

## **Octopus Apollo VCT plc**

**The issue by Octopus Apollo VCT plc of Scheme Shares in connection with the acquisition of the assets and liabilities of Octopus VCT 2 plc**

**Offer for Subscription by Octopus Apollo VCT plc, for the tax years 2015/2016 and 2016/2017, to raise up to £30 million by way of an issue of Offer Shares with an over allotment facility of a further £10 million**

**2 November 2015**

**PROSPECTUS AND APPLICATION FORM**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or 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 2 November 2015, 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 2 November 2015.

The Company, the Directors and the Proposed Director, whose names appear on pages 36 to 37 and 68 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 VCT 2 plc**

**offer for subscription by Octopus Apollo VCT plc of Offer Shares to raise up to a maximum of £30 million, with an over allotment facility of a further £10 million, payable in full in cash on application**

**Sponsor**  
**Howard Kennedy Corporate Services LLP**

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The ordinary shares of the Company in issue at the date of this document are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within 10 business days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form. The Offer Shares and the existing Ordinary Shares will rank pari passu in all respects and the Scheme Shares will rank pari passu in all respects. 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	<p>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.</p>
A.2	Consent for Use of Prospectus by financial intermediaries	<p>The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 1 November 2016. The Merger is expected to complete on 27 January 2016. There are no conditions attaching to this consent.</p> <p><b>Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.</b></p>

### 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 information	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 out below:

		Year Ended 31 January 2013 (audited)	Year Ended 31 January 2014 (audited)	Year Ended 31 January 2015 (audited)	Six months ended 31 July 2014 (unaudited)	Six months ended 31 July 2015 (unaudited)
Net assets (£'000)	47,774	63,905	119,563	66,801	134,238	
Net asset value per Share (p) (Ordinary, C Ordinary)	89.3, N/a	86.8, N/a	84.8, 98.0	86.9, N/a	83.6, 98.0	
Revenue return after expenses and taxation (£'000)	223	1,751	2,324	2,003	1,535	
NAV plus cumulative dividends paid (p) (Ordinary, C Ordinary*)	106.8, N/a	109.3, N/a	112.3, 105.0	111.9, N/a	113.6, 105.0	
Dividend paid per Share during the period (p) (Ordinary, C Ordinary*)	5.0, N/a	5.0, N/a	5.0, -	2.5, N/a	2.5, -	
<b>Total Expenses (£'000)</b>	<b>1,830</b>	<b>2,174</b>	<b>3,551</b>	<b>1,546</b>	<b>2,086</b>	
As a percentage of average Shareholders' funds	3.8%	3.4%	3.0%	2.3%	1.6%	
<b>Net asset value return (p)</b>	<b>0.6</b>	<b>2.5</b>	<b>3.0</b>	<b>2.6</b>	<b>1.0</b>	

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

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. Net proceeds of £23.4 million, £3.9 million and £27.3 million were raised by the Company under offers for subscription which opened on 1 October 2012, 1 December 2013 and 24 October 2014 respectively. 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 Ordinary Shares, reducing the NAV of the Company by approximately £34 million. Save in respect of these matters, both during the financial periods referred to above and since 31 July 2015 there has been no significant change in the financial condition or operating results of the Company.

B.8	Key pro forma financial information	<p>The Enlarged Company is expected to have net assets of approximately £190 million (assuming the Scheme is completed based on the NAVs of Apollo as at 31 July 2015 and OVCT2 as at 30 June 2015 and the Offer, together with its over allotment facility, is fully subscribed after deducting the expenses of the Scheme of £290,000 and the expenses of the Offer of 5.0% of the amount subscribed).</p> <p>The Enlarged Company would have had a return on ordinary activities before tax for the six month period to 31 July 2015 of approximately £1,583,000 after deducting the expenses of the Scheme of £290,000, assuming Apollo and OVCT2 were one Enlarged Company.</p> <p>A summary of the information is below:</p> <table border="1" data-bbox="541 563 1287 900"> <thead> <tr> <th></th><th style="text-align: right;">Six months ended 31 July 2015 (unaudited)</th></tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td><td style="text-align: right;">190,231</td></tr> <tr> <td>Revenue return after expenses and taxation (£'000)</td><td style="text-align: right;">1,583</td></tr> <tr> <td>Total Expenses (£'000)</td><td style="text-align: right;">2,666</td></tr> <tr> <td>As a percentage of average Shareholders' funds</td><td style="text-align: right;">1.4%</td></tr> </tbody> </table> <p>The pro forma statement of net assets is based on the assumption that the Merger and the Offer had taken place on 31 July 2015 and the pro forma statement of earnings is based on the assumption that the Merger and the Offer had taken place at the start of the period, 1 February 2015, and that, in each case, the Offer was fully subscribed having used the over allotment facility.</p> <p>The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.</p>		Six months ended 31 July 2015 (unaudited)	Net assets (£'000)	190,231	Revenue return after expenses and taxation (£'000)	1,583	Total Expenses (£'000)	2,666	As a percentage of average Shareholders' funds	1.4%
	Six months ended 31 July 2015 (unaudited)											
Net assets (£'000)	190,231											
Revenue return after expenses and taxation (£'000)	1,583											
Total Expenses (£'000)	2,666											
As a percentage of average Shareholders' funds	1.4%											
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>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</p>										

		<p>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 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> <p>Where one or more of the companies managed or advised by Octopus wishes to participate in an investment opportunity, allocations will be made in accordance with Octopus' allocation policy as at the date of allocation. The policy provides that allocations should be initially offered to the Company on a basis which is pro-rata to its net asset value (or as otherwise agreed by the Board and Octopus). In the event of a conflict of interests on the part of Octopus or where co-investment is proposed to be made other than on a pro-rata basis (or as otherwise agreed by the Board and Octopus), such an investment requires the approval of those members of the Board who are independent of Octopus.</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 Offer 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 detailed above 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	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 (plus VAT). The annual administration and accounting fee arrangements will

		<p>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 Ordinary Share Fund.</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"> <li>• NAV plus cumulative dividends paid as at the previous year end plus the average Bank of England base rate over the period and</li> <li>• 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.</li> </ul> <p>The annual performance related incentive fee arrangements will continue to apply to the Ordinary Share Fund.</p> <p>Pursuant to the IMA Deed of Variation, the IMA will be varied, subject to the Merger proceeding, in order that Octopus' existing management fee arrangements in respect of OVCT2 are mirrored in respect of the D Share Fund. Under the terms of the investment management agreement between Octopus and OVCT2 dated 28 January 2011, Octopus is entitled to an annual management fee of 2.0% of OVCT2's net assets. However, in order to ensure the alignment of interests between Octopus and the OVCT2 Shareholders, the annual management fee will be rolled up (without interest) and will only be paid to Octopus once OVCT2 Shareholders have received dividends and distributions during the life of OVCT2 totalling or exceeding 105p per OVCT2 Share.</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 £109,524,000 as at 31 July 2015 (the date to which the most recent unaudited financial information has been drawn up).</p>

B.46	Most recent Net Asset Value	The unaudited NAV per Ordinary Share as at 21 August 2015 was 83.4p.
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### Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The Company will issue new D Shares of 1p each pursuant to the Scheme and will issue new Ordinary Shares of 10p each pursuant to the Offer. The ISIN and SEDOL of the Scheme Shares are GB00BYM91M12 and BYM91M1 respectively and the ISIN and SEDOL of the Offer Shares are GB00B17B3479 and B17B347 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	The maximum number of Offer Shares to be issued pursuant to the Offer is 45,558,086 Offer Shares assuming a full subscription, using the over allotment facility and an Offer Price of 87.8p and the number of Scheme Shares to be issued pursuant to the Scheme will be equal to the number of OVCT2 Shares in issue at the Scheme Calculation Date.
C.4	Description of the rights attaching to the securities	<p><u>As Regards Income:</u> The holders of the Ordinary Shares and the D Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay in respect of those share classes.</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 attributable to the Ordinary Share Fund and the D Share Fund shall be divided amongst the holders of Ordinary Shares and D Shares pro rata according to the nominal capital paid up on their respective holdings of Ordinary Shares and D 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 issued pursuant to the Scheme and the Offer 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 in the New Shares will commence, within 10 business days of their allotment.
C.7	Dividend policy	Generally, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Directors aim to pay tax free distributions to Shareholders, part of which may be a return of capital.

## 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"> <li>• 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.</li> <li>• The Company's investments may be difficult, and take time, to realise.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• During the July 2015 summer budget new conditions were announced that are expected to become effective from Royal Assent to the Finance Bill 2015-2016. This introduced a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12m, or £20m for Knowledge Intensive Companies). Companies receiving VCT funds will not be permitted to use those funds to acquire shares, businesses or certain intangible assets. The Company will have made some investments prior to Royal Assent which do not comply with these conditions and there is a risk that, if the legislation is applied retrospectively, any investment made before Royal Assent in a company which does not comply with these conditions may result in tax relief being withdrawn.</li> </ul>
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Although the existing Ordinary 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.</li> </ul>

## 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 £290,000.</p> <p>The aggregate net proceeds of the Offer, assuming a £40 million subscription and the maximum initial charge, will be £37.2 million. The costs and expenses (excluding VAT but including intermediary commission) relating to the Offer for the Company and the expenses</p>

		charged to an investor, either directly or indirectly, will be up to 7.0% of the gross funds raised by the Company.
E.2a	Reason for the Offer, use of proceeds and estimated net amount of the proceeds	The Company's success to date has highlighted that the model used by Octopus is one that can lead to significant 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 invest into 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 will be used to further support the Company's existing portfolio. The net proceeds of the Offer, assuming a £40 million subscription and the maximum initial charge, will be £37.2 million.
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"> <li>• <b>the most recently announced NAV per Ordinary Share of the Company, divided by 0.95</b></li> </ul> <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 £30 million plus the over allotment facility of £10 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 Ordinary 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 66.0% 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, including the over allotment facility, at an Offer Price of 87.8p and (ii) there are 19,082,726 issued OVCT2 Shares immediately as at the Scheme Calculation Date and on that basis Shareholders who do not receive Offer Shares or Scheme Shares will, therefore, be diluted by 34.0%.</p> <p>The existing issued Shares in the Company will represent 86.8% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme, assuming (i) the Offer does not proceed and (ii) 19,082,726 Scheme Shares are issued pursuant to the Merger, and on that basis the Company's Shareholders who do not receive Scheme Shares will, therefore, be diluted by 13.2%.</p> <p>The existing issued Shares in the Company will represent 73.4% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming (i) the Offer is fully subscribed, including the over allotment facility, at an Offer Price of 87.8p and (ii) the Scheme does not proceed, and on that basis the Company's Shareholders who do not receive</p>

		Offer Shares will, therefore be diluted by 26.6%.
E.7	Expenses charged to the investor	<p>The anticipated cost of undertaking the Merger is approximately £290,000, including VAT, legal and professional fees, stamp duty and the costs of winding up OVCT2. The costs of the Merger will be split proportionately between Apollo and OVCT2 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 Ordinary Share adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Ordinary Share, divided by 0.95. 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 2.5% 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><b>1) <u>A direct investment</u></b>            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><b>2) <u>An advised investment where advice is received for an upfront fee with an ongoing adviser charge</u></b>            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 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 Ordinary Share, divided by 0.95 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 Ordinary 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><b>3) <u>An advised investment where advice is received for an upfront fee with no ongoing adviser charge</u></b>            Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice, including investors who are investing through</p>

		<p>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 Ordinary Share, divided by 0.95 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><b>4) <u>A Non-advised investment using an intermediary</u></b></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 net asset value per Ordinary 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 OVCT2 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 OVCT2 or made by the Company. The performance of the investments acquired from OVCT2, 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 OVCT2 to Apollo (as well as the investments of Apollo). Any gains (or losses) made on the investments of the Company in the Ordinary Share Fund will, following the Scheme, be shared pro rata amongst all Ordinary Shareholders and any gains (or losses) made on the investments of the Company in the D Share Fund will, following the Scheme, be shared pro rata amongst all D 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 had merged 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 OVCT2 Shareholders who have subscribed for shares in Apollo and OVCT2 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.

During the July 2015 summer budget new conditions were announced that are expected to become effective from Royal Assent to the Finance Bill 2015-2016 in November 2015. This introduced a maximum age limit for investments (generally 7 years from first commercial sale or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for Knowledge Intensive Companies). Companies receiving VCT funds will not be permitted to use those funds to acquire shares, businesses or certain intangible assets. The Company will have made some investments prior to Royal Assent which do not comply with these conditions and there is a risk that, if the legislation is applied retrospectively, any investment made before Royal Assent in a company which does not comply with these conditions may result in tax relief being withdrawn.

#### 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 has merged 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

#### Apollo

Latest time and date for receipt of Forms of Proxy for the General Meeting	11 am on 26 November 2015
General Meeting	11 am on 30 November 2015
Scheme Calculation Date	after 5.00 pm on 26 January 2016
Scheme Effective Date for the transfer of the assets and liabilities of OVCT2 to the Company and the issue of Scheme Shares	27 January 2016
Announcement of the results of the Scheme	27 January 2016
Admission of, and dealings in, Scheme Shares issued to commence	28 January 2016
CREST accounts credited (if applicable)	28 January 2016
Certificates for Scheme Shares despatched to OVCT2 Shareholders	Week commencing 15 February 2016

#### OVCT2

Latest time for receipt of forms of proxy for the OVCT2 First General Meeting	3 pm on 14 January 2016
OVCT2 First General Meeting	3 pm on 18 January 2016
Latest time for receipt of forms of proxy for the OVCT2 Second General Meeting	9.30 am on 25 January 2016
Final expected date of trading of the OVCT2 Shares	26 January 2016
Scheme Record Date for OVCT2 Shareholders' entitlements under the Scheme	5.00 pm on 26 January 2016
Scheme Calculation Date	after 5.00 pm on 26 January 2016
Dealings in OVCT2 Shares suspended*	7.30 am on 27 January 2016
OVCT2 register of members closed	9.30 am on 27 January 2016
OVCT2 Second General Meeting	9.30 am on 27 January 2016
Scheme Effective Date for the transfer of the assets and liabilities of OVCT2 to the Company and the issue of Scheme Shares	27 January 2016
Announcement of the results of the Scheme	27 January 2016
Cancellation of the OVCT2 Shares' listing	8.00 am on 28 January 2016

(\*The final expected date of trading of the OVCT2 Shares will be 26 January 2015. See the timetable for Apollo 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	2 November 2015
Deadline for receipt of applications for final allotment in 2015/16 tax year	12 noon on 5 April 2016
Deadline for receipt of applications for final allotment in 2016/17 tax year	12 noon on 1 November 2016
First allotments under the Offer	11 December 2015
Closing date of the Offer	12 noon on 1 November 2016

- 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 7.0% 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 7.0%. 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 0.5%. 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

2 November 2015

Dear Investor,

In light of the continued success of the Company and with Octopus, the Company's investment manager, having a robust pipeline of investment opportunities, we are delighted to offer existing and new investors another opportunity to invest in new shares in Apollo.

The Offer will enable existing Apollo Shareholders to add to their current holding and will provide an opportunity for new investors to gain access to a mature portfolio of investee companies in a VCT that has consistently delivered on the objectives it set out to achieve.

This follows a number of well-subscribed fund raisings since 2012, including the subscription that was opened in October 2014 and closed on 1 October 2015 having raised £27.4m.

**The Offer**

Apollo is seeking to raise up to £30 million, with an over allotment facility of £10 million under the Offer. Both new and existing investors can apply for Offer Shares, which will rank equally with the existing Ordinary Shares. As such, all investors are accessing a well-established portfolio. The Offer Price will be based on the most recently published net asset value of an Ordinary 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.

Any allotment under the Offer is conditional upon the passing by the Shareholders of Resolution 2 at the Company's General Meeting on 30 November 2015.

**The Merger**

On 6 October 2015, the Boards of Apollo and OVCT2 announced that they had entered into discussions to merge the Companies, each of which is managed by Octopus, and the Board of Apollo announced that it also intended to raise further funds into the Company pursuant to an offer for subscription at the same time.

The Merger is expected to cost circa £290,000, deliver annual cost savings of circa £102,000 and bring a number of additional benefits to existing and future Shareholders including:

- amalgamation of the Companies' portfolios, for efficient management and administration;
- 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 for the Enlarged Company compared to the separate companies;
- enhancing the ability of the Enlarged Company to raise new funds, as well as pay dividends and support buybacks in the future; and

- streamlining communications with Shareholders.

The proposal is to merge the Companies using a scheme of reconstruction (the “Scheme”) by which the assets and liabilities of OVCT2 will be transferred to Apollo.

The Scheme will, if effected and assuming the Offer is fully subscribed, result in an Enlarged Company with net assets of over £156 million. Post-merger, the Enlarged Company is targeting regular tax-free annual dividends of 5p per share, part of which may be a return of capital. Tax free special dividends may also be payable when, for example, investments are sold for a profit from the portfolio.

### **Background**

Since launch in 2006, Octopus Apollo VCT has been managed, with on the aim of providing shareholders with a stable, regular income. OVCT2 was launched in January 2011 with a similar investment mandate and is managed by the same Octopus team as Apollo. Octopus was founded in March 2000.

The latest unaudited NAV of Apollo, as at 21 August 2015, was 83.4p per Ordinary Share and the latest unaudited NAV of OVCT2, as at 30 June 2015, was 100.0p per OVCT2 Share. The table below sets out the unaudited NAVs of the Companies at the above dates and provides further detail on the venture capital investments in their portfolios.

Company	Net Assets (unaudited) (£'m)	NAV per share (unaudited) (p)	Number of venture capital investments	Carrying value of the venture capital investments (£'m)	NAV plus cumulative dividends paid* (p)
Apollo	105	83.4	30	91.5	113.4
OVCT2	19	100.0	14	14.3	105.0

\* the sum of (i) the NAV per share and (ii) all distributions per share paid since the first admission of the shares to the Official List

Further information relating to the portfolios of the Companies is set out in Part Six of this document.

Each of the Companies has an investment objective and policy of providing Shareholders with a stable, regular income and capital return by investing their funds in a broad spread of unquoted UK companies which meet the relevant criteria for VCTs.

VCTs are required to be traded on a European Union/European Economic Area regulated market. The Companies are listed on the premium segment of the Official List, which involves a significant level of listing costs, as well as related fees to ensure they comply with all relevant legislation. The Enlarged Company should be better placed to spread such running costs across a larger asset base and facilitate better liquidity management and, as a result, may be able to maximise investment opportunities and sustain a higher level of dividends to Shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have taken advantage of these regulations to create larger VCTs.

With the above in mind, the Boards entered into discussions with Octopus to consider a merger of the Companies to create a single, larger VCT. The aim of the Boards is to improve Shareholder value while also creating liquidity for those current investors of OVCT2 who wish to exit after their 5 year qualifying holding period has been reached. The Boards also expect to achieve, among other things, strategic and scale benefits through the creation of an enlarged VCT.

## **The Scheme**

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

- OVCT2 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986;
- all of the assets and liabilities of OVCT2 will be transferred to Apollo in consideration for the issue of Scheme Shares; and
- the assets and liabilities of OVCT2 transferred to the Company will constitute a separate share fund (the "D Share Fund").

The effect of the Scheme will be that OVCT2 Shareholders will receive one Scheme Share in Apollo for each OVCT2 Share held.

The Scheme is conditional upon its approval by the Shareholders and by the OVCT2 Shareholders, as well as the other conditions set out in Part One of this document.

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

The aggregate anticipated cost of undertaking the Merger is approximately £290,000, including VAT, legal and professional fees, stamp duty and the costs of winding up OVCT2. The costs of the Merger will be split proportionately between the Companies by reference to their respective NAVs at the Scheme Calculation Date.

Shareholders and investors should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

The portfolio of assets which will be transferred from OVCT2 to the Company as part of the Scheme is all considered to be in keeping with the Company's investment policy. The extent of the liabilities (if any) which will be transferred from OVCT2 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.

OVCT2 Shareholders who do not vote in favour of the resolution to be proposed at the First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting OVCT2 Shareholders and the Liquidators (or by arbitration), which would be expected to be at a significant reduction to the net asset value of an OVCT2 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 14 to 16 of this document.

## **Exit opportunity for OVCT2 Shareholders**

The assets and liabilities of OVCT2 transferred to Apollo as a result of the Merger will constitute a separate D Share Fund in Apollo. After 30 June 2016, once the five-year VCT qualifying period for the current OVCT2 Shareholders has been achieved, an opportunity will be provided for the D Shareholders to exit their investment in Apollo or, should they wish to continue their investment, to have their Scheme Shares converted into Ordinary Shares on a relative NAV basis in accordance with the Company's articles of association. Until this time, the

decisions of the Board in respect of any matter affecting the D Share Fund shall require the consent of Ian Pearson in his capacity as a Director, who will be replacing Matt Cooper as a Director in the event that the Merger proceeds, or his appointed representative, such consent not to be unreasonably withheld or delayed.

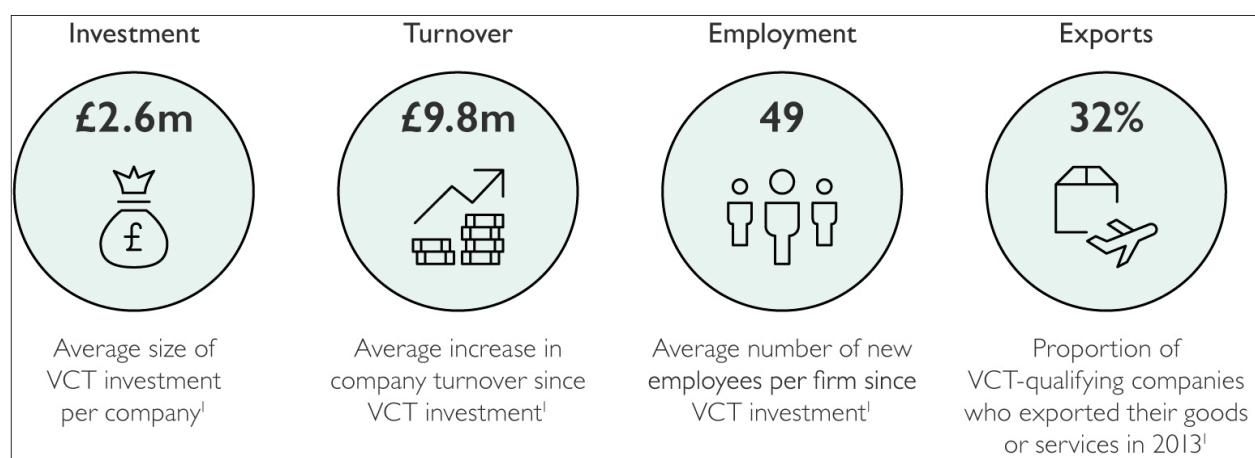
### Tax benefits

- As venture capital trusts are Government supported investment vehicles designed to incentivise investors to support smaller, higher-risk companies, qualifying investors subscribing under the Offer will have access to the attractive tax benefits associated with an investment in a venture capital trust as more fully set out in Part Two of this document but including **up to 30% income tax relief on the investment**. For example, an individual investing £20,000 would receive £6,000 in income tax relief. This tax relief can be claimed provided you have paid that amount in tax, up to a maximum investment of £200,000 per tax year.
- Tax-free dividends and capital gains**, meaning that any growth in the portfolio value is not subject to tax. In the 2014/15 tax year, according to the Association of Investment Companies, Venture Capital Trusts (VCTs) paid £240 million in tax-free dividends to investors, the highest annual dividend pay-out since VCTs began.

### Proven portfolio returns

Together, the Companies have an established, diversified portfolio of 30 investments across a range of sectors. Apollo began investing in 2007, so that many of these investments have already proven their resilience despite an unfavourable economic environment.

As well as producing investment returns, the Companies' portfolios are 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 Companies' portfolios represent multiple sectors and have a broad geographic spread across the UK.



<sup>1</sup>Source: 'Going for growth' VCT investment 1997 to 2013, Association of Investment Companies, June 2014.

### Investment opportunities

An investment under the Offer will provide individuals with exposure to a diversified portfolio of unquoted smaller companies with the aim of generating a stable, regular tax free income over the medium to long-term. New investors will benefit from immediate exposure to an existing portfolio of mature investments.

All VCTs invest in smaller companies that carry a greater risk of losing money than larger companies. But a VCT with the aim of providing a stable, regular income will look to invest in the following:

- Well-managed companies operating in relatively stable industries;

- Profitable businesses with established track records; and
- Companies with recurring revenues generating predictable, steady cash flows.

Apollo has a regular income mandate and its portfolio performed well in an unfavourable economic environment. The fund is managed with a disciplined investment approach towards businesses with strong management teams, recurring revenues and solid trading performances.

Apollo looks to invest in VCT-qualifying smaller companies that have:

- An established and successful management team.
- Annual profits of at least £1 million.
- A high level of repeat business.
- A broad customer base.
- A competitive advantage that reduces the risk of losing customers.

Every investment decision made by the Apollo investment team begins with considering how the investment can help support the mandate of delivering a stable, regular tax free income to shareholders.

At the point that funding is first provided most of the companies Apollo supports are already well established but require the funding to unlock further growth. So whilst the team are providing much needed 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. For example Clifford Thame, an automotive data services company, has a long track record of profitability. Several of its clients have been customers for 15 years. CMM Group, a healthcare services business, is a market leading business with many customers on contracts of over five years. SCM World, a training and content business, counts some of the largest companies in the world amongst its customers, who pay a regular subscription for their services. Countrywide Healthcare Supplies has been in business for over 15 years and has a growing, loyal customer base.

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 Apollo's investment mandate. They use a rigorous approach to screening opportunities, due diligence and gaining approvals to invest.

They also have a track record of providing successive rounds of funding to existing portfolio companies as required to help them continue to grow. For example, they have invested in Clifford Thame four times since 2010 and have also provided three rounds of funding to CSL Dualcom Holdings. This approach is well suited to the Company's investment mandate because the businesses and their management teams are already known to the team and, the larger the companies grow, the more stable and predictable they can be expected to become. More detailed examples of investments can be found in Part Two of this document.

The Boards believe that the portfolio is well positioned to continue delivering a stable, regular tax free income to those investors able to take a long-term view on investing in well-run UK companies.

#### **Expert VCT management**

Apollo is managed by Octopus, an award-winning investment manager that has over £5 billion of funds under management for tens of thousands of UK investors. Octopus manages more money in venture capital trusts than any other provider in the industry, is an expert investor in UK smaller companies and works in partnership with more than 3,000 financial advisers.

The Apollo investment team features individuals from a variety of professional backgrounds. Prior to joining Octopus, they worked in areas such as private equity, banking, accountancy and corporate finance, across a wide

range of industry sectors. Members of the team are frequently appointed as directors and sit on the boards of the companies they work with. They are on hand to offer advice and help to generate networking opportunities.

The team is supported by the Octopus Investment Committee, which is formed of senior investment professionals who are independent of the Apollo investment team. The Investment Committee provides a further layer of independent challenge.

Details of the Apollo investment team can be found on pages 37 and 38.

### Performance

Based on the latest published information, the returns generated by the Companies are detailed in the table below. The total return figures include the regular dividends, which the Companies are already paying.

	Unaudited NAV (p)	Cumulative dividends paid (p)	NAV plus cumulative dividends paid (p) (unaudited)*
Apollo Ordinary Shares as at 21 August 2015	83.4	30.0	113.4
OVCT2 as at 30 June 2015	100.0	5.0	105.0

\* the sum of (i) the latest published unaudited NAV per share as at the above dates and (ii) all distributions per share paid since the first admission of the shares to the Official List

The table below shows the annual total return of the Companies (unaudited) over the last five years (each year ending 31 July).

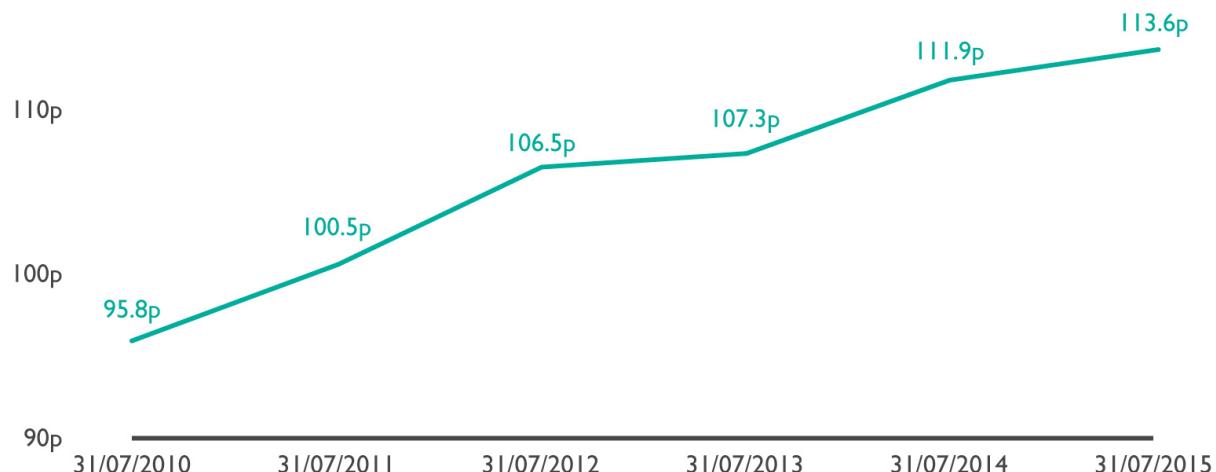
		Year to 31 July 2015	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011
Performance	Apollo	2.0%	5.3%	0.9%	6.7%	5.3%
	OVCT2	4.3%	7.8%	(0.3)%	(0.2)%	N/a

Octopus Investments, 31 July 2015. Apollo total return shown as a simple return comparison between the NAV at the beginning of the period, and the NAV at the end of the period, plus any dividends paid out, at the end of the period. When new investments are made they are initially recorded at 'cost value' (the value at which they were acquired). Apollo's investments have been generating value since 2009. Since then increased valuations of the companies themselves, along with interest payments and dividend payments made to Apollo have resulted in an improved total return for Shareholders. Returns to investors increased further through the successful sale of some portfolio companies, including Autologic Diagnostic Systems in December 2011, Hydrobolt in March 2014 and a full repayment of the loan to Borro, also in March 2014.

## NAV per share plus cumulative dividends paid

Pence per share

120p



Octopus Investments, 31 July 2015

## Five-year performance

	31/07/2011	31/07/2012	31/07/2013	31/07/2014	31/07/2015
Annual total return	5.3%	6.7%	0.9%	5.3%	2.0%
Annual dividend yield	3.4%	5.6%	4.9%	5.7%	5.8%

Octopus Investments, 31 July 2015.

The performance information above shows the total return of Apollo for the last five years to 31 July, Apollo's interim accounting period. The annual total return for Apollo 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 Reinvestment Scheme

Investors will be eligible for dividends paid by the Company as long as they have been allotted Offer Shares by the record date (usually around four weeks before the dividend payment date).

Dividends can be paid directly to investors' bank accounts or can be automatically reinvested into the Company through the purchase of additional shares. By reinvesting dividends, investors are able to increase the capital growth of their investment and receive additional 30% income tax relief on their reinvestment amount (provided that amount has been paid in tax), on total VCT investments of up to £200,000 per tax year.

Post Merger, the Enlarged Company is targeting regular tax-free annual dividends of 5p per Ordinary Share, part of which may be a return of capital.

**Next steps**

Application forms are attached at the end of this document. The Terms and Conditions of subscription for Offer Shares are set out on pages 88 to 93.

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

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

Yours sincerely

**Murray Steele**  
**Chairman**

## **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:

- OVCT2 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986;
- all of the assets and liabilities of OVCT2 will be transferred to the Company in consideration for the issue of Scheme Shares; and
- the assets and liabilities of OVCT2 transferred to the Company will constitute a separate share fund (the "D Share Fund")

OVCT2 Shareholders will receive one Scheme Share for every OVCT2 Share held as at the Scheme Record Date. The D Share Fund will be represented by the Scheme Shares.

The Scheme is conditional upon the approval by the Shareholders of Resolutions 1 and 5 to be proposed at the General Meeting and by the OVCT2 Shareholders of the Resolutions to be proposed at the OVCT2 General Meetings, as well as the other conditions set out below.

As Apollo and OVCT2 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 Apollo and OVCT2 and their combined portfolio of investments.

The aggregate anticipated cost of undertaking the Merger is approximately £290,000, including VAT, legal and professional fees, stamp duty and the costs of winding up OVCT2. The Liquidators fees are expected to be up to £18,000. The costs of the Merger will be split proportionately between Apollo and OVCT2 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, Apollo will be sending to Shareholders and OVCT2 Shareholders at their registered addresses and uploading on to Octopus' website a report on the Merger which will be prepared by ScottMoncrieff.

The portfolio of assets which will be transferred from OVCT2 to Apollo as part of the Scheme are all considered to be in keeping with Apollo's investment policy, particularly as a number of these are common across the respective portfolios of Apollo and OVCT2. The extent of the liabilities (if any) which will be transferred from OVCT2 to Apollo 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.

Following the transfer of the assets and liabilities by OVCT2 to Apollo, the listing of OVCT2 Shares will be cancelled and OVCT2 will be wound up.

### **Conditions of the Scheme**

The Scheme is conditional upon:

- the passing of Resolutions 1 and 5 to be proposed at the General Meeting;
- notice of dissent not having been received from OVCT2 Shareholders holding more than 10% in nominal value of the entire issued share capital of OVCT2 under Section 111 of IA 1986;
- the passing of the Resolutions to be proposed at the OVCT2 General Meetings; and

- HMRC approval of the Merger on terms satisfactory to Apollo.

Subject to the above, the Scheme will become effective immediately after the passing of the Special Resolution for the winding up of OVCT2 to be proposed at the OVCT2 Second General Meeting. If it becomes effective, the Scheme will be binding on the Shareholders and OVCT2 Shareholders (including dissenting OVCT2 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 OVCT2 and will deliver to Apollo:

- particulars of all of the assets and liabilities of OVCT2;
- a list certified by the registrars of the names and addresses of, and the number of OVCT2 Shares held by, each of the OVCT2 Shareholders on the register at 5.00 pm on the Scheme Record Date;
- an estimate of the winding-up costs of OVCT2; and
- the amount estimated to be required to purchase the holdings of any dissenting OVCT2 Shareholders.

On the Scheme Effective Date, Apollo and the Liquidators (on behalf of OVCT2) will enter into the Transfer Agreement pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of OVCT2 to Apollo in exchange for the issue of Scheme Shares (credited as fully paid) to the OVCT2 Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of OVCT2 to Apollo, Apollo 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 OVCT2 and the purchase for cash of any holdings of dissenting OVCT2 Shareholders.

Apollo 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 Apollo and sent to the Shareholders and the OVCT2 Shareholders.

One Scheme Share will be issued directly to OVCT2 Shareholders (save in respect of dissenting OVCT2 Shareholders) for every OVCT2 Share held, on the instruction of the Liquidators.

#### **Share Certificates, Mandates and Listing**

Where OVCT2 Shareholders hold their OVCT2 Shares in certificated form, they will receive a new certificate for the Scheme Shares issued. Where OVCT2 Shareholders hold their OVCT2 Shares in uncertificated form, their CREST accounts will be credited with the holding in Scheme Shares.

Apollo operates a dividend reinvestment scheme (the "DRIS"). If OVCT2 Shareholders become holders of Apollo Ordinary 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 Apollo Ordinary 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 Apollo and to persons holding Shares as an investment in Apollo 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.

### ***Apollo 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 Apollo 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.

### ***OVCT2 Shareholders***

The receipt by OVCT2 Shareholders of Scheme Shares should not constitute a disposal of their OVCT2 Shares for UK tax purposes. OVCT2 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 OVCT2 Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original OVCT2 Shares will not, therefore, be subject to clawback as a result of the merger, but instead will then attach to the Scheme Shares. As Apollo 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 OVCT2 Shareholders holding (together with their associates) more than 5% of the OVCT2 Shares in issue, clearance has been requested 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 OVCT2 Shares should also apply to them.

OVCT2 Shareholders who do not vote in favour of the Resolution to be proposed at the OVCT2 First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting OVCT2 Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of an OVCT2 Share. In addition, OVCT2 Shareholders should note that a purchase of OVCT2 Shares by the Liquidators from a dissenting OVCT2 Shareholder will be regarded as a disposal of such OVCT2 Shares for tax purposes, thereby triggering the repayment of any income tax rebate on OVCT2 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 Apollo will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of OVCT2 (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 requested from HMRC in respect of the Scheme under Section 701 ITA 2007 in order to confirm 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 OVCT2 Shareholders of Scheme Shares should not prejudice tax reliefs obtained by those OVCT2 Shareholders on existing OVCT2 Shares and should not be regarded as a disposal.

## **PART TWO: THE OFFER**

### **Introduction to the Offer**

#### **Terms of the Offer**

#### **Use of Funds**

#### **Intermediary Charges**

#### **Investment Policy**

#### **Investment Process**

#### **Conflicts of Interest**

#### **Tax Benefits for Investors**

#### **Octopus**

#### **Dividend Policy and Dividend Reinvestment Scheme**

#### **Dividends for potential income or growth**

#### **Buyback Policy**

#### **The Board**

#### **The Investment Team**

#### **Management Remuneration**

#### **Example Investments**

### **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 £430 million was invested in VCTs in the 2014/2015 tax year, and the total amount invested in VCTs currently stands at an impressive £3.5 billion. In the 2014/2015 tax year, according to the association of investment companies, VCTs paid £240 million in dividends to investors, the highest dividend pay out since VCTs began.

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 £30 million under the Offer, with an over allotment facility of a further £10 million. The Offer is conditional upon the passing by Shareholders of Resolution 2 at the General Meeting.

### **Terms of the Offer**

The Offer Price will be determined by the following formula:

- the most recently announced NAV per Ordinary Share, divided by 0.95**

The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholders of any Octopus VCT, who will benefit from the costs of the Offer being reduced by 0.5%.

Where the Ordinary Share price of the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. For the purpose of determining the Offer Price, the NAV per Ordinary 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, as above, in which case it will be donated to charity.

The Offer will remain open until 1 November 2016 unless fully subscribed at an earlier date and 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. Offer Shares issued will rank pari passu with the existing Ordinary Shares from the date of issue.

### **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 investment of £10,000 under the Offer (using the most recently published NAV of Apollo as at the date of this document) is set out below:

<b>Unaudited NAV as at 21 August 2015* (p)</b>	<b>Offer Price (p)</b>	<b>Application (£)</b>	<b>Number of Offer Shares to be allotted</b>
83.4	87.8	£10,000	11,389

\*NAV ex-dividend where applicable

The Offer Price may vary between allotments based on the movement in the published NAV of the Ordinary Shares. The cost of the Offer is capped at 7.0%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

The full terms and conditions applicable to the Offer are set out on pages 88 to 93.

### **Use of funds**

The success to date has highlighted that the model used by Octopus is one that can lead to significant returns. The Board believes that the Company's portfolio is well positioned to continue this trend, delivering growth to those investors able to take a long-term view on investing in well-run UK companies. The Board also believes that the funding gap created by the banks' reluctance to invest into 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 will be used to further support the Company's existing portfolio.

The aggregate net proceeds of the Offer, assuming a £40 million subscription and the maximum initial charge, will be £37.2 million.

### **Intermediary Charges**

There are 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. Investors are required to give explicit authority and direction for transparent methods of adviser remuneration. Investors will fall into one of four categories:

1. Investors who have not invested their money through a financial intermediary and have invested directly into the Company (Direct investors)
2. Investors who have invested their money through a financial intermediary and have received advice for an upfront fee and will pay an ongoing annual charge (Advised Investors)
3. Investors who have invested their money through a financial intermediary and have received advice for an upfront fee and will not pay an ongoing annual charge (Advised Investors)
4. Investors who have invested their money through a financial intermediary and have not received advice (Non-advised investors)

Details of the adviser remuneration for each of the categories set out above is included in the Terms and Conditions of the Offer on pages 91 to 93. The category applicable to the investor will determine the options available to them to remunerate their financial intermediary. The Board encourages investors to read carefully the Application Form and complete the sections that are relevant to their circumstances and choices. If anything

is unclear, the investor should speak to a financial adviser or call Octopus on 0800 316 2295. Please note that Octopus cannot advise in respect of an investment under the Offer.

For all investors, the Offer Price will be determined by a formula reflecting the NAV per Ordinary Share adjusted for an allowance for the majority of the costs of the Offer. The formula is:

- **the most recently announced NAV per Ordinary Share, divided by 0.95**

As stated on page 30, the application of the above formula will be adjusted for those investors who are existing, or who were previously, shareholders of any Octopus VCT.

### **Investment Policy**

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.

Where one or more of the companies managed or advised by Octopus wishes to participate in an investment opportunity, allocations will be made in accordance with Octopus' allocation policy as at the date of allocation. The policy provides that allocations should be initially offered to the Company on a basis which is pro-rata to its net asset value (or as otherwise agreed by the Board and Octopus). In the event of a conflict of interests on the part of Octopus or where co-investment is proposed to be made other than on a pro-rata basis (or as otherwise agreed by the Board and Octopus), such an investment requires the approval of those members of the Board who are independent of Octopus.

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.

### **Investment Process**

The Octopus Apollo VCT 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 Octopus Apollo VCT'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 Octopus Apollo VCT, are important factors.

## Finding the right companies

To maintain its focus on providing a stable, regular income, Octopus Apollo VCT looks to invest in VCT-qualifying companies that meet some or all of the following criteria:



Established and successful management team



Annual profits of at least £1 million



High level of repeat business



Broad customer base



Competitive advantage that reduces the risk of losing customers

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 which enables Octopus Apollo VCT to pay investors regular tax-free dividends. Because the debt is an obligation, there's a greater chance that the VCT will get some or all of its money back if the business fails.
- Can also benefit from capital gains when the investment team sells the equity stake it has in a business. This also means Octopus Apollo VCT 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 whilst still benefiting from greater potential returns 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 Octopus Apollo VCT's Board of Directors.

Members of the investment team usually take a seat on the board of directors for the companies it invests in. This ensures the team can closely monitor the company's progress, offer continued support to the business and also help to identify further funding requirements. Octopus Apollo VCT may also tap into other areas of Octopus investment expertise if they closely match the aim of paying out a stable, regular tax-free dividend income to investors. These could include investments in:

- Healthcare - Such investments are often secured against land or buildings and due to the recurring, long term nature of healthcare revenues, they also generate regular income. People are getting older and living longer. There are approximately 15 million over-60s and 1.5 million over-85s in the UK<sup>1</sup>. This is expected to continue rising and there is a growing need for investment. Octopus has a dedicated healthcare sector team that can help to find appropriate VCT-qualifying opportunities for the investment team.
- Renewable energy - Energy continues to represent an attractive industry for Octopus Apollo VCT investors. In recent years measures have been put in place by the Government to encourage private investment in renewable energy in the UK. The investment teams at Octopus have invested more than £1 billion<sup>2</sup> in renewable energy from various Octopus managed funds, including Octopus Apollo VCT. The team will continue to seek VCT-qualifying investment opportunities in energy sectors, where it has confidence in the operational performance, long term running costs and returns.

<sup>1</sup>Source: Age UK, Later Life in the United Kingdom, October 2015

<sup>2</sup>Octopus Investments, October 2015.

## **Conflicts of interest**

### **Investing alongside other Octopus funds**

The investment team may invest funds from Octopus Apollo VCT along with funds from other Octopus-managed funds and sometimes even Octopus Investments itself. Through this co-investment, investors in Octopus Apollo VCT can have access to deals that may not otherwise have been possible.

### **The role of Octopus employees**

Octopus usually places an Octopus employee on the board of the companies Apollo invests in, either as an observer or a director. This means Octopus is able to closely monitor the investment on behalf of investors. Octopus takes an annual fee for this from the company invested in.

### **When could conflicts of interest be harmful to investors?**

Sometimes Octopus has what it believes to be a good investment opportunity, but due to restraints such as the size of the company or amount of investment available mean that more than one Octopus vehicle is required to invest. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully too. There are agreed policies and processes in place to make sure this is done fairly, but sometimes, Apollo may be limited in the amounts it can invest.

### **Fees for Octopus' services**

Octopus may receive fees from the companies that Octopus Apollo VCT invests in (for example, when investing in a company 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% of the total amount invested by all Octopus managed funds (including Octopus Apollo VCT) 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.

### **Controlling conflicts of interest**

The aim is to make sure that the interests of shareholders are always looked after fairly. So, Octopus has a number of controls in place to manage conflicts of interest.

### **Seeing the full picture**

The Octopus Investment Committee is responsible for reviewing new and existing investment opportunities. The Committee's job is to make sure Octopus Apollo VCT is always managed in the best interests of investors, including how potential conflicts of interest are managed.

### **Managing the risks**

Proposals that are likely to raise a significant conflict of interest are reviewed by the Octopus Conflicts Committee. The Committee decides whether, given the risk of conflict, the proposal is being handled in an appropriate way.

### **Keeping relationships at 'arm's length'**

Octopus conducts its business as if the other party were completely independent. Whenever a potential conflict of interest has been identified between businesses managed, owned or controlled by Octopus the terms and the price of each transaction are set completely independently. This is done by setting benchmarks from similar transactions taking place elsewhere in the wider market.

### **Independent Directors**

The majority of the Directors are independent of Octopus. They are charged with safeguarding the interests of the investors.

### **Tax Benefits for Investors**

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

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

### **Octopus**

Apollo and OVCT2 are managed by Octopus. Octopus is an award winning investment manager that has more than £5 billion under management. It works with tens of thousands of clients and manages more VCT funds than any other provider in the industry and is an expert in investing in UK smaller companies across a range of funds, tax structures and risk/return mandates.

Octopus has more than 400 staff, including over 80 investment professionals, and in 2014 was awarded a 5 star rating for customer service in the Financial Adviser Service Awards.

### **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.

There are a number of ways Shareholders can make money from an investment in the Company:

- Regular dividends - Apollo is paying regular dividends of 5p per annum.
- Share value - The NAV of Shares may go up over the years, so Shareholders could make a profit when they eventually sell them and Shareholders won't have any capital gains tax to pay; however, tax relief would not be allowable on any capital losses.

### **Dividends for potential income or growth**

Shareholders don't have to pay income tax on the potential dividends they receive from the Company, so they could use their investment as a way to supplement their other income.

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 at the end of this document, and should be aware that it will apply to their entire holding of Offer 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.

### **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 two 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, three of whom 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 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, and E-Energija, an energy company in Lithuania. 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.

#### **Matthew Cooper**

Matt is the chairman of Octopus. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One Bank (Europe) plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers, generating revenues of over £275 million and employing over 2,000 people. Matt is also chairman of Imaginatik plc and a non-executive director of 10Duke Software Limited, MyDish Limited and two other Octopus VCTs.

#### **The Investment Team**

The Apollo investment team comprises:

##### **Grant Paul-Florence, Investment Director**

Grant has over ten 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, SCM World and CSL Dualcom Holdings. 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.

##### **Joe Hartman, Investment Manager**

Joe has broad investment experience across a variety of sectors including healthcare, renewable energy, financial services and business services. He is currently a non-executive director of Care Monitoring and Management and Callstream Group and a board observer for Tristar Worldwide and Countrywide Healthcare Supplies. Before joining Octopus in 2010, Joe worked in venture capital for Ariadne Capital and in lead advisory at BDO Stoy Hayward corporate finance. He holds a Corporate Finance Diploma from the ICAEW.

##### **Ian Potter, Investment Manager**

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 SCM World 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.

##### **Jason King, Investment Manager**

Jason is responsible for making new investments and monitoring portfolio companies. He oversees the investment in TSC Inspection Systems. He has 14 years' experience in lending and investment, and prior to joining Octopus, he worked in Barclays corporate debt finance team where he originated, structured and executed corporate and acquisition debt deals. He also has eight years treasury and securitisation experience with Macquarie. Jason holds a Master of Economics (Hons) and an MBA (Hons) from the University of Chicago Booth School of Business.

##### **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. 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 four 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.

The team is also supported by Felicity Pickersgill.

#### **Management Remuneration**

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 (plus applicable VAT). 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 Ordinary Share Fund.

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 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 annual performance related incentive fee arrangements will continue to apply to the Ordinary Share Fund.

Pursuant to the IMA Deed of Variation, the IMA will be varied, subject to the Merger proceeding, in order that Octopus' existing management fee arrangements in respect of OVCT2 are mirrored in respect of the D Share Fund. Under the terms of the investment management agreement between Octopus and OVCT2, Octopus is entitled to an annual management fee of 2.0% of OVCT2's net assets. However, in order to ensure the alignment of interests between Octopus and the OVCT2 Shareholders, the annual management fee will be rolled up (without interest) and will only be paid to Octopus once OVCT2 Shareholders have received dividends and distributions during the life of OVCT2 totalling or exceeding 105p per OVCT2 Share.

#### **Example Investments**

##### **Clifford Thames – “Business know-how for car makers”**

Clifford Thames is a key partner to some of the world's leading motor manufacturers. They rely on the Chelmsford-based company's software, consultancy and business outsourcing expertise to help them grow and manage their businesses. 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 Apollo because its revenue streams are recurring, so they are likely to be more stable and predictable. We are impressed by its proven management team and a history spanning 60

years. The Board also feel Clifford Thames is focused on its customers, which is reflected in its excellent record of customer loyalty.

**Countrywide Healthcare – “Supplier keeps 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.

Apollo was attracted to Countrywide by its strong and recurring revenues. The Directors think the company has a good focus on customer service, with high levels of customer retention creating repeat business opportunities.

**SCM World – “Strong support for supply chain professionals”**

Business executives responsible for managing their company’s supply chain improve their performances with support from SCM World. Supply chain specialists benefit from SCM’s unique combination of networking, training, research and reports. SCM also hosts exclusive events where leading supply chain experts share and discuss the latest ideas. Many of the world’s largest companies are SCM customers, including Nike, Microsoft and Unilever. This fast-growing company was founded in 2009 and is based in London, with an office in Boston.

What really impresses Apollo about SCM is the company’s highly capable management team and its track record of growth. Customer contracts give SCM regular revenue streams which are likely to continue in the future.

**Care Monitoring and Management – “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 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 Directors believe CMM is well-positioned to expand further, both in the UK and overseas.

## **PART THREE: TAX POSITION OF SHAREHOLDERS, OVCT2 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 requested from HMRC in respect of the Scheme under Section 701 ITA 2007 in order to confirm 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 as such the receipt by OVCT2 Shareholders of Scheme Shares should not prejudice tax reliefs obtained by the OVCT2 Shareholders on existing OVCT2 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 OVCT2 Shareholders**

The receipt by OVCT2 Shareholders of Scheme Shares should not constitute a disposal of their OVCT2 Shares for UK tax purposes. OVCT2 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 OVCT2 Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original OVCT2 Shares will not, therefore, be subject to clawback, but instead will then attach to the Scheme Shares. As Apollo 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 OVCT2 Shareholders holding (together with their associates) more than 5% of the OVCT2 Shares in issue, clearance has been requested 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 OVCT2 Shares should also apply to them.

OVCT2 Shareholders who do not vote in favour of the Resolution to be proposed at the OVCT2 First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting OVCT2 Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of an OVCT2 Share. In addition, OVCT2 Shareholders should note that a purchase of OVCT2 Shares by the Liquidators from dissenting OVCT2 Shareholders will be regarded as a disposal of such OVCT2 Shares for tax purposes, thereby triggering the repayment of any income tax relief on OVCT2 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 Apollo will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of certain of the assets of OVCT2 (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.

#### **OVCT2 Shareholders not resident in the UK**

OVCT2 Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in Apollo, 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 2015/16 and 2016/17 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:

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

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 has merged 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.

During the July 2015 summer budget new conditions were announced that are expected to become effective from Royal Assent to the Finance Bill 2015-2016. How these conditions apply to the Company is summarised as follows:

- (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; and
- (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.

"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 from which subsidies are derived, 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

2 November 2015

Our Ref: WGM/KCT

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 Four of the prospectus dated 2 November 2015 ("the Prospectus"), which has been prepared on the basis described, 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 interim financial statements for the six months ended 31 July 2015.

This report is required by paragraph 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.

#### **Responsibilities**

It is the responsibility of the directors of the Company 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 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, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

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 Auditing Practices Board 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 other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those 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 of the PD Regulation.

**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 2015 as if the Merger and the Offer had occurred at the start of the period, 1 February 2015. The six month earnings for OVCT2 are for the period ended 30 June 2015.

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 2015, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2015 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.

	Octopus Apollo	Octopus VCT Plc	Fund raising VCT 2 Plc	Proforma
	(Note 1)	(Note 2)	(Note 3)	total
	£'000	£'000	£'000	£'000
Realised gain on disposal of fixed asset investments	478	475	-	953
Fixed asset investment holdings gain	899	45	-	944
Current asset investment holding gains	-	-	-	-
Investment income	2,244	108	-	2,352
Investment management fees	(1,420)	(152)	-	(1,572)
Other expenses	(666)	(138)	(290)	(1,094)
Return on ordinary activities before tax	1,535	338	(290)	1,583
Taxation on return of ordinary activities	(41)	-	-	(41)
Return on ordinary activities after tax	1,494	338	(290)	1,542

#### Notes

1. The earnings of Apollo for the six months ended 31 July 2015 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2015 which is incorporated by reference in Part Five of this document.

#### Adjustments

2. The earnings of OVCT2 for the six months ended 30 June 2015 have been extracted without material adjustment from the unaudited half-yearly report of OVCT2 for the six months ended 30 June 2015 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 proportion of transaction costs relating to the Offer which are to be expensed. The balance of transaction costs, being commission on the gross proceeds of the Offer, will be set off against the share premium account within Shareholders' 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 2015 and that may subsequently have affected the results of the Company in the six months ended 31 July 2015.
5. No account has been taken of the trading performance of Apollo since 31 July 2015 or the trading performance of OVCT2 since 30 June 2015 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 2015. The unaudited net assets of OVCT2 are stated as at 30 June 2015.

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 2015, as set out in the unaudited half-yearly report of the Company for the six months ended 31 July 2015 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)	Octopus VCT 2 Plc (Note 2)	Offer (Note 3)	Merger costs (Note 4)	Pro forma total £'000
Fixed asset investments	109,524	14,297	-	-	123,821
Current assets:					
Money market funds	-	-	-	-	-
Debtors	2,957	189	-	-	3,146
Cash at bank	25,419	4,802	40,000	-	70,221
	28,376	4,991	40,000	-	73,367
Creditors	(3,662)	(205)	(2,800)	(290)	(6,957)
Net current assets	24,714	4,786	37,200	(290)	66,410
Net assets	134,238	19,083	37,200	(290)	190,231

### Notes

1. The net assets of Apollo as at 31 July 2015 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 31 July 2015 which is incorporated by reference in Part Five of this document.

### Adjustments

2. The net assets of OVCT2 Plc as at 30 June 2015 have been extracted without material adjustment from the unaudited half-yearly report of OVCT2 for the six months ended 30 June 2015 which is incorporated by reference in Part Five of this document.

3. The gross proceeds (assuming full subscription) expected to be raised under the Offer is £40.0 million. On the same basis, the costs of the Offer are expected to be a maximum of £2.8 million with the net proceeds being £37.2 million.
4. The merger costs are expected to be £290,000.
5. No account has been taken of the financial performance of Apollo since 31 July 2015 or the trading performance of OVCT2 since 30 June 2015 nor of any other event save as disclosed above.

## PART FIVE: FINANCIAL INFORMATION ON APOLLO AND OVCT2

Audited financial information on Apollo is published in the annual reports for the years ended 31 January 2013, 31 January 2014 and 31 January 2015 and unaudited information in the half-year reports for the six month periods ended 31 July 2014 and 31 July 2015. Audited financial information on OVCT2 is published in the annual reports for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and unaudited information in the half-year reports for the six month periods ended 30 June 2014 and 30 June 2015.

The annual reports referred to above relating to Apollo 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 OVCT2 were audited by James Cowper Kreston LLP of 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP. 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 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' with the exception of the annual reports for Apollo for the year ended 31 January 2015, the interim report of Apollo for the 6 month period ended 31 July 2015 and the interim report of OVCT2 for the 6 month period ended 30 June 2015 which were prepared in accordance with Financial Reporting Standard 102. The annual reports contain a description of Apollo's and OVCT2'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](http://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**

	<b>31 January 2013</b> <u>Annual Report</u>	<b>31 January 2014</b> <u>Annual Report</u>	<b>31 January 2015</b> <u>Annual Report</u>	<b>31 July 2014</b> <u>Half Year Report</u>	<b>31 July 2015</b> <u>Half Year Report</u>
Balance Sheet	Page 43	Page 49	Page 56	Page 13	Page 23
Income Statement (or equivalent)	Page 40	Page 46	Page 52	Page 11	Page 18
Statement showing all changes in equity (or equivalent note)	Page 42	Page 48	Page 59	Page 12	Page 21

Cash Flow Statement	Page 44	Page 50	Page 63	Page 14	Page 26
Accounting Policies and Notes	Page 46	Page 52	Page 64	Page 16	Page 28
Auditor's Report	Page 38	Page 42	Page 48	N/a	N/a

The Company and the Directors confirm that the Company's most recent two years' financial information (prepared under United Kingdom Generally Accepting Accounting Practice) 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 (which will be prepared under Financial Reporting Standard 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks.

Such information also includes operating/financial reviews as follows:

Description	31 January 2013	31 January 2014	31 January 2015	31 July 2014	31 July 2015
	Annual Report	Annual Report	Annual Report	Half Year Report	Half Year Report
Performance Summary	Page 4	Page 1	Page 1	Page 5	Page 9
Results and Dividends	Page 5	Page 7	Page 10	Page 6	Page 7
Investment Policy	Page 7	Page 5	Page 8	N/a	N/a
Outlook	Page 6	Page 8	Page 12	Page 7	Page 11
Manager's Review	Page 7	Page 14	Page 17	N/a	N/a
Portfolio Summary	Page 9	Page 16	Page 19	Page 8	Page 13
Business Review	Page 20	Page 9	Page 13	N/a	N/a

Valuation Policy	Page 9	Page 15	Page 19	N/a	N/a
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As at 21 August 2015, the date to which the most recent unaudited financial information on Apollo has been drawn up, Apollo had unaudited net assets of approximately £100 million.

## OVCT2

Description	30 December 2012	30 December 2013	30 December 2014	30 June 2014	30 June 2015
	<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 37	Page 42	Page 42	Page 13	Page 13
Income Statement (or equivalent)	Page 34	Page 39	Page 39	Page 10	Page 11
Statement showing all changes in equity (or equivalent note)	Page 36	Page 41	Page 41	Page 12	Page 12
Cash Flow Statement	Page 38	Page 43	Page 43	Page 14	Page 14
Accounting Policies and Notes	Page 40	Page 45	Page 45	Page 16	Page 16
Auditor's Report	Page 32	Page 36	Page 36	N/a	N/a

The Company and the Directors confirm that OVCT2's most recent two years' financial information (prepared under United Kingdom Generally Accepting Accounting Practice) 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 (which will be prepared under Financial Reporting Standard 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>30 December 2012</b>	<b>30 December 2013</b>	<b>30 December 2014</b>	<b>30 June 2014</b>	<b>30 June 2015</b>
	<u>Annual Report</u>	<u>Annual Report</u>	<u>Annual Report</u>	<u>Half Year Report</u>	<u>Half Year Report</u>
Performance Summary	Page 2	Page 7	Page 7	Page 4	Page 5
Results and Dividends	Page 2	Page 7	Page 1	Page 5	Page 6
Investment Policy	Page 17	Page 5	Page 5	N/a	N/a
Outlook	Page 3	Page 8	Page 8	Page 6	Page 7
Manager's Review	Page 4	Page 13	Page 13	N/a	N/a
Portfolio Summary	Page 6	Page 14	Page 14	Page 7	Page 8
Business Review	Page 16	Page 9	Page 9	N/a	N/a
Valuation Policy	Page 7	Page 15	Page 15	N/a	N/a

As at 30 June 2015, the date to which the most recent unaudited financial information on OVCT2 has been drawn up, OVCT2 had unaudited net assets of £19,083,000.

## PART SIX: INVESTMENT PORTFOLIO OF APOLLO AND OVCT2

### APOLLO

The investment portfolio of Apollo as at the date of this document is as follows (the valuations being the unaudited valuations as at 26 October 2015 and representing UK companies and 73% of the NAV of Apollo):

Investments	Sector	Investment cost as at 26 October 2015 (£'000)	Movement in fair value to 26 October 2015 (£'000)	Fair value as at 26 October 2015 (£'000)	Debt/equity
Clifford Thames Group Limited	Automotive Software & data	13,318	1,111	14,429	Debt/equity
CSL DualCom Holdings Limited	Security devices	10,806	232	11,038	Debt/equity
Healthcare Services and Technology Limited	Investment company	7,186	-	7,186	Debt/equity
Newco 5CL Limited	Support Services	5,000	-	5,000	Debt/equity
Galvara Limited	Investment company	5,000	-	5,000	Equity
Anglo European Group Limited	Manufacturing	5,000	-	5,000	Debt/equity
Aquaso Limited	Investment company	4,200	-	4,200	Debt/equity
Vista Retail Support Limited	Retail support services	3,758	356	4,114	Debt/equity
Countrywide Healthcare Supplies Limited	Healthcare	2,675	330	3,005	Debt/equity
Tanganyika Heat Limited	Anaerobic digestion	2,936	-	2,936	Debt/equity
Technical Software Consultants (Mablaw 555 Ltd)	Crack Detection Systems	3,172	(472)	2,700	Debt/equity
Byena Limited	Investment company	2,500	-	2,500	Debt/equity
Coupra Limited	Investment company	2,500	-	2,500	Debt/equity
Dyscova Limited	Investment company	2,500	-	2,500	Debt/equity
Emercor Limited	Investment company	2,500	-	2,500	Debt/equity
Haravar Limited	Investment company	2,500	-	2,500	Equity
Other*		13,768	584	14,352	Debt/equity
<b>Total fixed asset investments</b>		<b>89,319</b>	<b>2,141</b>	<b>91,460</b>	

\*Other includes 14 investments

There were no other changes since 26 October 2015.

## OVCT2

The investment portfolio of OVCT2 as at the date of this document is as follows (the valuations being the unaudited valuations as at 30 June 2015 and representing UK companies and 75% of the NAV of OVCT2):

Investments	Sector	Investment cost as at 30 June 2015 (£'000)	Movement in fair value to 30 June 2015 (£'000)	Fair Value as at 30 June 2015 (£'000)	Debt/equity
Byena Limited	Investment company	2,500	-	2,500	Debt/equity
Coupra Limited	Investment company	2,500	-	2,500	Debt/equity
Winnipeg Heat Limited	Anaerobic digestion	1,950	-	1,950	Debt/equity
Tanganyika Heat Limited	Anaerobic digestion	1,550	-	1,550	Debt/equity
Superior Heat Limited	Ground source heat	1,000	-	1,000	Debt/equity
5AM Music limited	Media	1,000	(15)	985	Debt/equity
Cyrah Power Limited	Solar	500	82	582	Debt/equity
Acquire Your Business Limited	Business services	578	(27)	551	Debt/equity
Evaki Power Limited	Solar	500	-	500	Debt/equity
Intina Power Limited	Solar	500	13	513	Debt/equity
Yata Power Limited	Solar	500	9	509	Debt/equity
Tonatiuh Trading 2 Limited	Solar	500	(83)	417	Debt/equity
Teruko Power Limited	Solar	500	(7)	493	Debt/equity
Atlantic Screen International Limited	Media	400	(153)	247	Debt/equity
Total fixed asset investments		14,478	(181)	14,297	

Since 30 June 2015, the following disposals occurred:

Portfolio company	Disposal proceeds £000's
Evaki Power Limited	520
Intina Power Limited	548
Teruko Power Limited	510
Cyrah Power	595
Yata Power	529
Tonatiuh Power 2	457
	3,159

There were no other changes since 30 June 2015.

### Enlarged Company

The investment portfolio of the Enlarged Company as at the date this document is as follows, assuming Apollo acquired OVCT2 as at 31 July 2015 (the valuations being the unaudited valuations as at 26 October 2015 for Apollo and as at 30 June 2015 for OVCT2):

Investments	Sector	Investment	Movement in	Fair Value	Debt/
		cost as at 26 October 2015 (£'000)	fair value to 26 October 2015 (£'000)	as at 26 October 2015 (£'000)	equity
Clifford Thames Group Limited	Automotive Software & data	13,318	1,111	14,429	Debt/equity
CSL DualCom Holdings Limited	Security devices	10,806	232	11,038	Debt/equity
Healthcare Services and Technology Limited	Investment company	7,186	-	7,186	Debt/equity
Newco 5 CL Limited	Support Services	5,000	-	5,000	Debt/equity
Galvara Limited	Investment company	5,000	-	5,000	Equity
Anglo European Group Limited	Manufacturing	5,000	-	5,000	Debt/equity
Byena Limited	Investment company	5,000	-	5,000	Debt/equity
Coupra Limited	Investment company	5,000	-	5,000	Debt/equity
Tanganyika Heat Limited	Anaerobic digestion	4,486	-	4,486	Debt/equity
Winnipeg Heat Limited	Anaerobic digestion	4,318	-	4,318	Debt/equity
Aquaso Limited	Investment company	4,200	-	4,200	Debt/equity
Vista Retail Support Limited	Retail support services	3,758	356	4,114	Debt/equity
Countrywide Healthcare Supplies Limited	Healthcare	2,675	330	3,005	Debt/equity
Technical Software Consultants (Mablaw 555 Ltd)	Crack Detection Systems	3,172	(472)	2,700	Debt/equity
Other*		24,878	403	25,281	Debt/equity
<b>Total fixed asset investments</b>		<b>103,797</b>	<b>1,960</b>	<b>105,757</b>	

\*Other includes 16 investments

## **PART SEVEN: ADDITIONAL INFORMATION ON APOLLO**

### **1 INCORPORATION**

- 1.1 Apollo 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 Apollo 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 Apollo 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 Apollo operates and which governs its shares is the Acts and regulations made thereunder.

### **3 SHARE AND LOAN CAPITAL**

- 3.1 On the incorporation of Apollo, two ordinary shares were issued nil paid to the subscribers to the memorandum of Apollo, SDG Registrars Limited and SDG Secretaries Limited.
- 3.2 By ordinary and special resolutions passed by Apollo on 21 November 2014, the Directors were authorised in accordance with Section 551 of the CA 2006 to allot Shares up to an aggregate nominal amount of £6,000,000 (representing 78.4% of the issued Shares at 23 October 2014), for a period expiring 18 months from the passing of the resolution (unless previously renewed, varied or revoked by Apollo 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 Apollo in general meeting).
- 3.3 The following Resolutions will be proposed at the General Meeting:
  1. THAT, subject to the Scheme (as defined in the circular issued to the Company's shareholders dated 2 November 2015 (the "Circular") becoming unconditional:
    - 1.1 the acquisition of the assets and liabilities of OVCT2 (as defined in the Circular) 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 up to 20 million D Ordinary Shares in the Company up to an aggregate nominal amount of £2 million in connection with the Scheme (representing 15.9% of the issued share capital of the Company as at 30 October 2015, 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 in the Company and to grant rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £7 million (representing 55.7% of the issued share capital of the Company as at 30 October 2015, 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 £6 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 in the Company; and

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 Ordinary Shares in the Company up to an aggregate nominal amount of £0.5 million in connection with the Company's dividend reinvestment scheme (representing 4.0% of the issued share capital of the Company as at 30 October 2015, 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 Ordinary Shares up to an aggregate nominal value of £0.5 million in connection with the Company's dividend reinvestment scheme.

4. 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 Ordinary Shares and, subject to

the Scheme becoming effective, D Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (a) the aggregate number of Ordinary Shares and D Shares which may be purchased shall not exceed 18,845,900 Ordinary Shares and 2,862,407 D Shares;
- (b) the minimum price which may be paid per Ordinary Share and D Share is the nominal value thereof;
- (c) the maximum price which may be paid per Ordinary Share and D 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(1) of the Buy Back and Stabilisation Regulation 2003;
- (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.

5. THAT, subject to the Scheme becoming effective, the articles of association produced to the meeting, and for the purposes of identification initialled by the Chairman, be adopted as the articles of association of the Company;

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 Apollo is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>
Ordinary Shares	£0.10	12,563,935      125,639,346

In addition, there are 34,947,712, economically worthless deferred shares resulting from the former C 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 Apollo immediately after the Offer has closed (assuming (i) the Offer is fully subscribed and using the over allotment facility, (ii) that the Offer Price is either 87.8p or 70p and (iii) that 19,082,726 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 = 87.8p)</i>		<i>Issued (fully paid) (Offer Price = 70p)</i>	
		<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	17,119,743	171,197,432	18,278,220	182,782,203
D Ordinary Shares	£0.01	190,827	19,082,726	190,287	19,082,726

3.6 The following allotments and repurchases of Apollo Ordinary Shares have taken place since 1 February 2012:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
27 September 2012	28,901,401	91.00
27 December 2012	3,156,668	94.50
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

\* 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.

The Company allotted 34,947,712 deferred shares on 21 August 2015 at nil consideration in respect of the C ordinary shareholders who elected to receive the C share dividend.

<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
25 July 2012	900,000	79.10
31 July 2012	815,025	79.50
5 October 2012	150,000	81.80
17 October 2012	1,649,411	79.80
27 November 2012	30,000	80.80
11 December 2012	500,000	80.80
19 December 2012	500,000	80.80
25 January 2013	498,915	80.80
28 January 2013	213,767	80.80
31 January 2013	70,000	80.80
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

\*\* 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, Apollo has no present intention to issue any Shares.

3.8 Apollo 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 Apollo, except to the extent disapplied by Apollo in general meeting. Subject to certain limited exceptions, unless the approval of Apollo's Shareholders in a general meeting is obtained, Apollo must normally offer shares to be issued for cash to holders on a pro rata basis.

3.10 No shares of Apollo 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 Apollo 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 Apollo in connection with the issue or sale of any share or loan capital of Apollo since 1 February 2012.

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 Apollo permit the holding of shares in CREST.

3.15 The ISIN and SEDOL Codes of the Ordinary Shares are GB00B17B3479 and B17B347 respectively. The ISIN and SEDOL Codes of the D Shares are GB00BYM91M12 and BYM91M1 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 Apollo:

Director	Number of Ordinary Shares	% of Issued Share Capital
Murray Steele	105,832	0.08
James Otter	17,446	0.01
Christopher Powles	5,699	Less than 0.01
Matt Cooper	20,889	0.02

4.2 Assuming that (i) the Offer is fully subscribed at an Offer Price of 87.8p and (ii) that 19,082,726 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 and Class of Shares	% of Issued Share Capital
Murray Steele	111,526 Ordinary Shares	0.07
James Otter	17,446 Ordinary Shares	0.01
Christopher Powles	5,699 Ordinary Shares	Less than 0.01
Ian Pearson	10,550 D Shares	0.01

4.3 At the date of this document, Apollo 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 Apollo to which voting rights are attached (assuming that (i) the Offer is fully subscribed, including the over allotment facility at an Offer Price of 87.8p and (ii) 19,082,726 Scheme Shares are issued pursuant to the Merger) or who could, directly or indirectly, jointly or severally, exercise control over Apollo.

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 Apollo (issued or to be issued) which differ from any other Shareholder.

4.5 Apollo 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 Apollo.

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 Apollo and which were effected by Apollo 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 Apollo, 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)	N

	Director	Ringmount Limited (Dissolved)	N
	Director	W M B Steele & Co Limited (Dissolved)	N
	Director	Octopus Apollo VCT 4 plc (Dissolved)*	N
	Director	Ringmount (2009) Limited	N
James Otter	Director	Octopus VCT plc (in liquidation)	Y
	Director	TCS Cellworks Limited	Y
	Director	Jott Limited	Y
	Director	Ellipson Limited	Y
	Director	Venda Group Limited	Y
	Director	Hygea VCT plc	N
	Director	Axon Limited	N
	Director	Glide Pharmaceutical Technologies Limited	N
Christopher Powles	Director	Little Sutton Energy Company Limited	Y
	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
Matthew Cooper	Director	Imaginatik plc	Y
	Director	Imaginatik (Goswell) Limited	Y
	Director	Which? Financial Services Limited	N
	Director	Accesso Technology Group Plc (formerly LO-Q plc)	Y
	Director	Clearly So Limited	Y
	Director	Vouchedfor Ltd	Y

Director	RNM Financial Ltd	Y
Director	Ultimate Finance Holdings Limited	N
Director	Inspired Capital PLC (formerly Renovo Group plc)	Y
Director	My Dish Limited	N
Director	10Duke Software Ltd	N
Director	The Mental Health Foundation	N
Director	Knowledge & Merchandising Inc. Limited	N
Member	Carbon Leadership LLP	Y
Director	PPL Realisations 2011 Limited (formerly Perfect Pizza Limited) (In Liquidation)	N
Director	Octopus Investments Limited	Y
Director	Octopus Capital Limited	Y
Director	Octopus Eclipse VCT plc	Y
Director	Octopus Eclipse VCT 2 plc (Dissolved)*	N
Director	Octopus Eclipse VCT 3 plc (Dissolved)*	N
Director	Octopus Eclipse VCT 4 plc (Dissolved)*	N
Director	Octopus Apollo VCT 1 plc (Dissolved)*	N
Director	Octopus Apollo VCT 2 plc (Dissolved)*	N
Limited Partner	Octopus Zenith Founder Partner LP	Y
Director	Carbon Search Limited	N
Director	Sadler's Wells Limited	N
Director	Octopus Phoenix VCT plc (dissolved)*	N
Director	Rise Capital Limited	Y
Director	Circus Space Events Limited	Y
Director	National Centre for Circus Arts	Y
Director	Circus Space Property Company	Y

		Limited
Director	The Conservatoire For Dance And Drama	Y
Director	Octopus Titan VCT plc	Y
Director	Octopus Titan VCT 1 plc (in liquidation)*	N

\* 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 Apollo for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for Apollo.

4.11 The Directors and directors of Octopus do not have any conflicts of interest between their duties to Apollo and their private interests or other duties except for Matt Cooper who is the chairman of Octopus which is a party to the agreements referred to in paragraphs 7 and 8 below.

## 5 DIRECTORS' LETTERS OF APPOINTMENT

Murray Steele and Christopher Powles were appointed as Directors on 28 September 2012, Matt Cooper was appointed as a Director on 17 July 2006 and James Otter was appointed as a Director on 28 November 2014. 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 Apollo, is entitled to annual remuneration of £25,000, while the annual remuneration receivable by the other Directors is £20,000. 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 2015, Murray Steele received £22,000, Christopher Powles and Matt Cooper each received £17,000, James Otter received £3,000 and Tony Morgan, who resigned as a Director on 28 November 2014, received £14,000.

In the event that the Merger proceeds, Matt Cooper will stand down from the Board and Ian Pearson will join the Board and will receive an annual remuneration of £20,000.

## **6 APOLLO AND ITS SUBSIDIARIES**

Apollo does not have any subsidiaries.

## **7 OFFER AGREEMENT**

An agreement dated 2 November 2015, between Apollo (1), the Directors of Apollo (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Apollo 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 5.0% 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 Apollo 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 Apollo, the Directors and Octopus to the other parties. Apollo 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 Apollo 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 Apollo and which contain any provision under which Apollo has any obligation or entitlement which is, or may be, material to Apollo 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 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 "2014/15 Offer") and the merger between the Company and OVCT (the "2014 Scheme") and Octopus agreed to use reasonable endeavours to procure subscribers for shares under the 2014/15 Offer. Under the agreement Octopus was paid an initial fee of up to 5.0% of the funds received under the 2014/15 Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the 2014/15 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 2014/15 Offer. Under this agreement certain warranties were 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 to the 2014/15 Offer. The warranties and indemnity are in usual form for a contract of this type.

8.3 The letters of appointment of the Directors, details of which are set out in paragraph 5 above.

8.4 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 advance, 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 (plus VAT) 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.

Pursuant to the IMA Deed of Variation, the IMA will be varied, subject to the Merger proceeding, in order that Octopus' existing management fee arrangements in respect of OVCT2 are mirrored in respect of the D Share Fund. Under the terms of the investment management agreement between Octopus and OVCT2 dated 28 January 2011, Octopus is entitled to an annual management fee of 2.0% of OVCT2's net assets. However, in order to ensure the alignment of interests between Octopus and the OVCT2 Shareholders, the annual management fee will be rolled up (without interest) and will only be paid to Octopus once OVCT2 Shareholders have received dividends and distributions during the life of OVCT2 totalling or exceeding 105p per OVCT2 Share.

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, and irrecoverable VAT thereon. It does not include any exceptional items or annual trail commission.

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:

8.5 A transfer agreement between Apollo and OVCT2 (acting through the Liquidators) pursuant to which all of the assets and liabilities of OVCT2 will be transferred to Apollo (subject only to the consent required to transfer such assets and liabilities) in consideration for Scheme Shares, as described in Part One of this document. The Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of OVCT2 will be transferred on receipt to Apollo as part of the Scheme.

8.6 A Deed of Indemnity from Apollo to the Liquidators pursuant to which Apollo 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 8.4 above, the promoter's fee of £1.13 million paid to Octopus in respect of the Company's offer for subscription that was launched on 1 October 2012, the promoter's fee of £0.14 million paid to Octopus in respect of the 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 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 2013, 31 January 2014 and 31 January 2015 or for the period from 31 January 2015 to the date of this document.

## **10 WORKING CAPITAL**

The Company is of the opinion that the working capital of 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 2015 was as follows:

<b><u>Capital and reserves</u></b>	<b>£'000</b>
Called up Equity Share Capital	10,501
Share Premium	68,557
Special Distributable Reserve	50,991
Capital Redemption Reserve	2,164
Capital Reserve Realised	(2,513)
Capital Reserve Unrealised:	3,327
Revenue Reserve:	1,211
<hr/>	
Total Equity Shareholders' Funds	<b>134,238</b>

Since 31 July 2015, a dividend totalling £34 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 of the Company since 31 July 2015

11.2 Since incorporation, the Company has incurred no indebtedness. The Company has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 14.1.13 below.

## **12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES**

### *Audit Committee*

12.1 The audit committee of the Company comprises the Board (with the exception of Matt Cooper), 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 have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since the Company's incorporation which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

## **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 14.1.5 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:

- 14.1.3
  - (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.

#### 14.1.4 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.

#### 14.1.5 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.

#### 14.1.6 Distribution of Assets on Liquidation

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

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

#### 14.1.7 Changes in Share Capital

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

#### 14.1.8 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.

#### 14.1.9 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.

#### 14.1.10 Directors' Interests

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

14.1.10.2. Provided that he has declared his interest in accordance with paragraph 14.1.10.1, 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.

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

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one % 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.

14.1.10.4 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.

14.1.11 Remuneration of Directors

14.1.11.1 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. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

14.1.11.2 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.

14.1.11.3 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.

14.1.12 Retirement of Directors

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

14.1.13 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.

14.1.14 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been

revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (or provision 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.

#### 14.1.15 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.

#### 14.1.16 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 News 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 net asset value 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.
- 15.12 The calculation of net asset value 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 News 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 DTR 5 will apply to the Company and its Shareholders. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3% and each 1% thereafter up to 100%. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

## **19. GENERAL**

19.1 The estimated costs and expenses relating to the Offer, assuming full subscription and use of the over allotment facility, 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 £2 million in aggregate. On the above assumptions, the aggregate total net proceeds of the Offer, after all fees, is expected to be approximately £38 million. The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs of undertaking the Merger are approximately £290,000.

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. The half-yearly financial reports and the statutory accounts of the Company set out in Part Five have been prepared in accordance with 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'.

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 2015, 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 2015, the Company had £25 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 investment in the Company is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the UK.
- 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 66.0% 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 in the Company, including the over allotment facility, at an Offer Price of 87.8p and (ii) 19,082,726 Scheme Shares are issued pursuant to the Merger, and, on that basis, the Company's Shareholders who do not receive Offer Shares or Scheme Shares will, therefore, be diluted by 34.0%.

- 19.21 The existing issued Shares in the Company will represent 86.8% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme, assuming (i) the Offer does not proceed and (ii) 19,082,726 Scheme Shares are issued pursuant to the Merger, and, on that basis, the Company's Shareholders who do not receive Scheme Shares will, therefore, be diluted by 13.2%.
- 19.22 The existing issued Shares in the Company will represent 73.4% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming (i) the Offer is fully subscribed, including the over allotment facility, at an Offer Price of 87.8p and (ii) the Scheme does not proceed, and on that basis the Company's Shareholders who do not receive Offer Shares will, therefore be diluted by 26.6%.
- 19.23 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 1 November 2016. 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 2014 and 31 July 2015 and the annual accounts for the periods ending 31 January 2013, 31 January 2014 and 31 January 2015;
- 20.4 the half year reports of OVCT2 for the 6 month periods ending 30 June 2014 and 30 June 2015 and the annual accounts for the periods ending 31 December 2012, 31 December 2013 and 31 December 2014;
- 20.5 the Circular and the OVCT2 Circular; and
- 20.6 this document.

2 November 2015

## 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
“Apollo” or the “Company”	Octopus Apollo VCT plc
“Applicant”	a person applying for Offer Shares under the Offer
“Application”	an application for Offer Shares under the Offer
“Application Form”	the application form attached to the end of this document
“Articles”	the articles of association of the Company
“Board”	the board of directors of the Company
“Boards”	the Board and the OVCT2 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 2 November 2015
“Companies”	Apollo and OVCT2
“Directors”	the directors of the Company (and each a “Director”)
“D Shares”	D ordinary shares of 1p each in the capital of the Company
“D Shareholder”	a holder of D Shares (and each a “D Ordinary Shareholder”)
“D Share Fund”	the net assets of the Company represented by the D Shares
“Dividend Reinvestment Scheme” or “DRIS”	the Company’s dividend reinvestment scheme, details of which are set out in Part Two
“Enlarged Company”	Apollo 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 Apollo to be held on 30 November 2015 (or any adjournment thereof)
“General Meetings”	the General Meeting and the OVCT2 General Meetings
“HMRC”	HM Revenue and Customs
“Howard Kennedy”	Howard Kennedy Corporate Services LLP

“IA 1986”	The Insolvency Act 1986, as amended
“IMA”	the investment management agreement between the Company and Octopus dated 27 July 2006 as varied by a deeds of variation dated 16 August 2012, 28 April 2014, 24 October 2014 and 2 November 2015
“IMA Deed of Variation”	the deed of variation to the IMA dated 2 November 2015 between the Company and Octopus, details of which are set out in Part Two
“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 <a href="#">RSM Restructuring Advisory LLP</a> , being the proposed liquidators for OVCT2
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“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 2015/16 and 2016/17 contained in this document
“Offer Agreement”	The offer agreement dated 2 November 2015 between the Company, the Directors, the Manager and Howard Kennedy, details of which are set out in Part Two
“Offer Price”	the price per Offer Share, as set out in Part Seven
“Offer Shares”	Ordinary Shares being offered under the Offer (and each an “Offer Share”)
“Official List”	the official list maintained by the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Ordinary Shareholder”	a holder of Ordinary Shares (and each an “Ordinary Shareholder”)
“Ordinary Share Fund”	the net assets of the Company represented by the Ordinary Shares
“OVCT2”	Octopus VCT 2 plc
“OVCT2 Board”	the board of directors of OVCT2

“OVCT2 Circular”	the circular to OVCT2 Shareholders dated 2 November 2015
“OVCT2 Directors”	the directors of OVCT2
“OVCT2 First General Meeting”	the general meeting of OVCT2 to be held on 18 January 2016 (or any adjournment thereof)
“OVCT2 General Meetings”	the OVCT2 First General Meeting and the OVCT2 Second General Meeting
“OVCT2 IMA”	the investment management agreement between OVCT2 and Octopus dated 28 January 2011
“OVCT2 Second General Meeting”	the general meeting of OVCT2 to be held on 27 January 2016 (or any adjournment thereof)
“OVCT2 Shares”	ordinary shares of 1p each in the capital of OVCT2
“OVCT2 Shareholders”	holders of OVCT2 Shares (and each an “OVCT2 Shareholder”)
“Proposals”	the proposals to effect the Scheme and the Offer, and to approve the Resolutions
“Proposed Director”	Ian Pearson, 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
“Scheme” or “Merger”	the proposed merger of Apollo with OVCT2 by means of placing OVCT2 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by Apollo of all of the assets and liabilities of OVCT2 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 26 January 2016

“Scheme Effective Date”	the date on which the Scheme will be completed, anticipated as being 27 January 2016
“Scheme Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme, anticipated as being 26 January 2016
“Scheme Shares”	the D Shares being issued subject to the Scheme (and each a “Scheme Share”)
“Shareholders”	Ordinary Shareholders and/or D Shareholders, as the context permits (and each a “Shareholder”)
“Shares”	Ordinary Shares and D Shares in the capital of the Company as the context permits (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 88 to 93
“Transfer Agreement”	the agreement between OVCT2 (acting through the Liquidators) and Apollo for the transfer of all of the assets and liabilities of OVCT2, by the Liquidators, to Apollo 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
“VCT Value”	the value of an investment calculated in accordance with Section 278 of the ITA 2007
“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 £30 million in aggregate with an over allotment facility of a further £10 million in aggregate. 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 0.95 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 Ordinary Share adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Ordinary Share, divided by 0.95. 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 2.5% 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 Ordinary Share, divided by 0.95 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 Ordinary Share, divided by 0.95 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 Ordinary 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.

## 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 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 Ordinary Share or (ii) the mid market price per Ordinary Share as quoted on the London Stock Exchange at the close of business on the 10<sup>th</sup> 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 Ordinary 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 Ordinary 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 Ordinary 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.**

## 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 Ordinary 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 Ordinary 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](http://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 Ordinary Shares of Octopus Apollo VCT plc indicated below and to which the scheme is applied. I/We agree that future dividends paid on Ordinary Shares will be reinvested in Ordinary Shares.

Tick Here to reinvest

Octopus Apollo VCT plc

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**

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

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## Offer Application Form

### The form has six sections:

1. About the Investor
2. About the Investment
3. Dividend reinvestment or payment
4. Adviser/intermediary details (to be completed by your adviser/intermediary)
5. Adviser/intermediary payment
6. Investor Declaration

### How to complete the form

- Any decision to invest should be made on the basis of the information contained in the prospectus, which can be found at [octopusinvestments.com/apollo](http://octopusinvestments.com/apollo). You can also request a copy by calling **0800 316 2295** or emailing us at [info@octopusinvestments.com](mailto:info@octopusinvestments.com).
- Please make sure you answer all the questions marked with an asterisk **\*!**.
- Leave boxes blank where they don't apply to you.

### What happens next?

- We will send you an acknowledgement that we have received your application, and your funds will be invested as quickly as possible.
- Once your funds have been invested we will send regular performance updates, to you or your elected nominee if you invested through one.

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

Your decision to invest has been made on the basis of the information contained in the prospectus. The prospectus can be found at [octopusinvestments.com/apollo](http://octopusinvestments.com/apollo). You can also request a copy by calling **0800 316 2295** or emailing us at [info@octopusinvestments.com](mailto:info@octopusinvestments.com).

You've answered all the questions that apply to you.

If you are paying by cheque, you've enclosed your cheque from your personal account, made payable to 'Octopus Apollo VCT – Applications'. We do not accept cheques from business accounts, third parties (including your spouse) or post-dated cheques. Banker's drafts or building society cheques must specifically mention the investor's name.

Or, if you are paying via CHAPS/BACS, please send us your completed application form before transferring your investment to the following account making sure that you reference the payment with your name:

Account name: Octopus Apollo VCT – Applications

Sort code: 40-03-28

Account number: 82721546

Bank: HSBC

Branch: Holborn

**Payments need to come from your personal account (we do not accept payments from business accounts or third parties, including your spouse).**

You've signed and dated where indicated in Section 6.



### Return your completed form and documents to:

Octopus Investments Limited  
PO Box 10847  
Chelmsford  
CM99 2BU

### Got a question?



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



Email: [info@octopusinvestments.com](mailto:info@octopusinvestments.com)

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



Before completing this Offer Application Form you should read the prospectus dated 2 November 2015 which includes the Terms and Conditions of the Offer. The Offer will close at 12 noon on 1 November 2016 unless it is fully subscribed prior to that date or closed earlier.

## Section 1 – About the Investor

* Title (Mr/Mrs/Miss/Ms/Other)						
* First name(s)						
* Last name						
* Are you an existing investor in any Octopus products?	<input type="checkbox"/> Yes	<input type="checkbox"/> No				
* Date of birth (DD MM YYYY)						
* Telephone numbers	Home:				Work:	
* National Insurance number						
* Email address						
* Address line 1						
Address line 2						
Address line 3						
* Town/City						
County						
* Postcode						
* Do you want to receive electronic or paper company reports?	<input type="checkbox"/> Email	<input type="checkbox"/> Paper				

Information from Octopus Octopus may occasionally send you information that we believe to be of interest to you e.g. newsletters.  
If you would **not** like to receive such information, please tick the box.

## Section 2 – About the Investment

* How much are you investing?	The minimum investment per applicant is £5,000. There is no maximum investment; however, tax relief is only available on a maximum £200,000 in each tax year.				
	2015/16 £				
* Cheque/banker's draft or bank transfer? (Tick one box only)	<input type="checkbox"/> Cheque/banker's draft				
	Please enclose a cheque from your personal account, made payable to 'Octopus Apollo VCT – Applications'. We do not accept cheques from business accounts, third parties (including your spouse) or post-dated cheques. Banker's drafts or building society cheques must specifically mention the investor's name.				
	2016/17 £				
	<input type="checkbox"/> Bank transfer				
	Please transfer your funds to the following account after first sending in your completed application form, making sure that you <b>reference the payment with your surname and initials</b> :				
	Account name: Octopus Apollo VCT – Applications				
	Sort code: 40-03-28 Bank: HSBC				
	Account number: 82721546 Branch: Holborn				
	Payments need to come from your <b>personal account</b> . (We do not accept payments from business accounts or third parties, including your spouse.)				



### Section 3 – Dividend reinvestment or payment

**\* Dividend reinvestment or payment?**

(You must select one of the two options)

Reinvest dividends

Pay out dividends

By completing this section you confirm that you've read and understood the terms and conditions of the Dividend Reinvestment Scheme as set out in Annex I of the prospectus.

Please give us details of the bank account you would like future dividends to be paid into (bank account must be in your name)

Sort code

Account Number

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Account Holder Name

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Please note that this instruction overrides any previous dividend instructions you have given us for existing holdings in Octopus Apollo VCT.

If you are a direct investor please go straight to **Section 5.1**.

### Section 4 – Adviser/intermediary details (to be completed by your adviser/intermediary)

**\* Company**

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**Title (Mr/Mrs/Miss/Ms/Other)**

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**\* First name(s)**

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**\* Last name**

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**Telephone**

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**\* Address line 1**

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**Address line 2**

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**Address line 3**

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**\* Town/City**

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**County**

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**\* Postcode**

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**\* Email address**

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**\* FCA number**

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**Are you part of a network/service provider?**

No

Yes – please give us the network/service provider name



## Section 5 – Adviser/intermediary payment

**\*What type of investment is this?**  
(Complete one section only)

All Octopus fees and charges are outlined in both the prospectus and brochure. The VCT can also facilitate payments to your financial adviser/intermediary. Please read the following text and then complete either 5.1 or 5.2. or 5.3 or 5.4. Failure to complete this section correctly could result in delays to your investment. If you have any questions please call us on 0800 316 2295.

- If you are submitting this application yourself with no adviser or intermediary, please complete **section 5.1**.
- If you have received financial advice for this investment and have agreed with your adviser to pay ongoing charges, please complete **section 5.2**.
- If you have received financial advice for this investment and have agreed with your adviser to pay no ongoing charges, please complete **section 5.3**.
- If you have used an intermediary but you have not received financial advice, please complete **section 5.4**. Any commission due will be paid by Octopus.

5.1  **This is a direct investment (please go straight to Section 6 – Investor Declaration)**

If you have any questions on this, please call us on 0800 316 2295.

5.2  **This is an advised investment with an initial adviser charge and/or an ongoing adviser charge**

Please indicate the level of initial adviser charge and/or ongoing charges you have agreed with your adviser. If you have agreed with your adviser that you are not paying the maximum available adviser charge, the remaining amount will be rebated to you as additional shares.

**To my adviser**

Initial:  % (maximum available charge of 2.5%)

Ongoing:  % (maximum available charge of 0.5%)

5.3  **This is an advised investment with an initial adviser charge and no ongoing adviser charge**

Please indicate the level of initial adviser charge you have agreed with your adviser. If you have agreed with your adviser that you are not paying the maximum available adviser charge, the remaining amount will be rebated to you as additional shares.

**To my adviser**

Initial:  % (maximum available charge of 4.5%)

5.4  **This is a non-advised investment through an intermediary**

Initial Commission  % Ongoing Commission  %

Standard terms will apply if left blank. Commission should not exceed our standard terms (given in the Octopus Apollo VCT brochure), otherwise this form may be rejected.

**Special instructions**

## Section 6 – Investor declaration

**By Signing this form I HEREBY DECLARE THAT:**

1. My decision to invest has been made on the basis of the information contained in the prospectus.
2. I have provided accurate information, to the best of my knowledge.
3. I consent to Octopus facilitating my adviser's fees and charges as set out in Section 5..

**\* Investor name**

**\* Investor signature**

**\* Date signed  
(DD MM YYYY)**

We are legally required to collect information about the tax residency and classifications of each investor which may be shared with HM Revenue & Customs. For further information please visit [octopusinvestments.com/reportingforms](http://octopusinvestments.com/reportingforms).

### Section 7 – Additional information about the investor

* Country of birth		
* Country(ies) of citizenship		
* Country of address provided in Section 1		
<b>* Telephone numbers</b> (We are required to capture the country codes of any telephone numbers provided in Section 1)		
Home:	Country code	Telephone number
Work:		
Mobile:		

### Section 8 – Tax Residency Status

\* 8.1 Are you tax resident, or do you complete tax returns, in any country other than the UK?

No – please go straight to **Section 9**.

Yes – please complete the table below.

8.2 Please list the country(ies), other than the UK, in which you are resident for tax purposes. Please provide the Taxpayer Identification Number (TIN) or functional equivalent for each country(ies), or tick the relevant box if the country does not provide a TIN.

Country(ies)	Taxpayer Identification Number (TIN)	TIN not available
		<input type="checkbox"/>

### Section 9 – Declaration

\* **Investor declaration**  
 (To be completed by the investor named in Section 1)

I declare that to the best of my knowledge and belief, the information I have provided in this form is true, correct and complete.

I understand that the information contained in this form and any information about the Investor and their accounts may be reported to the UK tax authorities. They may also be exchanged with tax authorities of another country or countries in which the Investor is a tax resident depending on the Intergovernmental Agreements (IGAs) that are in place.

* Investor name		
* Investor signature		
* Date signed		
DD MM YYYY		