



Annual report and accounts for the year ended 28 February 2018

Company number: 07744056

For UK investors only

Octopus VCT 3 plc (“the Company”) is a venture capital trust with a portfolio of investments in the renewable energy sector, with a particular focus on solar energy.

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Financial Summary

The Company has extended the financial period end from 31 August 2017 to 28 February 2018, therefore figures to 28 February 2018 are for an extended 18 month period.

	As at 28 February 2018	As at 31 August 2016
Net assets (£'000s)	7,558	6,605
Net return on ordinary activities after tax (£'000s)	1,366	(49)
Net asset value (NAV) per share	91.7p	80.1p
Cumulative dividends paid since launch	20.0p	15.0p
NAV plus cumulative dividends paid	111.7p	95.1p
Dividends paid in period	5.0p	5.0p
Proposed final dividend for the period	–	5.0p

Key Dates

Annual General Meeting

31 August 2018 at 4.00 p.m.

Strategic Report

The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to include a Strategic Report to its shareholders ("Shareholders"). The purpose of the report is to provide Shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their legal duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The following sections form part of the Strategic Report:

- Our Strategy
- Chairman's Statement
- Business Review
- Investment Manager's Review

Our Strategy

The Company's Objective

On 7 July 2017 the publication of a circular relating to an authority for the disposal of the Company's assets prior to a voluntary liquidation of the Company was announced and approved on 9 August 2017. The solar sites have been sold post period end and the objective of the Company is to provide liquidity to the Shareholders via payment of dividends and then to place the Company into voluntary liquidation.

Investment Policy

The investment policy of Octopus VCT 3 plc is to invest in a portfolio of unquoted companies where the focus is predominantly in the solar sector. These solar investments have typically been 1-2MWp installations which attract the benefit of the government's Feed-in Tariff ("FIT") or Renewables Obligation Certificates ("ROCs") scheme. Currently all investments are in the solar sector. The Company also has the ability to invest in a variety of other sectors and technologies, where the Investment Manager is confident that the investments can be structured to achieve more predictable returns. These may include investments traded on the Alternative Investment Market ("AIM") or on the ISDX Growth Market.

The Board does not intend to materially vary the investment policy. 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 Sourcebook of the FCA Handbook ("**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 the Company must be invested in Qualifying Investments (i.e. investments which satisfy the requirements of Chapter 4 of Part 6 of Income Tax Act 2007) by the beginning of the accounting period in which the third anniversary of such funds being raised falls. The majority of the funds raised have been invested in Qualifying Investments and sufficient liquidity is maintained 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, the Company 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.

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 value) of the Company's Qualifying Investments (at the time of such investment) will be invested in any single company. The Company may, however, provide non-qualifying loans to portfolio companies provided that such aggregate investment does not exceed 20% (by value) of the Company's investments (at the time of investment) in any single company. In addition, no more than 10%, in aggregate, of the assets of the Company (at the time the investment is made) will be invested in other listed closed-ended investment funds.

The Company 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 Board does not intend that the Company will borrow funds, it is entitled to do so up to 20% of the value of its adjusted capital and reserves (being, in summary, the aggregate of the issued share capital, plus any amount standing to the credit of the Company's reserves, deducting for any distributions declared and intangible assets and adjusting for any variations to the above since the date of the relevant statement of financial position).

Liquidity Strategy

The Board's strategy is to maintain an appropriate level of liquidity in the statement of financial position to continue to achieve the following aims:

- to provide liquidity to Shareholders on completion of the sale of the Assets with two dividend payments; and
- to support the Company entering voluntary liquidation.

Chairman's Statement

Introduction

I am pleased to present the Annual Report of Octopus VCT 3 plc ("Company") for the period ended 28 February 2018.

Update on the Sale Process and Performance

The Company was originally established as a VCT with a 25-year limited life. On 9 August 2017 in line with the Board's recommendation the Shareholders approved a proposal to conduct an orderly wind up of the VCT, through the sale of the Company's assets ("Assets") to return capital to its Shareholders in 2018. The Investment Manager has been managing the sale process with approvals from the Board during each phase. In November, following the completion of a competitive tender process for the Assets, the Board approved a bilateral phase of negotiation and due diligence with the preferred bidder. Subsequently, the due diligence process was completed and a sale ("Sale") of the Assets finalised on 2 May 2018. The value achieved from the sale of the Assets was higher than the previous valuations, increasing the underlying NAV from 74.3 per share on 31 August 2017 to 91.7p as at 28 February 2018. The Total Value per share, which includes the underlying NAV and dividends paid to date of 20p, now stands at 111.7p, up from 94.3 on 31 August 2017. The Prospectus indicated a potential return at this stage of 110p per share.

No dividends have been paid since February 2017 as a result of the sale and orderly wind up process. Most of the cash from the sale of the Assets will be paid to Shareholders as a dividend by the end of July 2018. A small amount of capital will be retained by the Company for a period of three to four months following the sale of the Assets, to cover potential liabilities and unforeseen costs, in accordance with the sales agreement. The remaining capital will then be distributed to Shareholders as a second dividend, however, this is expected to be minimal.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and the Investment Manager with advice concerning ongoing compliance with HMRC's rules and regulations concerning VCTs. The Board has been advised that the Company is compliant with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement for VCTs is to maintain at least a 70% Qualifying Investment level. As at 28 February 2018, 86.3% of the portfolio, as measured in accordance with HMRC's rules, was invested in VCT Qualifying Investments. In order to ensure the Company continues to comply with the VCT qualification requirement to hold at least 30% of its portfolio in equity, the Company invested in a new issue of VCT qualifying shares by an AIM traded company.

Annual General Meeting

The Directors look forward to meeting as many shareholders as possible at our Annual General Meeting on 31 August 2018, to be held at the offices of Octopus Investments Limited, 33 Holborn, London, EC1N 2HT. The AGM will start at 4.00 p.m.

Outlook

The Board is not proposing to pay a final dividend in respect of the period ended 28 February 2018. However, as the sale of the Assets has now completed, your Board is proposing to pay a dividend to the Company's Shareholders in July. As noted previously, a small amount of cash will be retained to accommodate for any potential liabilities, VCT wind up costs and VCT running costs up to the point of liquidation. Following the expiry of three to four months, the remaining value will be distributed as a second dividend. The process for the liquidation of the company is expected to commence following the 2018 AGM on 31 August 2018.



Gregor Michie
Chairman
21 June 2018

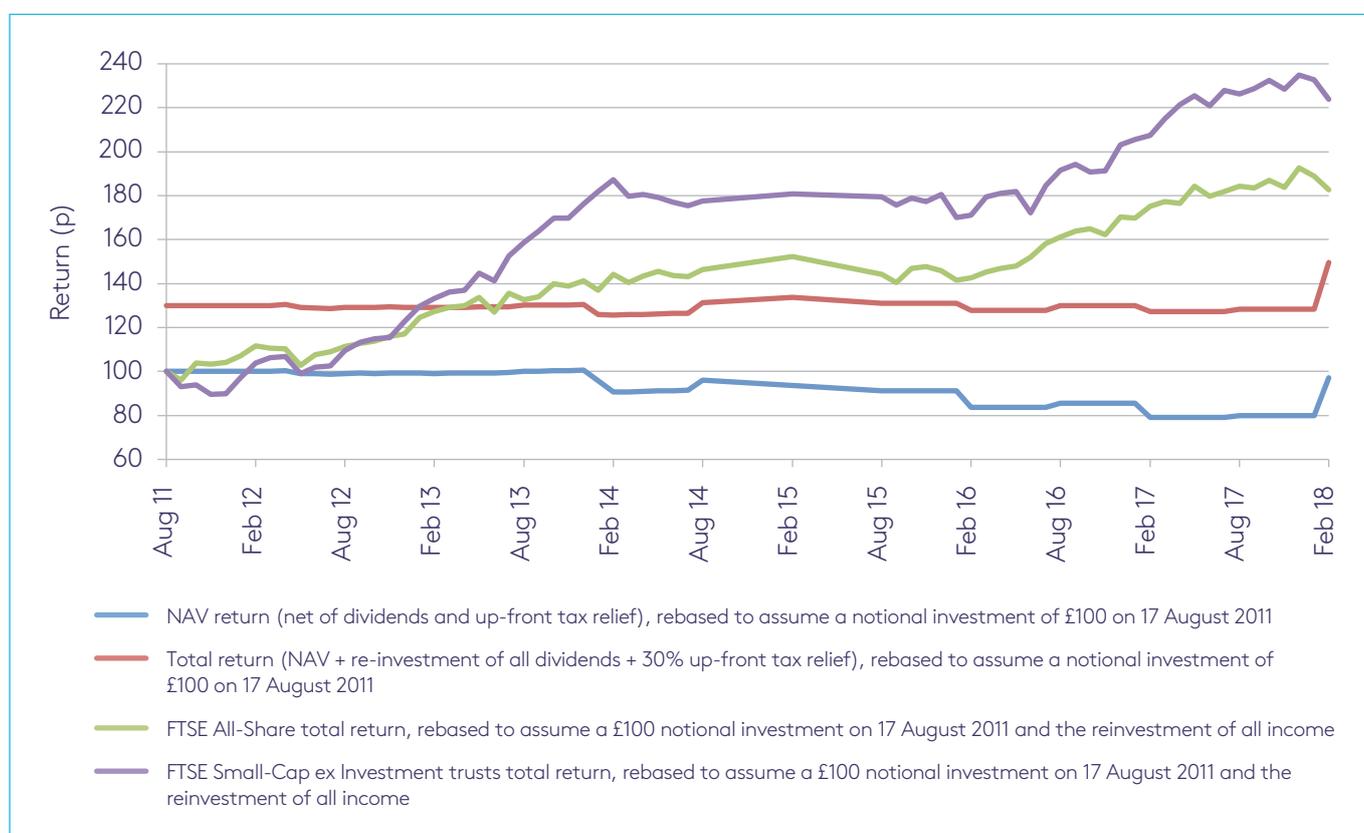
Business Review

Performance

Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE Small-Cap Index. This is shown in the graph below. This index has been adopted as an informal benchmark.

The graph below compares the share price total return and NAV total return (gross dividends reinvested) of the Company over the period from 17 August 2011 to 28 February 2018 with the total return from a notional investment in the FTSE Small-Cap ex Investment Trusts and the FTSE All-Share indices over the same period (all rebased to 100p).

Whilst the indices referred to below are considered to be the most appropriate broad equity market indices for comparative purposes, the Board does not consider them to be comparable with the Company due to the Company's investment objective being so different to those companies listed on the FTSE Small-Cap and FTSE All-Share indices.



Results and dividend

	Period ended 28 February 2018 £'000	Year ended 31 August 2016 £'000
Net return attributable to shareholders	1,366	(49)
Appropriations:		
Final dividend proposed Nil p per share (2016: 5.0p)	–	413

Key Performance Indicators (KPIs)

The Company's objective is to provide liquidity to the Shareholders via payment of dividends and then then place the Company into voluntary liquidation. The KPIs in meeting these objectives are:

- the total return, comprising net asset value and dividends paid;
- the total expense as a proportion of shareholders' funds;
- payment of a regular annual dividend of 5p per Ordinary share in respect of last year.

A record of some of the indicators are detailed on the first page of this Report, entitled Financial Summary. Additional comments are provided in the Chairman's Statement and the Investment Manager's Review regarding the performance of the Company over the current period. The Board assesses the performance of Octopus in meeting the Company's objectives against the KPIs highlighted above. The total running costs in the period, as defined in the prospectus, were capped at an annual limit of 2.15%.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2016 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. Due to the sale of the Assets of the Company on 2 May 2018 and plans to perform an orderly wind up of the Company, the Directors consider it inappropriate to prepare the financial statements on a "going concern" basis and accordingly, the Directors have prepared these financial statements on a "break-up" basis.

Principal risks, risk management and regulatory environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

The Investment Manager keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the period. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

Investments: the majority of the Company's investments are in small and medium-sized companies which are VCT qualifying holdings and which are, by their nature, illiquid.

The Directors and the Investment Manager aim to limit the risk attached to the portfolio as a whole by careful selection of the underlying assets and by carrying out rigorous due diligence involving specialist third party advisors. The Board reviews the investment portfolio with the Manager on a regular basis.

Financial: as most of the Company's investments involve a long-term commitment and are relatively illiquid, the Directors consider that it is inappropriate to finance the Company's activities through borrowing.

The Company has no exposure to foreign currency risk and does not enter into derivative transactions. The Company has cash deposits which are held by HSBC Bank plc. The risk of loss to this cash is deemed to be low due to HSBC's historical credit rating and a current Standard & Poor's rating of AA-. The underlying investee companies have cash deposits which are held by Coutts & Co, a constituent of the Royal Bank of Scotland Group.

Inadequate controls could lead to misappropriation of assets. This is mitigated by a division of responsibilities for the preparation and approval of payments and regular asset reconciliations being undertaken by the Manager. Inappropriate accounting policies might lead to mis-posting or breaches of regulations. Guidance is provided by the Company's auditors as to the appropriateness of accounting policies and updates to regulations.

Regulatory and Reputational: the Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or loss of shareholder trust. The risk of breaches in regulation or loss of Shareholder trust are mitigated by ensuring that appropriate controls are implemented by the Investment Manager and that they are overseen by suitably qualified personnel. Reputational risk is also mitigated by an annual external audit. The Company's compliance with statutory and regulatory obligations is reviewed by the Board.

Internal control: the Board reviews annually the system of risk management and internal controls, both financial and non-financial, operated by the Company and the Investment Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

The Board seeks to mitigate the internal risks by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Details of the Company's

internal controls are contained in the Corporate Governance section on page 16.

Further details of the Company's financial risk management policies are provided in note 14 to the financial statements.

Gender and Diversity

The Board of Directors comprises two male Non-Executive Directors and one female Executive Director with considerable experience of the VCT industry and the investee companies. The gender, diversity and constitution of the Board are reviewed on an annual basis.

Human Rights Issues

Due to the structure of the Company, with no employees, one Executive Director and two Non-Executive Directors, there are no Human Rights Issues to report.

This report was approved by the Board on 21 June 2018 and signed on its behalf by:



Gregor Michie
Chairman
21 June 2018

Investment Manager's Review (Unaudited)

Personal Service

At Octopus we have a dual focus, on managing investments and keeping Shareholders informed throughout the investment cycle and process. We are committed to providing the VCT's Shareholders with regular and open communication. Our updates are designed to keep Shareholder's informed about the progress of their investments.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus also acts as Investment Manager to five other VCTs and currently has over £6 billion of funds under management. Octopus has around 800 employees.

Portfolio Review

The Company was invested in a portfolio of seven individual solar companies, each of which owned and operated a solar site in the 1-2MWp range. The first five sites were accredited for FIT and the remaining two sites were accredited under ROCs.

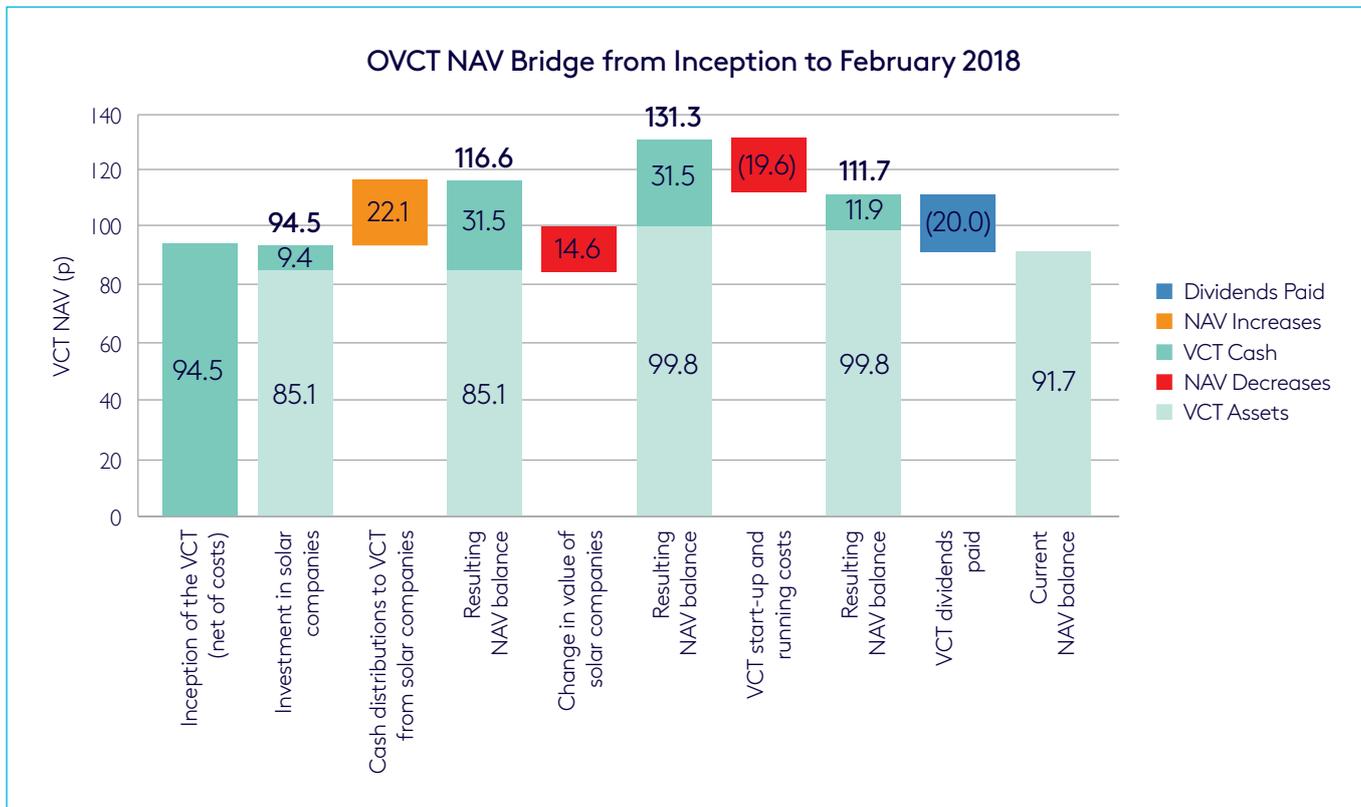
Octopus has managed the performance of the solar sites on behalf of the Company in order to maximise the value to the VCT's Shareholders. This has included overseeing construction and the resolution of various technical issues following the insolvency of a construction contractor. All of these works were disclosed to the buyer of the sites and checked by a technical advisor. The portfolio of the seven sites has overall been performing in line with expectations since the start of the operations.

Company Performance

Between 31 August 2016 and 28 February 2018, the NAV increased due to the price achieved on sale of the Assets. The table below shows the movements between the two periods:

Changes in NAV between August 2016 and February 2018		p
NAV at 31 August 2016		80.1
Cash distributions from solar companies		5.9
Revaluation of solar companies		15.4
VCT running costs		(4.7)
Dividends paid		(5.0)
NAV at 28 February 2018		91.7

In addition to the above, the graph below provides an illustrative bridge summary to show movements in the NAV between inception and 28 February 2018.



It should be noted that the fixed running costs of the Company have been proportionately higher due to the smaller than anticipated fundraise into the VCTs in 2011/2012. However, we continue to review costs in order to keep these at a minimum and ensure the potential NAV is optimised.

Company Outlook

With the successful completion of the sale of the seven solar assets, the Investment Manager no longer manages the sites. The team was heavily involved in sharing information with the buyer and answering all legal, technical and financial due diligence queries during the sale process. The Investment Manager’s team is happy to have negotiated on behalf of the Shareholders the sale of the assets at a level that exceeded the holding value. The process for the liquidation of the company is expected to commence following the 2018 AGM on 31 August 2018.

If you have any questions on any aspect of your investment, please call one of the team on **0800 316 2295**.

Matt Setchell
 Octopus Investments Limited
 21 June 2018

Investment Portfolio

Investments	Sector	Investment cost as at 28 February 2018 (£'000)	Movement in fair value to 28 February 2018 (£'000)	Fair value as at 28 February 2018 (£'000)	Movement in period (£'000)	% equity held by Octopus VCT 3 plc	% Equity held by all funds managed by Octopus
Delambre Energy	Solar	1,383	151	1,534	211	49.9%	100.0%
Huygens Energy	Solar	1,202	221	1,423	266	49.9%	100.0%
Adala Solar	Solar	721	259	980	205	49.9%	100.0%
Daubree Energy	Solar	773	192	965	223	49.9%	100.0%
Debes Energy	Solar	838	118	956	226	49.9%	100.0%
Lacaille Energy	Solar	727	134	861	172	49.9%	100.0%
Akycha Power	Solar	700	131	831	74	49.9%	100.0%
Beeks Financial Cloud Group Plc	Software	4	-	4	-	50.0%	n/a
Current asset investments		6,348	1,206	7,554	1,377		
Cash at bank				78			
Debtors less creditors				(74)			
Total net assets				7,558			

Valuation Overview

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Quoted investments are valued in accordance with the bid-price on the relevant date, unquoted investments are valued in accordance with current International Private Equity and Venture Capital (IPEVC) valuation guidelines. The sale of the Assets has resulted in a positive variance between previous valuations compared to the final sales price.

Valuation Methodology

As at 28 February 2018 these assets are valued at the consideration offered by the Buyer. The price was agreed on 2 May 2018 for a consideration of £15.1m across both VCTs (Octopus VCT 3 plc and Octopus VCT 4 plc). As a result, the valuation methodology has changed from discounted cash flows method to the fair value as indicated by the sale price of the assets. The total consideration is split between each of the assets based on site capacity.

Investment Portfolio

Adala Solar Limited

Adala Solar constructed a 1.24MWp solar site near Congresbury in Somerset in July 2012. The site has been fully operational for over four years and is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

Akycha Power Limited

Akycha Power constructed a 1.05MWp solar site near Newport on the Isle of Wight in July 2012. The site has been fully operational for over four years and is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

Daubree Energy Limited

Daubree Energy constructed a 1.22MWp solar site near Cullompton in Devon in July 2012. The site has been fully operational for over four years and is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

Debes Energy Limited

Debes Energy constructed a 1.21MWp solar site near Tiverton in Devon in July 2012. The site has been fully operational for over four years and is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

Delambre Energy Limited

Delambre Energy constructed a 1.94MWp solar site near Ivybridge in Devon in March 2013. The site has been fully operational for around three and half years and is receiving revenues from the sale of the ROCs, as well as the sale of the electricity it produces on the wholesale market. However, due to some poorly installed cables during construction, and the subsequent insolvency of the EPC, this company has taken on an additional liability for rectification works.

Huygens Energy Limited

Huygens Energy constructed a 1.80MWp solar site near Cullompton in Devon in March 2013. The site has been fully operational for around three and half years and is receiving revenues from the sale of the ROCs, as well as the sale of the electricity it produces on the wholesale market. Rectification works were completed over the winter of 2015 and it returned to being fully operational in the summer of 2016.

Lacaille Energy Limited

Lacaille Energy constructed a 1.09MWp solar site near Crediton in Devon in July 2012. The site is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

Beeks Financial Cloud Group plc

Beeks Financial is a niche cloud computing and connectivity provider for financial markets. In order to ensure that the VCTs continue to comply with the VCT qualification requirement to hold 30% of their respective portfolios in equity until they are placed into members' voluntary liquidation the Company invested in Beeks Financial.

Details of Directors

Gregor Michie (Non-Executive Chairman)

Gregor graduated with a law degree and subsequently qualified as a chartered accountant. Thereafter he joined Morgan Grenfell & Co Limited and worked internationally and in the UK in banking, corporate finance and, latterly, in investment management until leaving the Deutsche Bank group in 1999. Before assuming the role of Chairman of Octopus VCT 3 plc he was chairman of two generalist VCTs, Maven Income & Growth VCT 3 Plc and Octopus Titan VCT 4 plc.

Ian Leaman (Non-Executive Director)

Ian is a chartered accountant who qualified with Deloitte (then Touche Ross). He has held various senior financial management positions in industry, most recently as CFO of a quoted international oil & gas technology business. He has also owned businesses providing corporate finance advice to the UK SME market. He is a former vice-chairman of the Corporate Finance Faculty of the Institute of Chartered Accountants in England and Wales.

Katrina Shenton (Executive Director)

Katrina is the Head of Octopus Energy Asset Management and is also an Executive Director of Octopus VCT 4 plc. Having started her career at IBM, Katrina spent eleven years working in the solar photovoltaic industry with Solar Century, a leading solar energy company, where she was involved in raising significant venture capital investment and structuring and negotiating large value project finance deals. Since joining Octopus in January 2011, Katrina managed solar deals in excess of £500 million before taking over as Head of Octopus Asset Management role in 2015. Katrina was awarded an MBA with distinction from London Business School and has a degree in Mathematical Statistics and Operational Research from Exeter University.

Directors' Report

The Directors present their report and the audited financial statements for the period ended 28 February 2018.

The Directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Directors

Brief biographical notes on the Directors are given on page 11.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Michie retires as a Director at the Annual General Meeting and, being eligible, offers himself for re-election. Ms Shenton is not considered to be independent, being an employee of Octopus Investments Limited as the Investment Manager of Octopus VCT 3 plc. As a non-independent Director, Ms Shenton will stand for re-election at the 2018 AGM of the Company as required by Listing Rule 15.2.13A. The Board has considered provision [B.7.2] of the The UK Corporate Governance Code and, following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 15, believes that Mr Michie and Ms Shenton continue to be effective and demonstrate commitment to their roles. The Board therefore recommends their re-election at the forthcoming Annual General Meeting.

Further details can be found in the Corporate Governance report on page 14.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s233 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

VCT Regulation

Compliance with required rules and regulations is considered when all investment decisions are made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which the Company must adhere is detailed on page 41 (Shareholder Information and Contact Details).

The Company will continue to ensure its compliance with the qualification requirements.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, on pages 2 to 8. Further details on the management of financial risk may be found in note 14 to the financial statements.

Due to the sale of the Assets on 2 May 2018 and the plans to perform an orderly wind down of the Company (subject to shareholders' approval), the Directors consider it inappropriate

to prepare the financial statements on a "going concern" basis. The Directors have therefore prepared these financial statements on a "break up basis" as set out under the basis of preparation in Note 1.

Dividend

There is no final dividend proposed for the period ended 28 February 2018. As the sale of the Assets has completed, the majority of the cash from the sale of the Assets will be paid to Shareholders as a dividend by the end of July 2018. A small amount of capital will be retained by the VCTs for a period of three to four months following the sale of the Assets, to cover potential liabilities and costs. The remaining capital will then be distributed as a second dividend which is expected to be minimal.

Management

The Company has in place an agreement with Octopus to act as Investment Manager which is central to the ability of the Company to continue in business. The principal terms of the Company's management agreement with Octopus are set out in note 3 to the financial statements. Octopus also provides company secretarial, administrative and custodian services to the Company.

There are no other contracts which are deemed to be essential to the business of the Company.

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Investment Manager is in the best interest of the Shareholders. In reaching this conclusion, the Directors have taken into account the performance of the investment portfolio and the ability of the Investment Manager to produce satisfactory investment performance. It also considered the length of the notice period of the management agreement and fees payable to Octopus, together with the standard of other services provided, as set out above.

With the exception of Katrina Shenton, no Director has an interest in any contract to which the Company is party. Katrina Shenton is an employee of Octopus. Details of the fees paid to Octopus in respect of services provided are detailed in note 17 to the financial statements.

The Manager is entitled to receive an annual management fee of 1.25% of net funds raised. However, as the running costs for the fund are capped at 2.15% of the net funds raised, any excess will be met by Octopus through a reduction in its annual management fee.

The Board has delegated the routine management decisions, such as the payment of running costs, to Octopus. However, investment decisions are discussed and agreed with the Board.

Whistleblowing

The Board has considered the arrangements in accordance with the recommendations of The UK Corporate Governance Code to encourage staff of the Investment Manager or the Secretary of the Company to raise concerns, in confidence, within their organisation about possible improprieties in matters of financial reporting or other matters. It is satisfied that adequate arrangements are in place to allow an independent investigation, and follow-on action where necessary, to take place within the organisation.

Bribery Act

Octopus has an Anti-Bribery Policy which introduced robust procedures to ensure full compliance with the Bribery Act 2010 and to ensure that the highest standards of professional ethical conduct are maintained. All employees and those working for, or on behalf of Octopus, are aware of their legal obligations when conducting company business.

Environment Policy and Greenhouse Gas Emissions

The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is responsible to the environment, wherever possible.

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors Reports) Regulations 2013.

Share Issues

No shares were allotted during the period to 28 February 2018 (31 August 2016: nil).

Share Buybacks and Redemptions

The Company did not buy back any shares during the period ended 28 February 2018 (2016: nil).

Share Capital and Rights Attaching to the Shares and Restrictions on Voting and Transfer

The Company's Ordinary share capital as at 28 February 2018 comprised 8,245,592 Ordinary shares of 1p (2016: 8,245,592 Ordinary shares). No shares were held in Treasury.

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's Articles of Association, the shares confer on their holders (other than the Company in respect of any Treasury shares) the following principal rights:

- (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in general meeting or in the case of an interim dividend

in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;

- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's Articles of Association with a notice pursuant to s793 of the Companies Act 2006 (notice by Company requiring information about interests in its shares), the Company can, until the default ceases, suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of Association and in company law.

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The Directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The Directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an

open and proper basis, or if in the opinion of the Directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the Company's Articles of Association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

Directors' Authority to Make Market Purchase of its Own Shares

Substantial Shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held on 31 August 2018 can be found at the end of this document.

Independent Auditor

James Cowper Kreston will offer themselves for reappointment as auditors at the forthcoming Annual General Meeting.

Information Given in the Strategic Report

Information on dividends and likely future developments has not been given in the Directors' Report as equivalent disclosure has been made in the Strategic Report.

Corporate Governance Report

The Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in The UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates, and is used in addition to, The UK Corporate Governance Code), will provide better information to shareholders.

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the period under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 17.

Board of Directors

The Company has a board of three Directors, two of whom are considered to be independent of the Company's Investment Manager, Octopus Investments Limited. Katrina Shenton is not considered to be independent due to her role within Octopus Investments Limited. As a non-independent Director, Ms Shenton will stand for re-election at the 2018 AGM of the Company as required by Listing Rule 15.2.13A.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the Company. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its Committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties. The Board does not consider it necessary for the size of the Board or the Company to identify a member of the Board as the senior non-executive Director.

The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board as set out in the Strategic Report on page 2.

During the period the following meetings were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings Attended
Gregor Michie (Chairman)	6	5	3	2
Ian Leaman	6	6	3	3
Katrina Shenton	6	6	n/a	n/a

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager. A brief biographical summary of each Director is given on page 11.

The director rotation is undertaken annually as follows:

	Date of Original Appointment	Due date for Re-election
Gregor Michie (Chairman)	31/12/2014	AGM 2018
Ian Leaman	31/08/2011	AGM 2019
Katrina Shenton	17/08/2011	AGM 2018

Performance Evaluation

In accordance with The UK Corporate Governance Code, each year a formal performance evaluation is undertaken of the Board, its Committees and the directors in the form of a questionnaire completed by each director. A summary of the findings are presented to the Board at the next meeting and an action plan agreed. The performance of the Chairman is evaluated by the other Directors.

Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders in general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the Directors; no person, other than a Director retiring by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or, not less than 7 nor more than 42 clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's Articles of Association.

Each Director who is appointed by the Directors (and who has not been elected as a Director of the Company by the members at a general meeting held in the interval since his appointment as a Director of the Company) is to be subject to election as a Director of the Company by the members at the first Annual General Meeting of the Company following his or her appointment. At each Annual General Meeting of the Company any Director who has been a Director at each of the two preceding Annual General Meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting shall be subject to re-election.

The Companies Act allows shareholders in general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which the Director may have for breach of any contract of service between him or her and the Company.

A person also ceases to be a Director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, becomes prohibited by law from being a Director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's Articles of Association.

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders.

Authority was given at the Company's 2017 Annual General Meeting to make market purchases of up to 10 per cent of the issued Ordinary share capital at any time up to the 2018 Annual General Meeting and otherwise on the terms set out in the relevant resolution. Renewal of the authority will not be sought at the 2018 Annual General Meeting because the Company intends to sell the assets before placing the Company into liquidation.

Board Committees

There is no formal management engagement committee as matters of this nature are dealt with by the Directors. The Board does not have a separate Remuneration Committee as the Company has no employees. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 20 and 21.

The Board has appointed two committees to make recommendations to the Board in specific areas, the Audit Committee and the Nomination Committee.

Audit Committee:

Ian Leaman (Chairman)
Gregor Michie

The Audit Committee, chaired by Ian Leaman, consists of two independent Directors. The Audit Committee believes Mr Leaman possesses appropriate and relevant financial experience as per the requirements of the UK Corporate Governance Code. The Board considers that the members of the Committee are independent and have collectively the skills and experience required to discharge their duties effectively.

The Audit Committee Report is given on pages 18 and 19.

Nomination Committee:

Gregor Michie (Chairman)
Ian Leaman

The Nomination Committee considers the selection and appointment of Directors considering the composition and selection of the Board, appointing members on merit, measured against objective criteria with due regard for the benefits of diversity, including gender. It also makes recommendations to the Board as to the level of Directors' fees. Terms of reference for the Committee have been agreed, however, it has not yet been necessary for the Committee to meet as consideration of candidates to fill the role of non-executive Chairman were undertaken by the Board as a whole.

Internal Controls

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of risk management and internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with the Investment Manager.

Octopus identifies investment opportunities for the consideration of the Board which ultimately makes the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments. Quoted investments are held in Crest. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the period and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems. As part of this process an annual review of the risk management and internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

The risk management and internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the Company's accounts require the authority of two signatories from Octopus. The Company is subject to a full annual audit whereby the auditor is the same auditor as other VCTs managed by the Investment Manager. Further to this, the Audit Partner has open access to the Directors of the Company and the Investment Manager is subject to regular review by the Octopus Compliance Department.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in the Chairman's Statement and in note 14 to the Financial Statements.

Statement of Voting at the Annual General Meeting

All votes cast at the 2017 AGM were in favour of all resolutions put to the meeting.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the Annual General Meeting, the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the period and can be contacted at 33 Holborn, London, EC1N 2HT. Alternatively, the team at Octopus are available to answer any questions that a shareholder may have and can be contacted on **0800 316 2295**.

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies, adding that the AIC Code and AIC Guide can assist in meeting the obligations under the UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting period to 28 February 2018 with the provisions set out in the UK Corporate Governance Code. The section references to the Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary for the size of the Company. [A.4.1]
2. The Company had two independent Directors, as defined by the UK Corporate Governance Code, Gregor Michie and Ian Leaman. Katrina Shenton is not considered to be independent due to her role within Octopus. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. [B.1.1]
3. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
4. The Directors are not subject to annual election by the shareholders. Each Director who has been a Director at each of the two preceding Annual General Meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, is subject to re-election in accordance with the Articles of Association of the Company. [B.7.1]
5. The Audit Committee discusses the need for an internal audit function annually, however, it does not consider it necessary to maintain a separate internal audit function. [C.3.6]
6. The Company does not have a Remuneration Committee. [D.1.1 – 2.4]
7. The Company has no major shareholders and shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the Annual General Meeting but are welcome to contact the Board or Octopus at any time. [E.1.1 and E.1.2]

By Order of the Board



Parisha Kanani
Company Secretary
21 June 2018

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the period ended 28 February 2018 and describes the work of the Audit Committee in discharging its responsibilities. The Audit Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 16.

The Audit Committee's terms of reference include the following responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- advising the Board on whether the annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- advising the Board on whether the annual Report and Accounts provides necessary information for shareholders to assess performance, business model and strategy;
- reviewing and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Investment Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

As part of the process of working with the Board to maximise effectiveness, meetings of the Audit Committee usually take place immediately prior to a Board meeting and a report is provided on relevant matters to enable the Board to carry out its duties. The Audit Committee reviews its terms of reference and its effectiveness periodically and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Audit Committee meets twice each year and on an ad hoc basis as necessary. It has direct access to James Cowper Kreston, the Company's external auditor. The Audit Committee has reviewed the non-audit services provided by the external auditor, being corporation tax compliance only, and does

not believe it is sufficient to influence their independence or objectivity due to the fee being an immaterial expense. When considering whether to recommend the reappointment of the external auditor the Audit Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms. Once the Audit Committee has made a recommendation to the Board in relation to the appointment of the external auditor, this is then ratified at the AGM through an Ordinary Resolution.

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenge the Auditor when present at a Committee meeting if appropriate. In accordance with guidance issued by the Auditing Practices Board the audit partner is rotated every five years to ensure that objectivity and independence is not impaired. The current audit partner has been in place for 5 year ends. James Cowper Kreston was appointed as Auditor to the Company in 2011. No tender for the audit of the Company has been undertaken since this date.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. Octopus has an internal audit team, which is supported as required by external consultants. The Octopus Compliance Department reports to the Board on the outcome of the internal audits insofar as these relate to the Company and confirms the absence of any issues relating to internal audit of which the Board should be aware. Any significant issues arising from the Octopus internal audit that affect the Company would be raised to the Committee immediately. The Committee is satisfied with the level of reporting.

The Committee will monitor the significant risks at each meeting and Octopus will work closely with the Auditors to mitigate the risks and the resultant impact. During the period ended 28 February 2018, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing the Octopus statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of the Octopus compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;

- reviewing the Company's draft annual financial and interim results statements prior to Board approval;
- reviewing the external auditor's Audit Findings Report to the Committee on the annual financial statements; and
- reviewing the Company's going concern status as referred to on page 12.

The Committee has considered the Report and Accounts for the period ended 28 February 2018 and has reported to the Board that it considers them to be fair, balanced and understandable and providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee has identified the most significant risks for the Company as:

- **Valuation of investments:** The Committee gives special consideration to the valuation of investments and the supporting data provided by Octopus. The impact of this risk could be a large movement in the Company's net asset value. The valuations are supported by the sales and purchase agreement. These give comfort to the Audit Committee.
- **Management override of financial controls:** The Committee reviews all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the preparation of the financial statements.

- **Recognition of revenue from investments:** Investment income is the Company's main source of revenue. Revenue is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

These issues were discussed with Octopus and the Auditor at the conclusion of the audit of the financial statements. The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements for the period ended 28 February 2018.



Ian Leaman
Audit Committee Chairman
21 June 2018

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of the period ended 28 February 2018.

The Company's auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section and share information below. Their report on these and other matters is set out on pages 23 to 26.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board considered the levels of Directors' remuneration during the period and concluded that an increase was not appropriate therefore no changes were made to the levels of Directors' remuneration during the period, which are set out on page 21. The Company does not have a chief executive officer, senior management or any employees.

Directors' Remuneration Policy Report

The Board consists entirely of two Non-Executive Directors and one Executive Director, who meet at least four times a year and on other occasions as necessary, to deal with important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors retire at the first general meeting after their appointment and thereafter any Director who has been a Director at each of the two preceding Annual General Meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting shall be subject to re-election. Re-election will be recommended by the Board but is dependent upon the shareholder vote.

Each Director receives a letter of appointment. A Director may resign by notice in writing to the Board at any time giving three months' notice in writing. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

The maximum level of Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of an ordinary resolution subject to the approval of shareholders in general meeting.

The Company's policy is that the fees payable to the Directors (whether executive or non-executive) should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other Directors in recognition of his more onerous role. The policy

is to review these rates from time to time, although such review will not necessarily result in any changes. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. The Board is also entitled to be repaid all reasonable travelling, subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors however, no other remuneration or compensation was paid or payable by the Company to any of the Directors during the period. Katrina Shenton's fees (as an employee of Octopus Investment Limited) are paid to Octopus Investments Limited.

The Directors' Remuneration Policy may be inspected by members at the registered office of the Company during usual business hours on any weekday (excluding bank holidays).

In accordance with the reporting requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Remuneration Policy of the Company was approved at the Annual General Meeting on 28 January 2015 and to remain in force for a three year period. As a result an Ordinary resolution for its approval, to remain in force for a three year period, will be put to members at the AGM and will become effective from that date.

Annual Remuneration Report

The Board will review the remuneration of the Directors if thought appropriate and monitors competitors in the VCT industry on an annual basis. Only a change in role is likely to incur a change in the remuneration of any one director otherwise.

This section of the report is subject to approval by a simple majority of shareholders at the AGM.

Statement of Voting at the Annual General Meeting (AGM)

The 2016 Remuneration Report was presented to the AGM in January 2017 and received shareholder approval following a vote on a show of hands. 99.58% of the votes cast on proxy forms were in favour of the Remuneration Report or at the Chairman's discretion.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 17.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's

investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report. The performance graph on page 4 shows the performance of the Company.

Directors' Fees (audited)

The amount of each Director's fees, as audited, were:

	Period ended 28 February 2018 £	Period ended 31 August 2016 £
Gregor Michie (Chairman)	30,000	20,000
Ian Leaman	23,000	15,000
Katrina Shenton*	11,000	7,500
Total	64,000	42,500

*Ms Shenton's fees are paid to Octopus Investments Limited.

The Directors do not receive any other form of emoluments in addition to the Directors' fees; their total remuneration is not linked to the performance of the Company and no bonuses were or will be paid to the Directors.

Relative Importance of Spend on Pay

The actual expenditure in the current period is as follows:

	Period ended 28 February 2018 £	Period ended 31 August 2016 £
Dividends paid in period	413	413
Total Directors' Fees	64	43

There were no other significant payments during the period relevant to understanding the relative importance of spend on pay.

Statement of Directors' Shareholdings (Audited)

There are no guidelines or requirements for Directors to own shares in the Company. The interests of the Directors of the Company during the period (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 1p each are shown in the table below:

	Number of shares at 28 February 2018	Number of shares at 31 August 2016
Gregor Michie (Chairman)	-	-
Ian Leaman	-	-
Katrina Shenton	-	-

There have been no changes in the Directors' share interests between 31 August 2016 and the date of this report.

Any information required by legislation in relation to executive directors (including a Chief Executive Officer) or employees has been omitted because the Company has neither and therefore it is not relevant.

By Order of the Board



Gregor Michie
Chairman
21 June 2018

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland ("FRS 102"), (United Kingdom accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to do so;
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware;

- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information; and
- the Directors do not consider the going concern basis to be appropriate and these financial statements have therefore been prepared on a basis other than going concern.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and the financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board



Gregor Michie
Chairman
21 June 2018

Report of the Independent Auditor to the Members of Octopus VCT 3 Plc

Independent auditor's report to the members of Octopus VCT 3 Plc

We have audited the financial statements of Octopus VCT 3 Plc (the 'Company') for the period ended 28 February 2018 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 **The Financial Reporting standard applicable in the UK and Republic of Ireland**, and with the Statement of Recommended Practice (SORP) '**Financial Statements of Investment Trust Companies and Venture Capitalist Trusts (revised 2014)**'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2018 and of the profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Conclusions relating to going concern

We draw attention to the Directors' report, which states that the accounts are being prepared on a basis other than a going concern basis. As stated in the Directors' report, as all investments have been sold after the period end and there is a

formal plan to perform an orderly wind down of the Company, the Directors consider it inappropriate to prepare the financial statements on a going concern basis.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of unquoted investments

Unquoted investments are the largest asset in the financial statements, and they are designated as being at fair value through profit and loss in accordance with FRS 102 and 2014 Statement of Investment Trust Companies and Venture Capital Trusts. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as a risk that has the greatest effect on the overall audit strategy.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with the Company, and reviewing and challenging the basis and reasonableness of the assumptions made by the Company in conjunction with available supporting information. The Company's accounting policy on the valuation of unquoted investments is included in note 1, and its disclosures about unquoted investments held at the period end are included in note 10.

We found the resulting carrying amount of unquoted equity investments to be materially correct.

Revenue recognition

Investment income is the Company's main source of revenue and is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice.

Our audit work included, but was not restricted to a detailed review of those sources of income recorded in the financial

statements and further consideration of other potential sources of income. The Company's accounting policy on income is included in note 1 and its disclosures about income are included in note 2.

We found the amount of revenue recognised to be materially correct.

Management override of financial controls

The Company operates a system of financial controls to mitigate its vulnerability to fraud and its financial statements to material error and is reliant upon the efficacy of these controls to ensure that its financial statements present a true and fair view.

The financial statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the preparation of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in note 1.

Our audit work did not identify any instances of management override of financial controls.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £76,000, which is 1% of the value of the Company's net assets.

Performance materiality was set at £57,000, 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as the statement of total comprehensive income, directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to be £3,800. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 and the Listing Rules

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit and our responsibilities as set out above:

- we have not identified material misstatements in the strategic report and the directors' report.
- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Directors' remuneration report

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we draw attention to the fact that the financial statements have been prepared on a basis other than a going concern:

- the directors' confirmation within the statement on long term viability on page 2 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity and have plans to perform an orderly wind up of the Company;
- the risk management disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the statement on long term viability of how they have assessed the prospects of the Company, over what period they have done so and where they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualification or assumptions.

Under the Listing Rules we are required to review the Statement on long-term viability. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we identify material inconsistencies between the knowledge we acquired during our financial statements audit and directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the corporate governance statement does not properly disclose a departure from the

eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeprivate. This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit. We have performed one non-audit service in relation to the Company's corporation tax compliance.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work had been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the

Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Robert Holland BSC FCA (Senior Statutory Auditor)
For and on behalf of **James Cowper Kreston**, Statutory Auditor
8th Floor South
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS
21 June 2018

Income Statement

	Notes	Period ended 28 February 2018			Year ended 31 August 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on valuation investments	10	–	1,377	1,377	–	(95)	(95)
Investment income	2	478	–	478	275	–	275
Investment management fees	3	(18)	(54)	(72)	(36)	(12)	(48)
Other expenses	4	(306)	(111)	(417)	(169)	–	(169)
Net return on ordinary activities before tax		154	1,212	1,366	70	(107)	(37)
Taxation	6	–	–	–	(12)	–	(12)
Net return on ordinary activities after tax		154	1,212	1,366	58	(107)	(49)
Earnings per share – basic and diluted	8	1.9p	14.7p	16.6p	0.7p	(1.3)p	(0.6)p

- The 'Total' column of this statement is the profit or loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

The Company has no recognised gains or losses other than the results for the period as set out above. Accordingly a Statement of Comprehensive Income is not required.

The accompanying notes form an integral part of the financial statements.

Balance Sheet

	Notes	As at 28 February 2018		As at 31 August 2016	
		£'000	£'000	£'000	£'000
Fixed asset investments	10		–		6,468
Current assets:					
Current asset investments	10		7,554		–
Debtors	11	195		215	
Cash at bank		78		25	
		273		240	
Creditors: amounts falling due within one year	12	(269)		(103)	
Net current assets			4		137
Net assets			7,558		6,605
Called up equity share capital	13		82		82
Share Premium			99		99
Special Distributable Reserve			6,490		6,749
Capital Redemption Reserve			2		2
Capital Reserve – Unrealised			1,095		(171)
Capital Reserve – Realised			(210)		(156)
Revenue Reserve			–		–
Total shareholders' funds			7,558		6,605
Net asset value per share	9		91.7p		80.1p

The statements were approved by the Directors and authorised for issue on 21 June 2018 and are signed on their behalf by:



Gregor Michie
Chairman
Company No: 07744056

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital redemption reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
As at 1 September 2015	82	99	7,104	2	(76)	(144)	–	7,067
Management fee allocated as capital expenditure	–	–	–	–	–	(12)	–	(12)
Current period losses on fair value of investments	–	–	–	–	(95)	–	–	(95)
Profit on ordinary activities after tax	–	–	–	–	–	–	58	58
Total Comprehensive income for the period	82	99	7,104	2	(171)	(156)	58	7,018
Contributions by and distributions to owners:								
Dividends paid	–	–	(355)	–	–	–	(58)	(413)
Balance as at 31 August 2016	82	99	6,749	2	(171)	(156)	–	6,605
As at 1 September 2016	82	99	6,749	2	(171)	(156)	–	6,605
Management fee allocated as capital expenditure	–	–	–	–	–	(54)	–	(54)
Current period gain on fair value of investments	–	–	–	–	1,377	–	–	1,377
Capitalised expenses on sale	–	–	–	–	(111)	–	–	(111)
Profit on ordinary activities after tax	–	–	–	–	–	–	154	154
Total Comprehensive income for the period	82	99	6,749	2	1,095	(210)	154	7,971
Contributions by and distributions to owners								
Dividends paid	–	–	(259)	–	–	–	(154)	(413)
Balance as at 28 February 2018	82	99	6,490	2	1,095	(210)	–	7,558

Statement of Cash Flow

	Notes	Period ended 28 February 2018 £'000	Year ended 31 August 2016 £'000
Cash flows from operating activities			
Return on ordinary activities before tax		1,366	(37)
Adjustments for:			
Decrease/(Increase) in debtors	11	20	(109)
Increase in creditors	12	178	34
(Gain)/Loss on valuation of fixed asset investments	10	(1,377)	95
Cash from operations		187	(17)
Income taxes paid		(11)	(19)
Net cash generated from operating activities		176	(36)
Cash flows from investing activities			
Purchase of fixed asset investments	10	(4)	–
Receipt of loan note principal	10	294	381
Net cash flows from investing activities		290	381
Cash flows from financing activities			
Dividends Paid	7	(413)	(413)
Net cash flows from financing activities		(413)	(413)
Decrease in cash and cash equivalents		53	(68)
Opening cash and cash equivalents		25	93
Closing cash and cash equivalents		78	25
Cash and cash equivalents comprise			
Cash at Bank		78	25
		78	25

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

1. Principal accounting policies

Basis of accounting

The Company is a Public Limited Company (Plc) incorporated in England and Wales and its registered office is 33 Holborn, London EC1N 2HT.

The financial statements have been prepared under FRS 102 for the period ended 28 February 2018.

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 3 and Investment Manager's Review on pages 7 and 8. Further details on the management of financial risk may be found in note 14 to the Financial Statements.

Basis of preparation

The Company has extended the financial period end from 31 August 2017 to 28 February 2018.

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2018)'.

As set out in the Directors' report, due to the intention to place the Company into voluntary liquidation, the directors have decided to prepare the financial statements on a basis other than that of a going concern. The financial statements have been prepared on a breakup basis. In adopting the break up basis the following policies and procedures were implemented:

- all fixed assets are considered as realisable, hence reclassified as current assets
- all assets have been disclosed at values at which they are expected to be realised
- all long term liabilities have been reclassified as current liabilities and any costs of early settlement are recognised;
- all other costs associated with winding up the business are recognised.

The Company presents its Income Statement in a three column format to give shareholders additional detail of the performance of the Company, split between items of a revenue or capital nature.

Expenses are charged wholly to revenue with the exception of the investment management fee, which, if payable, is split between the revenue account and the capital reserve to reflect, in the Directors' opinion, the expected long-term split of returns in the form of income and capital gains respectively from the investment portfolio.

Key judgements and estimates

The preparation of the financial statements on a break up basis requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments, particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Revenue and capital

The revenue column of the income statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal of investments and on holding investments. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities, investment grade bonds and investments in money market managed funds.

Loans and receivables

The Company's loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financing strategy and capital structure

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. The Company currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

The Company does not have any externally imposed capital requirements.

The Board considers the distributable reserves and the total return for the period when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 10% of the issued Ordinary share capital of the Company in accordance with Special Resolution 9 in order to maintain sufficient liquidity in the Company.

Capital management is monitored and controlled using the internal control procedures set out on page 16 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Reserves

Called up equity share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Special distributable reserve – includes realised profits and cancelled share premium available for distribution.

Capital reserve unrealised – when the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to Capital reserve unrealised.

Capital reserve realised – when an investment is sold, any balance held in Capital reserve unrealised is transferred to Capital reserve realised on disposal, as a movement in reserves.

Revenue reserve – includes all net revenue profits and losses of the Company.

Capital redemption reserve – includes amounts which are transferred following the redemption or purchase of the Company's own shares for cancellation.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are paid, and for final dividends when they are approved by the shareholders.

2. Investment income

Accounting Policy

The majority of Investment income is derived from loan interest on loan notes issued or in issue during the period. The remaining Investment income includes interest earned on bank balances and includes income tax withheld at source.

Fixed returns on debt and money market funds are recognised on a time apportionment basis so as to reflect the effective yield; provided there is no reasonable doubt that payment will be received in due course.

Disclosure

	28 February 2018 £'000	31 August 2016 £'000
Loan interest receivable	322	275
Dividends receivable from fixed asset investments	156	–
	478	275

3. Investment management fees

	28 February 2018			31 August 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	18	54	72	36	12	48
	18	54	72	36	12	48

Octopus continues to provide investment management, administration & accounting services and company secretarial services to the Company under a management agreement. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided.

Octopus is entitled to receive an annual management fee of 1.25% of net funds raised. However, as the running costs for the fund are capped at 2.15% of the net funds raised, any excess will be met by Octopus through a reduction in its annual management fee. As a result, £72,000 (2016: £48,000) was payable to Octopus in the period for management fees and there was £72,000 (2016: £nil) owed to Octopus at the statement of financial position date.

4. Other expenses

Accounting Policy

All expenses are accounted for on an accruals basis.

The transaction costs incurred when purchasing or selling assets are recognised in the income statement in the period that they occur.

Disclosure

	28 February 2018 £'000	31 August 2016 £'000
Directors' remuneration	64	43
Fees payable to the Company's auditor for the audit of the financial statements	11	9
Fees payable to the Company's auditor for other services – tax compliance	1	1
Accounting and administration services and company secretarial services	46	30
UK Listing Fees	13	7
Trail commission	56	38
Registrars Fees	27	22
Other expenses	88	19
	306	169

Transaction costs of £111k (2016: £nil) on sale have been recognised in Capital Reserve – Unrealised until disposal of the assets.

Total annual running costs are capped at 2.15% of net assets (excluding irrecoverable VAT, exceptional costs and trail commission) as defined in the prospectus. For the period to 28 February 2018 the running costs were 2.15% of net assets.

5. Directors' remuneration

	28 February 2018 £'000	31 August 2016 £'000
Directors' emoluments		
Gregor Michie (Chairman)	30	20
Ian Leaman	23	15
Katrina Shenton (paid to Octopus Investments Limited)	11	8
	64	43

None of the Directors received any other remuneration or benefit from the Company during the period. The Company has no employees other than two Non-Executive Directors and one Executive Director.

6. Tax on ordinary activities

Accounting Policy

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the 'marginal' basis as recommended in the Statement of Recommended Practice (SORP).

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the statement of financial position date or where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax. This is with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Disclosure

The corporation tax charge for the period was £nil (2016: £12,000).

The current rate of tax is the small companies' rate of corporation tax at 19.4% (2016: 20%).

	28 February 2018 £'000	31 August 2016 £'000
Current tax reconciliation:		
Profit on ordinary activities before tax	154	70
Current tax at 19.4% (2016: 20%)	30	14
Other eligible expenses	(10)	(2)
Non-deductible income	(30)	-
Non-deductible expenses	10	-
Total current tax charge	-	12

Approved VCTs are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to achieve approval as a VCT, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

7. Dividends

Accounting Policy

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are paid and for final dividends when they are approved by the shareholders.

Disclosure

	28 February 2018 £'000	31 August 2016 £'000
Dividends paid on ordinary shares during the period		
Final dividend – 5.0p per share paid 10 February 2017 (2016: 5.0p per share)	413	413
	413	413
	28 February 2018 £'000	31 August 2016 £'000
Dividends in respect of the period		
Final dividend proposed: nil p (2016: 5.0p share)	–	413
	–	413

Under Section 32 of FRS 102 'Events After Balance Sheet Date', dividends payable at period end are not recognised as a liability in the financial statements.

8. Earnings per Share

	28 February 2018			31 August 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) attributable to ordinary shareholders	154	1,212	1,366	58	(107)	(49)
Profit/(loss) per ordinary share	1.9p	14.7p	16.6p	0.7p	(1.3p)	(0.6p)

The total, revenue and capital earnings per share is based on 8,245,592 Ordinary shares, being the weighted average number of Ordinary shares in issue during the period (2016: 8,245,592 Ordinary Shares).

There are no potentially dilutive capital instruments in issue and, therefore no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

9. Net asset value per share

The net asset value per share of 91.7p as at 28 February 2018 is based on net assets of £7,558,000 and 8,245,592 Ordinary shares in issue at that date (2016: net asset value per share of 80.1p is based on net assets of £6,605,000 and 8,245,592 Ordinary Shares).

10. Fixed asset investments

Accounting Policy

The Company's principal financial assets are its investments and the policies in relation to those assets are set out below. As the financial statements have been prepared on a breakup basis the fixed assets are considered realisable, hence reclassified from fixed assets to current assets.

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and discounted cash flow analysis. This is consistent with IPEVC valuation guidelines.

Gains or losses arising from the changes in fair value of investments at the period end are recognised as part of the capital return within the income statement and allocated to the capital reserve – investment holding gains/(losses).

In the preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

These assets are valued at the latest consideration offered by the Buyer. The price was agreed on 2 May 2018 for a consideration of £15.1m. As a result, the valuation methodology has changed from discounted cash flows method to the fair value as indicated by the agreed sale price of the assets. The total consideration is split between each of the assets based on site capacity.

Fair value hierarchy

Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the Balance Sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

There have been no transfers between these classifications in the period. The change in fair value for the current period is recognised through the income statement.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the period to 28 February 2018 are summarised below:

	Level 1: Quoted Investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost at 1 September 2016	–	6,638	6,638
Opening unrealised gain at 1 September 2016	–	(170)	(170)
Valuation at 1 September 2016	–	6,468	6,468
Purchases at cost	4	–	4
Repayment of debt	–	(295)	(295)
Change in fair value in period	–	1,377	1,377
Closing valuation at 28 February 2018	4	7,550	7,554
Cost at 28 February 2018	4	6,344	6,348
Closing unrealised gain at 28 February 2018	–	1,206	1,206
Valuation at 28 February 2018	4	7,550	7,554

All investments are measured as fair value through profit or loss at the time of acquisition, and all capital gains or losses on investments are so measured. Given the nature of the Company's venture capital investments, the changes in fair value of such

investments recognised in these financial statements are not considered to be readily convertible to cash in full at the statement of financial position date and accordingly these gains are treated as holding gains or losses.

At 28 February 2018 there were no commitments in respect of investments approved by the Manager but not yet completed (2016: £nil).

11. Debtors

	28 February 2018 £'000	31 August 2016 £'000
Prepayments	1	4
Accrued income	194	211
	195	215

12. Creditors: amounts falling due within one year

	28 February 2018 £'000	31 August 2016 £'000
Trade creditors	63	5
Accruals	206	86
Corporation tax	–	12
	269	103

13. Share capital

	28 February 2018 £'000	31 August 2016 £'000
Allotted and fully paid up:		
8,245,592 ordinary shares of 1.0p (2016: 8,245,592)	82	82

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 2. The Company is not subject to any externally imposed capital requirements, other than those imposed by company law.

Capital is defined as shareholders' funds and the Company's financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. The Company currently has no borrowings nor will it drawdown any borrowing facilities in the future to fund the acquisition of investments.

Capital management is monitored and controlled using the internal control procedures set out on page 16 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

The Company did not issue any shares during the period (2016: nil shares).

The Company did not repurchase any shares for cancellation during the period (2016: nil shares).

14. Financial instruments and risk management

The Company's financial instruments comprise equity and fixed interest investments and cash balances and liquid resources including debtors and creditors. The Company intends to hold financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Classification of financial instruments

The company held the following categories of financial instruments, all of which are included in the statement of financial position at fair value, at 28 February 2018:

	28 February 2018 £'000	31 August 2016 £'000
Financial assets at fair value through income statement		
Current asset investments	7,554	–
Fixed asset investments	–	6,468
Total financial assets at fair value through income statement	7,554	6,468
Financial assets measured at amortised cost		
Cash at bank	78	25
Other debtors	1	4
Accrued income	194	211
Total financial assets measured at amortised cost	273	240
Financial liabilities at amortised cost		
Accruals and other creditors	269	103
Total financial liabilities measured at amortised cost	269	103

During the period the Company was exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are price risk, interest rate risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the statement of financial position date.

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 2. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed with regard to the possible effects of adverse price movements and, with the objective of delivering its investment objectives. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the statement of financial position date are set out on pages 9 and 10. An analysis of investments is given in note 10.

99.9% by value of the Company's net assets comprises investments in unquoted companies held at fair value. A 10% overall increase in the valuation of the unquoted investments at 28 February 2018 would have increased net assets and the total return for the period by £755,000. An equivalent change in the opposite direction would have reduced net assets and the total return for the period by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

There were no significant concentrations of credit risk to counterparties at 28 February 2018.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the statement of financial position date.

At 28 February 2018 the Company's financial assets exposed to credit risk comprised the following:

	28 February 2018 £'000	31 August 2016 £'000
Cash on deposit	78	25

Liquidity risk

The Company's cash is considered to be readily realisable as they are of high credit quality as outlined above.

The Company's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient cash to pay accounts payable and accrued expenses. At 28 February 2018 these investments were valued at £78,000 (2016: £25,000).

15. Post balance sheet events

On 9 August 2017 the shareholders of the Companies (Octopus VCT plc and Octopus VCT 4 plc) approved a proposal for the Companies to conduct an orderly wind up through the sale of its assets and to return capital to shareholders. As announced on 28 November 2017, the Company's investment manager (the "Manager") has been managing the sales process with approvals from the boards of the Companies (the "Board") in each phase. Several bids were received for the portfolios of the Companies and assessed by the Manager and after entering into a final bilateral phase of negotiations and due diligence with the preferred bidder the Board was pleased to announce the sale of the solar companies to Atmosclear SA (the "Buyer") completed 2 May 2018.

16. Contingencies, guarantees and financial commitments

Provided that an intermediary continues to act for a shareholder and the shareholder continues to be the beneficial owner of the shares, intermediaries will be paid an annual trail commission of 0.5% of the initial net asset value. Trail commission of £56,000 (2016: £38,000) was payable in relation to the period ended to 28 February 2018.

There were no contingencies, guarantees or financial commitments as at 28 February 2018.

17. Related party transactions

Katrina Shenton, a non-executive director of the Company during the period ended 28 February 2018, is an employee of Octopus. The Company paid Octopus Investments Limited £11,000 in the period for Katrina Shenton's Director's fees (2016: £8,000). However Katrina Shenton was not paid anything personally in the period as this was considered to be a normal part of her role as an Octopus Investments Limited employee.

Octopus is also entitled to receive an annual accounting and administration fee and 0.3% of net funds raised. During the period £35,000 was paid to Octopus Investments Limited and there was £nil outstanding at the statement of financial position date (2016: £22,000 and £nil).

In addition, Octopus also provides Company secretarial services for an additional fee of £8,000 per annum. During the period £11,000 was paid to Octopus Investments Limited and there was £nil outstanding at the statement of financial position date (2016: £8,000 and £nil).

Octopus VCT 3 plc owns 49.9% of the equity in each of its investee companies with Octopus VCT 4 plc also owning 49.9%. The remainder of the equity in each investee company is owned by OCS Services Limited, a wholly owned subsidiary of Octopus Capital Limited.

Glossary of Terms

EPC – Engineering, Procurement and Construction – the main contractor responsible for the construction of a solar site.

FIT – The ‘Feed-in-Tariff’ is one of the Government’s support mechanisms for renewable energy generation. Accredited renewable energy generating plants are eligible to receive a payment for every kilowatt hour (‘kWh’) of electricity produced for a period of up to 25 years. The level of payment is dependent on the eligibility date of the generating station, its capacity, and the technology employed. The scheme is administered and paid for by utility companies which are nominated as FIT licensees.

kW – Kilowatts are a unit of measure for power, and are the equal to 1000 Watts.

MWp – Megawatt peak is the nominal power output of a solar generation plant.

NAV – Net Asset Value is the value of the assets in the fund less its liabilities.

NPV – Net Present Value is the current value of the future cash flows discounted back by a pre-determined rate of return.

ROCs – ‘Renewable Obligation Certificates’ are the Government’s primary support mechanism for large-scale renewable energy generation. ROCs are tradable green certificates issued to renewable generators for every megawatt hour (‘MWh’) of electricity that is produced for a period of up to 20 years. The number of ROCs issued per MWh (the ‘Banding’) is dependent on the technology and the eligibility date of the generating plant. Under the terms of the Renewables Obligation, utility companies have to purchase ROCs from renewable energy generators and present to OFGEM (who administer the scheme) a certain number of these certificates for every MWh of electricity they supply to end-users.

VCT – Venture Capital Trust.

IPEVC – International Private Equity and Venture Capital.

Shareholder Information and Contact Details

Octopus VCT 3 plc ('the Company') was incorporated on 17 August 2011 with the first allotment of equity taking place on 6 March 2012. The Offer for new subscriptions for shares was open until 19 June 2012 by which time the Offer had raised a total amount of £8.2 million (£7.8 million net of upfront costs). The Company invests primarily in renewable energy companies that construct and operate solar sites.

Further details of the Company's progress are discussed further in the Chairman's Statement on page 3 and the Investment Manager's Review on pages 7 and 8. At a General Meeting held on 9 August 2017 Shareholders approved a resolution authorising the Directors to dispose of the assets of the Company prior to a voluntary winding up of the Company

The Company is registered by the Financial Conduct Authority as a Small Registered UK Alternative Investment Fund Manager.

Venture Capital Trusts

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unlisted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- up to 30% up-front income tax relief;
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

The Company has been provisionally approved as a VCT by HMRC. In order to maintain its approval the Company must comply with certain requirements on a continuing basis including the provisions of chapter 3 of the Income Tax Act 2007; in particular, s280A:

- at least 70% of the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 70% of the qualifying holdings must be invested into Ordinary shares with no preferential rights (30% for funds invested before 6 April 2011);
- no single investment made can exceed 15% of the total Company value at the time of investment; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

*A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in a company admitted to trading (or companies traded on AIM or NEX Exchange) which is carrying on a qualifying trade and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing.

The Company invests in a portfolio of smaller unquoted companies in the renewables sector, with a particular focus on solar energy, in order to generate a sustained and reasonable level of highly predictable income.

The Directors have managed the affairs of the Company with the intention of maintaining its status as a VCT.

New VCT Regulations

The latest November budget came at the end of the Patient Capital Review that was designed to see where funding gaps for small growing companies exist and address them. It has resulted in some further tweaks to VCT legislation, mostly around the speed at which new money raised needs to be invested in qualifying companies as well as raising the overall percentage to be held in qualifying companies from 70% to 80%.

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose or complete an instruction electronically by visiting the Computershare Investor Centre at www-uk.computershare.com/investor/.

Queries relating to dividends, shareholdings or requests for mandate forms should be directed to Computershare by calling **0370 703 6329** (calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open Monday-Friday 9.00am – 5.30pm), or by writing to them at:

The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZP

The table below shows the Net Asset Value (NAV) per share and lists the dividends that have been paid since the launch of Octopus VCT 3 plc:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends (total return)
31 August 2012	93.6p	–	93.6p
28 February 2013	93.6p	–	93.6p
31 August 2013	94.6p	–	94.6p
28 February 2014	85.2p	5.0p	90.2p
31 August 2014	90.5p	–	95.5p
28 February 2015	88.1p	5.0p	98.1p
31 August 2015	85.7p	–	95.7p
29 February 2016	78.1p	5.0p	93.1p
31 August 2016	80.1p	–	95.1p
28 February 2017	73.5	5.0p	93.5p
31 August 2017	74.3	–	94.3p
28 February 2018	91.7	–	111.7p

Share Price

The Company's share price can be found on various financial websites including www.londonstockexchange.com, with the following TIDM/EPIC code:

Ordinary shares	
TIDM/EPIC code	OCV3
Latest share price (20 June 2018)	71.5 p per share

Buying and Selling Shares

The Company's Ordinary shares can be bought and sold in the same way as any other company quoted on the London Stock Exchange via a stockbroker. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

Buyback of Shares

The Company operates a policy of buying its own shares for cancellation as they become available, however, as stated in the Chairman's statement, the Board has decided that in the interest of all shareholders there will be no buyback facility in the intervening period.

However, if you are considering selling your shares or trading in the secondary market, you can contact Panmure Gordon (UK) Limited ('Panmure').

Panmure can be contacted as follows:

Chris Lloyd	020 7886 2716	chris.lloyd@panmure.com
Paul Nolan	020 7886 2717	paul.nolan@panmure.com

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: www-uk.computershare.com/investor/. Computershare's contact details are provided on page 44.

Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would prefer to receive an email telling you a report is available to view or to receive documents by email, please complete the enclosed form or contact Octopus on **0800 316 2295** or Computershare on **0370 703 6329**. Alternatively you can sign up to receive e-communications via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

Other Information for Shareholders

Previously published Annual Reports and Half-Yearly Reports are available for viewing on the Investment Manager's website at **www.octopusinvestments.com** by navigating to Investors, Octopus VCT 3 plc. Other statutory information about the Company can also be found here.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offer to buy shares at a discount, or offer for free company reports.

Please note that it is very unlikely that the Company, Octopus or the Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment advice.

If you are in any doubt about the authenticity of an unsolicited phone call, please call Octopus on **0800 316 2295**.

The Financial Conduct Authority has also issued guidelines on how to avoid share fraud and further information can be found on their website: **www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams**. You can report any share fraud to them by calling **0800 111 6768**.

Directors and Advisers

Board of Directors

Gregor Michie (Chairman)
Ian Leaman
Katrina Shenton

Company Number

Registered in England No. 07744056

Secretary and Registered office

Parisha Kanani
6th Floor
33 Holborn
London
EC1N 2HT

Investment and Administration Manager

Octopus Investments Limited
6th Floor
33 Holborn
London
EC1N 2HT
Tel: 0800 316 2295
www.octopusinvestments.com

Independent Auditor and Taxation Adviser

James Cowper Kreston
North Reading Bridge House
George Street
Reading
RG1 8LS

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 703 6329

(calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.

www.computershare.com/uk

www-uk.computershare.com/investor/

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of Octopus VCT 3 plc will be held at the offices of Octopus Investments Limited, 6th Floor, 33 Holborn, London, EC1N 2HT on 31 August 2018 at 4 p.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolutions 7 will be proposed as a Special Resolution:

Ordinary Business

1. To receive and adopt the financial statements for the period ended 28 February 2018 and the Directors' and Auditor's Reports thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the Directors' Remuneration Policy.
4. To re-elect Gregor Michie as a Director.
5. To re-elect Katrina Shenton as a Director.
6. To re-appoint James Cowper Kreston as auditor of the Company and to authorise the Directors to agree their remuneration.

Special Business

To consider and if thought fit, pass the following Resolution as a Special Resolution:

7. **Authority to make market purchases**
 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) of ordinary shares of 1p each in the Company ("Ordinary shares") provided that:
 - (a) the maximum number of shares so authorised to be purchased shall not exceed 824,500 ordinary shares;
 - (b) the minimum price which may be paid for an ordinary share shall be 1p;

- (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;
- (d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and
- (e) the Company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board



Parisha Kanani
Company Secretary

6th Floor
33 Holborn
London
EC1N 2HT

Notes:

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- (b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY** or alternatively, you may register your proxy electronically at **www.investorcentre.co.uk/eproxy**, in each case, so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.
- (c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on **020 7657 3338**. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Asset Services will not be liable for any proxy forms rendered illegible by means of fax transmission.
- (d) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- (e) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
- (f) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (g) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
- (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
 - (ii) to include the business to be dealt with at the meeting any matters (other than a proposed resolution) which may be properly included in the business.
- A resolution may properly be moved or a matter may properly be included in the business unless:
- (i) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise);
 - (ii) it is defamatory of any person; or
 - (iii) it is frivolous or vexatious.
- Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
- (h) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, **www.octopusinvestments.com**, under Products/Venture Capital Trusts.

- (i) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

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