

PRODUCTS THAT PERFORM PEOPLE THAT LISTEN

# OCTOPUS SECURE VCT PLC

PROSPECTUS WITH APPLICATION FORMS

Sponsored by Howard Kennedy



This document comprising a prospectus dated 16 September 2009 in accordance with the Prospectus Rules made under Part 6 of the Financial Services and Markets Act 2000 has been approved for publication under section 87 of that Act. This document has also been approved by the Financial Services Authority as a prospectus under the Prospectus Rules on 16 September 2009. This document will be made available to the public in accordance with the provisions of the Prospectus Rules.

The Directors, whose names appear on page 34, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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.

Application will be made to the UK Listing Authority for all the Ordinary Shares in the capital of the Company (issued and to be issued) pursuant to the Offer described herein to be admitted to the Official List of the UK Listing Authority. Application will also be made to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its market for listed securities. Subject to the minimum subscription being raised by that date, it is expected that Admission will become effective, and that trading in the Ordinary Shares will commence within 10 business days of allotment.

Persons receiving this document should note that, in connection with the Offer, Howard Kennedy is acting for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with the Offer.

The whole of this document should be read. In particular, your attention is drawn to 'Risk Factors' set out on pages 6 and 7 of this document.

## Octopus Secure VCT plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 6948448)  
(ISIN number GB00B42T3254)

**Offer for Subscription of up to 50,000,000 Ordinary Shares of 1p each in the capital of the Company at an issue price of 100p per share payable in full on application**

**Sponsor**

**Howard Kennedy**

Aggregate share capital of the Company immediately following the Offer (assuming that it is fully subscribed)

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Nominal value</i>	<i>Number</i>		<i>Nominal Value</i>	<i>Number</i>
£1,000,000	100,000,000	Ordinary Shares of 1p each	£500,000.02	50,000,002

50,000,000 Ordinary Shares are being offered to the public under the Offer. The Offer will be open from 8.00 am on 17 September 2009 until the earlier of 5.00 pm on 30 April 2010 and the date on which the maximum subscription is reached, unless otherwise extended by the Directors acting in their absolute discretion to a date no later than 30 June 2010. Dealings will commence within 10 days of allotment. The Offer will not proceed unless the Minimum Net Proceeds have been raised by 5 April 2010. The Offer is not underwritten. The terms and conditions of the Offer are set out in Part 5 of this document, followed by an Application Form for use in connection with the Offer. The minimum subscription per investor is £3,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP.

Copies of this document are available for inspection during normal business hours at the Document Viewing Facility at the Financial Services Authority, 25 The North Colonnade, London E14 5HS following the date of publication and may be obtained free of charge for the duration of the Offer, by collection from:

**Howard Kennedy**  
19 Cavendish Square  
London W1A 2AW

**Octopus Investments Limited**  
8 Angel Court  
London EC2R 7HP

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# SUMMARY

## KEY INFORMATION

### Award Winning Manager

Octopus Secure VCT will be managed by Octopus Investments Limited, which is one of the UK's leading specialist fund management companies with more than £1 billion under management. The Octopus Group currently manages fifteen VCTs with total assets of £225 million and financial advisers have voted Octopus "Best VCT Provider of the Year" at the Professional Adviser Awards in 2007, 2008 and 2009.

In March 2009, Octopus was selected by Capital for Enterprise Limited (a company that is wholly-owned by the Department for Business, Innovation and Skills) to manage a £30 million fund on behalf of the UK Government and HSBC, Barclays, Lloyds Banking Group and The Royal Bank of Scotland.

### Tax Benefits

You will receive 30% upfront income tax relief on an investment in Octopus Secure VCT provided you hold your shares for five years. This means that if you invest £10,000, your income tax bill for the current tax year will be reduced by £3,000. Your investment of £10,000 therefore only costs you £7,000, providing you with an effective return after initial costs of 35% before the Fund makes its first investment. In addition, dividends paid by the VCT and capital gains on the shares are both exempt from tax.

### Investment Policy

The investment policy of Octopus Secure VCT is to focus on making Qualifying Investments into companies where Octopus believes that there is a high level of capital security. The companies will operate in sectors where there is a high degree of predictability, ideally with contractual revenues from financially sound customers.

### Liquidity

In order to provide investors with a clear exit route, the Directors intend to seek Shareholder approval at a general meeting that is scheduled to be held in August 2015 to wind up Octopus Secure VCT and return capital to Shareholders.

### Alignment of Interest

In order to align the interests of Shareholders and the Investment Manager, Octopus will roll up its annual management fees interest free and will only be paid them if investors receive back a minimum of 105p per Share (in the form of dividends during the life of the Fund or distributions at the time of the winding-up). This means that investors will receive a minimum return of 50% on the net investment of 70p per Share (after taking

into account the 30% upfront income tax relief) before Octopus receives any of its management fees. This equates to an annualised return (net of fees) of 7.85% (equivalent to a return of 13.08% per annum for a 40% taxpayer).

### The Offer

Up to £50,000,000 is being raised under the Offer. The Offer will be open from 8.00 am on 17 September 2009 until 5.00 pm on 5 April 2010 in the case of applications for the 2009/10 tax year and until 5.00 pm on 30 April 2010 in the case of applications for the 2010/11 tax year, unless fully subscribed earlier or previously extended by the Directors in their absolute discretion to a date no later than 30 June 2010. Application will be made to the UK Listing Authority for the Ordinary Shares issued pursuant to the Offer to be admitted to the Official List and to the London Stock Exchange for admission to trading on its market for listed securities.

### How to Invest

Application forms are attached at the end of this prospectus. The minimum investment is £3,000. Although there is no maximum size of investment, tax reliefs are available on a maximum VCT investment of £200,000 per individual in any one tax year.


### Category of Potential Investors

A typical investor for whom the Offer is designed is a UK income taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out on pages 6 and 7, considers the investment policy of the Fund 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.

### Key Risk Factors

Although the significant tax benefits available to investors in Octopus Secure VCT reduce the risk of the investment, investors should be aware of the following material risk factors:

- There can be no guarantee that Octopus Secure VCT will qualify as a VCT or that such status will be maintained which could lead to adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.
- Prior to the winding-up that is expected to occur in 2015, investors may find it difficult to realise their investment and the price at which the Ordinary Shares are traded may not reflect the net asset value of Octopus Secure VCT. Indeed, many VCTs trade at a discount to their net asset value.

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- There can be no assurances that Octopus Secure VCT will meet its objectives, identify suitable investment opportunities or be able to diversify its portfolio. Please remember that the past performance of Octopus Investments or members of its team is no guide to future performance and that the value of an investment into the Company may fall as well as rise, and an investor may not receive back the full amount invested.
  - Investments made by Octopus Secure VCT will be in companies whose shares are not readily marketable and, therefore, may be difficult to realise.

**This summary conveys the essential characteristics and risks associated with Octopus Secure VCT and the Ordinary Shares and should be read as an introduction to the Prospectus. Any decision to invest should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the European Economic Area states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.**

# RISK FACTORS

Although the significant tax benefits available to investors in Octopus Secure VCT reduce the risk of the investment, there are a number of risk factors of which investors should be aware. As with most investment products, prospective investors should be aware that the value of the Ordinary Shares, and the income from them, may go down as well as up and an investor may not get back the amount originally invested. The price at which the Ordinary Shares are traded may not reflect the net asset value of the Fund.

Having regard to the Fund's investment objectives and the conditions upon which the tax reliefs are available, Octopus Secure VCT should be considered as a long-term investment. Investing in Octopus Secure VCT carries particular risks. All material risk factors of which the Directors are aware are set out below:

- Levels, bases of, and relief from, taxation are subject to change. Such changes could be retrospective. The tax reliefs described are based on current legislation, practice and interpretation and the value of tax reliefs depends upon personal circumstances.
- Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Company and/or its ability to achieve or maintain final VCT status.
- Whilst it is the intention of the Directors that Octopus Secure VCT will be managed so as to qualify as a VCT, there can be no guarantee that Octopus Secure VCT will qualify as a VCT or that such status will be maintained. A failure to meet the qualifying requirements could result in Octopus Secure VCT losing the tax reliefs previously or prospectively obtained, resulting in adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.
- Investors must follow certain simple steps to receive the income tax relief. However, it is possible for investors to lose their tax reliefs by not taking these steps. Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Investors should be aware that the sale of Shares within five years of their subscription will require repayment of the 30% income tax relief available upon investment to the extent of the amount received from such sale. Accordingly, investment in Octopus Secure VCT should be viewed as a longer term investment.
- Octopus Secure VCT is seeking up to £50 million in the Offer. To the extent that a relatively small level of funds is raised, Octopus Secure VCT may not be able to diversify its portfolio.
- Although the Company expects to receive conventional venture capital rights in connection with its investments into unquoted companies, as a minority investor the Company will not control the boards of directors of investee companies and may not always be in a position to fully protect its interests.
- Valuations of unquoted companies are determined by the Directors using the European Private Equity and Venture Capital guidelines. These valuation policies may require the Directors to take account of stock market price earnings ratios for the relevant industry sectors, discounted for non-marketability and, therefore, the valuation of the portfolio may depend on stock market conditions.
- Should only the minimum subscription of £1 million be raised, potential investors should be aware that the fixed costs of running Octopus Secure VCT will be proportionately higher and, therefore, a lower proportion of an applicant's monies will be available to be invested in accordance with the stated investment strategy as set out in Part I of this document.
- There can be no assurances that Octopus Secure VCT will meet its objectives or that suitable investment opportunities will be identified.
- Qualifying Investments made by Octopus Secure VCT will be in companies whose shares are not readily marketable and, therefore, may be difficult to realise.
- Octopus Secure VCT must invest in companies with gross assets of not more than £7 million prior to investment. Such investee companies generally have a higher risk profile than larger companies. In addition, each company must have less than 50 employees at the time of investment. Such companies generally have a higher risk profile than larger companies.
- The value of a VCT depends on the performance of its underlying assets. The value of investments and the income stream from them can rise and fall and an investor in Octopus Secure VCT may not get back the money that they invest. The performance of Octopus Secure VCT may be difficult to assess due to the frequency of calculation of Octopus Secure VCT's net asset value and the Ordinary Shares will frequently trade at a discount to net asset value.

- Prospective investors should be aware that the net asset value of the Company will be audited on an annual basis. The audited full-year net asset value and the unaudited interim net asset value will be announced through a Regulatory Information Service.
- Early stage businesses may not have proved their business model and may have little revenue at the time of investment and investing in them may therefore involve greater risk than investing in companies at a more advanced stage of development. The growth of potential new markets may not be as rapid as forecast by an investee company, resulting in its failure to exploit an opportunity. Investee companies may compete in global markets and it may not be possible to protect intellectual property or assess overseas competition.
  - Octopus Secure VCT may invest in sectors which are subject to rapid change and which could therefore make it difficult to form an accurate view of an investee company's prospects.
  - Past performance of other funds managed by Octopus should not be regarded as an indicator of future performance of investments to be made by Octopus Secure VCT.
  - Changes in legislation in respect of VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Fund to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.
  - The ability of the Fund to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of Octopus Secure VCT (such as the requirement to have at least 70% by value of the Fund's investments in Qualifying Investments).
  - Although the shares of Octopus Secure VCT are to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, VCTs are inherently illiquid and it is likely that there will be only a very limited secondary market for its shares, primarily because the initial tax relief is only available to those subscribing for newly issued shares. Consequently, investors may find it difficult to realise their investment during the early years of Octopus Secure VCT's life in particular.
  - The Fund's exposure to Non-Qualifying Investments is subject to market fluctuations. Investment in bonds and other fixed income securities is subject to the risk that payments may not be made by issuers on due dates or at all and that investments may lose value or liquidity due to changes in credit ratings.
  - The ability of the Fund to realise Non-Qualifying Investments may be adversely affected by illiquidity in underlying assets. It may be difficult for the Fund to deal in investments where there is no recognisable market or to obtain accurate information about their value or the extent of the risks to which such investments are exposed.
  - Non-Qualifying Investments may have redemption periods that could result in investments being illiquid and not readily realisable, and this could result in the premature realisation of other investments.

# EXPECTED TIMETABLE

Offer opens	8.00 am on 17 September 2009
First allotment	As soon as the minimum subscription of £1m is reached
First admission	Within 10 business days of the first allotment
Dealings commence	Within 10 business days of each allotment
Share and tax certificates sent out	Within 15 business days of each allotment
Deadline for receipt of applications for the 2009/10 tax year	5.00 pm on 5 April 2010
Deadline for receipt of applications for the 2010/11 tax year	5.00 pm on 30 April 2010

The deadline for receipt of applications is subject to the Offer not being fully subscribed by an earlier date. The final closing date of the Offer may be extended by the Directors in their absolute discretion to a date no later than 30 June 2010. Details of allotments will be announced through a Regulatory Information Service provider by no later than the end of the business day following the allotment. The Directors reserve the right to allot and issue Ordinary Shares at any time whilst the Offer remains open. Definitive share and tax certificates will be despatched and CREST accounts credited as soon as practicable following allotment of Ordinary Shares.

# OFFER STATISTICS

Offer Price per Ordinary Share	100p
Maximum number of Ordinary Shares in issue following the Offer	50,000,002
Minimum number of Ordinary Shares in issue following the Offer	1,000,002
Initial Net Asset Value per Ordinary Share	94.5p*
Maximum net proceeds of the Offer, after issue costs, at full subscription	£47,250,000
Maximum expenses of the Offer	£2,750,000

\* Based on a 100p subscription price less expenses of the Offer of 5.5p per Ordinary Share.

# LETTER FROM THE CHAIRMAN

Octopus Secure VCT plc  
8 Angel Court  
London EC2R 7HP  
16 September 2009

## Dear Investor,

I am delighted to be writing to you as Chairman of Octopus Secure VCT plc. The Fund will be managed by Octopus Investments, which is one of the UK's leading specialist fund management companies with more than £1 billion under management across its range of products. Octopus has been managing VCTs since 2001 and financial advisers voted Octopus "Best VCT Provider of the Year" at the Professional Adviser awards in 2007, 2008 and 2009.

This Fund has been designed to address the key issues that Octopus believes have in the past deterred some individuals from investing into VCTs, namely the ability to exit from the VCT once the investment has been held for five years and the perceived level of risk of the underlying investments.

This Fund has a number of compelling features that I believe make it an attractive investment opportunity:

## SUBSTANTIAL TAX BENEFITS

The Fund provides investors with access to the attractive tax benefits associated with an investment in a VCT:

- 30% income tax relief on amounts subscribed up to £200,000 in each of the 2009/10 and 2010/11 tax years (provided the Shares are held for at least 5 years)
- Tax-free distributions and capital gains

## CAPITAL SECURITY

The Fund will focus on making Qualifying Investments into companies where Octopus is confident that there is a high level of capital security. The companies will operate in sectors where there is a high degree of predictability, ideally with contractual revenues from financially sound customers.

Prior to making the Qualifying Investments, the Fund will invest in a broad portfolio of Non-Qualifying Investments with the aim of generating an attractive return for the Fund while limiting the downside risk that is taken. This portfolio may include holdings in money-market instruments, short-dated bonds, and other instruments where the Investment Manager believes that the overall downside risk is low. The Fund may also make Non-Qualifying Investments in unit trusts, open-ended investment companies ('OEICs') or equities where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the Fund.

## EASE OF EXIT

It is the Directors' intention that all of the Fund's investments will be sold shortly after five years (the minimum holding period for the Shares in order to retain the income tax relief) and the net proceeds returned to investors. This provides investors with an ability to receive back the full value of their Shares, rather than having to sell the Shares in the market at a discount to the net asset value.

## COMPELLING FEE STRUCTURE

In order to align the interests of Shareholders and the Investment Manager, Octopus will only be paid its annual management fees if investors receive back a minimum of 105p per Share (in the form of dividends or other distributions). This means that investors will have to receive a minimum return of 50% on the net investment of 70p per Share (after taking into account the 30% upfront income tax relief) before Octopus receives any of its management fees. This equates to an annualised return (net of fees) of 7.85% (equivalent to a return of 13.08% per annum for a 40% taxpayer).

## NEXT STEPS

In order to invest, please read the Prospectus and then complete the Application Form which is at the end of this document. If you have any questions regarding Octopus Secure VCT, please contact your financial adviser or call Octopus on 0800 294 6846. Please note that Octopus is not able to provide you with investment advice and your attention is also drawn to the risk factors on pages 6 to 7.

I look forward to welcoming you as a Shareholder.

Yours sincerely

**James Otter**  
Chairman  
Octopus Secure VCT plc

# PART ONE

## INTRODUCTION TO THE OFFER

Octopus Secure VCT has been created to provide investors with an opportunity to invest into a VCT that has a focus on making lower risk investments which are designed to provide more secure returns than are typically offered by VCTs. The Fund's investment policy is focused on making Qualifying Investments into companies which have contractual revenues from financially sound counterparties or which have a strong asset base.

The Fund is structured as a VCT to take advantage of the substantial tax reliefs available to investors, including 30% income tax relief on the amount invested. The Directors intend to seek Shareholder approval after 5 years to wind up Octopus Secure VCT and return capital to Shareholders.

In order to align the interests of Shareholders and the Investment Manager, Octopus will roll up its annual management fees interest free and will only be paid them if Shareholders receive back cash proceeds of at least 105p per Share on their net 70p invested (after taking into account the 30% income tax relief).

The Offer will remain open until 30 April 2010 unless fully subscribed at an earlier date or previously extended by the Directors.

## THE INVESTMENT MANAGER

The Fund will be managed by Octopus Investments, which is one of the UK's leading specialist fund management companies with more than £1 billion under management across its range of products (as at 31 August 2009). The Octopus Group currently manages fifteen VCTs, more than any other fund manager. The total net assets of the fifteen VCTs amount to more than £225 million. Financial advisers voted Octopus "Best VCT Provider of the Year" at the Professional Adviser awards in each of 2007, 2008 and 2009.

Octopus raised £27 million for two VCT offerings, Octopus Titan VCT 3 plc and Octopus Protected VCT 2 plc, during the 2008/09 tax year, more than any other manager (source: [www.taxefficientreview.com](http://www.taxefficientreview.com)).

In March 2009, Octopus was selected by Capital for Enterprise Limited (a company that is wholly-owned by the Department for Business, Innovation and Skills) to manage a £30 million fund on behalf of the UK Government and HSBC, Barclays, Lloyds Banking Group and The Royal Bank of Scotland.

Octopus also manages a number of OEICs with total assets of £400 million (as at 31 August 2009) including the CF Octopus Partner Fund (Absolute Return) which has increased in value by 85% in the period from its launch in March 2008 to 31 August 2009 (source: Lipper).

Octopus has more than 100 staff, including approximately 30 investment professionals, and has twice been voted as one of the "Top 100 Small and Medium-Sized Companies to Work For" in the Sunday Times survey. Octopus is also one of only two fund management companies to have received a rating of AAA for financial planning from Citywire.

## TAX BENEFITS FOR INVESTORS

The tax rules governing VCTs make the Fund tax efficient for UK income taxpayers. Taxpayers should benefit from a £3,000 reduction in their tax bill for every £10,000 invested, provided the Shares are held for a period of 5 years. In addition, dividends paid by the Fund will be tax free and there will be no capital gains tax on a disposal of Shares in Octopus Secure VCT.

The following shows the effect of the tax reliefs for an individual who invests £10,000:

Initial investment	£10,000
Less income tax relief	£3,000
Effective cost to investor	£7,000

i.e. An investment of £10,000 only costs £7,000 after taking into account the 30% income tax relief, providing an effective return after initial costs of 35% before the Fund makes its first investment.

## TAX BENEFITS FOR INVESTORS CONTINUED

Investors can elect whether to have their shares allotted in the 09/10 or 10/11 tax years.

This is only a brief summary of the UK tax position for investors in VCTs and is based on the Company's understanding of current law and practice. Further details are set out in Part 2 of this document. Potential investors are recommended to seek their own independent tax advice.

## ILLUSTRATIVE RETURNS

Set out below is a table illustrating the hypothetical returns based on five different levels of cash proceeds to Shareholders (i.e. the total of dividends and other distributions), paid out within five and a half years from the close of the Offer. The interests of Shareholders and Octopus are aligned as Octopus will only receive its management fees if Shareholders receive back cash proceeds of at least 105p per Share on their net 70p invested (equivalent to a tax-free profit of 50% of the net amount invested).

<b>Illustrative returns for each £1 invested</b>					
Cash proceeds	85p	95p	105p	115p	125p
Less: net cost of investment (assuming 30% income tax relief)	70p	70p	70p	70p	70p
Tax-free profit	15p	25p	35p	45p	55p
Tax-free profit as a % of net cost of investment	21%	36%	50%	64%	79%
Net return per annum <sup>1</sup>	3.71%	5.88%	7.85%	9.67%	11.36%
Gross equivalent return per annum <sup>2</sup> (to a 40% taxpayer)	6.18%	9.80%	13.08%	16.12%	18.93%

**The returns set out above are for illustrative purposes only and no forecast or projection is implied or should be inferred.** <sup>1</sup> The net return is the internal rate of return based on an investment of 100p deemed to be made on 5 April 2010, 30p income tax relief deemed to be received on 15 June 2010 and either 85p, 95p, 105p, 115p or 125p of cash proceeds, comprising dividends of 2p on 1 October 2011 and every year thereafter until 1 October 2014, followed by the balance of the cash proceeds on 1 October 2015. <sup>2</sup> The gross equivalent return to a 40% taxpayer is calculated by dividing the net return by 0.6.

## INVESTMENT POLICY

The Fund has adopted a strategy that is aimed at generating more secure returns than are typically available from investments in unquoted companies.

## QUALIFYING INVESTMENTS

In order to comply with VCT rules, the Fund must, within a 3 year period, have (and subsequently maintain) at least 70% of the value of its investments represented by Qualifying Investments. Assuming full subscription of the Offer, the Directors anticipate that by the end of the third year the Fund will have a portfolio of approximately 35-40 Qualifying Investments representing approximately 75-80% of the Fund by value.

The Qualifying Investments will be made into companies where the Octopus team is confident that there is the opportunity to invest in a manner that should provide the Fund with a high level of capital security. These companies will typically have contractual revenues from financially sound customers or a revenue stream that is generated from predictable transactions with a range of customers. The Fund may also consider investing in businesses which have an asset base that can be used to provide the Fund with security for its investment.

## NON-QUALIFYING INVESTMENTS

Prior to making Qualifying Investments, the Fund will invest in a broad portfolio of Non-Qualifying Investments with the aim of generating an attractive return for the Fund while limiting the downside risk that is taken. This portfolio may include holdings in money-market instruments, short-dated bonds, and other instruments where the Investment Manager believes that the overall downside risk is low. The Fund may also make Non-Qualifying Investments in unit trusts, OEICs or equities where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the Fund.

## **ASSET ALLOCATION**

By the end of the third year, it is expected that the portfolio of Non-Qualifying Investments will have been reduced in size to approximately 20-25% of the Fund by value in order to finance the purchase of the Qualifying Investments, which are expected to account for 75-80% of the Fund from that point onwards.

The Fund may not invest more than 10%, in aggregate, of the value of the total assets of the Fund at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest up to 15% of their total assets in other listed closed-ended investment funds.

The Board does not intend to vary the Fund's investment policy, which will be adhered to for at least three years following listing. However, should a change in the investment policy be deemed appropriate this will be done with Shareholders' approval and in accordance with the Listing Rules.

## **RISK MANAGEMENT AND BORROWING**

The Directors will control the overall risk of the portfolio by ensuring that the Fund has exposure to a diversified range of unquoted companies from a number of different sectors. In order to limit the risk to the portfolio that is derived from any particular investment, no more than 15% of the proceeds of the Offer will be invested in any one unquoted company.

As part of its investment policy, Octopus Secure VCT will not borrow money for the purposes of making investments.

## **LIFE OF THE FUND**

The Directors intend that the Fund will have a limited life. In order to implement this, Shareholders will be given the opportunity to vote for the winding-up of the Fund at a general meeting of Octopus Secure VCT that is scheduled to be held in August 2015 and, if passed, the Directors will initiate an orderly disposal of all of the Fund's remaining investments and the prompt return of capital to Shareholders.

## **SHARE BUY BACK POLICY**

Although it is intended that the Shares will be admitted to trading on the London Stock Exchange's market for listed securities, there is likely to be an illiquid market in the Shares. In order to improve liquidity in the Shares, the Board intends to establish a buy back policy for the Shares to underpin the ability of Shareholders to dispose of their holdings. It is envisaged that, subject to having the requisite authorisations in place, sufficient distributable

reserves and cash resources, purchases of Shares will be made at a discount of 10% to the current net asset value, subject to complying with the Listing Rules which stipulate that the price paid must be a maximum of 105% of the middle market price per Share over the preceding 5 business days and a minimum of the nominal value. Shareholders are reminded that if their Shares are bought back within five years, they will lose their income tax relief. Given the intended life of the Fund, the Directors do not intend to buyback any Shares on or after the fifth anniversary of the first allotment.

## **DIVIDEND POLICY**

VCTs are able to distribute realised capital profits from the sale of underlying investments and income. These distributions are not subject to any further tax to Qualifying Investors. In order to qualify as a VCT, the Fund may not retain more than 15% of the income it receives from shares and securities.

# INVESTMENT COMMITTEE

The investment committee of Octopus Secure VCT is formed of a number of individuals who are all employees of Octopus. Their details (other than those of Chris Hulatt, who is also a director of the Fund and whose details are shown below) are as follows:-

## **PAUL LATHAM**

Paul is the Chief Operating Officer of Octopus, where his responsibilities include overseeing the selection and management of investments for the range of lower-risk inheritance tax and EIS products offered by Octopus. Previously, Paul was involved in building much of the infrastructure for Capital One Bank (Europe) plc as it grew from start-up to over 2,000 employees. He has a wealth of experience, having worked in management and consultancy across several sectors. Paul qualified as a Chartered Civil Engineer and is also a qualified accountant.

## **HEDLEY MAYOR**

Hedley is the Director of Finance at Octopus and is responsible for the team that conducts the fund accounting for the VCTs and EIS funds that are managed by Octopus. Prior to joining Octopus he was a partner at Baring Private Equity Partners ("BPEP") with day-to-day responsibility for managing the Baring English Growth Fund. Before this, he was the group finance director of BPEP during a period of global growth. Hedley is a Chartered Accountant and has a degree in Biology from the University of London.

## **SIMON ROGERSON**

Simon is one of the founders and the Chief Executive of Octopus. He has overall responsibility for day-to-day decisions and for the strategic direction of Octopus. Since establishing Octopus in 2000, the business has grown to more than 22,000 customers and more than £1 billion of funds under management. Prior to founding Octopus, Simon worked at Mercury Asset Management. He graduated with a first class MA in Modern Languages from the University of St Andrews and is a chartered financial analyst.

# DIRECTORS

The Board comprises three Directors, two of whom are independent of Octopus.

## **JAMES OTTER (Non-Executive Chairman)**

James works with a range of technology based small and medium enterprises. He is currently Chief Executive of Hallmarq Veterinary Imaging Limited which has developed an MRI scanner for use on horses. He is also chairman of Hygea VCT plc. He has been a main board director of Spectris plc and spent much of his career in international commercial roles with Zeneca Agrochemicals. James has an MBA from INSEAD and a degree in Natural Sciences from the University of Cambridge.

## **CHARLES BREESE (Non-Executive Director)**

Charles has 26 years of experience of investing in start-up, early stage and quoted smaller companies. He joined Larpent Newton in 1982 and has been Managing Director since 1986. Larpent Newton specialises in providing the resources required to assist smaller companies wanting to develop from being unquoted through to an AIM listing, and ultimately to a trade sale. Prior to joining Larpent Newton, Charles worked for KPMG from 1969 until 1982. Charles is a director of Hygea VCT plc and is a Chartered Accountant.

## **CHRIS HULATT (Non-Executive Director)**

Chris is a director and one of the founders of Octopus where he has particular responsibility for the development of new products and for the activities of Octopus in the VCT sector. He oversaw the transfer of three VCTs from Close Brothers to Octopus in August 2008 and is responsible for analysing acquisition opportunities. He sits on the investment committees of a number of funds managed by Octopus and is also a director of Octopus Titan VCT 3 plc and Octopus Protected VCT 2 plc. Chris has a first class MA in Pharmacology from the University of Cambridge and is a Chartered Financial Analyst.

## MANAGEMENT FEES

Octopus Investments has been appointed as the Investment Manager of Octopus Secure VCT, under the terms of an investment management agreement, further details of which are set out on pages 29 and 30. The agreement is for an initial period of six years from the date on which the first allotment of Shares occurs, and may be terminated by either party on 12 months' notice expiring at the end of the fixed term or at any time thereafter.

Under the agreement, the Investment Manager will receive an annual management fee of 2.0% of net assets. In order to ensure alignment of interests between Octopus and Shareholders, the annual management fee will be rolled up (without interest) and will only be paid to Octopus once shareholders have received dividends during the life of the Fund and distributions at the time of the winding-up of a total of 105p per Share, equivalent to a 50% return on the net cost of investment of 70p per Share. In order to encourage Octopus to return capital to shareholders as quickly as possible, Octopus will only be entitled to receive an annual management fee for the period from the date on which Shares are first allotted under the Offer until the date on which the general meeting is held (expected to be in August 2015) at which Shareholders will be asked to approve the winding-up of Octopus Secure VCT and the return of capital to Shareholders.

Octopus will also be entitled to receive a performance-related incentive fee of 20% on returns to Shareholders in excess of 105p per Share. The calculation of this fee is based wholly on the payment of cash proceeds to Shareholders and will, therefore, not be paid until after the general meeting in 2015.

An annual accounting and administration fee of 0.3% of net assets (plus VAT) and a company secretarial fee of £15,000 (plus VAT) will be paid to Octopus each year, quarterly in arrears.

Assuming full subscription, annual running costs (excluding the rolled up annual management fee and the performance-related incentive fee) are estimated to be 1.0% of net assets (excluding irrecoverable VAT). The running costs of Octopus Secure VCT include the accounting and administration fees, Directors' fees, company secretarial fees, audit, taxation advice, trail commission, sponsor's and registrar's fees and the costs of communicating with Shareholders. Assuming that Shareholders receive proceeds of a minimum of 105p per Share, the equivalent figure for the annual running costs (after taking into account the rolled up annual management fee) is estimated to be 3.0%.

In line with standard industry practice, the Investment Manager may retain arrangement and syndication fees paid by the unquoted investee companies in connection with the investment by Octopus Secure VCT. The costs of all deals that do not proceed to completion will be borne by the Investment Manager and not by Octopus Secure VCT. The Investment Manager may also receive directors' fees and monitoring fees from the investee companies.

# OTHER INFORMATION

## THE OFFER FOR SUBSCRIPTION

It is proposed to allot pursuant to the Offer between 1 million and 50 million Shares to the public. The Shares will be offered at 100p per Share payable in full, by cheque or banker's draft, on application. Application will be made to the UK Listing Authority for the Ordinary Shares issued pursuant to the Offer to be admitted to the Official List. Application will also be made to the London Stock Exchange for admission to trading on the London Stock Exchange's market for listed securities.

The Offer will be open from 8.00 am on 17 September 2009 until 5.00 pm on 5 April 2010 in the case of applications for the 2009/10 tax year and until 5.00 pm on 30 April 2010 in the case of applications for the 2010/11 tax year, unless fully subscribed earlier or previously extended by the Directors (in the case of applications for the 2010/11 tax year) to a date no later than 30 June 2010. Confirmation that applications have been received will be sent to applicants. Applicants should note that dealings may begin in those shares allotted to them prior to confirmation of receipt of the application.

The Offer is conditional on a total minimum subscription of £1 million (before expenses) being achieved. If this minimum subscription level is not reached by 5 April 2010, the Offer will lapse and application monies which have been received will be returned without interest by post at the risk of the applicant, unless the Company publishes a supplementary prospectus stating that the total minimum subscription upon which the Offer is conditional has been reduced. In the event that the Offer is oversubscribed, allotment will be made to investors on a first come, first served basis. Any excess amounts paid by applicants will be refunded by cheque to the person named in Section 1 of the Application Form, without delay.

The Shares will be issued on a fully paid up basis in registered form. Shares will be allotted and issued in respect of valid applications under the Offer as soon as the minimum subscription of £1 million has been reached and at any subsequent times on or prior to 30 April 2010 on which the Directors decide (unless otherwise extended by the Directors acting in their absolute discretion to a date no later than 30 June 2010). Details of any such allotments will be announced through a Regulatory Information Service provider by no later than the end of the business day following the allotment and dealings in such shares are expected to commence within 10 business days of allotment.

If the Company is required to publish a supplementary prospectus, subscribers who have yet to be entered on to the Company's register of members will be given two days to withdraw from their subscription. In the event

that notification of withdrawal is given by post, such notification will be effected at the time the subscriber posts such notification rather than at the time of receipt by the Company.

The terms and conditions of the Offer are set out at the back of this document along with Application Forms and details of the application procedure.

## MINIMUM AND MAXIMUM INVESTMENT

The minimum subscription level under the Offer will be £3,000. Applications in excess of £3,000 may be made for any higher amount in multiples of £1,000, subject to availability. The maximum investment on which income tax relief can be claimed is £200,000 in each of the 2009/10 and 2010/11 tax years.

Applicants may make multiple applications under the Offer provided that the investor guidelines for VCTs are followed or the investor takes appropriate independent advice.

## CLAIMING THE INCOME TAX RELIEF

The process for obtaining the income tax relief is both quick and easy. First, Octopus will send you a share certificate and a tax certificate a few weeks after you make your investment. You then have two options on how to reclaim the tax relief:

### EITHER

You can write to your HM Revenue & Customs office and ask them to change your tax coding under the PAYE system (this is the system that calculates how much tax you pay each month). You will then receive your income tax relief on a monthly basis through your pay cheques.

### OR

You can wait until you fill in your tax return at the end of the tax year.

## LAUNCH COSTS

Octopus has agreed to underwrite all the costs of the Offer in return for an initial fee of 5.5% of the gross funds raised (i.e. 5.5p per Share). Out of this fee, Octopus will be responsible for paying all of the costs of the Offer including initial commission payable to financial intermediaries.

## INTERMEDIARY COMMISSION

Authorised financial intermediaries will usually be entitled to receive an initial commission of 2.5% on the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the Shares, Octopus Secure VCT will pay intermediaries an annual trail commission of 0.5% of the initial net asset value.

## VCT STATUS MONITORING

Octopus Secure VCT has retained PricewaterhouseCoopers LLP ("PwC") to advise on tax matters generally and, in particular, the maintenance of VCT status. HMRC has given provisional approval of Octopus Secure VCT as a VCT. Final approval will be sought as soon as possible, and in any event no later than the accounting period of the VCT beginning three years after provisional approval. PwC will assist the Investment Manager in establishing the status of investments as Qualifying Holdings and monitoring progress towards achieving full VCT approval, but will report directly to the Board.

Whilst it is the intention of the Directors that Octopus Secure VCT will be managed so as to qualify as a VCT, there can be no guarantee that it will qualify or that such status will be maintained. A failure to meet the qualifying requirements could result in Octopus Secure VCT losing the tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.

## VENTURE CAPITAL TRUST REGULATIONS

In order to obtain venture capital trust status, Octopus Secure VCT must be approved by HMRC. The conditions which must be satisfied to obtain and retain such status are set out in full in Part 3 and they include the following restrictions on the maximum exposure of the Company:

- (i) not more than 15% by value of the Company's investments can be held in a single company or group (other than a VCT); and
- (ii) the Company is limited to investing up to £1 million per Income Tax Year per Qualifying Holding.

## WORKING CAPITAL

Octopus Secure VCT is of the opinion that, based on the Minimum Net Proceeds of the Fund being raised, the working capital available to the Company is sufficient for its present requirements, that is for at least 12 months following the date of this document.

## NET ASSETS

The Offer will have a positive impact on the net assets of the Company by increasing its net assets by the same amount as the net funds raised and is expected to have a positive impact on earnings.

## CO-INVESTMENT POLICY

The Octopus Group currently manages a total of fifteen other VCTs, more than any other fund manager, as well as the Octopus Capital for Enterprise Fund LP. The Company acknowledges that investment opportunities may be suitable for these other funds managed by Octopus ("Relevant Funds"). The Investment Manager will consult the Board in relation to such investment opportunities, it being agreed that such opportunities should be initially offered to the Fund on a basis which is pro-rata to its size compared to the other Relevant Funds. In the event of a conflict of interest on the part of the Investment Manager (which includes where an investment is proposed in a company in which a Relevant Fund already has an interest) or where co-investments are proposed to be made other than on a pro-rata basis, such an investment will require the approval of those members of the Board who are independent of the Investment Manager.

## FUTURE ALLOTMENTS

Octopus Secure VCT is seeking to raise £50 million in the Offer and the Directors have no present intention of expanding the Offer beyond that amount.

## FINANCIAL INFORMATION


Since the date of its incorporation, Octopus Secure VCT has not commenced operations and no financial statements have been made up.

## CAPITALISATION AND INDEBTEDNESS

Since the date of its incorporation and as at 16 September 2009, Octopus Secure VCT has incurred no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, indirect or contingent. The Company has the power to borrow, details of which are set out in paragraph 4(f) of Part 4, although, as part of its investment policy, the Company will not borrow for the purposes of making investments.

The capitalisation of the Company as at 16 September 2009 is as follows:

Shareholders' Equity	£
Share capital	12,500.02
Legal reserve	Nil
Other reserves	Nil
<b>Total</b>	<b>12,500.02</b>



Details of the share capital of the Company are set out in paragraph 2 of Part 4 of this document.

### **CATEGORY OF POTENTIAL INVESTORS**

A typical investor for whom the Offer is designed is a UK higher rate income taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out at the front of this document, considers the investment policy as detailed in Part 1 of this document 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. Investment in a VCT may not be suitable for all investors and should be considered as a long term investment. **Before deciding whether to apply for Shares under the terms of the Offer you are recommended to consult an independent financial adviser.**

# PART TWO

## TAX CONSIDERATIONS FOR INVESTORS

The following is a general guide to the position of UK resident investors under current taxation legislation. It does not set out any of the legislative provisions in full and investors should seek their own independent taxation advice.

### 1. Tax Reliefs for Investors

The tax reliefs set out below are available to UK residents aged 18 or over who invest in shares in a VCT. There is no specific limit on the amount an individual can invest in a VCT, but tax reliefs will only be given to the extent that the total of an individual's subscription or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should take independent advice on this.

### 2. Income Tax

#### (a) Relief on subscription

An investor subscribing for shares in a VCT will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 in any tax year. The relief is given at the rate of up to 30% on the amount subscribed, subject to an amount which reduces the investor's income tax liability to nil. Relief may not be available where the investment is used as security for, or financed by, a loan.

#### (b) Dividend relief

An investor who acquires, in any tax year, VCT shares up to a maximum of £200,000 will not be liable to income tax on dividends paid by the VCT on those shares whilst the Company qualifies as a VCT.

#### (c) Withdrawal of relief

Income tax relief on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period.

### 3. Capital Gains Tax

#### (a) Relief from capital gains tax on the disposal of shares

Any gains made on VCT shares are not subject to capital gains tax. Similarly, any losses on shares held in a VCT will not be treated as an allowable loss. Both of the above apply to the extent that the shares have been acquired within the limit of £200,000 for any tax year.

#### (b) Purchasers in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 3(a) above) while still a VCT.

#### (c) Withdrawal of relief

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, any gains on the shares after the date on which loss of VCT status takes effect will be taxable. Where VCT status is treated as never having been given, all gains are taxable.

### 4. Obtaining Tax Reliefs

#### (a) Income tax relief

The Investment Manager will issue each investor with a certificate which should be used to claim the income tax relief, either by obtaining from HMRC an adjustment to his/her tax coding under the PAYE system, or by waiting until the end of the tax year and using his/her Self Assessment Tax Return to claim relief.

#### (b) Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

(c) VCT reliefs may not be available if the investor takes out a loan specifically to subscribe in the VCT.

### 5. Consequences of Loss of VCT Status

#### (a) For the VCT

If provisional approval is lost in the first three years, all gains realised over the period during which provisional approval was in force will be subject to corporation tax. Should tax status be lost under section 274 ITA 2007 the FSA will be notified as soon as possible.

#### (b) For Qualifying Subscribers

If VCT approval is treated as never having been given, or if it is withdrawn before the Shares have been held for five years, the income tax relief on investment will be withdrawn by the making of an assessment for the year of assessment for which the relief was originally given on an amount equal to that relief. Interest on overdue tax may arise.

(c) For Qualifying Subscribers and Qualifying Purchasers

i. Dividend income

Dividend income will not be exempt from tax in respect of profits or gains arising or accruing in any accounting period during which VCT status has been lost. A notional tax credit equal to 1/9th of the net dividend paid will be available to offset against income tax due on the dividend.

ii. Capital gains

If provisional VCT approval is withdrawn, approval is treated as never having been given. Gains and losses on shares in the VCT will be taxable and allowable in the ordinary way. If full VCT approval is withdrawn, the individual is treated as having disposed of his shares immediately before the status is lost, for market value at that time, and is treated as reacquiring them at that value immediately after the status is lost. Thus, any capital gains realised up to that date will be exempt from tax, but gains after that date will be taxable in the ordinary way.

# PART THREE

## CONDITIONS TO BE MET BY VENTURE CAPITAL TRUSTS

The legislation relating to VCTs is contained in ITA 2007 which sets out the tests which a company has to satisfy to obtain the tax benefits for the VCT and its shareholders. Explanations of these tax benefits and the consequences of losing VCT status are set out in Part 2. **These summaries are not intended to be comprehensive and prospective investors are strongly advised to seek their own independent professional advice.**

### 1. Qualifying as a VCT

A VCT must not be a close company and must be approved as a VCT by HMRC. The main conditions for approval are that throughout its most recent complete accounting period:

- (a) the company's income has been derived wholly or mainly from shares or securities (including loans to companies with a five year or greater maturity period);
- (b) at least 70% by value of its investments (including any uninvested funds held) are represented by shares or securities in "Qualifying Holdings" (see below), of which at least 30% by value are represented by holdings of ordinary shares carrying no preferential rights; additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;
- (c) not more than 15% by value of its investments has been held in a single company or group (other than a VCT) and the VCT must not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- (d) it has not retained more than 15% of the income derived in that period from shares and securities; and
- (e) each class of its ordinary share capital has been quoted on the Official List of the UK Listing Authority.

Normally, HMRC cannot give approval of a VCT unless (a) to (e) above have all been met throughout the company's most recent accounting period and HMRC is satisfied that they will be met throughout its current accounting period at the time of application for approval. However, to facilitate the launch of VCTs, HMRC may give provisional approval if it is satisfied that conditions (a), (c), (d) and (e) will be met throughout the current or subsequent

accounting period and condition (b) will be met in relation to an accounting period commencing no later than three years after the date of the provisional approval.

For funds raised after 5 April 2010, at least 70% by value of Qualifying Holdings must be in 'equity'. Legislation defining 'equity' is due to be introduced in the 2010 Finance Bill.


### 2. Qualifying Holdings

Qualifying Holdings comprise new shares or securities (including loans with a five-year or greater maturity period) issued by unquoted trading companies which exist wholly for the purpose of carrying on one or more Qualifying Trades and are limited to investments of up to £1 million per Income Tax Year per investee company. At least 10% of the investment in a Qualifying Holding must be in eligible ordinary shares and this minimum percentage must be maintained for qualifying status to be continued. Most trades are Qualifying Trades other than certain activities which are regarded as inappropriate. The company invested in must not be controlled by the VCT or any other company and its gross assets must not exceed £7 million immediately prior to the investment or £8 million thereafter. In any twelve month period, the company can receive no more than £2 million from VCT funds raised after 5 April 2007, the Enterprise Investment Scheme or the Corporate Venturing Scheme. The company must have fewer than 50 full time (or equivalent) employees at the time of making the investment.

Companies whose securities are traded on AIM or the PLUS quoted and PLUS traded markets count as unquoted companies for the purposes of determining Qualifying Holdings. Shares in an unquoted company which subsequently become quoted may still be regarded as part of a Qualifying Holding for a further five years following quotation. The company or a Relevant Qualifying Subsidiary (see below) must apply the money invested for the purpose of a Qualifying Trade within certain time periods. It must also have no subsidiary companies other than Qualifying Subsidiaries, and must not itself be controlled by another company.

### 3. Qualifying Trades and Qualifying Subsidiaries

The company invested in must exist wholly for the purpose of carrying on one or more Qualifying Trades and/or be a holding company only of Qualifying Subsidiaries. The trade must either be carried on by, or be intended to be carried on by, the company invested in or by a Qualifying Subsidiary. In the case of a company intending to carry on a qualifying trade,



the qualifying trade must begin within two years of the issue of shares or securities to a VCT and continue thereafter. The trade must be carried on wholly or mainly in the UK but the company need not be UK resident. Certain trades (for example, dealing in land or shares or providing financial services) are excluded.

A subsidiary will be a Qualifying Subsidiary if the majority of its issued share capital is owned by the company invested in and certain other tests are also satisfied.

A Relevant Qualifying Subsidiary can be a 90% directly held subsidiary of the company or of a wholly owned subsidiary, or a wholly owned subsidiary of a 90% directly held subsidiary. The company or a Relevant Qualifying Subsidiary must employ all the money invested within 2 years of investment.

#### **4. Withdrawal of approval**

Approval of a VCT may be withdrawn if the conditions set out in paragraph 1 above are not met. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to a VCT. If provisional approval is withdrawn, approval is deemed never to have been given. The taxation consequences of approval being deemed never to have been given are set out in paragraph 5 of Part 2 of this document.

# PART FOUR

## ADDITIONAL INFORMATION

### 1. Incorporation and Administration

- (a) The Company was incorporated and registered in England and Wales on 30 June 2009 with limited liability as a public limited company under the 1985 Act with the name Octopus Secure VCT plc and with registered number 6948448. The Company operates under the Acts and the regulations made under the Acts. Its registered office and its principal place of business is at 8 Angel Court, London EC2R 7HP. Its telephone number is 020 7710 2800. It is domiciled in the United Kingdom.
- (b) The Company's principal object, as set out in paragraph 4 of its Memorandum of Association, is to carry on the business of a venture capital trust company.
- (c) The Company was issued with a certificate under section 761 of the 2006 Act by the Registrar of Companies on 4 September 2009.
- (d) Grant Thornton UK LLP has been the only auditor of the Company since its incorporation.
- (e) The Company has given notice to the Registrar of Companies pursuant to section 833 of the 2006 Act of its intention to carry on business as an investment company.
- (f) The Directors confirm that, since the incorporation and registration of the Company on 30 June 2009, it has neither traded nor prepared any accounts.
- (g) HMRC has provisionally approved the Company under Section 274 ITA and it is intended that the business of Octopus Secure VCT be carried on so as to comply with that section.

### 2. Share Capital

The Company was incorporated with an authorised share capital of £1,000,000, divided into 95,000,000 Ordinary Shares of 1p each and 50,000 Redeemable Shares of 100p each, of which two Ordinary Shares were taken fully paid by the subscribers to the Memorandum of Association. The original subscribers were Octopus Investments Nominees Limited and OCS Services Limited.

- (a) By ordinary and special resolutions passed by Octopus Secure VCT on 19 August 2009, the Company:

- i. authorised the Directors to allot relevant securities (as defined in Section 80 of the 1985 Act) up to an aggregate nominal amount of £999,999.98 (including the allotment of the Redeemable Shares of 100p each) and disapplied the pre-emption provisions of Section 89 of the 1985 Act in respect of any such allotment, in each case for a period of 5 years from such date, inter alia, in order to enable the Directors to make allotments under the Offer;
- ii. authorised the Board for a period of 18 months to make occasional market purchases out of distributable profits or the proceeds of a fresh issue of shares of up to a maximum 14.99% of the Ordinary Shares as are admitted to the Official List on Admission at such price as they may determine but in any event being not less than 1p per Ordinary Share and no more than 5% above the average of the middle market quotations of an Ordinary Share in respect of the Company as derived from the Official List for the five business days immediately preceding the date on which the Ordinary Shares are purchased;
- iii. authorised the amount standing to the credit of the share premium account of Octopus Secure VCT immediately after the final closing date of the Offer to be cancelled, subject to approval by the High Court of Justice; and
- iv. adopted new articles of association.

- (b) Pursuant to a Board resolution of 19 August 2009, the Company allotted 50,000 Redeemable Shares to Octopus of which one-quarter in nominal amount was paid-up.
- (c) The Redeemable Shares will be redeemed upon Admission and under their terms of issue on redemption will be automatically redesignated and redenominated as Ordinary Shares. As a consequence the issued share capital of the Company upon Admission will be £500,000.02 divided into 50,000,002 Ordinary Shares.

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

### 3. Directors' and Others' Interests in the Company

- (a) In as far as is known to the Company, there is no person other than a member of the administrative, management or supervisory bodies who, directly

or indirectly, has an interest in the capital or voting rights of the Company as at the date of this document or immediately following Admission, except for Octopus Investments Nominees Limited and OCS Services Limited, which both own one Ordinary Share in the Company prior to Admission. None of the major holders of Ordinary Shares have voting rights different from other holders of Ordinary Shares.

- (b) There are no persons, so far as known to Octopus Secure VCT, who, directly or indirectly, jointly or severally, exercise or could exercise control over Octopus Secure VCT. This includes, for these purposes, joint control meaning control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of Octopus Secure VCT.
- (c) At the date of this document none of the Directors has any interest in any Ordinary Shares. The Directors named below have given irrevocable undertakings to invest in the Offer for the following number of Shares (all of which they will beneficially own) and such applications will be met in full.

<b>Director</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital in the Company on Admission*</b>	<b>Number of options held over shares on Admission</b>
James Otter	5,000	0.01%	0
Charles Breese	5,000	0.01%	0
Chris Hulatt	5,000	0.01%	0

\*Assuming 50,000,002 shares in issue in the Company

As at the date of this document save as disclosed in paragraph 2 of this Part 4, no person is, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or will be so interested immediately following Admission.

No options will be held on Admission by any of the Directors named above or any of their respective immediate families.

Save as disclosed in this paragraph 3(c), none of the Directors has any interests whether beneficial or non-beneficial in the share or loan capital of the Company which are, or would immediately following the Offer be required to be, notified under the DTR or are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed, and the existence of which is known to or could with reasonable diligence be ascertained by that Director.

- (d) Save as noted in paragraph 3(c) above, no Ordinary Shares are being reserved for allocation to existing shareholders, Directors or employees.
- (e) Each of the Directors has a letter of appointment dated 16 September 2009 from the Company. Under their respective letters of appointment, each Director is engaged from 16 September 2009. Either party may terminate the appointment on giving to the other no less than three months' written notice at any time on or after 3 years from the date of appointment. The Directors are not entitled to any compensation on termination of appointment. Other than the letters of appointment, there are no service contracts between the Company and any of the Directors.

<b>Director</b>	<b>Current Annual Fees (£)</b>
James Otter	20,000
Charles Breese	15,000
Chris Hulatt (paid to Octopus)	15,000

- (f) No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director. No amounts have been set aside by the Company or the Investment Manager for pensions, retirement or similar benefits.
- (g) None of the Directors or any member of their respective immediate families has or has had an interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company since its incorporation.
- (h) No remuneration or benefits are, to date, payable to the Directors. It is estimated that the aggregate amount payable to the Directors by the Company for the financial period ending on 28 February 2010 under the arrangements in force at the date of this document will not exceed £25,000 (plus expenses).
- (i) The Company will maintain Directors' and Officers' liability insurance for the benefit of the respective Directors.
- (j) In addition to directorships of Octopus Secure VCT, members of the administrative, management and supervisory bodies of Octopus Secure VCT, including any partners, founders or senior managers who are relevant to establishing that Octopus Secure VCT have the appropriate expertise for the management of its business, having been members of the administrative, management or supervisory bodies or a partner at any time in the previous five years of the following companies or partnerships:

<b>Director</b>	<b>Current</b>	<b>Past</b>
<b>James Anthony Otter</b>	Ellipson Limited Hallmarq Finance Limited Hallmarq Veterinary Imaging Limited Hygea VCT Plc Jott Limited Remo Technologies Limited TCS Cellworks Limited	Iceni Advisory Limited Jham Investments Limited Luciderm Limited Novacta Biosystems Limited
<b>Charles Jonathon Breese</b>	DHA Developments Limited E-nnovation2c.com Limited Hygea VCT Plc Larpen Newton & Company Limited Larpen Newton Holdings Limited LCF Research Limited London Capital Investment Services Limited Luke Hughes & Company Limited Wealth Creator Limited	Armshare Limited Inhoco 3013 Limited Octopus Investments Limited Oxford Technology Venture Capital Trust Plc Oxford Technology 2 Venture Capital Trust Plc Oxford Technology 3 Venture Capital Trust Plc SMIS Limited
<b>Christopher Robert Hulatt</b>	Bracken (Aircraft) Limited Bracken Holdings Limited Bracken (Payroll) Limited Bracken (Wholesale) Limited OCS Services Limited Octopus Administrative Services Limited Octopus Asset Management Limited Octopus Capital Limited Octopus CFE FP Limited Octopus CFE General Partner Limited Octopus General Partner Limited Octopus Investments Limited Octopus Investments Nominees Limited Octopus Nominees Limited Octopus Protected VCT 2 plc Octopus Titan VCT 3 plc Octopus Trustees Limited Octopus Ventures Limited Omnis Investments Limited Prism Capital Management Limited	Allan Trading Limited Allan Wholesale Limited BioAnaLab Limited Hubert Services Limited Octasset Limited Octopus Titan VCT 1 plc Octopus Titan VCT 2 plc Phoenix VCT Subsidiary Limited Scancell Limited

(k) Save in respect of Chris Hulatt in his capacity as a director of the Company's Investment Manager and a shareholder in the Investment Manager's parent company, Octopus Capital Limited, and in respect of Charles Breese in his capacity as a director of Larpent Newton Holdings Limited which is a shareholder in the Investment Manager's parent company, Octopus Capital Limited, none of the Directors nor any members of their respective immediate families has any private interest which is or has the potential of being a conflict of interest in respect of the Company.

(l) None of the persons mentioned in paragraph 3(j) of Part 4 of this document has for at least the previous five years:

- i any convictions in relation to fraudulent offences;
- ii. been associated with any bankruptcies, receiverships or liquidations in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or were a partner with unlimited liability (in the case of a limited partnership with share capital), founder or a senior manager who was relevant to establishing that that entity had the appropriate expertise and experience for the management of its business;
- iii. been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or
- iv. been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

#### 4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a venture capital trust company. The object of the Company is set out in full in paragraph 4 of the Company's Memorandum of Association, which is available for inspection as stated in paragraph 11 below.

The following is a summary of certain provisions of the Articles of Association ("Articles") of the Company, a copy of which is available for inspection as stated in paragraph 11 (a) below:

##### (a) Voting rights

- i. Subject to the provisions of the Acts or any

special terms as to voting on which any Shares of the Company may have been issued or may for the time being be held, on a show of hands, every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll, every member shall have one vote for every Share in the Company of which he is the holder. A proxy need not be a member of the Company.

- ii. The instrument appointing a proxy in the case of the Company shall in the case of an instrument in writing be executed in any common form or in such other form as the Board may approve and shall be delivered to the registered office of the Company in question or at such other specified place in the UK not less than 48 hours (during business hours) before the time appointed for holding the meeting of the respective Company.
- iii. In respect of the Company no member shall, unless the Board otherwise determines, be entitled to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting of the Company unless and until all calls for the time being due and payable in respect of that Share have been paid, together with interest and expenses (if any) to the Company.
- iv. Except in respect of the redeemable shares (as set out as paragraph 4(b) below) no shareholders in the Company will have different voting rights per share than any other Shareholder.

##### (b) Rights attaching to the Redeemable Shares

The Redeemable Shares in the capital of the Company confer no right to dividends and no right to vote except as otherwise agreed by the holders of a majority of the Ordinary Shares of the Company. On a winding-up the Redeemable Shares confer the right to be paid out of the assets of the Company available for distribution amongst the members of the capital paid up on such shares *pari passu* with and in proportion to any amounts of capital paid to the holders of the Ordinary Shares but shall not confer any right to participate in any surplus remaining following payment of the amount of capital paid up thereon. The Redeemable Shares are redeemable at any time (and in any event no later than 30 June 2010) by the Company subject to their being paid up in full. Upon redemption each of the Redeemable Shares shall be automatically redesignated and redenominated as one hundred Ordinary Shares without any further resolution or consent.

### (c) Variation of rights and alteration of capital

- i. Rights attached to any share or class of shares in the Company may be varied or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class of the Company, or with the sanction of a special resolution passed at a separate meeting of the holders of such shares.
- ii. The Company may from time to time in general meeting by ordinary resolution increase, consolidate, or sub-divide its share capital.
- iii. The Company may, subject to the provisions of the Acts and to any rights attached to any Shares at the time, by special resolution reduce its share capital or any capital redemption reserve fund, or any share premium account in any manner.
- iv. Subject to the provisions of the Acts and the rights of the holders of any class of shares, the Company may from time to time purchase its own Shares (including any Redeemable Shares).

### (d) Issue and transfer of Shares

- i. The Board is authorised generally and unconditionally for the purposes of section 80 of the 1985 Act to exercise all the powers of the Company for a period of five years from the date of adoption of the Articles to allot relevant securities (as defined in that section) up to the amount of the authorised but unissued share capital of the Company from time to time. The authority so given may at any time (subject to the said section 80) be renewed, revoked or varied by ordinary resolution of the Company in general meeting.
- ii. The Directors are empowered generally and unconditionally to allot equity securities (as defined by Section 94 of the 1985 Act) for cash pursuant to the authority conferred by (d)(i) above as if Section 89(1) of the 1985 Act did not apply to such allotment of authorised but unissued shares in the capital of the Company up to the amount of the authorised but unissued share capital of the Company as at the date of the adoption of the Articles for the period of 5 years from the date of the adoption of the Articles. The authority so given may at any time be renewed, revoked or varied by special resolution of the Company in general meeting.
- iii. Subject to such of the restrictions of the Acts as may be applicable, any member of the Company may transfer all or any of his Shares by

an instrument of transfer in writing in any usual or common form or in any other form approved by the Board. Such instruments shall be executed by or on behalf of the transferor and (except in the case of a fully paid share) the transferee.

- iv. The Board may decline to register any transfer unless the instrument of transfer, duly stamped, is lodged with the Company accompanied by the certificate for the Shares to which it relates together with such other evidence as the Board may reasonably require, and the transfer is in respect of only one class of share and, in the case of a transfer to joint holders, the number of joint holders does not exceed four.
- v. The shares of the Company are in registered form. All transfers of shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors of the Company. The instrument of transfer of any such shares shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The Directors of the Company 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:
  1. 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;
  2. it is in respect of only one class of share; and
  3. the transferees do not exceed four in number.

### (e) Directors

- i. Unless and until otherwise determined by ordinary resolution of the Company, the Directors of the Company (disregarding alternate Directors) shall be not more than six nor less than two in number.
- ii. The business of the Company shall be managed by the Board, which may exercise all powers of the Company subject nevertheless to the provisions of the Acts, the Memorandum of Association of the Company and to any directions given by special resolution of the Company.

iii. Subject to the provisions of the Acts and, in the case of contracts with the Company, to the disclosure of the nature of the interest therein to the Board, no Director shall be disqualified by his office from:

1. contracting with the Company, either with regard to his tenures of any office or place of profit or as vendor, purchaser or whatsoever;
2. holding any other office or place of profit under the Company (except that of auditor); or
3. acting by himself or through his firm in a professional capacity for the Company; or
4. Being an officer of or employed by any company in which the Company is interested

nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office.

iv. A Director shall not vote (nor be counted in the quorum) on any resolution of the Board (or any committee of the Board) in respect of any contract, arrangement or transaction in which he is to his knowledge materially interested. Subject to the provisions of the Acts, and in the absence of some other material interest, this prohibition shall not apply to any of the following matters, namely:

1. any transaction for giving to such Director any guarantee, security or indemnity in respect of money lent by him or obligations undertaken by him at the request of and for the benefit of the Company or any of its subsidiary undertakings;
2. any transaction for the giving by the Company or any of its subsidiary undertakings of either guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings in respect of which such Director has himself given an indemnity or has guaranteed or secured or assumed responsibility for in whole or in part;
3. any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to

participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

4. any transaction concerning any other company in which he is interested directly or indirectly unless he is interested in 1 per cent or more of the equity share capital or voting rights of such other company;
5. any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings under which the Director benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; or
6. any proposal for the purchase and/or maintenance of insurance for the benefit of any Directors.

The remuneration of the Directors for their services as such (excluding amounts payable under other provisions of the Articles) shall be determined by the Board, but shall not exceed in aggregate the sum of £75,000 per annum or such greater sum as the Company may from time to time determine by ordinary resolution. Each Director may also be paid all reasonable travelling, hotel and other incidental expenses properly incurred by him in attending meetings of the Board of the Company or otherwise in connection with the discharge of his duties as a Director.

#### v. Directors' duty to avoid conflicts of interest

Subject to the provisions of the Acts and for the purposes of section 175 of the 2006 Act, the Directors may authorise in such manner and on such terms as they think fit any matter proposed to them in which a Director and/or any connected persons of a Director has or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company. Where such authorisation has been given, the duty of the Director in question to avoid a conflict of interest shall not be infringed in relation to that matter.

Any such authorisation will be effective only if:

- (a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director; and
- (b) the matter was authorised without their voting or would have been authorised if their votes had not been counted.

The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorisation at any time.

Where a Director has or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company and that conflict or possible conflict of interest has been authorised by the Company or by the Directors, subject to the terms on which any authorisation has been given:

- (a) the Director in question may absent himself from meetings of the board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed, or from the discussion of any such matter at a meeting or otherwise;
- (b) the Director in question may make arrangements not to receive or read documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company; and/or
- (c) the Director in question may act in any way authorised by any guidance for dealing with conflicts of interest issued by the Directors from time to time

for so long as he reasonably believes such conflict of interest (or possible conflict of interest) subsists and by so doing, the Director in question shall not be in breach of the general duties he owes to the Company by virtue of sections 171 to 177 of the 2006 Act.

- vi. Subject to the provisions of the Acts:
  - 1. the Board shall have the power to purchase and maintain insurances at the expense of the Company for, or for the benefit of any persons who are or were at any time Directors, officers, or employees of the Company, including insurance against any liability incurred by such persons in relation to or in connection with their duties, powers or offices in relation to the Company;
  - 2. every Director, alternate Director, secretary and other officer of the Company and if the Board so determines, auditor, shall be entitled to be indemnified by the Company against all costs, charges, expenses, losses, damages and liabilities incurred by him in connection with his duties, powers or office.

(f) *Borrowing Powers*

The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Acts to issue debentures and other securities, whether outright or as collateral security provided that the principal amount outstanding in respect of moneys borrowed by the Company does not at any time without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 20 per cent of the adjusted total of capital and reserves.

(g) *Dividends and Distribution*

- i. The Company may, subject to the provisions of the Acts, by ordinary resolution from time to time declare dividends to be paid to members according to their rights and interests in the profits available for distribution, but not exceeding the amount recommended by its Board. Subject to the provisions of the Acts in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. The Board may, if authorised by an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer Shareholders in respect of any dividend the right to receive Ordinary Shares, credited as fully paid, by way of scrip dividend instead of cash.
- ii. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

(h) *Distribution of Realised Capital Profits*

At any time after 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"), distribution of the Company's capital profits (within the meaning of section 833(2)(c) of the 2006 Act) shall be prohibited. The Board giving such notice 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 off of 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 the capital shall

be credited to the capital reserve. Subject to the 2006 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 off of or other dealing with any investments or other capital assets and, subject to the 2006 Act, any expenses, loss or liability (or provision thereof) 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 notwithstanding any other provision of the Articles 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 (as defined by section 829(1) of the 2006 Act) or be 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.

*(i) Duration and Winding-Up*

The Board shall procure that at a general meeting in 2015 a special resolution will be proposed to the effect that the Company shall be discontinued. For the purpose of this special resolution, it will not be carried only if those members present in person or by proxy who vote against it hold, in aggregate, not less than 25% of the issued share capital of the Company at such time.

If the Company shall be wound-up, the liquidator may, with the authority of a special resolution and subject to any provision sanctioned in accordance with the Acts, divide among the members in specie the whole or any part of the assets of the Company or may, with the like sanction, vest the whole or any part of the assets in trustees on such terms as the like sanction shall determine for the benefit of the members but no member shall be compelled to accept any shares whereon there is any liability.

*(j) Cancellation of Share Premium Account at the Company*

The Board is authorised by special resolution to make application to the High Court for confirmation to cancel the amount standing to the credit of the share premium account at the time of such application.

*(k) General Meetings*

- i. Subject to the provisions of the Acts, annual general meetings shall be held at such time and place as the Board may determine. General meetings may be convened by the Board whenever it thinks fit and by Shareholders in accordance with section 303 of the 2006 Act.
- ii. An annual general meeting shall be convened by not less than 21 clear days' notice in writing. All other general meetings shall be convened by not less than 14 days' notice in writing.

*(l) Miscellaneous*

- i. There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change of control of the Company.
- ii. In accordance with the Articles, failure by any Shareholder to provide the Company with the information as requested by any notice served in accordance with the DTR (obligations of Shareholders to identify the Board of notifiable interests in Shares) may result in that Shareholder being disenfranchised in respect of his shareholdings and, inter alia, the withholding of any dividends payable to him.

## **5. Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, are all of the contracts which have been entered into by the Company since its incorporation and which are, or may be, material, or have been entered into by the Company and contain provisions under which the Company has obligations or entitlements which are material to the Company at the date of this document:

- (a) An investment management agreement dated 16 September 2009 between the Company and the Investment Manager whereby the Investment Manager has agreed to manage or procure the management of the Company's investments on a discretionary basis for an initial six year period in return for an annual management fee of 2.0% of the net assets of the Company. The annual management fee will be rolled up without interest and will only be paid to Octopus once dividends and distributions of at least 105p per Share have been paid to Shareholders.

The annual management fee will be charged from the date of the first allotment of Shares under the Offer until the earlier of the date on which the general meeting is held in 2015 at which the Board intends to propose a resolution to wind-up the Company and proper termination of the agreement. If the agreement is terminated before Shareholders have been paid dividends and distributions of 105p per Share in aggregate, the fee will continue to be payable but shall be pro-rated and calculated by reference to the period during which the Investment Manager is appointed. The Investment Manager will also receive a performance fee of 20% of dividends and distributions paid to Shareholders above a level of 105p per Share but such fee will not be payable if the agreement is properly terminated before Shareholders have been paid dividends and distributions of 105p per Share in aggregate. The Investment Manager will provide or procure the provision of certain administrative services to the Company for an annual fee of 0.3% (plus VAT, if any, at the applicable rate) of the net assets of the Company. The Company has agreed to indemnify the Investment Manager against all or any actions, proceedings, losses, claims, demands and liabilities whatsoever arising out of the proper performance of the Investment Manager's duties. There are no value or time limits attached to the indemnity other than the statutory time limit of twelve years which applies to agreements signed as deeds. Further details are set out in the section titled "Management Fees" in Part 1 of this document.

- (b) An agreement dated 16 September 2009 between the Company, the Directors, the Investment Manager and Howard Kennedy ("Offer Agreement") whereby the Investment Manager agrees to pay all of the costs and expenses of the Offer for a commission on the gross proceeds of the Offer of 5.5p per Share. Howard Kennedy has agreed to act as sponsor and legal adviser to the Company and the Offer Agreement provides that Howard Kennedy's fees will be paid by Octopus. The Company and the Directors have given customary representations and warranties to, and in the case of the Company alone, an indemnity, to Howard Kennedy. The liability of the Directors under representations and warranties is limited to £20,000 per Director. There are no value or time limits attached to the indemnity other than the statutory limit of six years. Howard Kennedy may terminate the Offer Agreement at any time prior to Admission if it becomes aware of any material breach of warranty prior to Admission.

- (c) An agreement dated 16 September 2009 between the Company and the Investment Manager whereby the Investment Manager has agreed to provide company secretarial services to the Company for an annual fee of £15,000 plus VAT. Either party may terminate the appointment on giving to the other not less than three months' notice in writing.
- (d) By letters dated 16 September 2009 each of the Directors agreed to act as non-executive directors of the Company on the terms set out at paragraph 3(e) of this Part 4.

#### **6. Stamp duty, stamp duty reserve tax and close company status**

- (a) The Company has been advised that no stamp duty reserve tax ("SDRT") will be payable on the issue of the Ordinary Shares. The transfer on sale of any Ordinary Shares will be liable to ad valorem stamp duty normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer Ordinary Shares also gives rise to an obligation to account for SDRT, which is payable within seven days of the start of the month following that in which the agreement was entered into. The payment of stamp duty gives rise to a right to repayment of any SDRT paid. There will be no stamp duty or SDRT on a transfer of Ordinary Shares into CREST unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise at a rate of 0.5%. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at a rate of 0.5% of the value of the consideration.
- (b) On the issue of the Ordinary Shares pursuant to the Offer, the Company is unlikely to be a close company for tax purposes.

#### **7. Overseas Investors**

- (a) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Ordinary Shares in the Company.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined in paragraph 4(xi) of Part 5 of this document.

## 8. General

- (a) The Offer Price is 100p per Share.
- (b) The total expenses payable by the Company in connection with the Offer (including VAT where applicable) will be 5.5p in respect of each Share subscribed such that the initial net assets of Octopus Secure VCT will be equal to 94.5p per Share. The Offer Price represents a premium of 99 pence per Share over nominal value. If the maximum subscription of £50,000,000 is achieved under the Offer for the Company, the net proceeds will amount to £47,250,000. If the minimum subscription of £1 million for the Company is obtained, the net proceeds will be £945,000. The proceeds will be applied in accordance with the Company's investment policy and to redeem the Redeemable Shares.
- (c) The registered office of the Company and the Company's principal place of business is at 8 Angel Court, London EC2R 7HP. The Company does not have, nor has it had since its incorporation, any subsidiaries, subsidiary undertakings or employees and the Company does not own any premises.
- (d) There has been no significant change in the financial or trading position of the Company since its incorporation.
- (e) There are no Governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.
- (f) The Investment Manager is the promoter of the Company. Save as disclosed in paragraphs 5(a) and (b) of this Part 4, no amount of cash, securities or benefits has been paid, issued or given to the promoters and none is intended to be paid, issued or given.
- (g) Where the circumstances are appropriate, the Directors propose that an appropriate and reasonable proportion of the management expenses of the Company, to be determined after consultation with the Company's auditors, but not to exceed 75%, will be charged to capital.
- (h) The Company complies with the principles of the Combined Code on Corporate

Governance save as set out in this paragraph (h) below.

The Company has an Audit Committee, composed of the Directors who are independent of the Investment Manager, which meets at least twice each year and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the proper reporting of the financial performance of the Company and for reviewing financial statements prior to publication.

As the Company has no employees, no Remuneration Committee has been formed. The Company does not intend to appoint a senior independent Director or to form a Nominations Committee due to the Board being small in size.

- (i) Since the incorporation of the Company and up to the date of this document, there have been no related party transactions.
- (j) The Board must be able to demonstrate that it will act independently of the Investment Manager. In particular, a majority of the Board (including the Chairman) must not be:
- i. directors, employees, partners, officers or professional advisers of or to the Investment Manager or any other company in the same group as the Investment Manager; or
  - ii. directors, employees or professional advisers of or to any other VCT managed by the Investment Manager or any other company in the same group as the Investment Manager.
- Any Director who falls within i. or ii. above is subject to annual re-election by Shareholders.
- (k) The issue is sponsored by Howard Kennedy which is authorised and regulated by the Financial Services Authority.
- (l) The Company does not assume responsibility for the withholding of tax at source.
- (m) HMRC has granted the Company provisional approval under section 274 ITA and it is intended that the business of the Company be carried on so as to comply with that section.

- (n) The Company does not employ any employees nor engage any other person in any personal capacity save for the Directors.
- (o) The Company confirms that all third party information in this document (sourced from the Investment Manager, [www.taxefficientreview.com](http://www.taxefficientreview.com), the Sunday Times, and Lipper) has been reproduced accurately and, as far as it is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (p) The Company confirms that it has taken all reasonable steps to ensure that its auditors, Grant Thornton UK LLP, being members of the Institute of Chartered Accountants in England & Wales, are independent of it and have obtained written confirmation from the auditors that they comply with the guidelines on independence issued by their national accounting and auditing bodies.
- (q) Definitive share certificates for the Shares to be allotted under the Offer will be issued in registered form and are to be dispatched to Shareholders within 15 business days of allotment. The Company has applied to Euroclear for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the admission of the Ordinary Shares to CREST as a participating security will be effective from the Company's Admission. Shareholders who are direct or sponsored members of Euroclear will then be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by Euroclear. The Company will not issue temporary documents of title.
- (r) Octopus Investments, Howard Kennedy and PricewaterhouseCoopers LLP have each given and not withdrawn their written consents to the issue of this document with the inclusion herein of their names in the form and context in which they are included.
- (s) The Directors will be investing £15,000, in aggregate, under the terms of the Offer.
- (t) The results of the Offer will be announced through a Regulatory Information Service provider.
- (u) As at the date of this document, there are no governmental, economic, monetary, political or fiscal policies and factors which have or could affect the Company's operations.

## 9. Specific Disclosures in respect of Closed Ended Funds

- (a) A detailed description of the investment objective and policy which will be pursued by the Company is set out in the section of Part 1 entitled "Investment Policy" and the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with this published investment policy. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 ITA and the Company will not make material changes to this investment policy without shareholder approval.
- (b) The Company is not required to be, and is therefore not, regulated by the Financial Services Authority. In order to obtain venture capital trust status, the Company must, however, be approved by HMRC. The conditions which must be satisfied to obtain and retain such status are set out in full in Part 3 and they include the following:
  - (i) at least 70% by value of the Company's investments (including any uninvested funds held) must be represented by shares or securities in Qualifying Holdings, of which at least 30% by value must be represented by holdings of ordinary shares carrying no preferential rights; additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;
  - (ii) not more than 15% by value of the Company's investments can be held in a single company or group (other than a VCT) and the Company must not control the companies in which it invests in such a way as to render them subsidiary undertakings; and
  - (iii) the Company is limited to investing up to £1 million per Income Tax Year per Qualifying Holding.
- (c) As part of its investment policy the Company will not borrow money for the purposes of making investments.
- (d) The Company is regulated by Part 6 ITA in respect of the investments it makes. The Company has appointed PricewaterhouseCoopers LLP as its VCT status adviser. PricewaterhouseCoopers LLP will report twice yearly to the Company in its annual and interim reporting obligations. In respect of any breach of Part 6 ITA, the Company will report the matter immediately to HMRC.

- (e) The Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest up to 15% of their total assets in other listed closed-ended investment funds.
- (f) The Company will not invest directly in any physical commodities.
- (g) The Company will not invest in any property.
- (h) The Company will not invest in any derivatives or currencies save for efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.
  - (i) The Company will not conduct any trading activity which is significant in the context of its group as a whole.
  - (j) Octopus Investments is responsible for the determination and calculation of the net asset value of the Company.
- (k) The net asset value of the Company will be determined twice a year, concurrent with the interim and annual announcements (which are expected in June and October respectively) in accordance with the International Private Equity and Venture Capital Association ("IPEVC") valuation guidelines. The value of investments will be determined according to their listing status. Quoted securities will be valued at bid price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the IPEVC guidelines. Unquoted investments will be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The net asset value of the Company will be communicated to investors through a Regulatory Information Service provider at the same frequency as the determinations.
- (l) Octopus Secure VCT does not intend to appoint an external custodian and its assets (other than the Non-Qualifying Investments) will be held in certificated form.
- (m) The Directors do not anticipate any circumstances arising under which the calculation of the net asset value may be suspended. Should the determination of net asset value differ from that set out above then this will be communicated to investors in Octopus Secure VCT through a Regulatory Information Service provider.

## 10. Information on the Investment Manager

### *Further Information on Octopus Investments*

Octopus Investments is regulated by the Financial Services Authority and registered in England and Wales under number 3942880 and was incorporated on 8 March 2000 in the UK. Octopus Investments is domiciled in the UK and is a limited company. Its registered office and its principal place of business is at 8 Angel Court, London EC2R 7HP. The telephone number is 020 7710 2800.

## 11. Documents Available for Inspection

For the life of the prospectus the following documents (or copies thereof) may be inspected at the registered office of the Company during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted):

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the material contracts referred to in paragraph 5 above.

**16 September 2009**

In the event of any suspension valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisors.

# DIRECTORS AND ADVISERS

## DIRECTORS

James Anthony Otter  
Charles Jonathon Breese  
Christopher Robert Hulatt

all of:

## REGISTERED OFFICE

8 Angel Court  
London EC2R 7HP

## TELEPHONE NUMBER

020 7710 2800

## COMPANY SECRETARY

Celia Whitten FCIS  
8 Angel Court  
London EC2R 7HP

## INVESTMENT MANAGER, PROMOTER AND RECEIVING AGENTS

Octopus Investments Limited  
8 Angel Court  
London EC2R 7HP

## SPONSOR TO THE OFFER AND SOLICITORS TO THE COMPANY AND TO THE OFFER

Howard Kennedy  
19 Cavendish Square  
London W1A 2AW

## VCT STATUS ADVISER

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## AUDITORS

Grant Thornton UK LLP  
1 Westminster Way  
Oxford OX2 0PZ

## BANKERS

HSBC plc  
31 Holborn  
London EC1N 2HR

## REGISTRARS

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0GA

# DEFINITIONS

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

**1985 Act**

the Companies Act 1985 (as amended)

**2006 Act**

the Companies Act 2006 (as amended)

**the Acts**

the Companies Acts as defined in s.2 of the 2006 Act and every other statute from time to time in force in the United Kingdom concerning companies insofar as the same applies to the Company or any re-enactment thereof for the time being in force

**Admission**

admission of the Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's listed securities market

**AIM**

a market operated by the London Stock Exchange

**annual running costs**

the annual costs incurred by the Company in the ordinary course of its business

**the Company or Octopus Secure VCT**

Octopus Secure VCT plc

**Directors, Board or "we"**

the directors of the Company whose names appear under Directors on page 34 of this document

**DTR**

the Disclosure and Transparency Rules published by the Financial Services Authority from time to time

**Euroclear**

Euroclear UK & Ireland Limited

**FSMA**

the Financial Services and Markets Act 2000

**Fund**

the investment fund comprised of the subscription monies raised by the Company under the Offer available for investment

**HMRC**

HM Revenue & Customs

**Income Tax Year**

the 12 month period over which individuals are assessed to income tax in the United Kingdom, running from 6 April to the following 5 April

**Investment Manager, Octopus Investments or Octopus**

Octopus Investments Limited

**Investment Team**

a committee of individuals drawn from the Investment Manager

**ITA**

Income Taxes Act 2007 (as amended)

**Listing Rules**

the Listing Rules of the UK Listing Authority in accordance with Part 6 of FSMA (as amended from time to time)

**London Stock Exchange**

London Stock Exchange plc

**Minimum Net Proceeds of the Fund**

£945,000, being the minimum subscription of £1,000,000 less a fixed expense per Ordinary Share of 5.5p

**net asset value or NAV**

the aggregate of the gross assets of the Company less its gross liabilities

**Non-Qualifying Investment**

an investment and/or asset which is not a Qualifying Investment

**Octopus Group**

Octopus Investments and its subsidiaries, including Octopus Ventures Limited

**Offer**

the offer for subscription of up to 50,000,000 Shares described in this document

**Offer Agreement**

the agreement dated 9 September 2009 between the Company, the Directors, the Investment Manager and Howard Kennedy relating to the Offer

**Offer Price**

100p per Share

**Official List**

the Official List of the UK Listing Authority

**Ordinary Shares or Shares**

ordinary shares of 1p each in the capital of the Company

**Prospectus Rules**

the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004

**Qualifying Company**

a company satisfying the conditions of Chapter 4 of Part 6 ITA as described in Part 3 of this document

**Qualifying Holding**

shares in, or securities of, a Qualifying Company, which satisfy the conditions of Chapter 4 of Part 6 ITA as described in Part 3 of this document

**Qualifying Investment**

an investment in, inter alia, an AIM listed or unquoted company which satisfies the requirements of Chapter 4 of Part 6 ITA as described in Part 3 of this document

**Qualifying Purchaser**

an individual who purchases Shares from an existing Shareholder and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT

**Qualifying Subscriber**

an individual who subscribes for Shares under the Offer and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT

**Qualifying Subsidiary**

a subsidiary company which falls within the definition of Qualifying Subsidiary contained in section 302 ITA, as described in Part 3 of this document

**Qualifying Trade**

a trade complying with the requirements of Chapter 4 of Part 6 ITA

**Redeemable Shares**

Redeemable Preference Shares of £1 each in the capital of the Company

**Relevant Qualifying Subsidiary**

a subsidiary company which falls within the definition of Relevant Qualifying Subsidiary contained in section 301 ITA, as described in Part 3 of this document

**Shareholders**

holders of Ordinary Shares

**Sponsor**

Howard Kennedy

**UK Listing Authority**

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

**venture capital trust or VCT**

a company approved as a venture capital trust under Section 274 ITA by the Board of HMRC

# PART FIVE

## TERMS AND CONDITIONS OF APPLICATION

1. In these terms and conditions, which apply to the Offer, "Applicant" means a person whose name appears in an Application Form, "Application" means the offer by an Applicant by completing an Application Form and posting (or delivering) it to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP ("the Receiving Agents") or as otherwise indicated in this document or the Prospectus; and "Prospectus" means the document dated 16 September 2009 issued in connection with the Offer. Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the Application Form and explanatory notes in relation thereto.

The section headed "Application Procedure" as set out below forms part of these terms and conditions of Application.

2. The contract created by the acceptance of an Application under the Offer will be conditional on:
  - i. Admission becoming effective;
  - ii. the Offer Agreement becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective.
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 banker's 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 prior to the closing of the Offer. 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 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 and held on trust for, and will during such time remain the property of, the Applicant.
4. By completing and delivering an Application Form, you:
  - i. offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your Application is accepted) at the Offer Price on the terms of and subject to this document, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;
  - ii. agree that, in consideration of the Company agreeing that it will not on or prior to the Offer closing issue or allot any Shares the subject of the Offer to any person other than by means of the procedures referred to in this document, 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 a certificate in respect of the Ordinary Shares until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, the Sponsor, 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 its other rights) rescind the agreement to subscribe such Ordinary Shares and may issue or allot such Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such Ordinary 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 Ordinary Shares for which your Application has been 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 or by notification of acceptance thereof to the Receiving Agents;
  - v. agree that any monies refundable to you 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 Ordinary 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 Ordinary Shares;
- vii. agree that all Applications, acceptances of Applications and contracts resulting there from 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 the Sponsor 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 or the Prospectus and accordingly you agree that no person responsible solely or jointly for this document, the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for such information or representation;
- ix. irrevocably authorise the Receiving Agents and/or the Sponsor or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of the Sponsor to execute any document required therefore;
- x. agree that, having had the opportunity to read this document, you will be deemed to have had notice of all information and statements concerning the Company and the Shares 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 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 the Sponsor on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or the Sponsor may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise the Company and the Sponsor to disclose any information relating to your Application as it considers appropriate;
- xv. agree that the Sponsor 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 Shares or the suitability for you of Shares 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 Qualifying Subscriber or beneficially entitled to the Shares; and
- xix. declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, Shares and that the 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.

5. No person receiving a copy of this document, the Prospectus 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 Ordinary Shares have not been and will not be registered under the Securities Act, 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 Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Investment Manager 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 in its absolute discretion after consultation with the Sponsor. The right is reserved 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 the Receiving Agents consider may be required for the purposes of the Money Laundering Regulations 2007 has not been satisfactorily supplied. Dealings prior to the issue of certificates for Ordinary 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 2007

Investors should be aware of the following requirements in respect of the above law.

Under the Money Laundering Regulations 2007, we are required to check the identity of clients who invest over £10,000 or who invest using third party cheques. Octopus Investments may therefore undertake an electronic search for the purposes of verifying your

identity. To do so Octopus Investments may check the details you supply against your particulars on any database (public or other) to which we have access. Octopus Investments may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If we cannot verify your identity we 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.

Your cheque or banker's 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 banker's drafts to be cleared through facilities provided for 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 banker's draft has not been cleared on first presentation. In the event that the offer does not reach its minimum subscription any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the person named in Section 1.

# APPLICATION PROCEDURE

Please send the completed Application Form together with your cheque or banker's draft to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP

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

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## SECTION 1

Please insert your full name, permanent address, daytime and home telephone numbers, date of birth, email address and national insurance number in Section 1. Your national insurance number, which you will find on your pay slip, is required to ensure you obtain your income tax relief. Joint applications are not permitted but husbands and wives may apply separately and a second application form is provided for this purpose.

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## SECTION 2

Please note that the minimum investment is £3,000. The maximum investment on which tax reliefs on investments in VCTs are available is £200,000. Attach your cheque or banker's draft to the Application Form for the total amount of your investment. Please indicate in which tax year you would like your Shares to be allotted.

Make cheques payable to "Octopus VCT Client Money Account" and crossed "A/C Payee only". Cheques must be from a recognised UK bank account and your payment must relate solely to this application. No receipt will be issued.

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## SECTION 3

Read the declaration below and sign and date the Application Form.

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

By signing this form I HEREBY DECLARE THAT:

- i. I have received the Prospectus dated 16 September 2009 and have read the terms and conditions of application therein and agree to be bound by them;
- ii. I will be the beneficial owner of the Shares of Octopus Secure VCT plc issued to me under this Offer;
- iii. I have read and understood the risk factors set out on pages 6 and 7; and
- iv. to the best of my knowledge and belief, the personal details I have given are correct.

If this form is completed and signed by an authorised financial intermediary or any other person apart from the investor: By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs i. to iv. above.

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## SECTION 4

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

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## FREQUENTLY ASKED QUESTIONS

Q: **Who should I make the cheque payable to?**

A: Cheques should be made payable to "Octopus VCT Client Money Account".

Q: **Where should I send my application?**

A: Your application form and cheque should be sent to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP.

Q: **What happens after I invest?**

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

# APPLICATION FORM - OCTOPUS SECURE VCT PLC

Before completing this application form you should read the Terms and Conditions of Application and Application Procedure. This Offer opens at 8.00 am on 17 September 2009 and will close at 5.00 pm on 30 April 2010 unless the Offer is fully subscribed prior to that date or extended by the directors acting in their absolute discretion.

## SECTION 1

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name \_\_\_\_\_  
Middle Name \_\_\_\_\_ Surname \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_ Email \_\_\_\_\_  
Date of Birth \_\_\_\_\_ National Insurance Number \_\_\_\_\_  
Telephone (Day) \_\_\_\_\_ Telephone (Home) \_\_\_\_\_

## SECTION 2

I offer to subscribe for the following number of Ordinary Shares under the Terms and Conditions of the Application as set out in the Prospectus dated 16 September 2009. The Application must be for a minimum of £3,000.

I ENCLOSE A CHEQUE OR BANKER'S DRAFT DRAWN ON A UK CLEARING BANK, MADE PAYABLE TO 'Octopus VCT Client Money Account'.

For 2009/10 tax year \_\_\_\_\_ Shares at 100p per Share totalling £ \_\_\_\_\_

For 2010/11 tax year \_\_\_\_\_ Shares at 100p per Share totalling £ \_\_\_\_\_

## SECTION 3

Signature \_\_\_\_\_ Date \_\_\_\_\_

## SECTION 4

Financial Adviser \_\_\_\_\_ Tel \_\_\_\_\_

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name \_\_\_\_\_ Surname \_\_\_\_\_

Administrator \_\_\_\_\_ Tel \_\_\_\_\_

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name \_\_\_\_\_ Surname \_\_\_\_\_

FSA Number and Company Stamp \_\_\_\_\_

Special IFA Instructions \_\_\_\_\_

## INVESTOR SERVICES PROGRAM

### 1. How would you like to be updated?

- Email
- Letter
- Telephone call from one of the Fund Managers

### 2. How often would you like to be updated?

- Every time we make an investment
- Every three months
- Every six months

### 3. Would you like to receive invitations to investment seminars/workshops?

- Yes but only concerning Octopus Secure VCT
- Yes to include other Octopus products
- No

### 4. From time to time we may choose to contact you by telephone to explain an aspect of your investment. Please indicate below if you are willing for us to call you:

- Yes I am happy to be called occasionally
- No thank you

Please call us at any time concerning your application on **0800 316 2295**

Please tick here if you do not want us to contact you with information about goods or services which we feel may be of interest to you.

**SITS80509**

Please contact us on  
**0800 316 2298**

or email us at  
**[info@octopusinvestments.com](mailto:info@octopusinvestments.com)**

**8 Angel Court  
London EC2R 7HP**