
OCTOPUS

VCT 3&4 PLC

This document, comprising a prospectus issued by Octopus VCT 3 plc and Octopus VCT 4 plc (together “Octopus VCT 3&4”, “the VCTs” or “the Companies” and each a “VCT” or a “Company”) dated 14 September 2011 prepared in accordance with the Prospectus Rules made under Part VI of the Financial Services and Markets Act 2000 (“FSMA”), has been approved for publication by the Financial Services Authority under section 87 of FSMA and the Prospectus Rules. This document has been prepared for the purposes of complying with the prospectus directive, English law and the rules of the UK Listing Authority, and the information disclosed may not be the same as that which would be disclosed if this document had been prepared in accordance with the laws of a jurisdiction outside England.

The Companies and the Directors, whose names appear on page 43, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications will be made to the UK Listing Authority for all the ordinary shares of 1p each in the capital of the Companies (“Ordinary Shares”), issued and to be issued pursuant to the Offer described herein, to be admitted to the premium segment of the Official List of the UK Listing Authority. Applications will also be made to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that trading in the Ordinary Shares will commence, within ten Business Days of allotment.

Persons receiving this document should note that, in connection with the Offer, Howard Kennedy Corporate Services LLP (“Howard Kennedy”) is acting as sponsor for the Companies and Octopus Investments Limited (“Octopus”) is acting as promoter to the Offer (and, in each case, for no-one else) and will not (subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder) be responsible to any other person for providing the protections afforded to customers of Howard Kennedy and Octopus for providing advice in connection with the Offer.

Martineau, which is regulated in the United Kingdom by the Solicitors Regulation Authority, is acting as legal adviser to the Companies and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to herein.

Octopus VCT 3 plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 7744056)
(ISIN number GB00B4KQKM77)

Octopus VCT 4 plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 7743878)
(ISIN number GB00B6QM2B64)

Offer for subscription of up to, in aggregate, 40 million Ordinary Shares in the Companies (comprising up to 20 million Ordinary Shares in each Company) at an issue price of 100p per share payable in full on application

together with an over-allotment facility of up to, in aggregate, a further 10 million Ordinary Shares (comprising up to 5 million Ordinary Shares in the capital of each Company)

Sponsored by

Howard Kennedy Corporate Services LLP

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or South Africa (each a “Restricted Territory”). In particular, prospective shareholders who are resident in a Restricted Territory should note that this document is being sent for information purposes only. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. The Application Form is not being and must not be forwarded to or transmitted in or into a Restricted Territory. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation to forward this document and/or the accompanying Application Form should read the paragraph entitled “Overseas Investors” in paragraph 7 of Part Ten of this document before taking any action.

40 million Ordinary Shares are being offered to the public under the Offer (disregarding the over-allotment facility). The Offer will be open from 14 September 2011 until the earlier of 12.00 pm on 5 April 2012 and the date on which maximum subscription is reached, unless otherwise extended by the Boards (acting jointly) in their absolute discretion to a date no later than 30 June 2012. The Boards (acting jointly) may also, in their absolute discretion, decide to increase the Offer by a further 10 million Ordinary Shares if there proves to be excess demand from investors (such increase to be notified through an announcement on a regulatory information service). Dealings will commence within ten Business Days of allotment. The Offer is not underwritten. The terms and conditions of the Offer are set out in Part Eleven of this document, followed by Application Forms for use in connection with the Offer. The minimum subscription per investor is £3,000. Completed Application Forms should be sent by post to Octopus Investments Limited, PO Box 10847, Chelmsford CM99 2BU or delivered by hand to Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN.

Copies of this document are available free of charge for the duration of the Offer, by collection from:

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

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

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

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SUMMARY

This summary conveys the essential characteristics and risks associated with Octopus VCT 3 plc and Octopus VCT 4 plc (Octopus VCT 3&4) 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.

INTRODUCTION

Octopus VCT 3&4 offer a compelling opportunity to investors looking for a highly tax efficient investment with an investment mandate that favours companies with more predictable revenue streams. The VCTs will aim to achieve this by investing in a portfolio of unquoted companies, predominantly in the UK solar energy sector. This allows investors to gain access to investments which have the potential for stable and attractive revenue streams underpinned by the government backed Feed-in Tariff (FiT) scheme.

VCT BACKGROUND AND TAX BENEFITS

VCTs were introduced by the UK government in 1995 to encourage individuals to invest in UK smaller companies by offering them a series of attractive tax benefits. The current tax reliefs available for qualifying investors are:

- Up to 30% income tax relief on the amount subscribed
- Tax-free dividends
- Tax-free capital gains on the disposal of shares

Qualifying investors hold their shares for a minimum of five years in order to retain the upfront income tax relief. Although there is no maximum size of investment, VCT tax reliefs are available on a maximum VCT investment of £200,000 per individual in any one tax year. The amount of relief an investor can receive cannot exceed their income tax liability for that year.

The total amount invested in VCTs since their launch in 1995 is over £4 billion, and has been steadily rising. This has been driven, in part, by higher rates of income tax and pension fund restrictions, and a more uncertain economic climate that has reinforced the benefits of VCTs as part of a diversified portfolio.

SUMMARY OF THE INVESTMENT POLICY

Octopus VCT 3&4 intend to invest in a portfolio of unquoted companies where the focus will be predominantly in the solar sector. These solar investments will typically be sub-50kWp installations which attract the benefit of the FiT. It is possible that all investments will be in the solar sector. The VCTs will also have the ability to invest in a variety of other sectors and technologies where the Octopus team is confident that investments can be structured to achieve more predictable returns. These may include investments quoted on AIM or PLUS Markets.

WHY SOLAR?

Following European legislation, the UK government set a target of 30% of the UK's electricity being generated by renewable sources by 2020. In pursuit of this, UK government introduced FiTs in 2010 in order to encourage investment in the green energy sector. The FiT guarantees 25-year inflation-linked prices for electricity generated by qualifying solar power installations.

This predictable revenue stream makes solar power projects attractive for many investors. When combined with the fact that the technology involved is well proven and reliable, this makes solar investments particularly attractive for VCT investors.

LIMITED INVESTMENT TIMEFRAME

There is a limited window of opportunity for investors to access the government supported returns through FiTs. The FiT for the sub-50kWp solar installations is due to be reduced after 31 March 2012. With a requirement for the sub-50kWp solar installations to be in place and connected to the National Grid before this date, Octopus VCT 3&4 may only have limited capacity to accept applications after 31 December 2011.

A significant potential pipeline of sub-50kWp solar opportunities has already been identified by Octopus' solar partner, Lightsource Renewable Energy Limited (Lightsource). Furthermore, Octopus has already received advance assurance from HMRC that a number of these opportunities should qualify for VCT investment.

MANAGED BY AN AWARD WINNING INVESTMENT MANAGER

Octopus VCT 3&4 will be managed by Octopus, one of the UK's leading specialist fund management companies with more than £2.5 billion under management (as at 31 August 2011). Octopus has more than 200 staff, including over 50 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.

Within financial services, Octopus has developed a reputation for quality and innovation, and prides itself on providing exceptional levels of service to all its customers. Octopus has also received an AAA rating for financial planning from Citywire for the last two years – one of only two fund management companies to achieve this.

Octopus currently manages 17 VCTs - more than any other fund manager. Financial advisers have voted Octopus 'VCT Provider of the Year' at the Professional Adviser Awards in 2007, 2008, 2009 and 2010. Octopus was also named VCT Manager of the Year at the unquote'' British Private Equity Awards in 2010.

The Octopus VCT 3&4 investment team has significant experience in making investments in the solar sector having invested £90 million in solar projects since the start of 2011. As well as having its own solar investment team, Octopus will draw on the expertise of its solar partner, Lightsource, in sourcing investments and providing ongoing project management, installation and operational services to investee companies. The parent company of Octopus, Octopus Capital Limited, has an investment in Lightsource.

THE BOARD

The Board of each VCT consists of three non-executive directors, the majority of whom are independent of Octopus.

The Board of Octopus VCT 3 is Ray Greenshields (Chairman), Ian Leaman and Katrina Johnston and the Board of Octopus VCT 4 is Graham Paterson (Chairman), Simon Smith and Katrina Johnston.

The Board of the relevant VCT has overall responsibility for their Company and its affairs, including its investment policy.

WHY INVEST IN OCTOPUS VCT 3&4?

Octopus VCT 3&4 have been designed to take advantage of the solar FiT opportunity, and package this in a way that is designed to meet the needs of investors who are seeking VCT tax reliefs combined with an investment mandate intended to generate more predictable investment returns than VCTs have traditionally offered.

Twin VCTs

Octopus VCT 3&4 are structured as a twin VCT and it is intended that each VCT will invest identically in all opportunities. As such, investments will be split equally between the two VCTs. This allows the VCTs to invest up to £2 million per investee company in aggregate (i.e. twice the amount possible for single VCTs), thereby accessing larger investment opportunities. Investors' subscriptions under the Offer will also be split equally between the two VCTs.

Tax free income

One of the key tax benefits of VCTs is that dividends paid to qualifying investors are tax-free. The intention of each Board is to maximise the payments of dividends over the 25 year FiT period with the objective of paying annual dividends of at least 5p per Ordinary Share, starting in 2013. It is anticipated that the dividend size will increase as the level of FiT is RPI-linked. Investments are intended to be structured to support this objective. The targeted return at the five year period is 110p per Ordinary Share, through a combination of capital value and dividends received.

Zero discount buyback policy

Octopus VCT 3&4 are structured as unlimited life VCTs allowing investors to take advantage of the potential stream of future dividends from the 25 year income profile from FiTs. However, some investors may wish to exit the VCTs after the five year holding period required to retain the upfront income tax relief. In order to provide these investors with the ability to sell their shares, the Boards intend to operate a zero discount buyback policy throughout the life of the VCTs whereby Octopus VCT 3&4 will buy back Ordinary Shares at the latest published net asset value of the relevant VCT (less transaction costs i.e. costs involved in the buying and selling of shares, such as broker commissions). With many other VCTs offering a buyback facility entailing a significant discount to net asset value, the Boards believe that the zero discount buyback policy of Octopus VCT3&4 will be attractive to investors. The Boards' intention to provide a zero discount buyback policy will be subject to relevant regulatory and statutory requirements, and having sufficient distributable reserves and financial resources available.

Lower fees

Octopus will receive an annual management fee of 1.75% of the net funds raised by each VCT over time.

In order to align the interests of Octopus and Shareholders, there will be no performance fee on excess returns as the Boards and Octopus have agreed that it is inappropriate for Octopus to be incentivised to seek excess returns when the primary objective is to achieve more predictable returns.

THE OFFER

The Offer will be open from 14 September 2011 until the earlier of 12.00 pm on 5 April 2012 and the date on which the maximum subscription is reached (or until such time as

determined by the Directors, not being later than 30 June 2012).

The Offer is for 40 million Ordinary Shares but, if there proves to be excess demand from investors, the Boards (acting jointly) may increase the size of the Offer by a further 10 million Ordinary Shares. The Ordinary Shares are being offered at 100p per Ordinary Share. Applications 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 main market for listed securities.

HOW TO INVEST

Application forms are attached at the end of the Prospectus. The minimum investment under the Offer is £3,000. Although there is no maximum size of investment, VCT tax reliefs are available on a maximum investment of £200,000 per individual in any one tax year. Investors' subscriptions under the Offer will be split equally between the two VCTs.

KEY RISK FACTORS

Although the tax benefits available to investors in Octopus VCT 3&4 are significant, there are a number of key risk factors of which investors should be aware:

- There can be no assurances that the VCTs will meet their objectives, identify suitable investment opportunities or be able to diversify their portfolio. The past performance of Octopus is no guide to future performance and the value of, and income derived from, Ordinary Shares depend on the performance of the underlying assets of the VCTs and the level of FiT, which is not guaranteed. The value of investments in the VCTs may fall as well as rise and Shareholders may not receive back the full amount invested.
- There can be no guarantee that the VCTs will qualify as a VCT or that such status will be maintained which could lead to adverse tax consequences for Shareholders, including a requirement to repay the up-front 30% income tax relief.
- Changes in legislation concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the VCTs in terms of the number of new Qualifying Investment opportunities available to them and/or reduce the level of returns which would otherwise have been achievable by the VCTs and/or their ability to achieve or maintain VCT status. In particular, following a government review, investments in companies operating in the solar sector and benefitting from FiTs will only qualify as VCT investments up to 5 April 2012 and, from this date, any new investments in companies supported by FiTs will generally not be qualifying.
- Investment in unquoted companies, AIM-traded and PLUS Market traded companies by its nature involves a higher degree of liquidity risk than investment in companies traded on the main market of the London Stock Exchange and, therefore, capital value may be difficult to realise.
- The nature of energy-generating assets is that their useful economic lives are fixed and the assets tend to produce predictable revenue streams over a protracted period (a number of decades) during which, without refurbishment expenditure, the value of such assets is likely to decline.

- The underlying capital value of an investment in Ordinary Shares is intended to decline over its investment period, reducing to zero after 25 years as the value of the underlying assets depreciate and in light of the fixed 25 year period for solar FiTs (depending on the commercial terms achieved, some of the assets may retain a residual value).
- The operational profitability of potential investee companies may be adversely affected by factors outside their control including, inter alia, divergence between forecasted and actual levels of solar radiation, change in government policies regarding renewable energy subsidies, changes in the rates of FiTs, interest, inflation, foreign exchange or tax, or by changes in prices of solar panels and other capital equipment, lower than projected energy output, downtime of plant and machinery, unavailability of grid connection, higher than projected operating costs, availability and cost of insurance and other unanticipated events that adversely affect operations.
- Should applications for only the minimum application level of £6.4 million be received, (£3.2 million per VCT (resulting in only the Minimum Net Proceeds of £3.024 million per VCT being raised)) or to the extent that a relatively small level of funds is raised, the ability of the VCTs to diversify their portfolios may be reduced and potential investors should be aware that the fixed costs of running the VCTs will be proportionately higher.

Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant investor might, under the national legislation of the EEA states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

RISK FACTORS

Prospective investors should consider carefully the following risk factors in addition to the other information presented in the Prospectus as a whole. If any of the risks described below were to occur, it could have a material effect on the VCTs' businesses, financial condition, result of operations or on the value of the Ordinary Shares. The risks and uncertainties described below are not the only ones the VCTs, the Directors or investors in the Ordinary Shares will face. Additional risks not currently known to the VCTs or the Directors, or that the VCTs or the Directors currently believe are not material, may also adversely affect the VCTs' business, financial condition and result of operations. The value of the Ordinary Shares could decline due to any of these risk factors described below, and investors could lose part or all of their investment. Investors who are in doubt should consult their financial adviser.

Giving regard to the investment objectives of the VCTs and the conditions upon which the tax reliefs are available, Octopus VCT 3&4 should be considered as a medium to long term investment. Investing in the VCT carries particular risks. All material risk factors are set out below:

- The Offer is conditional on receiving applications for, in aggregate, a minimum of £6.4 million (£3.2 million per VCT). If less than £3.2 million per VCT (which would result in the Minimum Net Proceeds per VCT not being raised) is applied for by the closing date (which may be extended), the Offer will lapse.
- Past performance of Octopus, or other funds managed by Octopus is not necessarily an indication of the future performance of the VCTs.
- Although the Ordinary Shares are to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's market for listed securities, VCTs are inherently illiquid and there is only a very limited secondary market for their shares, primarily because the income tax relief is only available to those subscribing for newly issued shares and the holding period required to maintain the income tax relief. The market price of the Ordinary Shares may not fully reflect, and may be at a discount to, the underlying net asset value of the VCTs and investors may not get back the full amount invested. Shareholders may find it difficult to realise their investment in the VCTs. The Boards intend, however, to operate a zero discount buyback facility where the intention is for investors to exit the VCTs at the current net asset value (less transaction costs i.e. costs involved in the buying and selling of shares, such as broker commissions).
- The value of, and income derived from, Ordinary Shares depend on the performance of the underlying assets of the VCTs and the level of FIT, which is not guaranteed. The value of investments and the dividend stream can rise and fall and a Shareholder may not get back the full amount invested.
- The performance of the VCTs may be difficult to assess due to the frequency of calculation of its net asset value. Prospective Shareholders should be aware that the net asset value of the VCTs will only be audited on an annual basis. The audited full-year net asset value and the unaudited half-yearly net asset value will be announced through a regulatory information service.
- The VCTs are seeking to raise, in aggregate, up to £40 million under the Offer (£20 million per VCT) (disregarding the over-allotment facility). Should applications for only the minimum level of £6.4 million (£3.2 million per VCT) be received (resulting in the Minimum Net Proceeds of £6.048 million (£3.024 million per VCT being raised) or to the extent that a relatively small level of funds is raised, the VCTs' portfolio of investments will be less diversified than it would have been had the maximum amount sought under the Offer been raised, and potential Shareholders should be aware that the fixed costs of running the VCTs will be proportionately higher and, therefore, a lower proportion of the applicant's monies will be available to be invested in accordance with the stated investment policy as set out in Part Two of this document.
- Whilst it is the intention of the Boards that the VCTs will be managed so as to qualify as VCTs, there can be no guarantee that the VCTs will meet their objectives or that suitable investment opportunities will be identified such that the VCTs will qualify as VCTs or that such status will be maintained. A failure to meet the qualifying requirements could result in the VCTs losing the tax reliefs previously or prospectively obtained, resulting in adverse tax consequences for Shareholders, including a requirement to repay the up-front 30% income tax relief and loss of exemption from corporation tax for the VCTs.
- Levels and 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.
- Shareholders should be aware that the sale of Ordinary Shares within five years of their allotment will require repayment of the up-front 30% income tax relief available upon investment. Accordingly, investment in the VCTs should be viewed as a medium to long term investment.
- Shareholders must follow certain simple steps to receive the income tax relief. If Shareholders fail to take the necessary steps, Shareholders may not receive or may lose their tax reliefs.
- Changes in legislation concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the VCTs in terms of the number of new Qualifying Investment opportunities available to them and/or reduce the level of returns which would otherwise have been achievable by the VCTs and/or their ability to achieve or maintain VCT status. In particular, following a government review, investments in companies operating in the solar sector and benefitting from FITs will only qualify as VCT investments up to 5 April 2012 and, from this date, any new investments in companies supported by FITs will generally not be qualifying.
- Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the VCTs and/or their ability to achieve or maintain final VCT status. This includes changes to the FIT scheme.
- Realisation of investments in unquoted companies can be difficult and may take considerable time. There may also be constraints imposed upon the VCTs with respect to such realisations in order to maintain their VCT status which may restrict the VCTs' ability to obtain the maximum value from their investments.

- Investment in unquoted companies, AIM traded and PLUS Market traded companies by its nature involves a higher degree of liquidity risk than investment in companies traded on the main market of the London Stock Exchange. In particular, markets for smaller companies may not be regulated and are often less liquid and there may be difficulties in valuing and disposing of investments in such companies. In addition, such companies and smaller companies generally may have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies.
- The following risk factors may adversely affect the value of, and the returns from, the investments made by the VCTs in investee companies and, as a result, the value of, and the returns from, the Ordinary Shares being reduced or lost:
 - The nature of energy-generating assets is that their useful economic life is fixed and the assets are intended to produce predictable revenue streams over a protracted period. However, there may be circumstances where, without certain refurbishment expenditure, the value of such assets is likely to decline;
 - The operational profitability of potential investee companies may be adversely affected by factors outside their control including, inter alia, divergence between forecasted and actual levels of solar radiation, change in government policies regarding renewable energy subsidies, changes in the rates of FiTs, interest, inflation, foreign exchange or tax, or by changes in prices of solar panels and other capital equipment, lower than projected energy output, downtime of plant and machinery, unavailability of grid connection, higher than projected operating costs, availability and cost of insurance and other unanticipated events that adversely affect operations;
 - The underlying capital value of an investment in Ordinary Shares is intended to decline over its investment period, reducing to zero after 25 years as the value of the underlying assets depreciate and in light of the fixed 25 year period for solar FiTs (depending on the commercial terms achieved, some of the assets may retain a residual value);
- Investee companies may require planning permission from local councils or governmental bodies to undertake their proposed operation which may result in delays in obtaining, failing to obtain or the withdrawal of such planning permission. Delays as a result of statutory and regulatory requirements, including those imposed by environmental, safety, labour and other regulatory and political authorities, and delays in construction or additional unforeseen costs in completing construction may also have a negative impact on the financial returns of the investee companies' businesses. Where these funding shortfalls are not covered by performance guarantees from the construction contractors or insurance, the VCTs may have to contribute additional working capital in order to support investee companies and avoid dilution. Risk relating to construction costs include incomplete design, inadequate site preparation, uncertainty over source of materials, weather and seasonal fluctuations, industrial relations problems and financing risks;
- With the recent extension of VCT legislation to permit activities being undertaken globally, as opposed to simply within the UK, together with the fact that certain sectors rely on base currency other than sterling, for example, biofuels, it is possible that investee companies may be exposed to exchange rate fluctuations. Where possible, the investee companies will ensure that receipts and costs are settled in sterling or appropriate hedging arrangements are implemented; and
- Although the VCTs may receive certain conventional venture capital rights in connection with the VCTs' investments, as minority investors they may not be in a position to fully protect the interests of Shareholders.

LETTER FROM THE CHAIRMEN

Octopus VCT 3 plc
Octopus VCT 4 plc
20 Old Bailey
London EC4M 7AN

14 September 2011

Dear Investor

We are delighted to be writing to you as the Chairmen of Octopus VCT 3 plc and Octopus VCT 4 plc (Octopus VCT 3&4).

THE INVESTMENT OPPORTUNITY

Octopus VCT 3&4 offer a compelling opportunity to investors looking for a highly tax efficient investment with an investment mandate that favours companies with more predictable revenue streams. The VCTs will aim to achieve this by investing in a portfolio of unquoted companies, predominantly in the UK solar energy sector that benefit from the government backed Feed-in-Tariffs (FiTs) scheme. The FiTs for the solar energy sector are index-linked, meaning that they are adjusted to keep them in line with inflation measured by the Retail Price Index.

The FiTs guarantee 25-year inflation-linked prices for electricity generated by qualifying solar power installations. This predictable revenue stream, combined with the fact that the technology involved is well proven and reliable, makes solar investments particularly attractive for VCT investors.

LIMITED INVESTMENT TIMEFRAME

There is a limited window of opportunity for investors to access the government supported returns through FiTs. The FiT for the sub-50kWp solar installations is due to be reduced after 31 March 2012. With a requirement for the sub-50kWp solar installations to be in place and connected to the National Grid before this date, Octopus VCT 3&4 may only have limited capacity to accept applications after 31 December 2011.

A significant potential pipeline of sub-50kWp solar opportunities has already been identified by Octopus' solar partner, Lightsource Renewable Energy Limited (Lightsource). Furthermore, Octopus has already received advance assurance from HMRC that a number of these opportunities should qualify for VCT investment.

EXPERT MANAGEMENT

Octopus VCT 3&4 will be managed by Octopus; an award winning investment company that has over £2.5 billion under management. It manages the largest share of VCT funds in the industry, with 17 VCTs under management providing finance across the small and medium size enterprise spectrum.

The Octopus VCT 3&4 investment team has significant experience in making investments in the solar sector having invested £90 million in solar projects since the start of 2011. As well as having its own solar investment team, Octopus will draw on the expertise of its solar partner, Lightsource, in sourcing investments and providing ongoing project management, installation and operational services to investee companies.

A FOCUS ON PREDICTABLE INVESTMENT RETURNS

The Boards' aim is to provide more predictable investment returns than VCTs have traditionally offered. Octopus VCT 3&4 have been designed for income generation with the objective of paying annual tax-free dividends to Shareholders of at least 5p per year, over a 25 year period starting in 2013.

Octopus VCT 3&4 are structured as unlimited life VCTs, allowing investors to take advantage of the potential stream of future dividends from the 25 year income profile from FiTs. The targeted return at the five year period is 110p per Ordinary Share, through a combination of capital value and dividends received.

ZERO DISCOUNT BUYBACK POLICY

The Boards appreciate that some investors may wish to exit the VCTs after the five year holding period required to retain the upfront income tax relief. In order to provide these investors with liquidity, the Boards intend to operate a zero discount buyback policy throughout the life of the VCTs whereby Octopus VCT 3&4 will buy back Ordinary Shares at the latest published net asset value of the relevant VCT. With many other VCTs offering a buyback facility entailing a significant discount to net asset value, the Boards believe that the zero discount buyback policy of Octopus VCT3&4 will be attractive to investors. The Boards' intention to provide a zero discount buyback policy will be subject to relevant regulatory and statutory requirements, and having sufficient distributable reserves and financial resources available.

INTERESTS OF OCTOPUS AND INVESTORS ALIGNED

In order to align the interests of Octopus and Shareholders, there will be no performance fee on excess returns as the Boards and Octopus have agreed that it is inappropriate for Octopus to be incentivised to seek excess returns when the primary objective is to achieve more predictable returns.

NEXT STEPS

In order to invest, please read this Prospectus and then complete the Application Form, which is at the end of this document.

If you have any questions regarding Octopus VCT 3&4, you should contact your financial adviser or call Octopus on **0800 316 2298**. Please note that Octopus is not able to provide you with investment, financial or tax advice and your attention is also drawn to the Risk Factors on pages 6 and 7.

We look forward to welcoming you as a Shareholder.

Yours faithfully



Ray Greenshields
Chairman
Octopus VCT 3 plc



Graham Paterson
Chairman
Octopus VCT 4 plc

EXPECTED TIMETABLE AND OFFER STATISTICS

EXPECTED TIMETABLE

Offer opens	14 September 2011
First allotment	as soon as the minimum aggregate subscription of £6.4 million (£3.2 million per VCT) is reached
First admission	within ten Business Days of the first allotment
Subsequent allotments	monthly
Dealings commence	within ten Business Days of each allotment
Share and tax certificates sent out	within 15 Business Days of each allotment
Offer closes	12.00 pm on 5 April 2012

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 Boards (acting jointly) in their absolute discretion to a date no later than 30 June 2012. The Boards (acting jointly) may also, in their absolute discretion, decide to increase the Offer by a further 10 million Ordinary Shares if there proves to be excess demand from investors (such increase to be notified through an announcement). 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 as soon as practicable following allotment of Ordinary Shares.

OFFER STATISTICS

Offer Price per Ordinary Share	100p
Maximum number of Ordinary Shares in issue in each VCT following the Offer (if the over-allotment facility is not utilised)	20,000,002
Maximum number of Ordinary Shares in issue in each VCT following the Offer (assuming the over-allotment facility is fully utilised)	25,000,002
Minimum number of Ordinary Shares in issue in each VCT following the Offer	3,200,002
Initial net asset value per Ordinary Share	94.5p
Maximum net proceeds of the Offer for each VCT, after issue costs, at full subscription if the over-allotment facility is not utilised*	£18,900,000
Maximum net proceeds of the Offer for each VCT, after issue costs, at full subscription if the over-allotment facility is fully utilised*	£23,625,000

* taking into account expenses of the Offer of 5.5p per Ordinary Share and ignoring trail commission

COSTS AND COMMISSIONS RELATING TO THE OFFER

Offer costs as a percentage of the gross proceeds	5.5%
Initial commission to intermediaries*	2.5% of the amount invested
Annual trail commission**	0.5% of the initial net asset value

* payable by Octopus and included within the Offer costs of 5.5%

** payable by the VCTs for up to nine years from the relevant date of allotment of Ordinary Shares

PART ONE – THE OFFER AND OTHER INFORMATION

DETAILS OF THE OFFER AND THE OVER-ALLOTMENT FACILITY

It is proposed to allot up to, in aggregate, 40 million Ordinary Shares (20 million Ordinary Shares per VCT) to the public pursuant to the Offer. If there proves to be excess demand from investors, the Boards may (acting jointly) increase the size of the Offer by a further 10 million Ordinary Shares (5 million Ordinary Shares per VCT) under an authority available to them. The over-allotment facility may only be utilised whilst the Offer is open and will be notified through an announcement on a regulatory information service.

The Offer will be open from 14 September 2011 until 12.00 pm on 5 April 2012 unless fully subscribed earlier or extended by the Boards (acting jointly) to a date no later than 30 June 2012.

The Ordinary Shares (including Ordinary Shares offered under the over-allotment facility) are being offered at 100p per Ordinary Share payable in full, by cheque, banker's draft or bank transfer, on application. Applications will be split equally between the VCTs. Application will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for Admission of the Ordinary Shares to trading on the London Stock Exchange's main market for listed securities.

Confirmation that applications have been received will be sent to applicants. Applicants should note that dealings may begin in Ordinary Shares allotted to them prior to confirmation of receipt of the application. Conversely, there may be a short delay between sending in an application and being allotted Ordinary Shares.

The Offer is conditional on valid applications being received amounting to, in aggregate, £6.4 million, (£3.2 million per VCT (which would result in the Minimum Net Proceeds being raised)) by 5 April 2012. If this is not reached, the Offer will be withdrawn and application monies which have been received will be returned without interest by post at the risk of the applicant. The minimum application level under the Offer, upon which the Offer is conditional, will not be reduced. In the event that the Offer is oversubscribed, allotment will generally be made to investors on a first come, first served basis (but subject always to the discretion of the Boards). Any excess amounts of more than £1 paid by applicants will be refunded by cheque to the person named in Section 1 of the Application Form. The Offer is not underwritten.

The Ordinary Shares will be issued on a fully paid up basis in registered form. Ordinary Shares will be allotted and issued in respect of valid applications under the Offer as soon as the minimum subscription of £6.4 million (£3.2 million per VCT) has been reached and at any subsequent times on or prior to 5 April 2012 (unless the Offer is extended) on which the Boards (acting jointly) decide. 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 Ordinary Shares are expected to commence within ten Business Days of allotment.

USE OF PROCEEDS

It is intended that the proceeds of the Offer will be used by Octopus VCT 3&4 in accordance with their investment policy, further details of which are set out in Part Two of this document.

TYPICAL INVESTOR PROFILE

A typical investor for whom the Offer is designed is a UK income tax-payer over 18 years old 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 Two of this document to be attractive. Investment in a VCT may not be suitable for all investors and should be considered as a medium to long-term investment.

HOW TO INVEST AND INVESTMENT LIMITS

Application forms can be found at the end of this Prospectus. The minimum investment under the Offer is £3,000. Although there is no maximum size of investment, VCT tax reliefs are only available on a maximum VCT investment of £200,000 in any one tax year. The amount of relief an investor can receive cannot exceed their income tax liability for that year. Investors' subscriptions under the Offer will be split equally between the two VCTs.

The terms and conditions of application are set out in Part Eleven of this document along with Application Forms and details of the application procedure.

PROMOTER AND OFFER COSTS

Octopus will act as promoter to the Offer and has agreed to underwrite the costs of the Offer (excluding annual trail commission) in return for an initial fee of 5.5% of the gross funds raised. Out of this fee, Octopus will be responsible for paying the costs of the Offer including any initial intermediary commissions (excluding annual trail commission). The VCTs will be responsible for paying any annual trail commission.

INTERMEDIARY COMMISSION

Authorised financial intermediaries will usually be entitled to receive an initial commission of 2.5% on the amount invested by their client. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the Ordinary Shares, Octopus VCT 3&4 will pay intermediaries an annual trail commission of 0.5% of the initial net asset value for a period of nine years from the allotment date of the relevant Ordinary Shares.

Should a Board decide to implement any re-investment proposals referred to below (for example, large scale buyback and reinvestment schemes) it is intended that authorised financial intermediaries would be entitled to receive further annual trail commission in respect of such re-investment. This is subject to allowable legislation being in place at that time.

VCT BACKGROUND AND TAX BENEFITS FOR INVESTORS

The total amount invested in VCTs since their launch in 1995 is over £4 billion, and has been steadily rising. This has been driven, in part, by higher rates of income tax and pension fund restrictions, and a more uncertain economic climate that has reinforced the benefits of VCTs as part of a diversified portfolio.

They were introduced by the UK government to encourage individuals to invest in UK smaller companies by offering them a series of attractive tax benefits. The current tax reliefs available for qualifying investors are (subject to annual investment limits):

- Up to 30% income tax relief on the amount subscribed
- Tax-free dividends
- Tax-free capital gains on the disposal of shares

Octopus VCT 3&4 are structured as VCTs to allow qualifying investors to take advantage of these substantial tax benefits. The upfront income tax relief means that taxpayers should benefit from a £3,000 reduction in their tax bill for every £10,000 invested, provided the Ordinary Shares are held for a period of five years. In addition, qualifying investors will benefit from dividends paid by the VCTs being tax free and from there being no capital gains tax on a disposal of Ordinary Shares.

The following shows the effect of the income tax relief for a qualifying investor 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 of 35% after initial costs before the VCTs make their first investment.

The above is only a brief summary of the UK tax position for investors in VCTs and is based on the VCTs' understanding of current law and practice. Further details are set out in Part Eight of this document.

CLAIMING THE INCOME TAX RELIEF

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

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

A more detailed explanation of the taxation considerations for investors is given in Part Eight of this document.

DIVIDEND POLICY

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

While it is unlikely the investments made by these VCTs will be structured to generate significant capital gains, the intention of each Board is to maximise the payments of dividends over the 25 year FiT period with the objective of paying annual dividends of at least 5p per Ordinary Share to provide a steady income stream

to Shareholders. It is anticipated that the dividend will increase as the level of FiT is RPI-linked. Investments are intended to be structured to support this objective.

Octopus VCT 3&4 have a targeted return at the five year period of 110p, through a combination of capital value and dividends received. The ability of the VCTs to pay dividends will, however, depend on, amongst other things, the performance of the portfolios, particularly in terms of the income generated from the FiT scheme, and the VCTs having reserves available to make such distributions.

ZERO DISCOUNT BUYBACK POLICY AND EXIT STRATEGIES

Octopus VCT 3&4 are structured as unlimited life VCTs, allowing investors to take advantage of the potential stream of future dividends from the 25 year income profile from FiTs. Certain Shareholders may, after the five year holding period to maintain upfront income tax relief, wish to exit the VCTs. In order to provide these investors with the ability to sell their shares, the Boards intend to operate a zero discount buyback policy throughout the life of the VCTs, whereby Octopus VCT 3&4 will buy back Ordinary Shares at the latest published net asset value of the relevant VCT (less transaction costs i.e. costs involved in the buying and selling of shares, such as broker commissions). The Boards' intention to provide a zero discount buyback policy will be subject to relevant regulatory and statutory requirements, and having sufficient distributable reserves and financial resources available and any Ordinary Shares bought back will be cancelled. However, it is possible a secondary market will exist as the shares in the VCTs should provide access to an attractive, tax free, rising dividend stream.

Investors should note that the underlying capital value of their investment is intended to decline over their investment period, and could reduce to zero after 25 years (depending on the commercial terms achieved of each investment, some of the assets may retain a residual value). The anticipated tax-free dividend stream, combined with the initial upfront tax relief, should provide qualifying investors with an attractive tax-free return over the life of their investment.

The Boards, though only with Shareholder approval, may also consider providing one or more opportunities for Shareholders to exit or re-invest through large scale buyback and reinvestment schemes during the life of the VCTs. This may include considering whether to wind-up the VCTs (although there is no intention of this in the short to medium term). Such proposals will be subject to statutory and regulatory requirements applicable at the time, and the performance and/or the ability of the VCTs to realise investments.

Before deciding whether to apply for Ordinary Shares under the terms of the Offer you are recommended to consult a duly authorised independent financial adviser.

PART TWO – INVESTMENT POLICY

The investment policy for both VCTs will be the same and is set out below.

INVESTMENT POLICY

Octopus VCT 3&4 intend to invest in a portfolio of unquoted companies where the focus will be predominantly in the solar sector. These solar investments will typically be sub-50kWp installations which attract the benefit of the government's Feed-in Tariff scheme. It is possible that all investments will be in the solar sector. The VCTs will also have the ability to invest in a variety of other sectors and technologies, where the Octopus team is confident that investments can be structured to achieve more predictable returns. These may include investments quoted on AIM or PLUS Markets.

The Boards do not intend to vary the investment policy, which is further intended to be adhered to for at least the first three years following listing. However, should a material change in the investment policy be deemed appropriate this will be done with Shareholders' approval and in accordance with the Listing Rules.

Qualifying Investments and asset allocation

In order to qualify as a VCT, at least 70% (by VCT Value) of the funds raised by each VCT must be invested in Qualifying Investments (ie investments which satisfy the requirements of Chapter 4 of Part 6 of ITA 2007) by the beginning of the accounting period in which the third anniversary of such funds being raised falls. However, it is anticipated that nearly all the funds raised will be invested in Qualifying Investments within the first 12 months, subject to sufficient liquidity being retained for working capital and follow-on investments.

Non-Qualifying Investments

For monies held pending investment, either awaiting investment into Qualifying Investments or retained to provide liquidity as mentioned above, Octopus VCT 3&4 will invest in money market cash funds, fixed income instruments, unit trusts, open ended investment companies and other instruments where the Investment Manager believes that the overall downside risk is low. The VCTs may also make Non-Qualifying Investments where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the VCTs, which may include, from time to time, making investments or further investments in companies which meet the profile of a Qualifying Investment but which would otherwise not meet VCT Qualifying Investment status. One such opportunity may be to provide

additional funding (over and above the Qualifying Investment) for the solar installations. A benefit to this is that greater returns on the uninvested cash may be achieved than compared to cash funds or fixed income securities.

Risk management and borrowing

In order to limit concentration in the portfolio that is derived from any particular investment, at all times no more than 15% by VCT Value of each VCT's investments (at the time of investment) will be invested in any single company. In addition, no more than 10%, in aggregate, of the assets of each VCT (at the time the investment is made) will be invested in other listed closed-ended investment funds.

Each VCT may invest in a range of securities including, but not limited to, ordinary and preference shares, loan stocks and convertible securities, and other interest-bearing securities. Qualifying unquoted investments will usually be structured as a combination of ordinary shares, preference shares and loan stocks.

Whilst the Boards do not intend that the VCTs will borrow funds, each VCT is entitled to do so up to 20% of the value of the adjusted capital and reserves of that VCT (being, in summary, the aggregate of the issued share capital, plus any amount standing to the credit of the VCT's reserves, deducting for any distributions declared and intangible assets and adjusting for any variations to the above since the date of the relevant balance sheet).

CO-INVESTMENT POLICY

Octopus VCT 3&4 is structured as a twin VCT and it is intended that each VCT will invest identically in all opportunities. This allows the VCTs to invest up to £2 million per investee company in aggregate.

The Boards also acknowledge that investment opportunities may be suitable for other funds managed by Octopus ("Relevant Funds"). The Investment Manager will consult each Board in relation to such investment opportunities, it being agreed that, in general, such opportunities should be offered to the VCTs on a basis that has been pre-agreed with the Boards. 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 pre-agreed basis, such an investment will require the approval of those members of the Boards who are independent of the Investment Manager.

PART THREE – THE INVESTMENT OPPORTUNITY

As set out in the investment policy in Part Two of this document, the investment focus of Octopus VCT 3&4 will be on the solar sector although they will also have the ability to invest in other sectors and technologies where the Octopus team is confident that investments can be structured to achieve more predictable returns. The solar investments will typically be sub-50kWp installations which attract the benefit of the Feed-in Tariff scheme. However, where the investment team believes that the level of risk and investment structure is appropriate for the VCTs, they may consider investing in other types of renewable energy. It is possible that all investments will be in the solar sector.

The Octopus team has significant experience in making investments in the solar sector having invested £90 million in solar projects since the start of 2011. The investment processes and investee company objectives below are those particularly applicable to solar opportunities, but will also apply, as relevant, to other investment opportunities.

WHY SOLAR?

Following recent UK and European legislation, the UK government has set a target that, by 2020, 30% of all of the UK's electricity is generated from renewable sources. Given that only 5.5% is currently generated from such sources, this is a huge challenge. The UK needs to build capacity to produce "green electricity" equivalent to 11 new nuclear power stations. With the possibility of large financial penalties as well as wider political pressure if the government fails to deliver, solar is one of several important solutions in meeting this looming deadline.

In April 2010, UK government legislation introduced a Feed-in Tariff (FiT) scheme to the UK. Its aim was to incentivise smaller scale renewable electricity generation schemes, including 'solar installations' - the use of solar panels to generate electricity. This follows a similar model that has been used in mainland Europe for a number of years, successfully encouraging significant roll-out of solar installations using proven technology. In Germany, for example, one in ten commercial buildings have solar panels installed and an estimated £42 billion has been spent on solar installation since it introduced a FiT regime in 2004.

Following the construction of a high number of large scale solar installations in 2010 and 2011, the government reviewed the FiT and reduced the tariff paid on new sites of 50kWp or above in size connected to the National Grid after 1 August 2011 (this change did not affect connections made prior to that date). As a result, solar investments made by Octopus VCT 3&4 will typically be sub-50kWp installations where the FiT levels have not been reduced but are expected to be reduced by 31 March 2012. The sub-50kWp installations will, therefore, need to be connected to the National Grid by this date.

LIMITED INVESTMENT TIMEFRAME

There is a limited window of opportunity for investors to access the government supported returns through FiTs, given that the FiT for the sub-50kWp solar installations is due to be reduced after 31 March 2012.

A significant potential pipeline of sub-50kWp solar opportunities has already been identified by Octopus' solar partner, Lightsource Renewable Energy Limited (Lightsource). Furthermore, Octopus has received advance assurance from HMRC that a number of

these opportunities should qualify for VCT investment.

It is important to note that, following a government review, investments in companies operating in the solar sector and benefitting from FiTs will only qualify as VCT investments up to 5 April 2012. From this date, any new investments in companies supported by FiTs will generally not be qualifying.

FEED-IN TARIFFS

The FiT scheme is a government underpinned scheme that pays you for producing electricity generated by a renewable energy system regardless of whether the electricity is used onsite or exported to the National Grid. Electricity used or exported can be sold to the property owner or an electricity wholesaler, generating additional income.

Although the government determines the level of FiTs paid to solar installations, the tariffs are paid for by the energy suppliers who receive the generated electricity.

The FiTs available for solar installations last for 25 years. Once an installation is accepted on a given tariff, current legislation guarantees this level over the 25 year period. Furthermore, the tariff is index-linked, meaning that it is adjusted to keep it in line with inflation measured by the Retail Price Index. The FiTs for solar installations remain subject to change by the government and any changes may apply retrospectively, although it is anticipated that such changes will only apply to solar installations connected after that date.

SOLAR AS VCT INVESTMENTS

The Boards believe that solar energy offers an attractive investment opportunity for investors for the following reasons:

- **A proven track record:** solar electricity is a well established technology that has been used for many years outside of the UK.
- **A more predictable revenue stream:** solar energy delivers predictable volumes of energy, and therefore a visible revenue stream and return for investors.
- **It offers a long-term price for the output that accounts for inflation:** government legislation stipulates that the payments to the solar investee companies will remain in place for 25 years, with the amount paid increasing in line with the Retail Price Index.
- **Predictable costs:** the costs involved in setting up solar installations are incurred upfront and can be budgeted for, what's more, ongoing maintenance and monitoring costs are low.

HOW DOES IT WORK?

In order to benefit from the FiT scheme, the VCTs will focus on investing in companies that own and operate sub-50kWp solar installations on a mixture of roof-tops and ground based sites that may include schools, churches, commercial buildings and farm land.

It is expected that the companies that the VCTs will invest in (known as the "investee companies") will either acquire completed and operational solar installations or develop solar

installations (but not typically before planning permission has been obtained). The investee companies will, following investment, be the owner and operator, but will draw upon experienced third parties in delivering installation and/or operation. The investee companies may provide electricity to the property owner or otherwise sell the electricity.

The landlord, therefore, obtains a supply of electricity (potentially for free and if not, typically for a fixed price) and/or a new income stream from an otherwise redundant space by obtaining a lease on the site. The investee company will receive the FIT for 25 years and also potential revenues from selling electricity to the National Grid. This creates a mutually beneficial arrangement that has the important positive result of helping the UK government to deliver on its targets and ultimately reduce our reliance on fossil fuels.

HOW WILL THE OPPORTUNITIES BE DELIVERED?

The Octopus VCT 3&4 investment team has significant experience in making investments in the solar sector having invested £90 million in solar projects since the start of 2011. The Octopus team will work closely with Octopus' solar partner Lightsource Renewable Energy Limited ("Lightsource"). The Lightsource team is experienced in developing and operating solar projects, and the combined Octopus and Lightsource teams have the expertise across the range of skills required to deliver solar installations including planning, engineering, property development, legal and financial knowledge, and experience of rolling-out installations in the UK, German, Italian and Spanish markets. Lightsource is already in advanced discussions with well known developers in preparation for the roll out of solar sites.

The Octopus team will source, introduce and structure investment opportunities for the VCTs in respect of solar opportunities, drawing on the expertise of its solar partner, Lightsource, in sourcing investments. Lightsource will not, however, be involved in the structuring of investments or in the investment decision-making process (which will be the responsibility of Octopus). Lightsource may, in respect of solar opportunities only, also provide ongoing project management, installation and operational services to investee companies.

Further information on Lightsource is set out in Part Four of this document.

The first stage of the process in delivering these opportunities is the identification of a potential site of suitable size with a southerly aspect, for example, a warehouse, quarry or an out of town supermarket. Using well researched sunlight data, the amount of electricity likely to be produced from the site can be predicted and, if suitable, a price is agreed to lease the roof space and for any electricity supplied to the occupier on site. Planning permission is then sought and, when obtained, the panels are installed and connected to the National Grid. The investee company will then receive a predictable and secure income stream for 25 years.

EXISTING DEAL FLOW

A significant potential pipeline of sub-50kWp solar installations has already been identified by Lightsource, including schools, churches, farm land and commercial buildings. Such investment opportunities will be subject to due diligence, agreement of terms and approval by the Octopus team and the Directors independent of Octopus. Having such a pipeline in place does not guarantee that investments will be made but is important to the success of the VCTs as it provides visibility that funds should be deployed relatively quickly prior to the change to the qualifying trading requirements referred to above in order to achieve the return objectives for investors. Furthermore, Octopus has received advance assurance from HMRC that a number of these potential opportunities in investee companies for sub-50kWp solar installations should qualify for VCT investment, and which should therefore, allow for quick investment upon funds being raised if the VCTs decide to invest.

OCTOPUS' TRACK RECORD

Octopus' experience and track record in delivering large scale solar farms is set out in the table below and, when combined with the potential pipeline of opportunities which has already been identified by Lightsource, should provide a competitive advantage in the smaller scale solar sector.

Large-scale solar installations, developed by Lightsource, funded solely (other than Howbery) by Octopus

Site name	Location	Site area (ha)	Capacity (MWp)	Solar panels (approx)	Estimated CO ₂ savings (tonnes)	Amount invested (approx) (£ million)
Howbery	Oxfordshire	1.80	0.75	3,000	364	2.30
Wheal Jane	Cornwall	2.90	1.42	5,700	767	4.20
Sandhill	Somerset	4.60	1.93	7,900	986	6.50
Hawton	Nottinghamshire	14.60	4.88	21,700	2,309	13.60
Benbole	Cornwall	2.64	1.74	7,100	894	6.00
Moor1	Lincolnshire	4.90	1.67	7,000	861	4.40
Moor2	Lincolnshire	2.51	1.07	4,550	506	2.85
Promens	Suffolk	1.76 (rooftop)	1.65	7,600	781	4.00
Wilburton	Cambridgeshire	15.20	4.99	19,200	2,510	14.45
Howton Farm	Cornwall	10.52	5.00	17,800	2,573	13.55
Marston	Lincolnshire	12.18	4.51	16,100	2,210	12.10
Dunsfold	Surrey	6.26	2.00	8,500	969	5.60
Totals		79.87	31.61	126,150	15,730	89.55

PART FOUR – THE INVESTMENT MANAGER

Octopus VCT 3&4 will be managed by Octopus, one of the UK's leading specialist fund management companies with more than £2.5 billion under management (as at 31 August 2011). Octopus has more than 200 staff, including over 50 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.

Within financial services, Octopus has developed a reputation for quality and innovation, and prides itself on providing exceptional levels of service to all its customers. Octopus has received an AAA rating for financial planning from Citywire for two years in succession – one of only two fund management companies to achieve this.

Octopus currently manages 17 VCTs - more than any other fund manager. Financial advisers have voted Octopus 'VCT Provider of the Year' at the Professional Adviser Awards in 2007, 2008, 2009 and 2010, Octopus was also named VCT Manager of the Year at the unquote" British Private Equity Awards for 2010.

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.

THE OCTOPUS INVESTMENT TEAM

The Octopus VCT 3&4 investment team has significant experience in making investments in the solar sector having invested £90 million in solar projects since the start of 2011. As well as having its own solar investment team, Octopus will draw on the expertise of its solar partner, Lightsource, in sourcing investments and providing ongoing project management, installation and operational services to investee companies.

The investment team comprises a number of investment specialists (including the dedicated solar team). The team already manages six similar VCTs, including Octopus VCT plc which was oversubscribed and successfully raised over £50 million in 2009/2010, making it the largest VCT initial fundraising ever. The Octopus team includes the following individuals:

Mario Berti

Mario joined Octopus in 2010 to head the specialist finance team, which currently has over £600 million of funds under management. Mario chairs the team's investment committee and is responsible for evaluating potential investments to ensure they meet the funds' investment mandates. Prior to joining Octopus, Mario was a director at Rothschild.

Mario is a qualified Chartered Accountant and read PPE at Oxford University.

Matt Setchell

Matt joined Octopus in July 2008 and is responsible for the specialist finance team's renewable energy investment strategy, with a particular focus on solar. In this role he led the discussions that resulted in Octopus entering into partnership with Lightsource. Matt is also responsible for sourcing and completing deals in other renewable energy technologies.

Prior to joining Octopus, Matt was at Shore Capital where he worked for over three years as an investment manager, focused on their Puma VCTs, and before that, Matt was a manager at PricewaterhouseCoopers.

Matt has an MBA from Cambridge and a degree in Economics and Accounting from Bristol University. He is a member of the Chartered Institute for Securities & Investment.

Katrina Johnston

Katrina joined the specialist finance team in early 2011 and is responsible for sourcing and completing deals in renewable energy technologies. She manages a portfolio of twelve companies with a total investment of £90 million. Having started her career at IBM, Katrina spent eleven years working in the solar photovoltaic industry with Solar Century, a leading solar energy company specialising in solar panels and photovoltaic systems, where she was involved in raising significant venture capital investment and structuring and negotiating large value project finance deals. She is a non-executive director of Demand Logic Limited, a start-up company focused on demand response in buildings.

Katrina was awarded an MBA with distinction from London Business School and has a degree in Mathematical Statistics and Operational Research from Exeter University.

Stuart Nicol

Stuart is responsible for the day-to-day management of six other VCTs managed by Octopus. Since joining Octopus in 2007, he has led an investment team that makes investments for funds with a similar investment mandate to these VCTs into UK based small and medium sized businesses. He has been involved with the specialist finance team's solar investment projects since their inception. He currently sits on the board of two investee companies and oversees the monitoring of a further seven. Prior to joining Octopus he was part of the team that set up, invested and managed The Capital Fund (a £50 million regional venture capital fund). Stuart is actively involved in helping foster entrepreneurship through his position as UK co-president of not-for-profit The Indus Entrepreneurs (TiE).

Stuart is a graduate of London Business School, RMA Sandhurst and Loughborough University.

Benjamin Davis

Benjamin joined Octopus in 2010 and focuses on sourcing deal flow, evaluating and assessing potential investee companies, negotiation, documentation of deal terms and portfolio management and board presentation. Prior to joining Octopus he was at YFM Equity Partners where he led numerous transactions and acted as board representative for companies in sectors including technology, healthcare, retail and leisure. Prior to joining YFM, Benjamin was an associate director at investment bank Interregnum where he worked across the corporate finance and venture capital investment teams in the UK and USA. Prior to this, Benjamin worked as a consultant in the UK and New Zealand for blue chip companies including Marks & Spencer, Securicor and Air New Zealand.

Benjamin has an MBA from the University of Cambridge and a first class honours degree from the University of Auckland, New Zealand.

LIGHTSOURCE

Octopus' specialist finance team will, through its collaboration with Lightsource, have access to an experienced developer and operator of solar projects, in respect of solar energy investments.

Octopus agreed a strategic partnership with Lightsource in

November 2010 (as further detailed below). Lightsource is a leading fully integrated developer, owner and operator of solar energy power projects, with a focus on the development and ownership of ground mounted and roof based solar photovoltaic (PV) systems.

The team, consisting of over 20 professionals, includes experienced planners and engineers with expertise in solar PV construction and operations. The team has over 60 years of hands-on experience, having rolled out installations that have generated significant capacity in the established German, Italian and Spanish markets. The Lightsource team is well positioned to realise the solar opportunity in the UK and beyond.

Lightsource is a company which is controlled independently of Octopus, though in which Octopus Capital Limited (of which Octopus is a wholly owned subsidiary) holds a 25% shareholding and to which Octopus Capital Limited has provided a loan. Octopus Capital Limited also has warrants in Lightsource which could increase its shareholding to a maximum of 49.99% (the exercise of which is dependent on the funding provided through Octopus managed or introduced funds for solar opportunities sourced by Lightsource). However, whilst Octopus Capital Limited will retain the economic benefit of the shares held in Lightsource, the shareholding will not confer on it more than 29.99% of the voting rights in Lightsource). It is not intended that the VCTs will make any investment in, or otherwise remunerate, Lightsource directly.

Lightsource may, in respect of solar opportunities only, provide ongoing project management, installation and operational services to investee companies for which it will be remunerated by the investee company. It is also intended that Lightsource will, in particular in respect of solar opportunities sourced by it, have a minority shareholding in the investee companies.

The following are the key individuals of the Lightsource team:

Vicente Lopez-Ibor Mayor – Chairman

Vicente has twenty five years experience at the highest public and private levels in the energy and public market sectors, and is a member of the Advisory Committee for the opening up of public procurement of the European Commission. Vicente was special adviser to the Commissioner of Energy, Transport and Institutional Affairs of the European Commission between 1994 and 1999. He is a former member of the board of directors of the Spanish National Commission and of the Energy and National Commission of the Electricity System, and a founder member of the European Energy Regulatory Committee, as well as the former director of the Legal Services, chairman of the Legal Committee in UNESA, and secretary general and secretary of UNESA Board of Directors. Vicente is also a former member of the Managing Committee and of the Strategy and Legal Groups in EURELECTRIC (European Grouping of the Electricity Supply Industry) and UNIPEDE (Union of International Producers and Distributors of Electrical Energy).

Between 2000 and 2005 he was the general manager for Institutional Relations in Fomento de Construcciones y Contratas, S.A. and member of its management committee. Vicente is member of the board of directors of different Spanish and foreign construction and energy companies, and is permanently advising on energy deals.

Nick Boyle – Chief Executive

Nick has extensive experience in the financial services industry, built up over a career spanning more than 20 years during which

he has held a number of senior director roles. A former director of Zurich, the financial services firm, Nick co-founded the Thinc Group where, as managing director, he coordinated the sale of the business to AXA in 2006 in a deal worth in excess of £100 million. Nick is also non-executive director of Environmental Energy Investments Limited (En-vest), a company that specialises in creating high yielding income based investments through the development of renewable energy plants in Europe.

James Lee – Managing Director

James' background is in the delivery of complex property and construction projects. He has been involved in over £1 billion of construction and development projects which included one of the first commercial photovoltaic installations completed in Australia. James is also a director of specialist development consultancy business, the Luxe Group.

Alexandre Díez Baumann – Legal Counsel

Alexandre is Lightsource's General Counsel and has strong sector experience through his fifteen years experience in the industry. Alexandre brings a wealth of renewable expertise together with an in-depth understanding of international acquisition structures. Alexandre is also a partner at Estudio Juridico Internacional Lopez-Ibor Mayor & Asociados, a Spanish law firm founded by Vicente Lopez-Ibor Mayor. Alexandre has represented many major global clients in structuring, managing and closing acquisitions for energy projects and companies and in particular for solar energy.

Guy Beesley – Associate Director

Guy is an associate director who joined Lightsource in November 2010. Guy previously spent over 10 years in the oil and gas industry working largely on upstream hydrocarbon projects. His project experience covers all phases of engineering through construction, commissioning, hand-over and start-up. Guy has held a number of management and engineering positions with WorleyParsons, Motherwell Information Systems and Atkins over his career.

Guy brings project delivery and business systems expertise to Lightsource, having worked on multi-billion dollar EPC contracts for the likes of Shell, BP, ConocoPhillips and Chevron. He is a member of the Australian Institute of Project Managers and has worked in project offices and onsite in Australia, Canada, France and the UK. Guy is responsible for overall programme execution and project delivery at Lightsource.

Chris Buckland – Technical Director

Chris was appointed technical director of Lightsource. He brings with him extensive experience in the advanced technologies manufacturing industries at a global level, working for companies including Austria Microsystems and Infineon. Previous roles have encompassed management of greenfield site development, operational turnaround, due diligence, best practice, quality systems and organisational change.

From 2005 to 2010, Chris was based in Germany working for lb-vogt GmbH – one of the largest PV specific engineering companies - focussing specifically on start-up, roll out and process industrialisation. He has managed and realised PV projects for major firms such as Q.Cells, Sovello, and REC. His specialist knowledge and international contacts make him ideally equipped to oversee all Lightsource's projects at the very highest level. Chris is author and presenter of numerous expert publications on the PV industry.

PART FIVE – THE BOARDS

Each Board consists of three directors, two of whom are independent of Octopus and the other funds that it manages. Each Board has substantial experience of venture capital businesses, as well as experience in the solar energy sector. Both Boards have appointed Octopus as investment manager to the VCTs on a discretionary basis (save that the approval of the Directors independent of the Investment Manager will be required in relation to investment/divestment decisions by the VCT relating to investment opportunities sourced by or involving Lightsource).

Each Board, however, has overall responsibility for its respective VCT and its affairs, including its investment policy and retains responsibility for approving both the valuations of the portfolio and the net assets of its respective VCT which are calculated and determined by Octopus.

THE BOARD OF OCTOPUS VCT 3

Ray Greenshields (Non-Executive Chairman)

Ray is a non-executive director and chairman of the Board Risk Committee of Close Brothers Group plc and adviser to Standard Life Assurance. Ray held chief executive and managing director positions at AMP, Zurich Financial Services and Barclays Bank and has served as director and chairman on the boards of a number of companies and industry associations including AMP, The Investment and Financial Services Association of Australia, Zurich Financial Services (UKISA), Threadneedle Investments, Barclays Wealth, Barclays Stockbrokers and Standard Life Assurance.

Ian Leaman (Non-Executive Director)

Ian is a chartered accountant who qualified with Deloitte (then Touche Ross). He has held various financial management positions in industry and has concentrated for the last 20 years of his career on an advisory role in the UK SME market. As an adviser to numerous private and institutionally-owned enterprises, Ian has steered them through disposals, acquisitions and fundraisings. He is vice chairman of the Corporate Finance Faculty at the Institute of Chartered Accountants in England and Wales.

Katrina Johnston (Non-Executive Director)

Katrina's biography is set out at page 17 of this document.

THE BOARD OF OCTOPUS VCT 4

Graham Paterson (Non-Executive Chairman)

Graham is a chartered accountant by background and has spent most of his career in the private equity industry. He was one of the founding partners and board member of SL Capital Partners LLP, where, for over 13 years, Graham played a major role in their becoming one of Europe's largest private equity fund of funds managers. During this time he made numerous investments in private equity funds and direct co-investments before becoming chief operating officer in 2009. In addition, he was a member of the advisory boards to a number of private equity fund managers, including Apax Partners and Towerbrook.

Prior to joining Standard Life Private Equity (the predecessor business to SL Capital Partners) in 1997, Graham was an executive in the corporate finance division of Coopers & Lybrand. Currently, Graham is a director, investor and adviser to a number of private companies.

Simon Smith (Non-Executive Director)

Simon has been involved in the investment management industry for around 25 years managing investments in both quoted and unquoted funds. He is a director of Nova Capital Management, a specialist private equity acquirer of non-core corporate assets, and was previously CEO of Springboard a listed private equity company that was acquired by a Nova managed fund in 2006.

Prior to joining Springboard he was a director of Albert E Sharp (now Barclays Wealth), one of the UK's leading Private Client Asset Managers, and Albert E Sharp Fund Managers (now Old Mutual Asset Managers) where he was responsible for building Albert E Sharp's Unit Trust business and for managing their top performing quoted UK Smaller Companies Fund which he built from start up to over £300m during the 1990's.

Simon is a director of a number of private companies including Antler, the leading UK luggage manufacturer and Hydrobolt an oil and gas engineering company. He is a Fellow of the Chartered Institute for Securities and Investment and an Associate of the Chartered Institute of Bankers.

Katrina Johnston (Non-Executive Director)

Katrina's biography is set out at page 17 of this document.

PART SIX – MANAGEMENT REMUNERATION AND ANNUAL COSTS

MANAGEMENT AND ADMINISTRATION FEES

Octopus has been appointed as the investment manager of Octopus VCT 3&4. The appointment is for a period of ten years from the date of the first allotment of Ordinary Shares, and may be terminated by Octopus or the relevant VCT on 12 months' notice expiring at the end of the initial period or at any time thereafter.

Octopus will receive:

- an annual management fee of 1.75% of the net funds raised by each VCT over time;
- an annual accounting and administration fee of 0.3% of net funds raised by each VCT over time; and
- annual company secretarial fees of £7,500 per VCT.

All fees are subject to VAT at the applicable rate and payable quarterly in advance.

Octopus retains the right to charge arrangement, exit and syndication fees to the unquoted investee companies in which each VCT invests. The costs of all deals that do not proceed to completion will be borne by Octopus and not by the VCTs. Octopus may also receive ongoing directors' fees and monitoring fees from the investee companies. Further details of the investment management agreements are set out at paragraph 5(a) of Part Ten of this document.

PERFORMANCE RELATED INCENTIVE FEE

In order to align the interests of Octopus and Shareholders, there will be no performance fee on excess returns as the Boards and Octopus have agreed that it is inappropriate for Octopus to be incentivised to seek excess returns when the primary objective is to achieve more predictable returns.

ANNUAL COSTS

Normal annual running costs of Octopus VCT 3&4 (excluding irrecoverable VAT, exceptional costs and trail commission) are estimated to be no more than 2.6% of the initial net assets per VCT (assuming full subscription and disregarding the over-allotment facility). Such costs include the annual management fee to Octopus, accounting and administration fees, Directors' fees, company secretarial fees, audit, taxation and advice, VCT monitoring fees, regulatory, broker's and registrar's fees and the costs of communicating with Shareholders. If the Offer is not fully subscribed, normal annual running costs per VCT will be higher than the above figure. Octopus has agreed to cap normal annual running costs of each VCT (excluding irrecoverable VAT, exceptional costs and trail commission) at 3.2% per annum of the net funds raised by each VCT over time, by agreeing that any excess will be met by Octopus through a reduction in its annual management fees for the relevant VCT.

PART SEVEN – OTHER INFORMATION

LIFE OF THE COMPANIES

The VCTs are intended to have unlimited lives, although Shareholders will be given the opportunity to consider the future of each VCT at appropriate intervals, not least, and at the latest, upon the cessation of the FIT scheme in approximately 25 years where it is anticipated the VCTs will be wound up. The Articles of each VCT, therefore, contain provisions requiring the relevant Board to invite Shareholders to consider whether that VCT should continue as a VCT at the tenth annual general meeting of the VCTs, and every five years thereafter. If the resolution to continue as a VCT is not approved, a general meeting of the relevant VCT will be convened to propose a reorganisation, reconstruction or a winding up of that VCT.

VCT REGULATION AND STATUS MONITORING

In order to obtain VCT status, Octopus VCT 3&4 must be approved by HMRC. The conditions which must be satisfied to obtain and retain such status are set out in full in Part Nine of this document.

HMRC has given provisional approval of Octopus VCT 3&4 as VCTs. Martineau, as solicitors and VCT launch advisers to the VCTs, has advised on the VCT status of Octopus VCT 3&4 and the Offer for the purposes of launch and has obtained HMRC provisional approvals.

The VCTs have retained PricewaterhouseCoopers LLP to advise on VCT tax matters generally and, in particular, the ongoing maintenance of VCT status. Final approval will be sought as soon as possible and, in any event, no later than the end of the accounting period of each VCT beginning three years after provisional approval. PricewaterhouseCoopers LLP will monitor progress towards achieving full VCT approval, but will report directly to the Boards.

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

INVESTOR COMMUNICATIONS

The Boards recognise the importance of maintaining regular communications with Shareholders. In addition to the announcement and publication of the annual report and accounts, and the interim results, the VCTs will also publish quarterly interim management statements and Octopus will publish investment updates during the year.

	in each year (expected)
Year end	31 August
Posting of annual reports	December/January
Interim period end	28 February
Posting of interim report	April/May

In order to provide efficient Shareholder communications and cost savings for the VCTs, the Boards intend to publish annual and interim reports, and other statutory communications, online at www.octopusinvestments.com (notice of any dividends payable would be sent by post). Company law requires that Shareholders can request that paper copies of such publications be sent to them. Applicants who wish to receive paper copies are requested to complete the Application Form accordingly as set out in the application procedures.

PART EIGHT – TAXATION CONSIDERATIONS FOR INVESTORS

I. Tax reliefs

The following is only a summary of the law concerning the tax position of individual qualifying investors in VCTs. Potential investors are recommended to consult a duly authorised independent financial adviser as to the taxation consequences of an investment in a VCT.

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

A qualifying investor is an individual aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT.

(a) Income tax

(i) Relief from income tax on investment

A qualifying investor subscribing for Ordinary Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

To obtain relief a qualifying investor must subscribe on his own behalf although the Ordinary Shares may subsequently be transferred to a nominee.

The relief is given at the rate of 30% on the amount subscribed regardless of whether the qualifying investor is a higher rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the qualifying investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

(ii) Dividend relief

A qualifying investor who acquires in any tax year VCT shares having a value of up to a maximum of £200,000 will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

(iii) Purchasers in the market

A qualifying investor who purchases existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph I (a)(ii) above) but not relief from income tax on investment (as described in paragraph I (a)(i) above).

(iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares (including Ordinary Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within

five years of issue or if the VCT loses its approval within this period as detailed below.

(b) Capital gains tax

(i) Relief from capital gains tax on the disposal of Ordinary Shares

A disposal by a qualifying investor of Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) Purchasers in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph b(i) above)

(c) Loss of VCT approval

A company may be fully approved as a VCT or, to facilitate launch, provisionally approved to allow the company sufficient time to meet the various requirements for full approval as set out in Part Nine of this document.

(i) Loss of full approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

(ii) Loss of provisional approval

If a company which has been granted provisional approval as a VCT subsequently fails to comply with the conditions for full approval, such provisional approval as a VCT may be withdrawn and the effect is as if provisional approval had never been given. In these circumstances, therefore, relief from income tax on the initial investment is repayable, dividends paid and to be paid will be subject to income tax and any gains on the VCT shares will also be taxable on disposal.

2. 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.

PART NINE – CONDITIONS TO BE MET BY VENTURE CAPITAL TRUSTS

The VCTs have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

1. Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market by no later than the beginning of the accounting period following that in which the application for VCT approval is made;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by VCT Value of its investments in shares or securities in Qualifying Investments, of which 70% by VCT Value must be in eligible shares;
- (e) have at least 10% by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15% by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (g) not retain more than 15% of its income derived from shares and securities in any accounting period.

The term 'eligible shares' means shares which do not carry any rights to be redeemed or a preferential right to assets on a winding-up or dividends (in respect of the latter, where the right to the dividend is cumulative or, where the amount or dates of payment of the dividend may be varied by the company, a shareholder or any other person).

2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of ITA 2007 and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in any period of six months straddling two tax years).

The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within certain time periods and not be controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding. In addition, to be qualifying holdings, VCTs must invest in companies which have fewer than 50 full-time (equivalent) employees and do not obtain more than £2 million of investment from VCTs and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period.

The government announced in March 2011 that, subject to EU State Aid approval being received, legislation will be introduced in forthcoming tax years to increase the above mentioned limits. The gross assets test referred to above

is proposed to be increased to £15 million immediately before and £16 million immediately after the investment, the number of permitted employees for an investee company is proposed to be increased from 50 to 250 and the amount of investment obtained by companies from VCTs or under the Enterprise Investment Scheme is proposed to be increased to £10 million in any rolling 12 month period. Such revised limits may, however, be lower than this once agreed with the EU and implemented by the government.

3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

The government announced in March 2011 that changes would be made, effective from 6 April 2012, that companies benefiting from FITs or similar schemes would be excluded from being a Qualifying Company. This does not apply to companies where an investment is made and such company is connected to the grid prior to 6 April 2012.

The company must have a permanent establishment in the UK, but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51% owned.

4. Consultation

The government issued a consultation document in July 2011 with proposals to simplify the venture capital schemes (Enterprise Investment Scheme and Venture Capital Trusts Scheme) and to improve their focus. The proposals are to ensure that the venture capital schemes remain effective and appropriately targeted to incentivise investment into companies that are essential for growth in the UK. The outcome of this consultation may result in the implementation of legislation which may amend the provisions relating to Qualifying Investments and Qualifying Companies (and which may be retrospective).

5. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

However, to aid the launch of a VCT, HMRC may give provisional approval if satisfied that conditions (b), (c), (f) and (g) in paragraph 1 above will be met throughout the current or subsequent accounting period and condition (d) in paragraph 1 above will be met in relation to an accounting period commencing no later than three years after the date of provisional approval.

The VCTs have obtained provisional approval as VCTs from HMRC.

6. Withdrawal of approval

Approval of a VCT (full or provisional) may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

Withdrawal of provisional approval has effect as if provisional approval had never been given (including the requirement to pay corporation tax on prior gains).

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

PART TEN – ADDITIONAL INFORMATION

I. Incorporation and Administration

- (a) Octopus VCT 3 was incorporated and registered in England and Wales on 17 August 2011 with limited liability as a public limited company under CA 2006 with the name Octopus VCT 3 plc and with registered number 7744056. Octopus VCT 4 was incorporated and registered in England and Wales on 17 August 2011 with limited liability as a public limited company under CA 2006 with the name Octopus VCT 4 plc and with registered number 7743878. The Companies operate (and their shares are created) under CA 2006 and the regulations made thereunder. The registered office and principal place of business of the Companies is at 20 Old Bailey, London EC4M 7AN. Its telephone number is 0800 316 2298. The Companies are domiciled in the United Kingdom.
- (b) The Companies do not have, nor have had since incorporation, any subsidiaries, subsidiary undertakings or employees and do not own any premises.
- (c) The Companies were issued with a certificate under section 761 of CA 2006 by the Registrar of Companies on 31 August 2011.
- (d) James Cowper LLP has been the only auditor of the Companies since their incorporation.
- (e) HMRC has provisionally approved the Companies under section 274 of ITA 2007 and it is intended that the business of the Companies be carried on so as to comply with that section.
- (f) The Companies are investment companies under section 833 of CA 2006. The Companies have given notice to the Registrar of Companies pursuant to section 833 of CA 2006 of their intention to carry on business as investment companies. This gives the Companies an additional basis on which to make a distribution, namely, out of their accumulated realised revenue profits (so far as not previously distributed or capitalised) less their accumulated revenue realised or unrealised losses (so far as not previously written off in a reduction or repayment of capital) subject to certain other conditions set out in section 832 of CA 2006. Assuming the Companies maintain this status, the Companies' ability to make revenue distributions to their Shareholders will not be affected by a capital loss. However, a revenue loss could prevent an immediate distribution (in whole or in part) of a capital profit. The Boards, therefore, propose to cancel the amount then standing in the share premium account of each Company to create a special reserve to which capital losses can be written off to enable the relevant Company, should it revoke investment company status, to pay a capital dividend and to continue paying out revenues as and when it is able.
- (g) The Companies are not authorised and/or regulated by the FSA or an equivalent Overseas Regulator. To maintain their status as a VCT, the Companies will be required to comply with the rules and regulations governing VCTs and, as an entity listed on the main market of the London Stock Exchange, will be subject

to the rules and regulations issued by the UK Listing Authority from time to time. The Companies are not otherwise regulated.

2. Share Capital

- (a) Each Company's share capital comprises of Ordinary Shares of 1p each and Redeemable Shares of 100p each. On incorporation, two Ordinary Shares were taken fully paid by the original subscribers to the Memorandum, these being Octopus Investments Nominees Limited and OCS Services Limited.
- (b) To enable the Companies to register as public limited companies and to obtain a certificate under section 761 of CA 2006, on 31 August 2011, 50,000 Redeemable Shares were allotted by each Company to Octopus at par for cash, paid up as to one quarter of their nominal value. Such Redeemable Shares will be paid up in full and redeemed out of the proceeds of the Offer and automatically be redesignated as Ordinary Shares and the Articles of each Company amended by the deletion of all references to Redeemable Shares and the rights attaching to them.
- (c) The following resolutions were passed by each Company on 31 August 2011:
 - (i) the Directors were generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all the powers of the Company to allot shares and to grant rights to subscribe for or to convert any security into shares in the Company (Rights) up to an aggregate nominal amount of £275,000, provided that, the authority conferred shall expire on the fifth anniversary of the date of the passing of the resolution (unless renewed, varied or revoked by the Company in a general meeting), save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority has not expired;
 - (ii) the Directors were generally and unconditionally, empowered pursuant to sections 570 and 573 of CA 2006 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of CA 2006) for cash pursuant to the authority set out paragraph (i) above or by way of a sale of treasury shares, as if section 561(1) of CA 2006 did not apply to such allotment, provided that the power conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2012 and provided further that this power shall be limited to:
 - (1) the allotment and issue of equity securities up to an aggregate nominal value of £250,000 in connection with the Offer; and

- (2) the allotment and issue of equity securities with an aggregate nominal value representing up to 10% of the issued share capital of the Company from time to time

in each case, where the proceeds may in whole or part be used to purchase shares in the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby has not expired;

- (iii) the Company was empowered to make one or more market purchases within the meaning of section 693(4) of CA 2006 of its own shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
- (1) the aggregate number of shares which may be purchased shall not exceed 3,747,500;
 - (2) the minimum price which may be paid for a share is 1 pence, the nominal value thereof;
 - (3) the maximum price which may be paid for a share shall be a sum equal to the last published net asset value of the Company per share on the date of purchase;
 - (4) the authority conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2012, unless such authority is renewed prior to such time; and
 - (5) the Company may make a contract to purchase shares under the authority conferred by the resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such shares; and
- (iv) the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the court, be cancelled.

- (d) Save as set out above, since the date of incorporation no share or loan capital of the Companies has been issued or agreed to be issued or (except pursuant to the Offer) is now proposed to be issued, for cash or any other consideration, and no commissions, discounts, brokerages or other special terms have been granted by the Companies in connection with the issue or sale of any such capital except as disclosed herein. The Companies have no contingent liabilities.

- (e) The Companies will be subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561(1) of CA 2006 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the unissued share capital of each Company which is not subject to the disapplication referred to in paragraph 2(c) above.
- (f) The Ordinary Shares will be in registered form and no temporary documents of title will be issued. The Companies will apply to be registered with CREST, a paperless settlement system and those Shareholders who wish to hold their Ordinary Shares in electronic form may do so.
- (g) The issued share capital of each Company at the date of this document is 2 Ordinary Shares (fully paid) and 50,000 Redeemable Shares (paid up as to one quarter).
- (h) Following the issue of the Ordinary Shares pursuant to the Offer (assuming full subscription) the issued share capital of each Company is expected to be:

Ordinary Shares	Number	Share Capital (£)
Disregarding the over-allotment facility	20,000,002	200,000.02
Assuming the over-allotment facility is utilised	25,000,002	250,000.02

3. Directors' and Others' Interests in the Companies

- (a) Save as set out below, as at 13 September 2011 (this being the latest practicable date prior to publication of this document), the Companies are not aware of any person who, directly or indirectly, has an interest (or will have an interest following Admission) in the Companies' capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules, a holding of 3% or more must be notified to the relevant Company).

Octopus VCT 3	Shares held	% of issued voting share capital
Octopus Investments Nominees Limited	1 Ordinary Share	50
OCS Services Limited	1 Ordinary Share	50
Octopus Investments Limited	50,000 Redeemable Shares	-

Octopus VCT 4	Shares held	% of issued voting share capital
Octopus Investments Nominees Limited	1 Ordinary Share	50
OCS Services Limited	1 Ordinary Share	50
Octopus Investments Limited	50,000 Redeemable Shares	-

- (b) So far as is known to the Companies, 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 each Company as at the date of this document or will have immediately following Admission, except for Octopus Investments Nominees Limited and OCS Services Limited, which both own one Ordinary Share in each of the Companies prior to Admission. None of the major holders of Ordinary Shares have voting rights different from other holders of Ordinary Shares. The Companies only have, other than Redeemable Shares (the rights of which are set out in paragraph 4(a)(i) below, one class of share and therefore there are no differing rights attaching to any class of share.
- (c) There are no persons, so far as is known to the Companies, who, directly or indirectly, jointly or severally, exercise or could exercise control over the Companies. 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 the Companies.
- (d) At the date of this document none of the Directors (or any of their immediate family members) have any interest in any Ordinary Shares. The Directors intend to invest in the Offer for the following number of Ordinary Shares.

Octopus VCT 3	Number of Octopus VCT 3 Ordinary Shares	Percentage of Octopus VCT 3 issued share capital (disregarding the over-allotment facility)*	Percentage Octopus VCT 3 of issued share capital (assuming the over-allotment facility is utilised)*
Ray Greenshields	3,000	0.015%	0.012%
Ian Leaman	-	-	-
Graham Paterson	7,500	0.038%	0.030%
Simon Smith	5,000	0.025%	0.020%
Katrina Johnston	-	-	-

Octopus VCT 4	Number of Octopus VCT 4 Ordinary Shares	Percentage of Octopus VCT 4 issued share capital (disregarding the over-allotment facility)*	Percentage Octopus VCT 4 of issued share capital (assuming the over-allotment facility is utilised)*
Ray Greenshields	3,000	0.015%	0.012%
Ian Leaman	-	-	-
Graham Paterson	7,500	0.038%	0.030%
Simon Smith	5,000	0.025%	0.020%
Katrina Johnston	-	-	-

*Assuming full subscription under the Offer and the Redeemable Shares having been redeemed. Octopus does not intend to subscribe for Ordinary Shares, though Octopus Investments Nominees Limited and OCS Services Limited will continue to hold one Ordinary Share each in each of the Companies as set out in paragraph 3(a) above.

Save as disclosed above, none of the Directors (nor any member of their respective immediate families) has any interests whether beneficial or non-beneficial in the share or loan capital of the Companies which are, or would immediately following the Offer be required to be, notified under section 809 of CA 2006 or the Disclosure and Transparency Rules or are interests of a connected person of a Director (within the meaning of section 252 of CA 2006) 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.

- (e) Save as noted in paragraph 3(d), no Ordinary Shares are being reserved for allocation to existing Shareholders or Directors.
- (f) The Directors were appointed to their relevant Companies under letters of appointment dated 31 August 2011. The appointments are subject to an initial period expiring immediately following the first annual general meeting of their respective Company, and (subject to re-election at that first annual general meeting) thereafter the appointments may be terminated on three months' notice. No arrangements have been entered into by either Company entitling the Directors to compensation for loss of office, nor have any amounts been set aside to provide pension, retirement or similar benefits. Other than the letters of appointment, there are no service contracts between either of the Companies and any of the Directors.
- (g) The fees (excluding applicable VAT and employers' National Insurance Contributions) payable to the

Directors, which take effect from the date of the first allotment under the Offer, are as follows:

Octopus VCT 3 Directors	Current Annual Fees (£)
Ray Greenshields (Chairman)	20,000
Ian Leaman	15,000
Katrina Johnston (paid to Octopus)	7,500

Octopus VCT 4 Directors	Current Annual Fees (£)
Graham Paterson (Chairman)	20,000
Simon Smith	15,000
Katrina Johnston (paid to Octopus)	7,500

- (h) No loan or guarantee has been granted or provided by either Company to or for the benefit of any Director.
- (i) Ray Greenshields is the holder of options over approximately 45,000 shares in Octopus Capital Limited (Octopus' parent company), representing 0.15% of the issued share capital of Octopus Capital Limited.
- (j) Katrina Johnston, in her capacity as an employee of Octopus (the Companies' investment manager), is interested in the management and administration and promotion arrangements set out at paragraphs 5(a) and 5(b) below. Save as set out in this paragraph, 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 relation to the Companies.
- (k) Save as set out in paragraph 3(g) and 3(i), 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 Companies and which were effected by the Companies since their incorporation and remains in any respect outstanding or unperformed.

- (l) Octopus will be interested in the investments made by the Companies in solar opportunities sourced by or involving Lightsource due to the shareholding of Octopus Capital Limited (of which Octopus is a wholly owned subsidiary) in Lightsource as set out in Part Four of this document. By virtue of this holding, Octopus will indirectly benefit from fees paid by investee companies to Lightsource and exit proceeds paid to Lightsource by virtue of its nominal holding in the relevant investee companies. In light of this conflict of interest, the approval of the Directors independent of the Investment Manager will be required in relation to investment/divestment decisions by a VCT relating to the investment opportunities sourced by or involving Lightsource.
- (m) No remuneration or benefits are, to date, payable to the Directors. It is estimated that the aggregate amount payable to the Directors by each Company for the financial period ending on 31 August 2012 under the arrangements in force at the date of this document will not exceed £50,000 (plus applicable VAT, employers' National Insurance Contributions and expenses).
- (n) Each Company will maintain directors' and officers' liability insurance for the benefit of its Directors.
- (o) The Directors are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or a partner of the companies or partnerships mentioned below:

Octopus VCT 3

Director	Current	Past
Ray Greenshields	Close Brothers Group plc	Bestinvest (Consultants) Limited Bestinvest (Holdings) Limited Emperor Bidco Limited Emperor (EBT) Limited Lovat Insurance Brokers Limited Standard Life Assurance Limited
Ian Leaman	Buckingham Corporate Finance Limited Luxe Locations LLP Timeless Releasing LLP	Buckingham & Cavour Limited
Katrina Johnston	Cyrah Power Limited Demand Logic Limited Donoma Power Limited Evaki Power Limited Howbery Solar Park Limited Michabo Power Limited Meri Power Limited Nima Power Limited One Forty Limited Shakti Power Limited Tonatiuh Trading 2 Limited	Solaraid

Octopus VCT 4

Director	Current	Past
Graham Paterson	miiCard Limited Whitekirk Community Company	SL Capital Partners LLP SL Capital Partners (US) Limited SLCP (General Partner) Limited SLCP (General Partner II) Limited SLCP (General Partner CPP) Limited SLCP (General Partner Ecastle) Limited SLCP (General Partner ESP 2004) Limited SLCP (General Partner ESP 2006) Limited SLCP (General Partner ESP 2008) Limited SLCP (General Partner ESP 2008 Coinvestment) Limited SLCP (General Partner ESP CAL) Limited SLCP (General Partner NASF I) Limited SLCP (General Partner NASP 2006) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner Tidal Reach) Limited SLCP (General Partner USA) Limited SLCP (Holdings) Limited
Simon Smith	Antler Limited Hydrobolt Group Holdings Limited Nova Capital Investments (Guemsey) Nova Capital Management Limited Pathbrae Ventures Limited Personnel Advisory Services Limited Vulcan Services Limited (in liquidation) WH345 Limited	Accura Support Services Limited Bluebell Telecom Group Limited Covion Holdings Limited Private Capital Exchange.com Limited Sportizus Limited Springboard Limited (in liquidation) Springboard Partners Limited Springboard Venture Managers Limited
Katrina Johnston	(as above)	(as above)

(p) Save as disclosed in paragraph 3(p), none of the persons mentioned in paragraph 3(j) above 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.
- (q) Ian Leaman was a director of Buckingham & Cavour Limited, a non-trading company which was voluntarily struck off the register of companies and dissolved in May 2009.
- (r) Simon Smith is a director of Vulcan Services Limited

which entered into solvent members voluntary liquidation in November 2010. Simon was also a non-executive director of Sportizus Limited which was struck off the register of companies and dissolved in October 2010 following administration and liquidation. On conclusion of its administration in May 2007, the company had non-preferential unsecured creditors of £1,495,888. In addition, Simon was a director of Private Capital Exchange.com, Springboard Partners Limited and Springboard Venture Managers Limited all of which entered into solvent members voluntary liquidation as part of group reconstructions without prejudice to any creditors and were voluntarily struck off the register of companies and dissolved in March 2010.

4. Memorandum and Articles

The objects of the Companies are not limited by any provisions of their respective Memorandum or Articles.

The following is a summary of the provisions of the Articles of both Companies (which are the same). In this paragraph 4, reference to "Directors" means the directors of the relevant Company from time to time, reference to the "Board" means the board of directors of the relevant Company from time to time and reference to "the Act" means CA 2006 as amended from time to time.

(a) Share Capital

- (i) The Company may issue shares which are liable to be redeemed on such terms and conditions as the Board may determine.

(1) The holders of the Redeemable Shares shall

be entitled to receive from the profits of the Company available for a distribution in priority to any other dividend or distribution a fixed annual non-cumulative dividend of one pence per Redeemable Share held by them, the first such dividend being payable in respect of the first financial period of the Company commencing after 31 August 2012. Subject thereto the Redeemable Shares shall not confer upon their holders any entitlement to participate in any dividend or other distribution of the profits of the Company.

- (2) On a return of assets (except on a redemption of shares) on liquidation or otherwise, the assets of the Company remaining after payment of its liabilities shall be applied in priority to any other payment in paying to the holders of Redeemable Shares a sum equal to the amount paid up thereon and all arrears and accruals of dividends thereon. Subject thereto the Redeemable Shares shall not confer any entitlement on their holders to participate any further in the surplus assets of the Company.
 - (3) The Company may redeem the Redeemable Shares at any time. The holders of the Redeemable Shares may require that the Company redeem all the Redeemable Shares at any time after the earlier of 31 August 2012 and the date of first admission of the Ordinary Shares to the Official List. On redemption, the holders of the Redeemable Shares shall be entitled to receive an amount equal to the amount paid up on the Redeemable Shares redeemed together with all arrears and accruals of dividends thereon.
 - (4) The Redeemable Shares shall not confer on the holders of them, any entitlement to receive notice of, attend or vote at general meetings of the Company.
 - (5) Notwithstanding the provisions of the Articles, on a return of assets on liquidation, redemption or otherwise the holders of the Redeemable Shares shall not be entitled to receive in aggregate an amount which exceeds one half of the assets of the Company which would then be available for distribution among participants.
- (ii) Shareholders shall have the right to receive notice of, attend and vote at all general meetings.
 - (iii) If any shareholder, or any other person appearing to the Directors to be interested in any shares in the capital of the Company held by such shareholder, has been duly served with a notice under section 793 of the Act and is in default

for a period of 14 days from the date of service of the notice in supplying to the Company the information thereby required, then the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (a "restriction notice") to such shareholder direct that, in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice by the shareholder, or such of them as the Directors may determine from time to time (the "restricted shares" which expression shall include any further shares which are issued in respect of any restricted shares), the shareholder shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.

- (iv) Where the restricted shares represent at least 0.25% in nominal value of the issued shares of the same class as the restricted shares (excluding any shares of that class held as treasury shares) the restriction notice may in addition direct, inter alia, that any dividend or other money which would otherwise be payable on the restricted shares shall be retained by the Company without liability to pay interest; any election by such member to receive shares instead of cash in respect of any dividends on such restricted shares will not be effective; and no transfer of any of the shares held by the shareholder shall be registered unless the shareholder is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which are the subject of the transfer are restricted shares.
 - (v) The Board shall be entitled to make calls for the sums, if any, remaining unpaid on any shares, subject to the terms of allotment of such shares. If any call remains unpaid then the Board may, after giving not less than 14 clear days' notice, forfeit such share and sell or transfer such forfeited shares on such terms as the Board may determine.
- (b) **General Meetings**
- (i) **Convening of General Meetings**
The Board shall convene annual general meetings and may convene other general meetings whenever it thinks fit. A general meeting shall also be convened on such requisition or in default may be convened by such requisitionists as provided by the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there

are not within the UK sufficient members of the Board to convene a general meeting, any Director may call a general meeting. The Board may make arrangements to ensure the orderly conduct of general meetings and to preserve the security of attendees.

(ii) Notice of General Meeting

General meetings shall be convened by the minimum period of notice required by the Act.

Every notice convening a general meeting shall specify:

- (1) whether the meeting is an annual general meeting or an extraordinary general meeting;
- (2) the place, the day and the time of the meeting;
- (3) in the case of special business the general nature of that business;
- (4) if the meeting is convened to consider a special resolution the text of the resolution and the intention to propose the resolution as such; and
- (5) with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

(iii) Omission to Send Notice

The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy or any other document, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

(iv) Quorum at General Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

If within 15 minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time

and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than ten clear days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

(v) Method of Voting

At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by:

- (1) the chairman of the meeting; or
- (2) at least five members present in person or by proxy having the right to vote at the meeting; or
- (3) a member or members present in person or by proxy representing not less than one tenth of the voting rights of all the members having the right to vote at the meeting; or
- (4) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

(vi) Votes of Members

Subject to the provisions of the Act and to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall on a show of hands have one vote and on a poll shall have one vote for each share of which he is the holder.

(vii) Variation of Class Rights

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied

or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in these Articles (but not otherwise).

All the provisions in the Articles as to general meetings shall mutatis mutandis apply to every meeting of the holders of any class of shares save that the quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class; every holder of shares of the class present in person or by proxy may demand a poll; each such holder shall on a poll be entitled to one vote for every share of the class held by him; and if at any adjourned meeting of such holders (for which there shall be no minimum period of notice), such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

(viii) Consolidation and Subdivision

The Company in general meeting may from time to time by ordinary resolution:

- (1) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares; and
- (2) subject to the provisions of the Act, subdivide its shares or any of them into shares of smaller nominal value and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

(c) Transfer of Shares

(i) Form of Transfer

Except as may be provided by any procedures implemented for shares held in uncertificated form, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share

until the name of the transferee is entered in the Register in respect of it.

(ii) Right to Refuse Registration

The Board may in its absolute discretion refuse to register any share transfer (as to which it shall provide reasons) unless:

- (1) it is in respect of a share which is fully paid up;
- (2) it is in respect of only one class of shares;
- (3) it is in favour of a single transferee or not more than four joint transferees;
- (4) it is duly stamped (if so required); and
- (5) it is delivered for registration to the registered office of the Company, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealings in shares admitted to the Official List from taking place on an open and proper basis.

(d) Dividends and Other Payments

(i) Declaration of Dividends

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare that, out of profits available for distribution, dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.

(ii) Entitlement to Dividends

- (1) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

- (2) All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
- (3) The Board may pay the dividends or interest payable on shares in respect of which any person is by transmission entitled to be registered as holder to such person upon production of such certificate and evidence as would be required if such person desired to be registered as a member in respect of such shares.

(e) **Borrowing Powers**

- (i) Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (ii) The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure (as regards its subsidiaries in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of net monies borrowed (as defined at (e)(v)) by the Group (as defined in the Articles as the Company and its subsidiaries from time to time) (exclusive of monies borrowed by one Group company from another and after deducting cash deposited (as defined at (e)(iv)) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 20% of the value of the Adjusted Capital and Reserves (as defined below;

“Adjusted Capital and Reserves” means a sum equal to the aggregate from time to time of:

- (1) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company; and
- (2) the amount standing to the credit of the reserves, whether or not distributable (including, without limitation, share premium account or capital redemption reserve), after

adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account; all as shown in the relevant balance sheet, but after:

- (3) making such adjustments as may be appropriate to reflect:
 - (3a) any variation in the amount of the paid up share capital and the amount standing to the credit of any of such reserves since the date of the relevant balance sheet and so that for the purpose of making such adjustments, if any proposed allotment of shares by the Company for cash has been underwritten, then such shares shall be deemed to have been allotted and the amount (including the premium) of the subscription monies payable in respect thereof (not being monies payable later than six months after the date of allotment) shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, the date on which it became unconditional);
 - (3b) any variation since the date of the relevant balance sheet of the companies comprising the Group;
- (4) excluding (so far as not already excluded):
 - (4a) amounts attributable to the proportion of the issued equity share capital of any subsidiary undertaking which is not attributable, directly or indirectly, to the Company;
 - (4b) any sum set aside for taxation (other than deferred taxation);
- (5) deducting:
 - (5a) sums equivalent to the book values of goodwill and other intangible assets shown in the relevant balance sheet; and
 - (5b) the amount of any distribution declared, recommended or made by any Group company to a person other than a Group company out of profits accrued up to and including the date of (and not provided for in) the relevant balance sheet;

“cash deposited” means an amount equal to the aggregate of the amounts beneficially owned by Group companies which are deposited for the time being with any bank or other person (not being a Group company) and which are

repayable to any Group company on demand or within three months of such demand, subject, in the case of amounts deposited by a partly-owned subsidiary undertaking, to the exclusion of a proportion thereof equal to the proportion of its issued equity share capital which is not attributable, directly or indirectly, to the Company;

“monies borrowed” include not only monies borrowed but also the following except in so far as otherwise taken into account:

- (1) the nominal amount of any issued share capital and the principal amount of any debenture or borrowings of any person, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured on the assets of a Group company;
- (2) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house (not being a Group company) other than acceptances and acceptance credits relating to the purchase of goods or services in the ordinary course of trading and outstanding for six months or less;
- (3) the principal amount of any debenture (whether secured or unsecured) of any Group company owned otherwise than by a Group company;
- (4) the principal amount of any preference share capital of any subsidiary undertaking owned otherwise than by a Group company;
- (5) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (but any premium payable on final repayment of an amount not to be taken into account as monies borrowed shall not be taken into account); and
- (6) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used in the preparation of the relevant balance sheet (and for the purpose of this sub-paragraph (6) “**finance lease**” means a contract between a lessor and a Group company as lessee or sub-lessee where substantially all the risks and rewards of the ownership of the asset leased or sub-leased are to be borne by that company and “**hire-purchase agreement**” means a contract of hire-purchase between a hire-purchase

lender and a Group company as hirer);

but do not include:

- (7) monies borrowed by any Group company for the purpose of repaying, within six months of being first borrowed, the whole or any part of any monies borrowed and then outstanding (including any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;
- (8) monies borrowed by any Group company for the purpose of financing any contract in respect of which any part of the price receivable under the contract by that or any other Group company is guaranteed or insured up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;
- (9) an amount equal to the monies borrowed of any company outstanding immediately after it becomes a Group company, provided that it became a Group company during the six months preceding the calculation;
- (10) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company, provided that it was acquired during the six months preceding the calculation;
- (11) notwithstanding sub-paragraph (1) to (6) above, the proportion of monies borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable, directly or indirectly, to the Company;
- (12) the amount of any monies borrowed which are for the time being deposited with any governmental authority in any part of the world in connection with import deposits or any similar governmental scheme to the extent that the Group company making such deposit retains its interest in such deposit; and
- (13) any sum advanced or paid to any Group company (or its agents or nominees) by customers of any Group company as unexpended customer receipts or progress payments pursuant to any contract between such customer and a Group company;

and in sub-paragraphs (7) to (13) above references to amounts of monies borrowed include references to amounts which, but for the exclusion under those sub-paragraphs, would fall to be included;

“**relevant balance sheet**” means the latest published audited consolidated balance sheet of the Group but, where the Company has no subsidiary undertakings, it means the balance sheet and profit and loss account of the Company and, where the Company has subsidiary undertakings but there are no consolidated accounts of the Group, it means the respective balance sheets and profit and loss accounts of the companies comprising the Group;

“**subsidiary undertaking**” means a subsidiary undertaking (within the meaning of the Act) of the Company (except a subsidiary undertaking which is excluded from consolidation by virtue of the provisions of section 405 of the Act); and “**Group**” and “**Group company**” and references to any company which becomes a Group company or to companies comprising the Group shall, in such a case, be construed so as to include subsidiary undertakings (except a subsidiary undertaking which is excluded from consolidation as aforesaid) and “**equity share capital**” shall be construed in relation to a subsidiary undertaking without a share capital in the same manner as “**shares**” are defined in relation to an undertaking without a share capital under section 1161(2)(a) of the Act.

- (iv) When the aggregate amount of monies borrowed required to be taken into account for the purposes of this Article 114 on any particular day is being ascertained, any of such monies denominated or repayable in a currency other than sterling shall be converted for the purpose of calculating the sterling equivalent either:

- (1) at the rate of exchange used for the conversion of that currency in the relevant balance sheet; or
- (2) if no rate was so used, at the middle market rate of exchange prevailing at the close of business in London on the date of that balance sheet; or
- (3) where the repayment of such monies is expressly covered by a forward purchase contract, currency option, back-to-back loan, swap or other arrangements taken out and entered into to reduce the risk associated with fluctuations in exchange rates, at the rate of exchange specified in that document;

but if the amount in sterling resulting from conversion at that rate would be greater than that resulting from conversion at the middle market rate prevailing in London at the close of business on the business day immediately preceding the day on which the calculation falls to be made, the latter rate shall apply instead.

- (v) A report or certificate of the auditors of the Company as to the amount of Adjusted Capital

and Reserves or the amount of monies borrowed falling to be taken into account for the purposes of this article or to the effect that the limit imposed by this article has not been or will not be exceeded at any particular time or times or as a result of any particular transaction or transactions shall be conclusive evidence of the amount or of that fact.

- (vi) No debt incurred or security given in respect of monies borrowed in excess of the limit imposed by this article shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security at the time when the debt was incurred or security given that the limit had been or would thereby be exceeded but no lender or other person dealing with the Company shall be concerned to see or enquire whether such limit is observed.

(f) Directors

- (i) Unless otherwise determined by the Company the maximum number of directors shall be ten and the minimum shall be two. The quorum for meetings of the Board shall be two and the Chairman shall have a second or casting vote on a tie.
- (ii) The Directors shall be entitled to be paid fees for their services as Directors on such sums as the Board may determine from time to time but not exceeding £100,000 (or such larger amount as the Company may determine) per annum.
- (iii) Each Director may appoint as an alternate Director either another Director or a person approved by the Board and to terminate such appointment.
- (iv) At every annual general meeting, there shall retire from office any Director who shall have been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting. A retiring Director shall be eligible for re-appointment. A Director retiring at a meeting shall, if he is not re-appointed at such meeting, retain office until the meeting appoints someone in his place, or if it does not do so, until the conclusion of such meeting.

(g) Directors' Interests

- (i) The Board may, provided the quorum and voting requirements set out below are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the Act to avoid conflicts of interest except that the Director concerned and any other Director with a similar interest:
 - (1) shall not count towards the quorum at the meeting at which the conflict is considered; and

- (2) the resolution will only be valid if it would have been agreed to if his vote had not been counted.
- (ii) Where the Board gives authority in relation to such a conflict:
- (1) the Board may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the Director concerned and any other Director with a similar interest as it may determine, including, without limitation, the exclusion of that Director and any other Director with a similar interest from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict;
 - (2) the Director concerned and any other Director with a similar interest will be subject to any terms imposed by the Board from time to time in relation to the conflict;
 - (3) any authority given by the Board in relation to a conflict may also provide that where the Director concerned and any other Director with a similar interest obtains information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;
 - (4) the Board may withdraw such authority at any time.
- (iii) Directors are obliged to declare any material interest which they may have in any transaction or arrangement involving the Company. Such Directors shall not vote or be counted in the quorum in relation to any resolution to any transaction or arrangement in which he is to his knowledge materially interested save that a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (3) any proposal concerning an offer of 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 contract, arrangement, transaction or other proposal concerning any other body corporate in which he, or any other person connected with him is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he or any person connected with him do not hold an interest in 1% or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
 - (5) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company which does not accord him any privilege or benefit not generally accorded to the employees to whom the scheme relates; and
 - (6) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for, or for the benefit of, any Directors or persons including Directors.
- If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (iv) Subject to the provisions of the Act and further provided that a Director declares his interest, a Director, notwithstanding his office:
- (1) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
 - (2) may hold any other office or place of profit under the Company (except that of auditor (being the auditor of the Company from time to time) or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by itself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of

- any remuneration provided for by any other article;
- (3) may be a member of or a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the company is otherwise interested or as regards which the Company has any powers of appointment; and
 - (4) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.
- (h) **Untraced Members**
- (i) The Company shall be entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if and provided that:
 - (1) during the period of 12 years prior to the date of the publication of the advertisements referred to below (or if published on different dates, the earlier or earliest of them) the Company has paid at least three dividends and no cheque, order or warrant has been cashed;
 - (2) on or after expiry of the said period of 12 years the Company has given notice of its intention to sell such share by advertisements in both a national daily newspaper published in the UK and in a newspaper circulating in the area in which the last known address of such member or person appeared;
 - (3) the said advertisements, if not published on the same day, shall have been published within 30 days of each other; and
 - (4) during the further period of three months following the date of publication of the said advertisements (or, if published on different dates the later or latest of them) and prior to the exercise of the power of sale the Company has not received any communication in respect of such share from the member or person entitled by transmission.
 - (ii) To give effect to any sale of shares pursuant to this article the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the register notwithstanding the absence of any share certificate being lodged in respect of it and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
- (i) **Distribution of Realised Capital Profits**
- At any time when the Company has given notice in the prescribed form (which has not been revoked) to the registrar of companies of its intention to carry on business as an investment company (a "Relevant Period") distribution of the Company's capital profits (within the meaning of section 833 of the Act shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment 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 capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the 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 these 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 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 be applied in paying dividends on any shares in the Company.

(j) Transfer or Sale under Section 110, Insolvency Act 1986

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 110, Insolvency Act 1986 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

(k) Duration of the Company

In order for the future of the Company to be considered by the members, the Board shall at the tenth annual general meeting of the Company, and thereafter at five yearly intervals, invite the members to consider whether the Company should continue as a VCT and if such resolution is not carried the Board shall within nine months of that meeting convene a general meeting to propose:

- (i) a special resolution for the reorganisation or reconstruction of the Company; and
- (ii) to wind up the Company voluntarily, provided that if the special resolution referred to at paragraph k(i) is not passed the shareholders voting in favour of this resolution shall be deemed to have such number of additional votes as are required to pass such resolution to wind up.

(l) Uncertificated Shares

The Board may make such arrangements as it sees fit, subject to the Act, to deal with the transfer, allotment and holding of shares in uncertificated form and related issues.

(m) Indemnity and Insurance

The Companies shall indemnify the Directors to the extent permitted by law and may take out and maintain insurance for the benefit of the Directors.

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 Companies since their incorporation and which are, or may be, material, or have been entered into by the Companies and contain provisions under which the Companies have obligations or entitlements which are material to the Companies at the date of this document. The agreements/letters referred to at paragraphs 5(a) and 5(c) have been entered into on identical terms by each of the Companies.

- (a) An investment management agreement dated 13 September 2011 between the relevant Company

(1) and Octopus (2), whereby Octopus has agreed (subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time) to manage or procure the management of the relevant Company's investments on a discretionary basis (save that the approval of the Directors independent of the Investment Manager will be required in relation to investment/divestment decisions relating to investment opportunities sourced by or involving Lightsource) for an initial period of ten years from the date of first allotment of Ordinary Shares and thereafter on 12 months' notice expiring at the end of the initial period or any time thereafter. The appointment may also be terminated (inter alia) in circumstances of material breach by either party.

For the provision of investment management services, Octopus will receive an annual management fee of an amount equivalent to 1.75% of the funds raised by the relevant Company over time (plus applicable VAT), payable quarterly in advance.

Octopus retains the right to charge arrangement, exit and syndication fees to investee companies, and will be responsible for all costs of an investment that does not proceed. Octopus may also receive ongoing directors' fees and monitoring fees from the investee companies as appropriate.

Under the agreement, annual running costs of the relevant Company (excluding irrecoverable VAT, exceptional costs and trail commission) will be capped at 3.2% per annum of funds raised by the relevant Company over time and any excess will be met by Octopus out of its annual management fees. Such costs include the annual management fee to Octopus, accounting and administration fees, Directors' fees, company secretarial fees, audit, taxation and advice, VCT monitoring fees, regulatory, broker's and registrar's fees and the costs of communicating with Shareholders. Normal annual running costs do not include exceptional items.

Octopus has, pursuant to the same agreement, agreed to provide or procure the provision of certain administrative and accounting services to the relevant Company for an additional annual fee of 0.3% of the funds raised by the relevant Company over time (plus VAT, if any, at the applicable rate) and company secretarial services for an annual fee of £7,500 (plus VAT, if any, at the applicable rate) for the relevant Company in each case payable quarterly in advance and not rolled up.

The relevant 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 12 years which applies to agreements signed as deeds.

- (b) An offer agreement dated 13 September 2011 between the Companies (1), the Directors (2), Octopus (3) and Howard Kennedy (4) whereby Octopus has agreed to act as promoter in connection with the Offer and Howard Kennedy has agreed to act as sponsor to the Companies in connection with the Offer. The Companies shall pay to Octopus a commission of 5.5% of the gross amount subscribed under the Offer out of which will be paid all costs, charges and expenses of or incidental to the Offer including the fees of Howard Kennedy, but excluding annual trail commission which will be borne by the Companies. The Companies and its respective Directors have given customary representations and warranties to, and in the case of the Companies alone, an indemnity, to Octopus and Howard Kennedy. The liability of each Director under the warranties is limited to one times their annual directors' fee. The Companies, the Directors and Howard Kennedy under the agreement have the benefit of a warranty from Octopus (as investment manager) in relation to the information contained in this document in relation to Octopus. There are no value or time limits attached to the indemnity other than the statutory limit of six years. Howard Kennedy may terminate the agreement at any time prior to Admission if it becomes aware of any material breach of warranty prior to Admission. Under the terms of the agreement, any interest received by the Companies or the Registrars in respect of applications for Ordinary Shares prior to the dates such Ordinary Shares are allotted will be for the benefit of Octopus and shall be applied to defray the costs of the Offer.
- (c) By letters dated 31 August 2011 the Directors agreed to act as non-executive directors of the relevant Company on the terms set out at paragraph 3(f) above.

6. Taxation and Close Company Status

The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Directors as to the position of Shareholders who hold Ordinary Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or is subject to taxation in any jurisdiction other than the UK should consult his professional advisers.

- (a) Taxation of dividends – under current law, no tax will be withheld by the Companies when it pays a dividend.
- (b) The Companies have 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.

- (c) On the issue of the Ordinary Shares pursuant to the Offer, each Company is unlikely to be a close company for tax purposes. If one of the Companies was a close company in any accounting period, approval as a VCT would be withdrawn for that Company.

7. Overseas Investors

- (a) No person receiving a copy of this document 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 Companies.
- (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.

8. Related Party Disclosures

The following related party transactions have taken place since incorporation of the Companies to the date of this document:

- (a) Octopus, as investment manager to the Companies which are closed-ended investment funds, is regarded as a related party. Octopus will receive an up-front fee of 5.5% of the gross amount subscribed under the Offer acting as promoter in connection with the Offer as described in paragraph 5(b) above and investment management and administration fees as described in paragraph 5(a) above.
- (b) The transactions referred to in paragraph (a) above are (and will be) conducted on an arm's length basis. There are no other arrangements which the Companies have entered into with a related party.

9. Corporate Governance and Board Committees

- (a) The Companies comply with the principles of the UK Corporate Governance Code save as set out below:
- (i) Directors are not appointed for a specified term (in view of its non-executive nature and the requirements of the Articles that all Directors retire by rotation at the annual general meeting, the Boards consider that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code); and
- (ii) in light of the responsibilities retained by the Boards and its committees and of the responsibilities delegated to Octopus, neither Company has appointed a chief executive officer, deputy chairman or a senior independent non-executive director and the provisions of the Code which relate to the division of responsibilities between a chairman and a chief executive officer are, accordingly, not applicable.

- (b) Each 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 relevant 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 will also have responsibility for the proper reporting of the financial performance of the relevant Company and for reviewing financial statements prior to publication.

As neither Company has any employees, no Remuneration Committee will be formed. Neither Company intends to appoint a senior independent Director or to form a Nominations Committee due to each Board being relatively small in size.

- (c) Each Board must be able to demonstrate that it will act independently of the Investment Manager. In particular, a majority of each 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.

10. Investment Restrictions

- (a) Each Company is subject to the investment restrictions relating to a VCT in ITA 2007, as more particularly detailed in Part Nine of this document, and in the Listing Rules which specify that (i) each 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 its published investment policy as set out in Part Two of this document; (ii) each Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) neither Company may invest more than 10% in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of a Company will require the approval of that Company's Shareholders pursuant to the Listing Rules. Each Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a VCT and accordingly:
- (i) each Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC;
 - (ii) each Company will not control the companies in which it invests in such a way as to render them

subsidiary undertakings;

- (iii) none of the investments will represent more than 15% (at the time of investment) of each Company's investments; and
- (iv) not more than 20% of each Company's gross assets will at any time be invested in the securities of property companies.

- (b) In the event of a breach of the investment restrictions which apply to a Company, Shareholders of that Company will be informed by means of the interim and/or the annual report or through a public announcement.

11. Information on the Investment Manager

Octopus is authorised and regulated by the Financial Services Authority and registered in England and Wales under company number 03942880 and was incorporated on 8 March 2000 in the UK. Octopus is domiciled in the UK and is a limited company. Its registered office and its principal place of business is at 20 Old Bailey, London EC4M 7AN. The telephone number is 0800 316 2298. The principal legislation under which it operates is CA 2006 and regulations made thereunder.

12. Working Capital

- (a) Octopus VCT 3 is of the opinion that, taking into account the Minimum Net Proceeds of the Offer being raised for Octopus VCT 3, it has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.
- (b) Octopus VCT 4 is of the opinion that, taking into account the Minimum Net Proceeds of the Offer being raised for Octopus VCT 4, it has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

13. Net Assets

The Offer will have a positive impact on the net assets of each 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.

14. Financial Information

Since the date of incorporation, neither Company has commenced operations and no financial statements have been made up as at the date of this document.

15. Capitalisation and Indebtedness

Since the date of incorporation, and as at 14 September 2011, neither Company has incurred any indebtedness, whether guaranteed, unguaranteed, secured, unsecured, indirect or contingent. Both Companies have the power to borrow, details of which are set out in paragraph 4(e) above, although the Directors have no present intention of utilising this.

The capitalisation of each Company as at 14 September 2011 is as follows:

Shareholders' Equity	£
Share capital	50,000.02*
Legal reserve	Nil
Other reserves	Nil
Total	50,000.02

(*£37,500 of share capital has been issued but is unpaid in connection with the issue of the Redeemable Shares.)

Details of the share capital of each Company are set out in paragraph 2 above.

16. General

- (a) The Offer Price is 100p per Ordinary Share.
- (b) The total expenses payable in aggregate by the Companies in connection with the Offer (including VAT where applicable) will be 5.5p in respect of each Ordinary Share subscribed (plus annual trail commission) such that the initial net assets of each Company will be equal to 94.5p per Ordinary Share. The Offer Price represents a premium of 99 pence per Ordinary Share over nominal value. If the maximum subscription of £20 million per Company is achieved under the Offer (disregarding the over-allotment facility), the net proceeds will amount to £18.9 million per Company (ignoring annual trail commission). If the Offer is increased using the over-allotment facility and assuming a maximum subscription of £25 million per Company is achieved under the Offer, the net proceeds will amount to £23.625 million per Company (ignoring annual trail commission). If the minimum subscription of £3.2 million per Company is obtained, the net proceeds will be £3.024 million per Company (ignoring annual trail commission). The proceeds of the Offer will be applied in accordance with each Company's investment policy and to redeem the Redeemable Shares.
- (c) Save as disclosed in paragraph 5(b) above, no amount of cash, securities or benefits has been paid, issued or given to Octopus (as the promoter of the Offer) and none is intended to be paid, issued or given.
- (d) The Directors of Octopus VCT 3 believe that the Offer will result in a significant gross change in their Company, including an increase in its earnings and in the net assets (of an amount that is equal to the net proceeds received under the Offer by their Company, (expected to be £18.9 million assuming full subscription, disregarding the over-allotment facility and ignoring annual trail commission or £23.625 million assuming the Offer is increased using the over-allotment facility, full subscription and ignoring annual trail commission).

The Directors of Octopus VCT 4 believe that the Offer will result in a significant gross change in their Company, including an increase in its earnings and

in the net assets (of an amount that is equal to the net proceeds received under the Offer by their Company, (expected to be £18.9 million assuming full subscription, disregarding the over-allotment facility and ignoring annual trail commission or £23.625 million assuming the Offer is increased using the over-allotment facility, full subscription and ignoring annual trail commission).

- (e) Other than the Offer, there have been no other important events so far as either Company or the Directors are aware relating to the development of each Company or its business.
- (f) Save for the issue of Redeemable Shares (£50,000 of share capital issued paid up to one quarter in each Company) as set out in paragraph 2(b) above, which has resulted in the assets of each Company having increased by £12,500 (this being the amount paid up on the Redeemable Shares), there has been no significant change in the financial or trading position of either Company since its incorporation.
- (g) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Companies are aware), during the period from the incorporation of each Company which may have, or have had in the recent past, significant effects on that Company's financial position or profitability.
- (h) As at the date of this document, there are no governmental, economic, monetary, political or fiscal policies and factors which have or could affect each Company's operations.
- (i) There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on each Company's prospects for at least the current financial year, so far as that Company and the Directors of that Company are aware.
- (j) Each Company and its relevant Shareholders are subject to the provisions of the City Code on Takeovers and Mergers and CA 2006, which require shares to be acquired/transferred in certain circumstances.
- (k) Where the circumstances are appropriate, the Directors of each Company propose that an appropriate and reasonable proportion of their management expenses of the relevant Company, to be determined after consultation with the relevant Company's auditors, but not to exceed 75%, will be charged to capital.
- (l) Each Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy described in Part Two of this document.
- (m) Octopus is responsible for the determination and calculation of the net asset value of the Companies

which is then approved by the relevant Board. The net asset value of the Companies will be determined four times a year, concurrent with the announcements of the interim and annual financial statements to February and August in each year respectively (such announcements being usually made in April and December respectively) and interim management statements for the quarters ended May and November in each year. The value of investments will be determined in accordance with the IPEVC Guidelines depending on 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 normally 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 Companies will be communicated to investors through a Regulatory Information Service provider at the same frequency as the determinations. In the event of any suspension of listing valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisers.

- (n) 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 the relevant Company through a Regulatory Information Service provider.
- (o) Neither Company intends to appoint an external custodian and its assets (other than the Non-Qualifying Investments) will be held in certificated form.
- (p) Neither Company will conduct any significant trading activity.
- (q) The Companies' expected market competitors would be other venture capital funds investing in the same sectors and asset classes referred to in this document. Each Company confirms that it has taken all reasonable

steps to ensure that its auditors, James Cowper LLP, being members of the Institute of Chartered Accountants in England & Wales, are independent of it and has obtained written confirmation from the auditors that they comply with the guidelines on independence issued by their national accounting and auditing bodies.

- (r) Definitive share certificates for the Ordinary 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 Companies will apply 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 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 Companies will not issue temporary documents of title.
- (s) Octopus, Lightsource and Howard Kennedy 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.

17. 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 Companies during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted):

- (a) the Memorandum and Articles of each Company;
- (b) the material contracts referred to in paragraph 5 above;
- (c) the consent letters referred to at paragraph 17(s) above; and
- (d) this document.

14 September 2011

DIRECTORS AND ADVISERS

DIRECTORS

OCTOPUS VCT 3 PLC

Raymond Greenshields (Chairman)
Ian David Leaman
Katrina Anne Johnston

OCTOPUS VCT 4 PLC

Graham Douglas Paterson (Chairman)
Simon Mark Smith
Katrina Anne Johnston

REGISTERED OFFICE

20 Old Bailey
London
EC4M 7AN

TELEPHONE NUMBER

0800 316 2298

INVESTMENT MANAGER, PROMOTER AND RECEIVING AGENT

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

COMPANY SECRETARY

Tracey Spevack
20 Old Bailey
London
EC4M 7AN

SPONSOR

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

SOLICITORS AND LAUNCH VCT TAX ADVISER

Martineau
No. 1 Colmore Square
Birmingham
B4 6AA

VCT TAX ADVISER

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

AUDITORS

James Cowper LLP
3 Wesley Gate
Queens Road
Reading
RG1 4AP

BANKERS

HSBC Bank 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:

“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 main market

“AIM”

a market operated by the London Stock Exchange

“Application Form”

either of the application forms accompanying the Prospectus for use in respect of the Offer

“Articles”

the articles of association of Octopus VCT 3 and/or Octopus VCT 4, as amended from time to time, as the context permits

“Boards”

the board of directors of Octopus VCT 3 and Octopus VCT 4 (and each “a Board”)

“Business Days”

a day on which clearing banks and foreign exchange markets settle payment and are open for general business in London (and each a “Business Day”)

“BVCA”

the British Venture Capital Association

“CA 2006”

the Companies Act 2006 (as amended)

“Capita Registrars” or “Registrars”

a trading name of Capita Registrars Limited

“close company”

a company which is a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988

“Directors”

the directors of Octopus VCT 3 and/or Octopus VCT 4 from time to time, as the context permits (and each a “Director”)

“Disclosure and Transparency Rules”

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

“Euroclear”

Euroclear UK & Ireland Limited

“Feed-in Tariffs” or “FiT”

payments of a set sum to producers of electricity from a renewable system per level of electricity generated

“FSA”

the Financial Services Authority

“HMRC”

HM Revenue & Customs

“ITA 2007”

the Income Tax Act 2007 (as amended)

“Investment Manager” or “Octopus”

Octopus Investments Limited

“IPEVC Guidelines”

the International Private Equity and Venture Capital Valuation Guidelines

“kWp”

the rated capacity the panels of a photovoltaic plant (under standard test conditions) produce in kilowatts

“Lightsource”

Lightsource Renewable Energy Limited

“Listing Rules”

the Listing Rules of the UK Listing Authority

“London Stock Exchange”

London Stock Exchange plc

“Memorandum”

the memorandum of association of Octopus VCT 3 and/or Octopus VCT 4, as the context permits

“Minimum Net Proceeds”

the minimum net proceeds of the Offer, this being £6.048 million (£3.024 million per Company)

“MWp”

the rated capacity the panels of a photovoltaic plant (under standard test conditions) produce in megawatts

“net asset value” or “NAV”

the gross assets of a Company less its gross liabilities

“Non-Qualifying Investment”

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

“Octopus VCT 3”

Octopus VCT 3 plc

“Octopus VCT 3&4” or “the Companies” or “the VCTs”

together, Octopus VCT 3 and Octopus VCT 4 (and each “a Company” or the “VCT” as the context permits)

“Octopus VCT 4”

Octopus VCT 4 plc

“Offer”

the Offer for subscription of up to 40 million Ordinary Shares described in this document (including, if the Boards (acting jointly) decide to increase the Offer, the over-allotment facility of up to a further 10 million Ordinary Shares)

“Offer Price”

100p per Ordinary Share

“Official List”

the Official List of the UK Listing Authority

“Ordinary Shares”

ordinary shares of 1p each in the capital of Octopus VCT 3 and/or ordinary shares of 1p each in the capital of Octopus VCT 4, as the context permits (and each an “Ordinary Share”)

“PLUS Market”

‘PLUS quoted’, a prescribed market for the purposes of section 118 of Financial Services and Markets Act 2000 operated by PLUS Markets Group plc

“Prospectus”

this document

“Prospectus Rules”

the Prospectus Rules of the UK Listing Authority

“Qualifying Company”

a company satisfying the conditions of Chapter 4 of Part 6 of ITA 2007 as described in Part Nine of this document

“Qualifying Investment”

an investment in, *inter alia*, an AIM traded or unquoted company which satisfies the requirements of Chapter 4 of Part 6 of ITA 2007, as described in Part Nine of this document

“Redeemable Shares”

redeemable shares of £1 each in the capital of Octopus VCT 3 and/or redeemable shares of £1 each in the capital of Octopus VCT 4, as the context permits

“Retail Price Index” or “RPI”

a measure of inflation published monthly by the Office for National Statistics

“Shareholders”

holders of Ordinary Shares in one or both of the Companies, as the context permits (and each a “Shareholder”)

“Sponsor” or “Howard Kennedy”

Howard Kennedy Corporate Services LLP

“UK”

the United Kingdom of Great Britain and Northern Ireland

“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

“a VCT”

a company approved as a venture capital trust under Section 274 of ITA 2007 by the Commissioners of HMRC (or “VCTs” as the context permits for more than one such company)

“VCT Value”

the value of an investment calculated in accordance with Section 278 of ITA 2007

PART ELEVEN

TERMS AND CONDITIONS OF APPLICATION

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the admission of the Ordinary Shares being issued to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities unless otherwise so resolved by the Board of a Company. Applications will be split equally between the Companies. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shares than the number applied for, or if there is a surplus of funds in excess of £1 from the application amount, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime, application monies will be retained by the Companies on the applicant's behalf.
2. The Companies reserve the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts. The Offer is conditional on valid applications being received amounting to, in aggregate, £6.4 million (£3.2 million per VCT (which would result in the Minimum Net Proceeds per VCT being raised)) being received by 12.00 p.m. on 5 April 2012. If this is not reached, the Offer will be withdrawn (unless otherwise extended by the Boards (acting jointly) to no later than 30 June 2012) and application monies which have been received will be returned without interest by post at the risk of the applicant. The minimum application level under the Offer, upon which the Offer is conditional, will not be reduced.
3. By completing and delivering an Application Form, you (as the applicant):
 - (a) irrevocably offer to subscribe, in respect of the amount of money specified in your Application Form, for such number of Ordinary Shares at £1 per share as is determined by dividing the amount specified in your Application Form equally across both Companies, subject to the provisions of (i) the Prospectus (including any supplementary prospectus issued by the Companies and filed with the FSA), (ii) these terms and conditions and (iii) the Memorandum and Articles;
 - (b) authorise the Companies registrar to send definitive documents of title for the number of Ordinary Shares for which your application is accepted and to procure that your name is placed on the register of members of the Companies in respect of such Ordinary Shares and authorise the VCT to send you a crossed cheque for any monies returnable, by post to your address as set out in your Application Form;
 - (c) in consideration of the Companies agreeing that they will not, prior to the closing date of the Offer, offer any Ordinary Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Companies which will become binding upon dispatch by post or delivery by hand of your Application Form duly completed to Octopus (as the receiving agent);
 - (d) agree and warrant that your cheque, banker's draft or electronic transfer (CHAPS) will be presented for payment on receipt and will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Companies (which acceptance shall be in their absolute discretion and may be on the basis that you indemnify them 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 that at any time prior to unconditional acceptance by the Companies of such late payment in respect of such Ordinary Shares, the Companies may (without prejudice to their other rights) treat the agreement to allot such Ordinary Shares as void and may allot such Ordinary Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Ordinary Shares (other than return of such late payment);
 - (e) agree that any documents of title and any monies returnable to you may be retained by Octopus VCT 3 (on behalf of both Companies) pending clearance of your remittance, that such monies will not bear interest and any monies not used to purchase Ordinary Shares of an amount less than £1 will not be returnable and will be retained by the Companies for use by the Companies for any purpose;
 - (f) agree that all applications, acceptances of applications and contracts resulting there from will be governed by, and construed 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 Companies 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 in any court of competent jurisdiction;
 - (g) agree that, in respect of those Ordinary Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notice of acceptance thereof by Octopus;
 - (h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application Form;
 - (i) agree that, having had the opportunity to read the Prospectus and any supplementary prospectus issued

by the Companies and filed with the FSA, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein and any supplementary prospectus issued by the Companies and filed with the FSA (whether or not so read);

- (j) confirm that in making such application you are not relying on any information or representation in relation to the Companies other than those contained in this Prospectus (including any supplementary prospectus issued by the Companies and filed with the FSA) and you accordingly agree that no person responsible solely or jointly for this Prospectus (including any supplementary prospectus issued by the Companies and filed with the FSA) or involved in the preparation thereof shall have any liability for any such information or representation;
- (k) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
- (l) warrant that you are not under the age of 18 years;
- (m) agree that such Application Form is addressed to the Companies and Octopus;
- (n) agree to provide the Companies and/or Octopus with any information which they may request in connection with your application and/or in order to comply with VCT or other relevant legislation and/or the Money Laundering Regulations 2007 (as the same may be amended from time to time);
- (o) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Companies or Octopus acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (p) agree that Octopus will not regard you as its customer by virtue of your having made an application for Ordinary Shares or by virtue of such application being accepted;
- (q) 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 Ordinary Shares and that the Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purposes of which, or one of the main purposes of which, is the avoidance of tax;
- (r) agree that, unless otherwise indicated on the Application Form, you consent to the website publication of annual and interim reports, and other statutory communications, online at

www.octopusinvestments.com and the provision of an email notification, to the email address provided on the Application Form, of when such documents are available for viewing online; and

- (s) consent to information provided on the Application Form being provided to the registrars of the Companies (from time to time) to process shareholding information and notifications as referred to in paragraph (r) above.
4. No action has been or will be taken in any jurisdiction by, or on behalf of, the Companies which would permit a public offer of Ordinary Shares in any jurisdiction where action for that purpose is required, other than the UK, nor has any such action been taken with respect to the possession or distribution of this document other than in the UK. No person receiving a copy of this Prospectus (including any supplementary prospectus issued by the Companies and filed with the FSA) 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 registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application for Ordinary Shares 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 required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdictions (the "US"). In addition, the Companies have not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application Form will be accepted if it bears an address or post mark in the US.
 5. The basis of allocation will be determined by the Companies (acting jointly and after consultation with Octopus) in their absolute discretion. It is intended that applications will be accepted in the order in which they are received. The Offer will be closed at 12.00 pm on 5 April 2012 or as soon as full subscription is reached (unless extended by the Boards (acting jointly) in their absolute discretion to no later than 30 June 2012, or closed earlier at their discretion). The Boards (acting jointly) in their absolute discretion may also decide to increase the Offer by a further 10 million Ordinary Shares (5 million Ordinary Shares per VCT). The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications which may otherwise be accepted. Application monies not accepted or if the Offer is withdrawn will be returned to the applicant in full by means of a cheque, posted at the applicant's risk. The right is also reserved to treat as valid any application

not complying fully with these Terms and Conditions of Application or not in all respects complying with the Application Procedures set out on page 50. In particular, but without limitation, the Companies (after consultation with Octopus) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these Terms and Conditions. The Offer is not underwritten. The Offer will be suspended if at any time any of the Companies is prohibited by statute or other regulations from issuing Ordinary Shares.

6. Save where the context requires otherwise, terms defined in this Prospectus bear the same meaning when used in these Terms and Conditions of Application and in the Application Form.
7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp or full address details and FSA number will be entitled to receive an initial commission of 2.5%. In addition, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the Ordinary Shares, they will be paid an annual trail commission of 0.5% of the initial net asset value of their client's holding in Ordinary Shares for a period of nine years from the allotment date of the relevant Ordinary Shares.
8. Octopus will collate the Application Forms bearing the financial intermediaries' stamps or full address details and calculate the initial commission payable which will be paid monthly and also calculated and paid annual trail commission.
9. If the Companies are required to publish a supplementary prospectus, subscribers who have yet to be entered on to the Companies' register of members will be given two working 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 Companies.

LODGING OF APPLICATION FORMS AND DEALING ARRANGEMENTS

Completed Application Forms with the appropriate remittance must be posted to Octopus Investments Limited, PO Box 10847, Chelmsford CM99 2BU or delivered by hand to Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN. The Offer will be open from 14 September 2011 and will close at 12.00 p.m. on 5 April 2012 or as soon as full subscription is reached (unless extended by the Boards (acting jointly) in their absolute discretion to no later than 30 June 2012, or closed earlier at their discretion). The Boards (acting jointly) in their absolute discretion may also decide to increase the Offer by a further 10 million Ordinary Shares if there proves to be excess demand from investors. If you post your Application Form, you are recommended to use first class post and to allow at least two Business Days for delivery.

It is expected that dealings in the Ordinary Shares will commence within ten Business Days following allotment and that share certificates will be dispatched within 15 Business Days of allotment of the Ordinary Shares. Allotments will be announced on an appropriate Regulatory Information Service Provider.

Temporary documents of title will not be issued. Dealings prior to receipt of share certificates 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.

To the extent that any application is not accepted any payment will be returned without interest by returning the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post, at the risk of the person entitled thereto.

MONEY LAUNDERING NOTICE - IMPORTANT PROCEDURES FOR APPLICATIONS OF £10,001 OR MORE IN AGGREGATE IN OCTOPUS PRODUCTS.

In such circumstances, Octopus will require verification of the identity of the applicant. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in a delay of confirmation.

If the application is for £10,001 or more (or is one of a series of linked applications for the Octopus products, the value of which exceeds that amount) in such circumstances, Octopus will carry out money laundering checks through Experian.

Should verification of an Investor's identity be unsuccessful through Experian:

A Verification of the investor's identity may be provided by means of a "Letter of Introduction", from an intermediary or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). Octopus will supply specimen wording on request;

or

B If an application is made direct (not through an intermediary), you must provide the following documents:

1. either a certified copy of your passport or driving licence; and
2. a recent (no more than three months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

APPLICATION PROCEDURE

Octopus VCT 3&4

SECTION 1

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

SECTION 2

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

The Boards intend to publish annual and interim reports, and other statutory communications online at www.octopusinvestments.com. If you would prefer to receive hard copies of such publications please indicate this by ticking the box at point 3.

SECTION 3

Please note that the minimum investment under the Offer is £3,000. The maximum investment into VCTs in any tax year, on which tax reliefs are available, is £200,000. Attach your cheque or bankers' draft to the Application Form for the total amount of your investment. Alternatively, you can make your investment via bank transfer.

Please make cheques payable to **'Octopus VCT 3&4 plc – Applications' and crossed 'A/C payee only'**. Cheques must be from a recognised UK bank account and your payment must relate solely to this application.

Bank transfers should be paid to:

'Octopus VCT 3&4 plc – Applications'

Sort code: 40-03-28

Account no: 52662167

Please reference bank transfers with your surname and initials.

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

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

By signing this form I HEREBY DECLARE THAT:

- i. I have read the Terms and Conditions of Application set out in the Prospectus dated 14 September 2011 and agree to be bound by them;
- ii. I will be the beneficial owner of the Ordinary Shares of Octopus VCT 3&4 issued to me under this Offer;
- iii. I understand the risk factors associated with an investment in Octopus VCT 3&4; and
- iv. to the best of my knowledge and belief, the personal details I have given are correct.

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

SECTION 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 is not, in its sole discretion, satisfied that the financial intermediary is authorised.

SECTION 5

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

FREQUENTLY ASKED QUESTIONS

Q: Who should I make the cheque payable to?

A: Cheques should be made payable to **'Octopus VCT 3&4 plc – Applications'**.

Q: Can I invest via bank transfer instead?

A: Yes – bank transfers should be paid to:

'Octopus VCT 3&4 plc – Applications'

Sort code: 40-03-28

Account no: 52662167

Please reference bank transfers with your surname and initials.

Q: Where should I send my Application?

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

Octopus Investments Limited

PO Box 10847

Chelmsford

CM99 2BU

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 following the first allotment.

Please send the completed Application Form together with your cheque or bankers' draft to Octopus Investments Limited, PO Box 10847, Chelmsford CM99 2BU. If you have any questions on how to complete the Application Form please contact Octopus Investments Limited on 0800 316 2298.

APPLICATION FORM

Octopus VCT 3&4

Before completing this Application Form you should read the prospectus issued by Octopus VCT 3&4 plc dated 14 September 2011 and the Terms and Conditions of Application and Application Procedure contained therein. The Offer opens on 14 September 2011 and will close at 12.00pm on 5 April 2012, unless the Offer is fully subscribed prior to that date or extended by the Boards (acting jointly) (to no later than 30 June 2012). PLEASE COMPLETE IN BLOCK CAPITALS.

1 Your Personal Details

Mr/Mrs/Miss/Other

First Name

Middle Name(s)

Surname

Date of Birth

National Insurance Number

Email

Address

Postcode

Telephone (Day)

Telephone (Home)

I am an existing investor with Octopus

2 Investor Services

1. Would you like to receive information on other Octopus products (please tick all that apply)?

- Information about other Octopus products
 Quarterly Octopus Newsletter
 No thank you

2. How would you like to be updated about your investment?

Email or Post

3. If you would like to receive hard copy publications of annual and interim reports, and other statutory communications, please tick the following box

3 Subscription Details

I offer to subscribe the following amount for Ordinary Shares under the Terms and Conditions of Application as set out in the Prospectus dated 14 September 2011. The application must be for a minimum of £3,000.

I enclose a cheque or bankers' draft drawn on a UK clearing bank made payable to 'Octopus VCT 3&4 plc – Applications'.

I have made a bank transfer into 'Octopus VCT 3&4 plc – Applications'.

Signature

£

Date

4 Adviser Details (For completion by authorised financial intermediaries only)

Company Name

Mr/Mrs/Miss/Other

First Name

Surname

Telephone

Email

Address

Postcode

Administrator Email

Please provide details of your bank account so that commission can be paid to you via BACS.

Account Name

Account Number

Email for Commission Statements

Sort Code

Special Instructions

FSA Number and Company Stamp

APPLICATION FORM

Octopus VCT 3&4

5 Dividend Instructions

All dividends on Ordinary Shares held in Octopus VCT 3&4 may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

Please forward until further notice, all dividends that may from time to time become due on any Ordinary Shares now standing, or which may hereafter stand, in my name on the register of members of Octopus VCT 3&4 to:

Name of Bank or Building Society

Address of Branch

Postcode

Account Number

Sort Code Number

Account Name

Signature

Date

Applicant's Name

Octopus VCT 3&4 cannot accept responsibility if any details provided by you are incorrect.



APPLICATION FORM

Octopus VCT 3&4

Before completing this Application Form you should read the prospectus issued by Octopus VCT 3&4 plc dated 14 September 2011 and the Terms and Conditions of Application and Application Procedure contained therein. The Offer opens on 14 September 2011 and will close at 12.00pm on 5 April 2012, unless the Offer is fully subscribed prior to that date or extended by the Boards (acting jointly) (to no later than 30 June 2012). PLEASE COMPLETE IN BLOCK CAPITALS.

1 Your Personal Details

Mr/Mrs/Miss/Other

First Name

Middle Name(s)

Surname

Date of Birth

National Insurance Number

Email

Address

Postcode

Telephone (Day)

Telephone (Home)

I am an existing investor with Octopus

2 Investor Services

1. Would you like to receive information on other Octopus products (please tick all that apply)?

- Information about other Octopus products
 Quarterly Octopus Newsletter
 No thank you

2. How would you like to be updated about your investment?

Email or Post

3. If you would like to receive hard copy publications of annual and interim reports, and other statutory communications, please tick the following box

3 Subscription Details

I offer to subscribe the following amount for Ordinary Shares under the Terms and Conditions of Application as set out in the Prospectus dated 14 September 2011. The application must be for a minimum of £3,000.

I enclose a cheque or bankers' draft drawn on a UK clearing bank made payable to 'Octopus VCT 3&4 plc – Applications'.

I have made a bank transfer into 'Octopus VCT 3&4 plc – Applications'.

Signature

£

Date

4 Adviser Details (For completion by authorised financial intermediaries only)

Company Name

Mr/Mrs/Miss/Other

First Name

Surname

Telephone

Email

Address

Postcode

Administrator Email

Please provide details of your bank account so that commission can be paid to you via BACS.

Account Name

Account Number

Email for Commission Statements

Sort Code

Special Instructions

FSA Number and Company Stamp

APPLICATION FORM

Octopus VCT 3&4

5 Dividend Instructions

All dividends on Ordinary Shares held in Octopus VCT 3&4 may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

Please forward until further notice, all dividends that may from time to time become due on any Ordinary Shares now standing, or which may hereafter stand, in my name on the register of members of Octopus VCT 3&4 to:

Name of Bank or Building Society

Address of Branch

Postcode

Account Number

Sort Code Number

Account Name

Signature

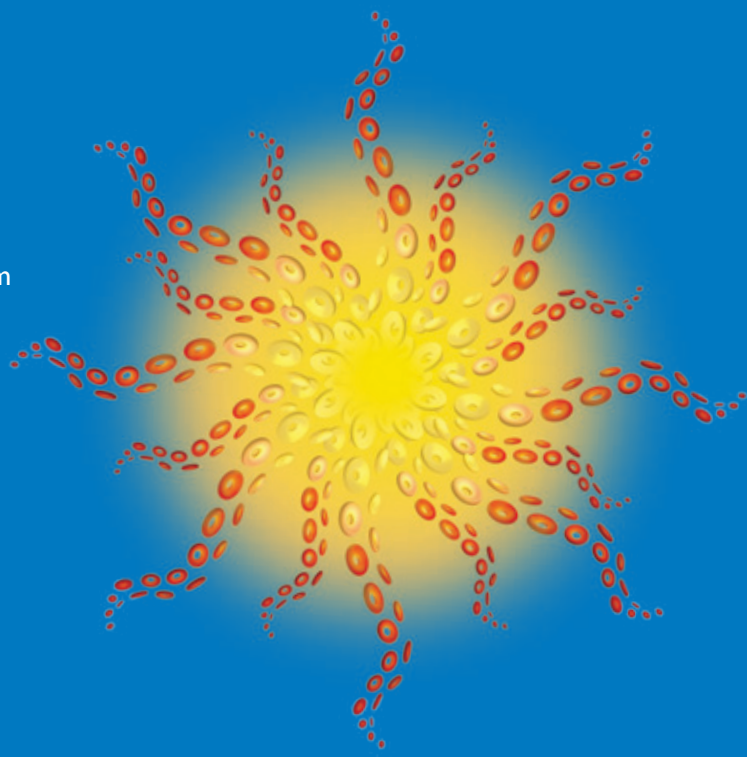
Date

Applicant's Name

Octopus VCT 3&4 cannot accept responsibility if any details provided by you are incorrect.



www.octopusinvestments.com



1329-17-VCT-0911

Please contact us on
0800 316 2298

or email us at
info@octopusinvestments.com

20 Old Bailey
London EC4M 7AN