% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming (i) the Offer is fully subscribed at an Offer Price of 85.2p and (ii) the Scheme does not proceed and, on that basis, Shareholders who do not receive Offer Shares will, therefore, be diluted by 11.8%.
- 19.23 The Company, the Directors and the Proposed Director 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 3 November 2017. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.
- 19.24 **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 19.23 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 offices of the Company and Howard Kennedy whilst the Offer remains open:

- 20.1 the Articles;
- 20.2 the material contracts referred to in paragraph 8 of Part Seven above;
- 20.3 the half year reports of the Company for the 6 month periods ending 31 July 2015 and 31 July 2016 and the annual accounts for the periods ending 31 January 2014, 31 January 2015 and 31 January 2016;
- 20.4 the half year reports of Eclipse for the 6 month periods ending 31 March 2015 and 31 March 2016 and the annual accounts for the periods ending 30 September 2013, 30 September 2014 and 30 September 2015;
- 20.5 the Circular and the Eclipse Circular; and
- 20.6 this document.

4 November 2016

DEFINITIONS

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

"Acts"	CA 1985 and CA 2006
"Admission"	the admission of New Shares to trading on the London Stock Exchange's main market for listed securities
"Advised Investors"	investors under the Offer who receive advice from their financial intermediaries
"Applicant"	a person applying for Offer Shares under the Offer
"Application"	an application for Offer Shares under the Offer
"Application Form"	the application form relating to the Offer which can be found on the Company's website
"Articles"	the articles of association of the Company
"Board" or "Directors"	the board of directors of the Company
"Boards"	the Board and the Eclipse Board
"CA 1985"	Companies Act 1985
"CA 2006"	Companies Act 2006
"Capita Asset Services"	a trading division of Capita Registrars Limited
"Circular"	the circular to Shareholders dated 4 November 2016
"Company"	Octopus Apollo VCT plc
"Companies"	the Company and Eclipse
"Dividend Reinvestment Scheme" or "DRIS"	the Company's dividend reinvestment scheme, details of which are set out in Part Two
"Eclipse"	Octopus Eclipse VCT plc
"Eclipse Board" or "Eclipse Directors"	the board of directors of Eclipse
"Eclipse Circular"	the circular to Eclipse Shareholders dated 4 November 2016
"Eclipse First General Meeting"	the general meeting of Eclipse to be held on 7 December 2016 (or any adjournment thereof)
"Eclipse General Meetings"	the Eclipse First General Meeting and the Eclipse Second General Meeting
"Eclipse Second General Meeting"	the general meeting of Eclipse to be held on 19 December 2016 (or any adjournment thereof)
"Eclipse Shares"	ordinary shares of 10p each in the capital of Eclipse
"Eclipse Shareholders"	holders of Eclipse Shares (and each an "Eclipse Shareholder")

“Enlarged Company”	the Company following implementation of the Scheme
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held on 12 December 2016 (or any adjournment thereof)
“General Meetings”	the General Meeting and the Eclipse General Meetings
“HMRC”	HM Revenue and Customs
“Howard Kennedy”	Howard Kennedy Corporate Services LLP
“IA 1986”	The Insolvency Act 1986, as amended
“Investment Policy”	the Company’s investment policy from time to time
“ITA 2007”	Income Tax Act 2007, as amended
“Knowledge Intensive Company”	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007 of the proposed draft legislation. These rules are subject to Royal Assent.
“Liquidators”	William Duncan and Adrian Allen of RSM Restructuring Advisory LLP, being the proposed liquidators for Eclipse
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Market Abuse Regulation”	Market Abuse Regulation (596/2014/EU)
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Share calculated in accordance with the formula set out in Part One of this document
“NAV”	net asset value
“New Shares”	the Scheme Shares and/or the Offer Shares, as applicable (and each a “New Share”)
“Octopus”, the “Manager” or the “Receiving Agents”	Octopus Investments Limited
“Octopus VCT”	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
“Offer”	the offer for subscription by the Company for Offer Shares in respect of the tax years 2016/17 and 2017/18 contained in this document
“Offer Agreement”	the offer agreement dated 4 November 2016 between the Company, the Directors, the Manager and Howard Kennedy, details of which are set out in Part Seven

"Offer Price"	the price per Offer Share, as set out in Part Two
"Offer Shares"	Shares being offered under the Offer (and each an "Offer Share")
"Official List"	the official list maintained by the UK Listing Authority
"OVCT"	Octopus VCT plc (dissolved)
"OVCT2"	Octopus VCT 2 plc (in liquidation)
"Proposals"	the proposals to effect the Scheme and the Offer, and to approve the Resolutions
"Proposed Director"	Alex Hambro, who will become a director of the Company in the event that the Merger proceeds
"Prospectus"	this document
"Prospectus Rules"	the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC
"Qualifying Company"	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
"Qualifying Investments"	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in chapter 4 of Part 6 ITA 2007
"Qualifying Subscriber"	an individual who subscribes for New Shares and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
"Regulatory Information Service"	a regulatory information service that is on the list of regulatory information services maintained by the FCA
"Resolutions"	the resolutions to be proposed at the General Meetings (and each a "Resolution")
"Risk Finance State Aid"	State aid received by a company as defined in Section 280B (4) of ITA
"Roll-Over Value"	the value of an Eclipse Share calculated in accordance with the formula set out in Part One of this document
"Scheme" or "Merger"	the proposed merger of the Company with Eclipse by means of placing Eclipse into members' voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of the assets and liabilities of Eclipse in consideration for Scheme Shares, further details of which are set out in Part One of this document
"Scheme Calculation Date"	the date on which the number of Scheme Shares to be issued pursuant to the Scheme will be calculated, anticipated as being after the close of business on 16 December 2016
"Scheme Effective Date"	the date on which the Scheme will be completed, anticipated as being 19 December 2016
"Scheme Record Date"	the record date to which entitlements will be allocated pursuant to

	the Scheme, anticipated as being 16 December 2016
“Scheme Shares”	the Shares being issued subject to the Scheme (and each a “Scheme Share”)
“Shareholders”	holders of Shares (and each a “Shareholder”)
“Shares”	ordinary shares of 10p each in the capital of the Company (and each a “Share”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992
“Terms and Conditions”	the terms and conditions of Application, contained in this document on pages 83 to 88
“Transfer Agreement”	the agreement between Eclipse (acting through the Liquidators) and the Company for the transfer of all of the assets and liabilities of Eclipse, by the Liquidators, to the Company pursuant to the Scheme
“UKLA”	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
“venture capital trust” or “VCTs”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the ITA 2007
“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 VCTs

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.

1. The maximum amount to be raised by the Company is £20 million. The Offer is conditional upon the passing by Shareholders of Resolution 2 at the General Meeting. The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier and to accept Applications and issue Offer Shares at any time following the receipt of valid applications.
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 Offer Shares allotted in the Company subject 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 the Offer Price of one Share will be donated to charity) 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 for Offer Shares in the Company under the Offer in the monetary amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the Offer Shares at the Offer Price, determined by dividing the most recently announced NAV per Ordinary 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 Offer Shares to be issued will be rounded down to the nearest whole number (fractional Offer 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 Offer Shares allotted to you until you make payment in cleared funds for such Offer 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 Offer Shares and may issue such Offer Shares to some other person, in which case you will not be entitled to any payment in respect of such Offer 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 Offer Shares for which your Application 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 Offer 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 Offer 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 Offer Shares subject to the Offer or the suitability for you of an investment in Offer Shares subject to the Offer or be responsible to you for providing the protections afforded to its customers;
- XVI. where applicable, authorise the Company 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 VCT qualifying subscriber or beneficially entitled to the Offer Shares;
- XIX. declare that a loan has not been made to you or any associate, which would not have been made or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, Offer Shares under the Offer and that such Offer 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 Offer 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 Offer 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 Offer 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 pm 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 them 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. Costs of the Offer

For all investors, the Offer Price per Share will be determined by a formula reflecting the NAV per Share 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. Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 0.5%.

In consideration for the promotion and investment management services that Octopus provides to the Company, the Company will pay an initial charge of 3% of the gross sums 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 four 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:

1) A direct investment

Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Company.

In consideration for the promotion, investment management and secretarial services that Octopus provides to 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 latest NAV for up to nine years, provided the investor continues to hold the Shares.

2) An advised investment where advice is received for an upfront fee with an ongoing adviser charge

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.

The Company can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her intermediary/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 Offer Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described in Part Two.

The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to nine years whilst the investor continues to hold the Offer Shares. 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 Offer Shares for the investor, at the then most recently announced NAV per Share. Any residual amount less than the cost of an Offer Share will be donated to charity.

If the investor terminates their relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser.

3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, 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 intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional Offer 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.

In both cases (2) or (3), 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.

4) A non-advised investment using an intermediary

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 ongoing charge of 0.5% of the investment amount's latest NAV will be paid by the Company 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 Offer Shares.

These charges may, according to the proportion of Advised Investors where advice is received for an upfront fee only, create some limited reduction of the NAV 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 reinvestment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the Offer Shares. Any purchaser of those shares will not benefit from the reinvestment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of Offer

Shares will not benefit from the issue or allotment of any additional Offer Shares under the arrangements set out above.

Any additional Offer 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.

Example

On the assumption that an investor does not receive any advice in respect of their Application, an illustration of the pricing formula for an aggregate investment of £10,000 under the Offer (using the most recently published unaudited NAV of the Company as at the date of this document) is set out below:

Unaudited NAV as at 31 July 2016* (p)	Offer Price (p)	Application (£)	Number of Offer Shares to be allotted
80.5	85.2	£10,000	11,737

*After the subsequent payment of a dividend of 2.5p per Share on 26 August 2016

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares. The cost of the Offer is capped at 7.5%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

ANNEX I

TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEME (THE "DRIS") OF THE COMPANY

1. Elections to participate in the DRIS should be addressed to the DRIS Administrator, Capita Asset Services ("DRIS Administrator") in accordance with condition 11 and will only be effective for dividends to be paid 15 days following receipt of the election by the DRIS Administrator.
2.
 - (a) The Company, acting through the DRIS Administrator, shall have absolute discretion to accept or reject elections. An applicant shall become a member of the DRIS upon acceptance of his or her election by the DRIS Administrator on the Company's behalf ("Participants"). The DRIS Administrator will provide written notification if an election is rejected. Only registered shareholders of the Company ("Shareholders") may join the DRIS.
 - (b) The Company shall apply dividends to be paid to Participants on ordinary shares of 10p each ("Shares") in the Company in respect of which an election has been made in the allotment of further Shares. The DRIS Administrator shall not have the discretion, and Participants may not instruct the DRIS Administrator, to apply those dividends ("funds") towards any investments other than investment in Shares as set out in this condition 2(b).
 - (c) Participants who are Shareholders may only participate in the DRIS if all Shares registered in their name are mandated to the DRIS.
 - (d) By joining the DRIS, Participants instruct the DRIS Administrator that the mandate will apply to the full number of Shares held by them in respect of which the election is made, as entered onto the share register of the Company from time to time.
 - (e) In relation to new Shares to be allotted in relation to a dividend such Shares will only be allotted to the registered shareholder and not any beneficial holder. Nominee Participants shall not be entitled to instruct the DRIS Administrator to allot Shares to a beneficial holder (and Participants are advised to read condition 15 in respect of the consequences for VCT Tax reliefs).
3.
 - (a) On or as soon as practicable after a day on which a dividend on the Shares is due to be paid to a Participant or, if such day is not a dealing day on the London Stock Exchange, the dealing day thereafter ("Payment Date"), the Participant's funds held by the Company shall, subject to conditions 9, 10 and 19 overleaf and the Company having the requisite shareholder authorities to allot Shares, be applied on behalf of that Participant to subscribe for the maximum number of whole new Shares which can be allotted with the funds.
 - (b) The number of Shares to be allotted to a Participant pursuant to condition 3(a) above shall be calculated by dividing the Participant's funds by the greater of (i) the last published net asset value per existing Share or (ii) the mid market price per Share as quoted on the London Stock Exchange at the close of business on the 10th business day preceding the date of issue of such Shares. Shares will not be allotted at less than their nominal value.
 - (c) Fractional entitlements will not be allotted and any residual cash balance of less than the amount required to subscribe for a further new Ordinary Share, as set out in 3(b) above, will be donated to a registered charity at the discretion of the Company.
 - (d) The Company shall not be obliged to allot Shares under the DRIS to the extent that the total number of Shares allotted by the Company pursuant to the DRIS in any financial year would exceed 10% of the aggregate number of Shares on the first day of such financial year.
 - (e) The Company shall immediately after the subscription of Shares in accordance with the condition at 3(a) above take all necessary steps to ensure that those Shares shall be admitted to the Official

List and to trading on the premium segment of the main market of the London Stock Exchange, provided that, at the time of such subscription, the existing Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.

4. The DRIS Administrator shall as soon as practicable after the allotment of Shares in accordance with condition 3 procure (i) that the Participants are entered onto the Share Register of the Company as the registered holders of those Shares (ii) that share certificates (unless such Shares are to be uncertified) and, where applicable, income tax vouchers (“Tax Vouchers”) are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:
 - (a) the total number of Shares held at the record date for which a valid election was made;
 - (b) the number of Shares allotted;
 - (c) the price per Share allotted;
 - (d) the cash equivalent of the Shares allotted; and
 - (e) the date of allotment of the Shares.
5. All costs and expenses incurred by the DRIS Administrator in administering the DRIS will be borne by the Company.
6. Each Participant warrants to the DRIS Administrator that all information set out in the application form on which the election to participate in the DRIS is contained is correct and to the extent any of the information changes he or she will notify the changes to the DRIS Administrator and that during the continuance of his or her participation in the DRIS he or she will comply with the provisions of condition 7 below.
7. The right to participate in the DRIS will not be available to any person who is a citizen, resident or national of, or who has a registered address in, any jurisdiction outside the UK unless such right could properly be made available to such person. No such person receiving a copy of the DRIS documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the DRIS to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. Participants acknowledge that the DRIS Administrator is not providing a discretionary management service. Neither the DRIS Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the DRIS unless due to the negligence or wilful default of the DRIS Administrator or the Company or their respective employees and agents.
9. Participants may:
 - (a) at any time by notice to the DRIS Administrator terminate their participation in the DRIS and withdraw any funds held by the Company on their behalf; and
 - (b) in respect of Shares they hold as nominee and subject to condition 2(e), give notice to the DRIS Administrator that, in respect of a forthcoming Payment Date, their election to receive Shares is only to apply to a specified amount due to the Participant as set out in such notice.

Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the DRIS Administrator at least 15 days prior to such Payment Date. In respect of notices under (a) above, such notice will be deemed to have been served where the Participant ceases to hold any Shares. Upon receipt of notice of termination, all funds held by the Company on the Participant’s behalf shall be returned to the Participant as soon as reasonably practical at the address set out in

register of members, subject to any deductions which the Company may be entitled or bound to make hereunder.

10. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
 - (a) suspend the operation of the DRIS;
 - (b) terminate the DRIS without notice to the Participants; and/or
 - (c) resolve to pay dividends to Participants partly by way of cash and partly by way of new Shares pursuant to the DRIS.

11. Participants who wish to participate in the DRIS in respect of new Shares to be issued pursuant to a prospectus or top-up offer document may tick the relevant box on the applicable application form.

Participants who wish to participate in the DRIS and who already have Shares issued to them held in certificated form, i.e. not in CREST, should complete and sign a Mandate Form and return it no later than 15 days prior to the dividend payment date to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Personalised Mandate Forms can be obtained from Capita Asset Services at the address above or by telephoning +44 (0) 371 664 0324. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services are open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Participants who wish to participate in the DRIS and who already have Shares issued to them held in uncertificated form in CREST (and were in uncertificated form as at the relevant record date), can only elect to receive a dividend in the form of new Shares by means of the CREST procedure to effect such an election. No other method of election will be permitted under the DRIS and will be rejected. By doing so, such Shareholders confirm their election to participate in the DRIS and their acceptance of the DRIS terms and conditions. If a Participant is a CREST sponsored member, they should consult their CREST sponsor, who will be able to take appropriate action on their behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual. The Dividend Election Input Message submitted must contain the number of Shares on which the election is being made. If the relevant field is left blank or completed with zero, the election will be rejected. If a Participant enters a number of Shares greater than the holder in CREST on the relevant record date for dividend the system will automatically amend the number down to the record date holding. When inputting the election, a 'single drip' election should be selected (the Corporation Action Number for this can be found on the CREST GUI). Evergreen elections will not be permitted. Participants who wish to receive new Shares instead of cash in respect of future dividends, must complete a Dividend Election Input Message on each occasion otherwise they will receive the dividend in cash. Elections via CREST should be received by CREST no later than 5.00 pm on such date that is at least 15 days before the dividend payment date for the relevant dividend in respect of which you wish to make an election. Once an election is made using the CREST Dividend Election Input Message it cannot be amended. Therefore, if a CREST Shareholder wishes to change their election, the previous election would have to be cancelled.

12. A written mandate form will remain valid for all dividends paid to the Participant by the Company until such time as the Participant gives notice in writing to Capita Asset Services that he no longer wishes to participate in the DRIS.
13. The Company shall be entitled to amend the DRIS Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless in the Company's opinion the change materially affects the interests of the Participants. Amendments to the DRIS Terms and Conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.

14. By ticking the relevant election box and completing and delivering the application form, the Participant:
- (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - (b) declares that a loan has not been made to the Participant on whose behalf the Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive new Shares and that the Shares are being acquired for bona fide investment purposes and not as part of a DRIS or arrangement the main purposes of which is the avoidance of tax.
15. Elections by individuals for Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of an individual) for the tax year in which the Shares are allotted provided that the issue of Shares under the DRIS is within the investor's annual £200,000 limit. Participants and beneficial owners are responsible for ascertaining their own tax status and liabilities and neither the DRIS Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. Beneficial owners of shares held through nominees should obtain tax advice in relation to their own particular circumstances. The Tax Voucher can be used to claim any relevant income tax relief either by obtaining from the HM Revenue & Customs an adjustment to the Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self Assessment Tax Return.
16. The Company will subject to conditions 9, 10 and 19, issue Shares in respect of the whole of any dividend payable (for the avoidance of doubt irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the DRIS Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.
17. Shareholders electing to receive Shares rather than a cash dividend will be treated as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on shares allotted in respect of dividends from qualifying VCT shares.
18. For capital gains tax purposes, Shareholders who elect to receive Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Shares. The new Shares will be treated as a separate asset for capital gains purposes.
19. The Company shall not be obliged to accept any application or issue Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the DRIS Administrator.
20. The amount of any claim or claims a Participant has against the Company or the DRIS Administrator shall not exceed the value of such Participant's Shares in the DRIS. Nothing in these DRIS Terms and Conditions shall exclude the Company or the DRIS Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the DRIS Administrator will be responsible for:
- (a) acting or failing to act in accordance with a court order of which the DRIS Administrator has not been notified (whatever jurisdiction may govern the court order); or
 - (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from an Shareholder (or, where relevant, a nominee) are genuine; or

- (c) losses, costs, damages or expenses sustained or incurred by an Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the DRIS Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these DRIS Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
 - (d) any indirect or consequential loss.
21. These DRIS Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
 22. All notices and instructions to be given to the DRIS Administrator shall be in writing and delivered or posted to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
 23. These DRIS Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the DRIS in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders who are in any doubt about their tax position should consult their independent financial adviser.

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ANNEX II

OCTOPUS APOLLO VCT PLC

DIVIDEND REINVESTMENT SCHEME MANDATE FORM

If you wish to participate in the dividend reinvestment scheme (the “Scheme”) in respect of your holding of Shares in Octopus Apollo VCT plc, please sign and return this form to, Capita Asset Services (“Capita” or “the Scheme Administrator”), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 15 Business Days before the payment of a dividend by the Company. All enquiries concerning this form should be made to Capita Asset Services, New Issues, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephoning +44 (0) 371 664 0324. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services are open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

If your Shares are held in more than one account you must complete a separate form for each account. You may obtain further copies of this form from the Scheme Administrator.

If you decide to participate in the Scheme you will be deemed to have agreed that any mandate which you have given for the payment of cash dividends directly to your Bank or Building Society account shall be suspended for so long as you remain a participant in the Scheme.

Shareholders in any doubt about the tax position should consult their independent professional adviser.

In the case of joint holders all holders must sign. In the case of a corporation/nominee company this form must be executed under its common seal or be signed by a duly authorised official, whose capacity should be stated in accordance with Section 44 of the Companies Act 2006.

If this form is not completed to the satisfaction of the DRIS Administrator it will not be processed and will be returned to you for completion.

You can also register to reinvest dividends in Octopus Apollo VCT plc by calling Octopus on 0800 316 2295 who will be happy to send you an Application Form, by writing to request a copy from Octopus Investments Limited, 33 Holborn, London, EC1N 2HT or by visiting the Investor/Document Library section of the Octopus website at: www.octopusinvestments.com

You will need to send your dividend reinvestment instructions to Capita at least 15 days prior to the dividend payment date to be able to participate and reinvest your dividend on the dividend payment date.

You can revoke a dividend reinvestment election in Octopus Apollo VCT plc by contacting the DRIS Administrator.

To: the DRIS Administrator and the Company

I/We, the undersigned, confirm that I/we have read and understood the terms and conditions of the DRIS and that I/we wish to participate in that DRIS for each future dividend paid on the Shares of Octopus Apollo VCT plc indicated below and to which the scheme is applied. I/We agree that future dividends paid on Shares will be reinvested in Shares.

Tick Here to reinvest

Octopus Apollo VCT plc	
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Shareholder Name (1)	Shareholder Name (2)	Shareholder Name (3)	Shareholder Name (4)
-------------------------	-------------------------	-------------------------	-------------------------

Address:

All shareholders named above must sign here.

Signature (1)	Date
---------------	------

Signature (2)	Date
---------------	------

Signature (3)	Date
---------------	------

Signature (4)	Date
---------------	------

Daytime telephone number	
National Insurance number or Investor Code number (which can be found on your share certificate)	
Email address	

List of Advisers to the Company

Investment Manager and Administrator and Receiving Agents	Octopus Investments Limited 33 Holborn London EC1N 2HT
Company Secretary	Nicola Board ACIS
Auditor	Grant Thornton UK LLP 3140 Rowan Place John Smith Drive Oxford Business Park South Oxford OX4 2WB
Solicitor	Howard Kennedy LLP 1 London Bridge London SE1 9BG
Sponsor	Howard Kennedy Corporate Services LLP 1 London Bridge London SE1 9BG
Tax adviser	Philip Hare & Associates LLP Suite C First Floor 4-6 Staple Inn London WC1V 7QH
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Reporting Accountant	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
VCT status monitor	PricewaterhouseCoopers 1 Embankment Place London WC2N 6RH



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