



# Annual report and accounts for the year ended 31 August 2016

Company number: 07743878

For UK investors only

Octopus VCT 4 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, where the Investment Manager is confident that investments have been structured to achieve a sustained and reasonable level of predictable income.

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# Financial Summary

	As at 31 August 2016	As at 31 August 2015
Net assets (£'000s)	<b>6,605</b>	7,066
Return on ordinary activities after tax (£'000s)	<b>(49)</b>	14
Net asset value (NAV) per share	<b>80.1p</b>	85.7p
Cumulative dividends paid since launch	<b>15.0p</b>	10.0p
NAV plus cumulative dividends paid	<b>95.1p</b>	95.7p
Dividends paid in year	<b>5.0p</b>	5.0p
Proposed final dividend for the year	<b>5.0p</b>	5.0p

## Key Dates

Annual General Meeting	25 January 2017 at 4.00 p.m.
Dividend Payment Date	10 February 2017
Half Yearly Results to 28 February 2017	Announced May 2017

# Strategic Report

The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to include a Strategic Report to 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

The objective of the Company is to invest in a portfolio of unquoted investments in the renewable energy sector which meet the relevant criteria for VCTs with a view to generating a sustained and reasonable level of predictable income. The Company is managed by Octopus Investments Limited.

### Investment Policy

The investment policy of Octopus VCT 4 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 investments can be structured to achieve more predictable returns. These may include investments traded on AIM or 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.

### 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 ITA 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. The Company may also make Non-Qualifying Investments where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the Company, which may include, from time to time, making investments or further investments in companies which meet the profile of a Qualifying Investment but which would otherwise not meet VCT Qualifying Investment status.

### 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 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 support a consistent dividend flow;
- to support any short term working capital loans to the existing portfolio companies or loans into other solar opportunities (if required); and
- to provide liquidity in the shares through the ability to buy back the Company's shares as they become available.

# Chairman's Statement

## Introduction

I am pleased to present the Annual Report of Octopus VCT 4 plc (the Company) for the year ended 31 August 2016.

## Performance

During the period the Total NAV Return (current NAV plus cumulative dividends paid to date) of the Company has decreased from 95.7 pence per share at 31 August 2015 to 95.1 pence per share at 31 August 2016.

As a reminder, the NAV (Net Asset Value) excluding dividends is designed to fall to zero over the life of the Company as the annual dividend is paid out and the value of the solar companies gradually reduces over their 25 year operating lives. Consequently the underlying NAV has decreased from 85.7p per share at 31 August 2015 to 80.1p per share at 31 August 2016.

On a day to day basis, our investments continue to perform in line with expectations. The technical issues experienced at two of the sites are being resolved and revenue is growing back to expected levels. The cost of fixing these sites has been greater than originally budgeted but outperformance from other sites in the portfolio over the summer period has comfortably offset the loss of output at these two sites.

Both the valuation of the Company's investments and its capacity to pay dividends in the longer term are derived from the forecast revenue flows, based on estimates of power prices over the remaining life of the assets. Since the launch of the Company prices and longer term power price forecasts have fallen and if prices remain at current levels it will not be possible to maintain the payment of a 5p annual dividend.

It should be noted that the smaller than anticipated amount of funds raised for the Company in 2011/2012 and the resulting reduction in economies of scale leaves less margin for protection of the dividend than would otherwise have been the case in spite of close attention to costs by the Manager and your Board.

## Dividend Policy and Dividend

The current cash balance held by the Company is sufficient to cover the next dividend of 5p, whilst maintaining a prudent reserve for operating purposes. Therefore, in line with the dividend policy stated in the Prospectus, your Board has proposed a final dividend of 5.0p per share in respect of the year ended 31 August 2016. This dividend, if approved by shareholders at the AGM, will be paid on 10 February 2017 to shareholders on the register on 13 January 2017.

## Investment Portfolio

The Company is fully invested in seven companies, each containing an operational solar site. These sites have a range of capacities between 1-2MWp and benefit from either the Feed In Tariff (FIT) or Renewables Obligation Certificates (ROCs), which form part of their revenue stream alongside the electricity they sell on the wholesale market.

There are no plans to make any further investments. The Company has also made two non-qualifying loans to the solar companies from which it earns interest. Due to changes to legislation, no new non-qualifying loans will be made in the future.

## Key Portfolio Operational Risks

The Company owns a portfolio of fully operational assets, therefore, the number of risks faced is reduced as all core construction phases are effectively complete. Three sites have passed and signed off their final acceptance certificates (full two year performance testing), largely releasing the EPC of their contractual obligations to the site. The other four sites are currently undergoing their final acceptance certificates process. The key risks on the ongoing operations are:

- **Power Prices** – Revenues are derived from two sources; first, the Government backed subsidies such as the FIT or ROCs and secondly; from selling the wholesale electricity produced by the solar sites. The wholesale electricity revenues, which represent over 40% of the total revenues are variable and will be subject to market forces. The Investment Team uses industry recognised forecasts to predict the electricity prices for the life of the sites. It also mitigates price fluctuations in the short term via forward selling the electricity via Power Purchase Agreements (PPAs) to reduce income volatility. However, it should be noted that long term power price forecasts can rise and fall, and therefore can have an impact on the value or NAV of the underlying solar sites.
- **Site Technical Issues** – all sites are potentially vulnerable to unforeseen technical issues and, to the extent possible, all equipment is warranted to industry standard levels and the companies have insurance that, in the event of a fault lasting more than 5 days, can be called to claim for revenue losses. Furthermore, once the site has completed its construction contract, operation and maintenance contracts are put in place that incentivise availability and performance levels.
- **Weather** – all forecasts are based on an assumed level of sunlight each year, however it should be noted that not all years will have an equal amount. Less sunlight reduces revenues received but a prudent approach is taken in forecasting revenue to reduce the likelihood of incurring shortfall against budget.
- **Site Market Value** – there are a number of drivers in the value of a solar site. Underlying assumptions are continually revised for macroeconomic changes (e.g. inflation expectations), industry specific drivers (e.g. business rates, embedded benefits), in addition to the track record of specific site performance.

## VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice concerning ongoing compliance with HMRC 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 is to maintain at least a 70% qualifying investment level. As at 31 August 2016, 88.6% of the portfolio, as measured by HMRC rules, was invested in VCT qualifying investments. The Board is confident that the 70% target will be maintained on an ongoing basis.

### Annual General Meeting

The Directors look forward to meeting as many shareholders as possible at our Annual General Meeting on 25 January 2017, 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

Over the preceding six month period there has been a slight recovery in oil and gas prices in the short term, partially due to the depreciation of Sterling, resulting in higher UK price expectations of international coal and gas supplies. However, world oil and gas prices remain depressed and the negative impact of low energy prices has affected the power generation industry as a whole. The decline in electricity prices has reduced revenue generation and the value of electricity generators.

We expect UK power prices to remain depressed in the wake of the current over-supply and demand slump for global energy. This has impacted forecast revenue generation and overall asset value, and hence the Company's ability to deliver a NAV plus cumulative dividends paid of 110p per share at the 5 year point. As a reminder, the 110p comprises the sum of four annual dividends of 5p each and a targeted NAV of the solar assets of 90p at the 5 year point (i.e.  $5p \times 4 + 90p = 110p$ ).

As it stands today, and as highlighted in the half yearly report ended 29 February 2016, achieving a 90p NAV at the 5 year point is most unlikely and would require energy price forecasts to increase materially in the short term. Other key reasons that should be noted as to why the target is unlikely to be met include the drastic FIT reductions implemented by the Government in late 2011 (the Fund Manager reduced fees in an attempt to offset the reduction), as well as the impact of relatively higher running costs as a result of the lower than anticipated funds raised at the outset.

The recent well publicised announcements by the Government in respect of ending the various subsidy regimes for large scale solar PV in the UK may have a positive effect on the value of the existing portfolio of assets given that there is now a limited supply of 'green' energy to meet increasing demand. As noted in the half yearly report, the valuations of the assets have been updated to reflect this positive uplift, with the two ROC sites having their discount rate lowered in line with the market.

Finally, the Board is mindful that investors will pass through their five year VCT qualifying period over the course of Spring and Summer 2017. Whilst the fund was established as a VCT with a 25 year limited life, the Board is aware that some investors may wish to realise their investment earlier, once outside their five year VCT holding period. Due to the sub-optimal size of the portfolio, the Company's ability to satisfy any such requests risks having a significant detrimental effect on the value for remaining shareholders. The Board is therefore considering options to provide an equitable liquidity solution for all, once all shareholders have passed through their five year VCT qualifying holding period. This may include an orderly wind up of the VCT through the sale of its assets and the return of capital to shareholders.

The conclusions of these deliberations will be communicated at the earliest opportunity and shareholders will be invited to vote on the Board's recommendations as appropriate. In the meantime, in order to protect the interests of all shareholders, the Board has decided to suspend the share buyback facility in the intervening period. All shareholders will have passed through their five year holding period in September 2017 by which point I expect to be in a position to make recommendations for the future of the VCT and the provision of liquidity to shareholders. An update will be provided in the interim report.



Graham Paterson  
Chairman  
30 November 2016

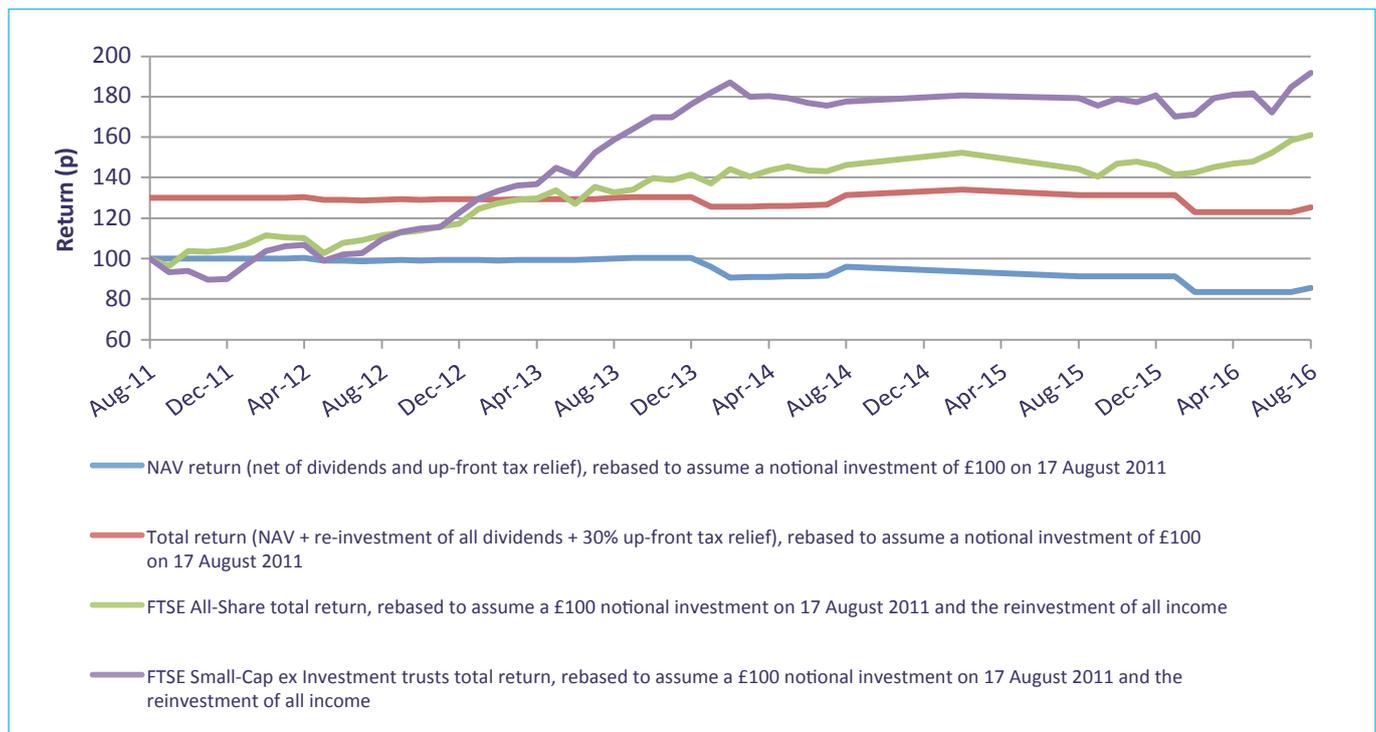
# Business Review

## 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 31 August 2016 with the total return from a notional investment in the FTSE Small-Cap ex Investment Trusts and FTSE All-Share indices over the same period (all rebased to 100p).

The Board wishes to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules. Whilst the indices 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

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Net return attributable to shareholders	(49)	14
Appropriations:		
Final dividend proposed 5.0p per share (2015: 5.0p)	412	413

### Key Performance Indicators (KPIs)

The Company's objective is to build a portfolio of investments that focus predominantly in the UK solar energy sector and which meet the relevant criteria for VCTs, with a view to generating a sustained and reasonable level of highly predictable income.

The Board expects the Investment Manager to deliver a performance which aims to meet the objective of providing investors with secure long-term returns, including regular tax-free dividends, from a portfolio of unquoted investments. The KPIs in meeting these objectives are:

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

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 year.

The Board assesses the performance of Octopus in meeting the Company's objectives against the KPIs highlighted above. The total running costs in the year, 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 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of three years, which was considered to be a reasonable time horizon given that the Company was launched in 2011 as a venture capital trust with a fixed life of 25 years. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a three year period is considered to be a reasonable time horizon for this.

The Board carried out an assessment of the principal risks facing the Company and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. Particular consideration was given to the Company's reliance on, and close working relationship with, the Investment Manager. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to

continue in operation and meet its liabilities as they fall due over the three year period to 31 August 2019.

### 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:** now that the Company has passed the end of its third accounting period it 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 year. 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. The risk of loss to this cash is deemed to be low due to RBS's historical credit rating and a current Standard & Poor's rating of BBB-.

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 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.

**Economic:** Events such as an economic recession and movement in interest rates could affect smaller companies’ valuations.

**Price:** the risk that the value of a security or portfolio of securities will decline in the future is mitigated by holding a diversified portfolio, across a range of carefully selected solar sites.

**Cash flow:** the risk that the Company’s available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

**Market:** investment in unquoted companies involves a higher degree of risk than investment in companies listed on the Official List, which could result in the value of such investment, and interest income and dividends therefrom, reducing. The Company’s portfolio has a high exposure to the solar sector. These companies may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes and therefore, may not produce the hoped for returns. In addition, the market for securities in smaller companies is less regulated and is usually less liquid than that of securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. These risks are mitigated by the Managers’ extensive experience in identifying suitable investments in smaller companies and, specifically, investments in the solar sector.

**Liquidity risk:** the Company’s investments may be difficult to realise. The spread between the buying and selling price of shares may be wide and thus the price used for valuation may not be achievable.

#### Solar specific risks:

- **Power Prices** – Revenues are derived from two sources; first, the Government backed subsidies such as the FIT or ROCs and secondly; from selling the wholesale electricity produced by the solar sites. The wholesale electricity revenues, which represent over 40% of the total revenues are variable and will be subject to market forces. The Investment Team uses industry recognised forecasts to predict the electricity prices for the life of the sites. It also mitigates price fluctuations in the short term via forward selling the electricity via Power Purchase Agreements (PPAs) to reduce income volatility. However, it should be noted that long term power price forecasts can rise and fall, and therefore can have an impact on the value or NAV of the underlying solar sites.
- **Site Technical Issues** – all sites are potentially vulnerable to unforeseen technical issues and, to the extent possible, all equipment is warranted to industry standard levels and the companies have insurance that, in the event of a fault lasting more than 5 days, can be called to claim for revenue losses. Furthermore, once the site has completed its construction contract, operation and maintenance contracts are put in place that incentivise availability and performance levels.
- **Weather** – all forecasts are based on an assumed level of sunlight each year, however it should be noted that not all years will have an equal amount. Less sunlight reduces revenues received but a prudent approach is taken in forecasting revenue to reduce the likelihood of incurring shortfall against budget.
- **Site Market Value** – there are a number of drivers in the value of a solar site. Underlying assumptions are continually revised for macroeconomic changes (e.g. inflation expectations), industry specific drivers (e.g. business rates, embedded benefits), in addition to the track record of specific site performance.

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 20.

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 and one female Non-Executive Directors 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 and only three Non-Executive Directors, there are no Human Rights Issues to report.

This report was approved by the Board on 30 November 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Graham Paterson', with a horizontal line extending to the right.

Graham Paterson  
Chairman

# Investment Manager's Review

## Personal Service

At Octopus we have a dual focus, on managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment.

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 500 employees.

## Portfolio Review

The Company has invested in a portfolio of seven individual solar companies, each of which owns and operates a solar site in the 1-2MWp range. The first five sites have all been accredited for the FIT and have just passed their fourth full year of operation since commissioning. The remaining two sites were accredited under ROCs and are at their three and a half year point of operations.

During this period, the Board approved to engage Quintas Energy as the new asset manager. Octopus will continue to be the investment manager and work closely with Quintas Energy to monitor the overall operations of the solar companies. Overall, this has had a positive financial impact to the valuation. The investment manager believes that the companies will receive a better service and enable Octopus to drive asset optimisation projects for the sites.

Over the previous period three sites, Debes which owns a FIT site, Delambre and Huygens which own the two ROC sites, had experienced technical issues during the financial year. For the Huygens site, the issue was rectified before the summer months, as a result, the site was able to generate electricity 5% above budget during the last six months. However, when considering the overall performance for the whole financial year, the site produced 21% less electricity compared to budget. The other two sites were affected to a much less extent in revenue loss. At Debes, the site was operating around 89% of capacity and Delambre at 91%. The lower than anticipated performance has had a negative impact to the valuation of these companies. The investment team continues to closely monitor the issues, working with the new asset manager to ensure all issues are resolved.

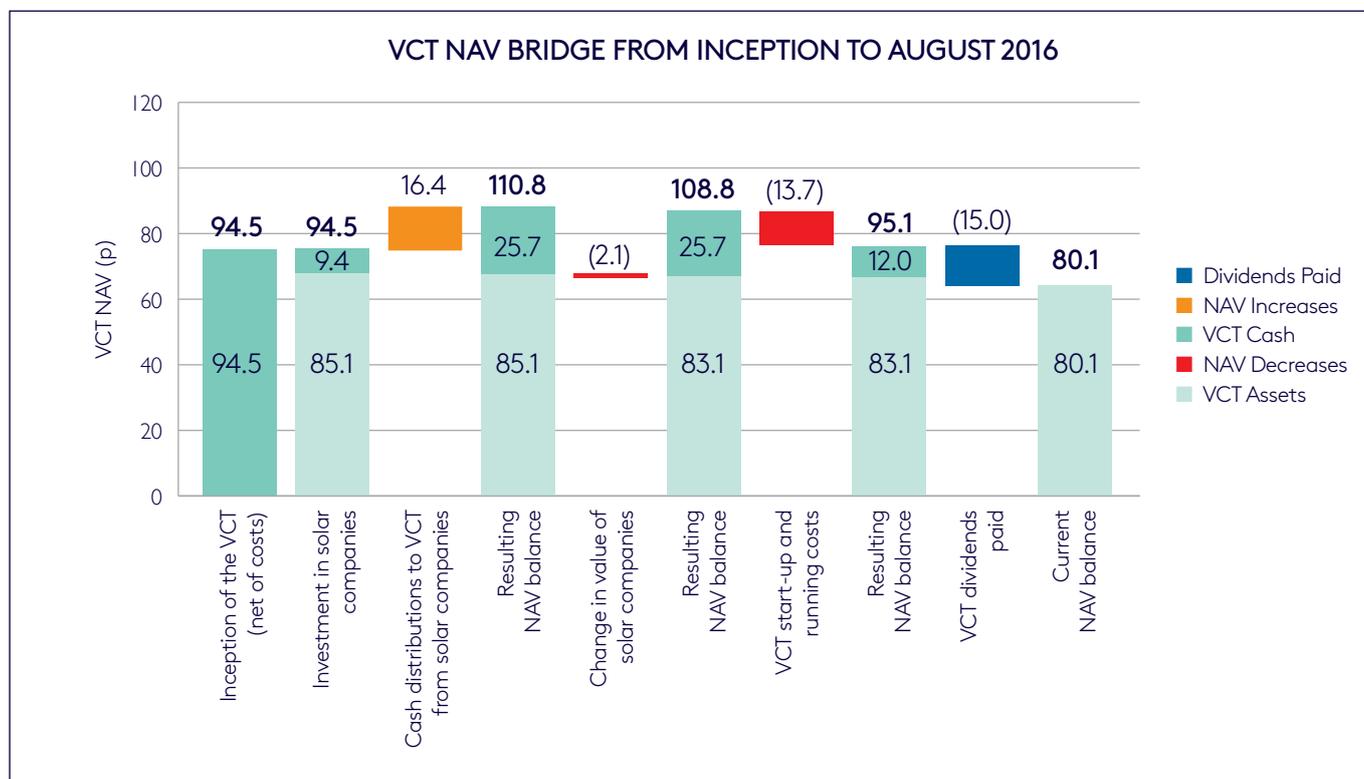
Other than the abovementioned issues the portfolio of seven sites has overall been performing in line with expectations since the start of operations due to good PPA terms.

## Company Performance

Between 31 August 2015 and 31 August 2016, the NAV has decreased, as would be expected. This is primarily due to the payment of the 5p dividend in January 2016. The table below shows the movements between the two periods:

Changes in NAV between August 2015 and August 2016	p
<b>NAV at 31 August 2015</b>	<b>85.7</b>
Cash distributions from solar companies	3.3
Revaluation of solar companies	(1.2)
VCT running costs	(2.7)
Dividends paid	(5.0)
<b>NAV at 31 August 2016</b>	<b>80.1</b>

In addition to the above, the graph below provides an illustrative bridge summary to show movements in the NAV between inception and 31 August 2016. Again, by reviewing this extended period we endeavour to provide more clarity to the nature of the movements on the NAV as it covers the full investment period through to the payment of any dividends, as well as the most recent asset revaluations.



It should be noted that the fixed running costs of the Company have been proportionately higher due to the smaller than anticipated fundraise 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

The ongoing strategy is, as previously stated, to hold the assets for their full operational lives. The Board is mindful that investors will pass through their five year VCT qualifying period over the course of Spring and Summer 2017. Whilst the fund was established as a VCT with a 25 year limited life, the Board is aware that some investors may wish to realise their investment earlier, once outside their five year VCT holding period. Due to the sub-optimal size of the portfolio, the Company's ability to satisfy any such requests risks having a significant detrimental effect on the value for remaining shareholders. As such, the Board is currently considering options to provide an equitable liquidity solution for all, once all shareholders have passed through their five year VCT qualifying holding period. This may include an orderly wind up of the VCT through the sale of its assets and the return of capital to shareholders.

For the assets, the key risk is the impact of long term power prices which have dropped during the past year, despite slightly recovering because of the depreciation of the Sterling. Unfortunately, there is little that can be done in the immediate term, apart from negotiating better purchasing power agreements for electricity generated. The team has explored the possibility of extending the asset life beyond the current 25 years. However, this option would not have significant positive impact to the NAV. The team continues to investigate ways in which we can optimise or enhance the existing portfolio to create more value through technical improvements.

As previously mentioned, the Government has effectively ended subsidies for new solar PV projects in the UK. This has the potential to increase the value of existing assets in the portfolio given there will now be a finite amount available in the market, and investors have become increasingly interested in such asset classes due to their relatively predictable income and established technology. During the period we have monitored the market closely and have adjusted the discount rates for the two ROC sites according to market trends, which has had a positive impact on the valuations.

We continue to monitor the renewables sector on a regular basis and the discount rates used to value the solar sites within the Company's portfolio are in line with market practice seen at present. Any changes to discount rates used by market participants in the future may cause us to change the discount rates we use to determine fair value of the investments.

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  
30 November 2016

# Investment Portfolio

Investments	Sector	Investment cost as at 31 August 2016 (£'000)	Movement in fair value to 31 August 2016 (£'000)	Fair value as at 31 August 2016 (£'000)	Movement in period (£'000)	% equity held by Octopus VCT 4 plc	% Equity held by all funds managed by Octopus
Delambre Energy	Solar	1,395	(60)	1,335	97	49.9%	100.0%
Huygens Energy	Solar	1,202	(45)	1,157	(28)	49.9%	100.0%
Adala Solar	Solar	860	55	915	(39)	49.9%	100.0%
Akycha Power	Solar	735	56	791	(36)	49.9%	100.0%
Daubree Energy	Solar	828	(30)	798	(18)	49.9%	100.0%
Debes Energy	Solar	878	(108)	770	(27)	49.9%	100.0%
Lacaille Energy	Solar	740	(38)	702	(44)	49.9%	100.0%
<b>Fixed asset investments</b>		<b>6,638</b>	<b>(170)</b>	<b>6,468</b>	<b>(95)</b>		
Cash at bank				26			
Debtors less creditors				111			
<b>Total net assets</b>				<b>6,605</b>			

All solar companies within the portfolio saw changes in valuations due a number of factors including: cash distributions made up to the VCTs, updates to the long term energy forecasts, both site under and over performance, changes in rates and tax assumptions. These are reflected in the above movements for the period.

## Valuation Overview

Due to the nature of assets owned by the portfolio companies being UK based solar sites with 25 year revenue streams, they are considered to be limited life assets. Consequently, they are expected to gradually decrease in value to zero over their productive life. This is because the Government backed revenue streams only extend to 25 years (for FIT projects), and the planning permission, lease length and design life of equipment are also based on the same timeframe. As the number of years of revenue production reduces, the value of the assets is expected to decline. In addition, after each dividend is paid out you should expect to see the NAV decrease accordingly at the following valuation by an equivalent amount.

However, it should be noted that, in addition to the expected decline over time, the NAV may fluctuate slightly year-on-year. This is because the valuation is also based on the expected future revenues from selling the electricity generated by the sites, which is impacted by factors such as the level of sunlight in any particular year.

## Valuation Methodology

Until payment of the first dividend in early 2014, each company had been valued at cost. In February 2014, the first valuations were performed using a non-cost approach and also taking into account dividends paid out by each company up to that point. This methodology has continued to be used for the valuations in this period.

Future estimates of fair value are based on the Investment Manager's assessment of market value, which is based on a Net Present Value (NPV) approach. This NPV is calculated by estimating the rate of return an incoming investor may require, and using this rate to discount the value of future cash flows into present value terms.

Any cash and accrued revenues owed to the company, less any debt or loan interest owed by the company at the time of valuation, is then added to this NPV to provide a final valuation of the equity in the company.

**Adala Solar Limited**

Adala Solar constructed a 1.2MWp solar site near Congresbury in Somerset in July 2012. The site has been fully operational for over 4 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 1.0MWp solar site near Newport on the Isle of Wight in July 2012. The site has been fully operational for over 4 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 1.2MWp solar site near Cullompton in Devon in July 2012. The site has been fully operational for over 4 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 1.2MWp solar site near Tiverton in Devon in July 2012. The site has been fully operational for over 4 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 1.9MWp 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 1.8MWp 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 1.1MWp solar site near Crediton in Devon in July 2012. The site has been fully operational for over 2 years and is receiving revenues from the FIT, as well as the sale of the electricity it produces on the wholesale market.

# Details of Directors

## **Graham Paterson (Non-Executive Chairman)**

Graham is a chartered accountant by background and has spent most of his career in the private equity industry. He was one of the founding partners and board member of SL Capital Partners LLP, where, for over 13 years, Graham played a major role in their becoming one of Europe's largest private equity fund of funds managers. During this time he made numerous investments in private equity funds and direct co-investments before becoming chief operating officer in 2009. In addition, he was a member of the advisory boards to a number of leading private equity fund managers, including Apax Partners and Towerbrook. In 2013, Graham co-founded TopQ Software Limited, a technology company which develops software for the private equity industry. This company was acquired by eVestment, a leading US based data analytics business. Graham now leads eVestment's global private markets data business.

Prior to joining Standard Life Private Equity (the predecessor business to SL Capital Partners) in 1997, Graham was an executive in the corporate finance division of Coopers & Lybrand.

## **Simon Smith (Non-Executive Director)**

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

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

Simon has also been a Director and owner of a number of businesses, particularly in the support services, financial services and manufacturing sectors and is a non-executive director of BRI Wealth Management.

He is a Fellow of the Chartered Institute for Securities and Investment and an Associate of the Chartered Institute of Bankers.

## **Katrina Shenton (Non-Executive Director)**

Katrina manages the Energy Portfolio Team at Octopus and is also a non-executive director of Octopus VCT 3 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 the portfolio role in 2015. The current portfolio is valued in excess of £2 billion.

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 year ended 31 August 2016.

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 14.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Smith 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 4 plc. As a non-independent Director, Ms Shenton will stand for re-election at the 2017 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 19, believes that Mr Smith 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 17.

## 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 45 (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.

The Board receives regular reports from Octopus and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it

is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The assets of the Company include securities which are readily realisable and represent 0.4% of net assets (2015:1.3% of net assets) and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

## Dividend

The proposed final dividend is set out in the Financial Summary on page 1, the Chairman's Statement on page 3 and the Business Review on page 5.

## 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 as a whole. In reaching this conclusion the independent Directors have taken into account the performance of the investment portfolio and the ability of the Investment Manager to produce satisfactory investment performance in the future. 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 year to 31 August 2016 (31 August 2015: nil).

### Share Buybacks and Redemptions

The Company did not buy back any shares during the year ended 31 August 2016 (2015: 18,005 at a cost of £16,000).

The Board received authority at the 2016 AGM to buy back up to 824,500 Ordinary shares, representing approximately 10% of the Company's issued share capital, such authority to expire at the conclusion of the 2017 AGM. Renewal of this authority will be sought at the forthcoming AGM. As set out in the Prospectus dated 14 September 2011 share buybacks will be undertaken at the prevailing net asset value. However, as noted in the Chairman's Statement on page 4, the Board has temporarily suspended share buybacks.

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

The Company's Ordinary share capital as at 31 August 2016 comprised 8,245,592 Ordinary shares of 1p (2015: 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 Allot Shares and to Disapply Pre-emption Rights**

The authority proposed under Resolution 7 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax efficient manner without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase Ordinary shares in the market. Resolution 7 renews the Directors' authority to allot Ordinary shares. This would enable the Directors until January 2018, to allot up to 824,500 Ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 31 August 2016).

Any shares allotted under this authority would be issued at prices at or above NAV.

Resolution 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue Ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of 824,500 Ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 31 August 2016). This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole.

### **Directors' Authority to Make Market Purchase of its Own Shares**

The authority proposed under Resolution 9 is required so that the Directors may make purchases of up to 824,500 Ordinary shares, representing approximately 10 per cent of the Company's issued share capital and Resolution 9 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not

be less than the nominal value nor more than a maximum of 5% above the average mid-market quotation for the shares on the London Stock Exchange and the applicable regulations thereunder. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will ordinarily be cancelled.

### **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 25 January 2017 can be found at the end of this document.

### **Independent Auditor**

James Cowper Kreston offer themselves for reappointment as auditor. A resolution to reappoint James Cowper Kreston as auditor and to authorise the Directors to fix their remuneration will be proposed 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 of Octopus VCT 4 plc 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 pages 20 and 21.

### **Board of Directors**

The Company has a board of three non-executive 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 2017 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 year the following meetings were held:

	<b>Full Board meetings held</b>	<b>No. of meetings attended</b>	<b>Audit Committee meetings held</b>	<b>Audit Committee meetings Attended</b>
Graham Paterson (Chairman)	4	4	2	2
Simon Smith	4	4	2	2
Katrina Shenton	4	4	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 14.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the AGM and that Directors appointed by the Board should seek re-appointment at the next AGM following their appointment.

The director rotation is undertaken annually as follows:

	<b>Date of Original Appointment</b>	<b>Due date for Re-election</b>
Graham Paterson (Chairman)	31/08/2011	AGM 2018
Simon Smith	31/08/2011	AGM 2017
Katrina Shenton	17/08/2011	AGM 2017

## 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 seven 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 2016 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 2017 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2017 Annual General Meeting as set out in the notice of meeting.

## Board Committees

There is no formal management engagement committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 24 and 25.

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

### Audit Committee:

Simon Smith (Chairman)  
Graham Paterson

The Audit Committee, chaired by Simon Smith, consists of two independent Directors. The Audit Committee believes Mr Smith 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 22 and 23.

### Nomination Committee:

Graham Paterson (Chairman)  
Simon Smith

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.

## 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. 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

With the exception of votes representing approximately 1,500 Ordinary shares which were withheld in respect of three resolutions all votes cast at the 2016 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 year 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 31 August 2016 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, Graham Paterson and Simon Smith. 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 judgment 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 that an internal audit would be an appropriate control for a VCT. [C.3.6]
6. The Company does not have a Remuneration Committee as it does not have any executive directors. [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

*Nicola Board*

Nicola Board (ACIS)  
Company Secretary  
30 November 2016

# Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 31 August 2016 and describes the work of the Audit Committee in discharging its responsibilities.

The 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 19.

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 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 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 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 Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms. Once the 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 4 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 process, the performance of which has been outsourced to Ernst & Young. 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 31 August 2016, 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 15

The Committee has considered the Report and Accounts for the year ended 31 August 2016 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 investee audited accounts and third party evidence. These give comfort to the Audit Committee.
- 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.
- 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.

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 year ended 31 August 2016.



Simon Smith  
Audit Committee Chairman  
30 November 2016

# 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 year ended 31 August 2016.

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 27 to 29.

## 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 year, which are set out on page 25. The Company does not have a Chief Executive Officer, Senior Management or any employees.

## Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, 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 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.

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 held on 28 January 2015 and will remain in force for a three year period.

## 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 on 27 January 2016 and received shareholder approval following a vote on a show of hands. None of the votes cast on the proxy forms voted against the Remuneration Report. Votes in respect of 1,538 Ordinary shares were withheld. The proxy forms contained no indication as to the reasons for the withheld votes.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 20.

## 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 5 shows the performance of the Company.

### Directors' Fees (audited)

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

	Year ended 31 August 2016 £	Year ended 31 August 2015 £
Graham Paterson (Chairman)	20,000	20,000
Simon Smith	15,000	15,000
Katrina Shenton*	7,500	7,500
Total	42,500	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 year is as follows:

	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Dividends paid in year	412	413
Total Directors' Fees	43	43

There were no other significant payments during the year 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 year (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 31 August 2016	Number of shares at 31 August 2015
Graham Paterson (Chairman)	7,913	7,913
Simon Smith	5,000	5,000
Katrina Shenton	-	-

All of the Directors' shares were held beneficially. There have been no other 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



Graham Paterson  
Chairman  
30 November 2016

# Directors' Responsibilities Statement

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 the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- 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; and
- 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.

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



Graham Paterson  
Chairman  
30 November 2016

# Report of the Independent Auditor to the Members of Octopus VCT 4 Plc

## Independent auditor's report to the members of Octopus VCT 4 Plc

We have audited the financial statements of Octopus VCT 4 plc for the year ended 31 August 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied is United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 has 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.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Auditor commentary

### 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 focussed 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.

### 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 £66,000, which is 1% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole 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. Accordingly, we established materiality for revenue items within the income statement to be £6,000.

Performance materiality was set at £50,000 of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as statement of total comprehensive income, directors' remuneration and related party transactions.

We determined the threshold at which will communicate misstatements to be £3,300. 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.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent to the Company and we have fulfilled our ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

### 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 or loss in accordance with FRS 102. 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 Octopus, and reviewing and challenging the basis and reasonableness of the assumptions made by Octopus 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 year end are included in note 10.

### 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.

### 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 completion 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.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its return for the year 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.

### Other reporting responsibilities

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

#### Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements 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; or
- information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the section of the Statement of Corporate Governance describing the work of the Audit Committee does not appropriately address matters communicated to us by the audit committee.

**Under the Companies Act 2006 we are required to report to you if, in our opinion:**

- adequate accounting records have not been kept, 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
- a Corporate Governance Statement has not been prepared by the Company

**Under the Listing Rules we are required to review:**

- the directors' statement, set out on page 15, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Alexander Peal BSc (Hons) FCA DchA  
 For and on behalf of **James Cowper Kreston**  
 Chartered Accountants and Statutory Auditors  
 Reading  
 30 November 2016

# Income Statement

	Notes	Year ended 31 August 2016			Year ended 31 August 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on valuation of fixed asset investments	10	-	(95)	(95)	-	(62)	(62)
Investment income	2	274	-	274	309	-	309
Investment Management fees	3	(36)	(12)	(48)	(37)	(12)	(49)
Other expenses	4	(168)	-	(168)	(165)	-	(165)
<b>Net return on ordinary activities before tax</b>		<b>70</b>	<b>(107)</b>	<b>(37)</b>	107	(74)	33
Taxation	6	(12)	-	(12)	(19)	-	(19)
<b>Net return on ordinary activities after tax</b>		<b>58</b>	<b>(107)</b>	<b>(49)</b>	88	(74)	14
<b>Earnings per share – basic and diluted</b>	8	<b>0.7p</b>	<b>(1.3)p</b>	<b>(0.6)p</b>	1.1p	(0.9)p	0.2p

- 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.

# Statement of Financial Position

	Notes	As at 31 August 2016		As at 31 August 2015	
		£'000	£'000	£'000	£'000
Fixed asset investments*	10		<b>6,468</b>		6,944
Current assets:					
Debtors	11	<b>215</b>		104	
Cash at bank		<b>26</b>		92	
		<b>241</b>		196	
Creditors: amounts falling due within one year	12	<b>(104)</b>		(74)	
Net current assets			<b>137</b>		122
<b>Net assets</b>			<b>6,605</b>		7,066
Called up equity share capital	13		<b>82</b>		82
Share Premium			<b>99</b>		99
Special Distributable Reserve			<b>6,747</b>		7,101
Capital Redemption Reserve			<b>2</b>		2
Capital Reserve – Unrealised			<b>(171)</b>		(76)
Capital Reserve – Realised			<b>(154)</b>		(142)
Revenue Reserve			<b>-</b>		-
<b>Total shareholders' funds</b>			<b>6,605</b>		7,066
<b>Net asset value per share</b>	9		<b>80.1p</b>		85.7p

\*Held at fair value through profit or loss.

The statements were approved by the Directors and authorised for issue on 30 November 2016 and are signed on their behalf by:



Graham Paterson  
Chairman  
Company No: 07743878

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
<b>As at 1 September 2014</b>	<b>83</b>	<b>99</b>	<b>7,442</b>	<b>1</b>	<b>(14)</b>	<b>(130)</b>	<b>-</b>	<b>7,481</b>
Management fee allocated as capital expenditure	-	-	-	-	-	(12)	-	(12)
Current period losses on fair value of investments	-	-	-	-	(62)	-	-	(62)
Profit on ordinary activities after tax	-	-	-	-	-	-	88	88
<b>Contributions by and distributions to owners:</b>								
Repurchase and cancellation of own shares	(1)	-	(16)	1	-	-	-	(16)
Dividends paid	-	-	(325)	-	-	-	(88)	(413)
<b>Balance as at 31 August 2015</b>	<b>82</b>	<b>99</b>	<b>7,101</b>	<b>2</b>	<b>(76)</b>	<b>(142)</b>	<b>-</b>	<b>7,066</b>
<b>As at 1 September 2015</b>	<b>82</b>	<b>99</b>	<b>7,101</b>	<b>2</b>	<b>(76)</b>	<b>(142)</b>	<b>-</b>	<b>7,066</b>
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
<b>Contributions by and distributions to owners:</b>								
Dividends paid	-	-	(354)	-	-	-	(58)	(412)
<b>Balance as at 31 August 2016</b>	<b>82</b>	<b>99</b>	<b>6,747</b>	<b>2</b>	<b>(171)</b>	<b>(154)</b>	<b>-</b>	<b>6,605</b>

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

# Statement of Cash Flow

	Notes	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
<b>Cash flows from operating activities</b>			
Return on ordinary activities before tax		(37)	33
Adjustments for:			
Increase in debtors	11	(111)	(13)
Increase/(decrease) in creditors	12	37	(5)
Loss on valuation of fixed asset investments	10	95	62
<b>Cash from operations</b>		<b>(16)</b>	<b>77</b>
Income taxes paid		(19)	(21)
<b>Net cash generated from operating activities</b>		<b>(35)</b>	<b>56</b>
<b>Cash flows from investing activities</b>			
Receipt of loan note principal	10	381	175
<b>Net cash flows from investing activities</b>		<b>381</b>	<b>175</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares		-	(16)
Dividends paid		(412)	(413)
<b>Net cash flows from financing activities</b>			<b>(429)</b>
<b>(Decrease) in cash and cash equivalents</b>		<b>(66)</b>	<b>(198)</b>
Opening cash and cash equivalents		92	290
<b>Closing cash and cash equivalents</b>		<b>26</b>	<b>92</b>
<b>Cash and cash equivalents comprise</b>			
Cash at bank		26	92
		<b>26</b>	<b>92</b>

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.

This is the first year in which the financial statements have been prepared under FRS 102 for the year ended 31 August 2016. The main changes as a result have been changes to the fixed asset investments' fair value hierarchy and presentational changes to the primary statements and associated reconciliations. The accounting policies have not materially changed from last year. There have been no changes to the measurement of the assets and liabilities as a result of the transition to FRS 102.

A review of any required changes to comparative figures has taken place and it has been deemed that no such restatements are necessary.

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 pages 3 and 4 and Investment Manager's Review on pages 9 to 13. Further details on the management of financial risk may be found in note 14 to the Financial Statements.

### Basis of preparation

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 2014).'

The principal accounting policies have remained unchanged from those set out in the Company's 2015 Annual Report and financial statements, however there have been slight revisions as result of the adoption of FRS 102. A summary of the principal accounting policies is set out below.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company holds all fixed asset investments at fair value through profit or loss; therefore all gains and losses arising from such investments held are attributable to financial assets held at fair value through profit or loss. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at fair value through profit or loss.

Investment valuation policies are those that are most important to the depiction of the Company's financial position and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that are declared will not necessarily result in material changes to the financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the Company are disclosed below. Whilst not all of the significant accounting policies require subjective or complex judgements, the Company considers that the following accounting policies should be considered critical.

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. Last year the Directors' reassessed the likely long term split between revenue returns and long term capital gains and determined that an investment management fee charged at 75% to the revenue account and 25% to the capital reserve better reflects the expected long term split of returns.

### Going Concern

The Board receives regular reports from the Investment Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The assets of the company include cash, which are readily realisable (0.4% of net assets) and accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Thus, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

### Key judgements and estimates

The preparation of the financial statements 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.

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, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of subsidiary companies and liquidity or marketability of the investments held.

Although the Company believes that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future.

#### 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 year 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 20 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 direct 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.

### Dividend

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

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Loan interest receivable	274	308
Interest receivable on bank balances	-	1
	<b>274</b>	<b>309</b>

## 3. Investment management fees

	Year ended 31 August 2016			Year ended 31 August 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	36	12	48	37	12	49
	<b>36</b>	<b>12</b>	<b>48</b>	37	12	49

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, £48,000 (2015: £49,000) was payable to Octopus in the period for management fees and there was £nil (2015: £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 written off to the income statement in the period that they occur.

**Disclosure**

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
<b>Directors' remuneration</b>	<b>43</b>	43
Fees payable to the Company's auditor for the audit of the financial statements	9	8
Fees payable to the Company's auditor for other services – tax compliance	1	1
Accounting and administration services and company secretarial services	30	31
UK Listing Fees	7	7
Trail commission	38	36
Registrars Fees	22	15
Legal Fees	-	2
Other expenses	18	22
	<b>168</b>	165

Total annual running costs are capped at 2.15% of net assets (excluding irrecoverable VAT, exceptional costs and trail commission). For the period to 31 August 2016 the running costs, as defined in the prospectus, were capped at 2.15% of net assets.

**5. Directors' remuneration**

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
<b>Directors' emoluments</b>		
Graham Paterson (Chairman)	20	20
Simon Smith	15	15
Katrina Shenton (paid to Octopus Investments Limited)	8	8
	<b>43</b>	43

None of the Directors received any other remuneration or benefit from the Company during the period. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the period was three.

**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 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 £12,000 (2015: £19,000).

The current rate of tax is the small companies' rate of corporation tax at 20%.

<b>Current tax reconciliation:</b>	<b>31 August 2016 £'000</b>	31 August 2015 £'000
Profit/(loss) on ordinary activities before tax	<b>70</b>	132
Current tax at 20%	<b>14</b>	27
Other eligible expenses	<b>(2)</b>	(8)
Total current tax charge	<b>12</b>	19

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

	<b>2016 £'000</b>	2015 £'000
<b>Dividends paid on ordinary shares during the year</b>		
Final dividend – 5.0p per share paid 12 February 2016 (2015: 5.0p per share)	<b>412</b>	413
	<b>412</b>	413

	<b>2016 £'000</b>	2015 £'000
<b>Dividends in respect of the year</b>		
Final dividend proposed: 5.0p (2015: 5.0p share)	<b>413</b>	413
	<b>413</b>	413

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

## 8. Earnings per Share

	<b>Year ended 31 August 2016</b>			Year ended 31 August 2015		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit attributable to ordinary shareholders	<b>58</b>	<b>(107)</b>	<b>(49)</b>	88	(74)	14
(Loss)/profit per ordinary share	<b>0.7p</b>	<b>(1.3)p</b>	<b>(0.6)p</b>	1.1p	(0.9)p	0.2p

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 (2015: 8,263,449 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 80.1p as at 31 August 2016 is based on net assets of £6,605,000 and 8,245,592 Ordinary shares in issue at that date (2015: net asset value per share of 85.7p is based on net assets of £7,066,000 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.

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.

### Fair value hierarchy

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

Level (a): quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price.

Level (b): where quoted prices are not available, the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place.

Level (c) (i): the fair value of financial instruments that are not traded in an active market and do not meet the definition in Level (b) (for example investments in unquoted companies) is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level c (i).

Level (c) (ii): the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level c (ii).

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 31 August 2016 are summarised below:

	<b>Level (c) (ii): Unquoted investments £'000</b>
Cost at 1 September 2015	<b>7,020</b>
Opening unrealised gain at 1 September 2015	<b>(76)</b>
<b>Valuation at 1 September 2015</b>	<b>6,944</b>
Repayment of debt	<b>(381)</b>
Change in fair value in year	<b>(95)</b>
<b>Closing valuation at 31 August 2016</b>	<b>6,468</b>
Cost at 31 August 2016	<b>6,638</b>
Closing unrealised gain at 31 August 2016	<b>(170)</b>
<b>Total unquoted investments</b>	<b>6,468</b>

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 31 August 2016 there were no commitments in respect of investments approved by the Manager but not yet completed (2015: £nil).

## 11. Debtors

	<b>Year ended 31 August 2016 £'000</b>	Year ended 31 August 2015 £'000
Prepayments	<b>4</b>	8
Accrued income	<b>211</b>	89
Other debtors	<b>-</b>	7
	<b>215</b>	104

## 12. Creditors: amounts falling due within one year

	<b>Year ended 31 August 2016 £'000</b>	Year ended 31 August 2015 £'000
Trade creditors	<b>5</b>	15
Accruals	<b>87</b>	40
Corporation tax	<b>12</b>	19
	<b>104</b>	74

### 13. Share capital

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Allotted and fully paid up:		
8,245,592 ordinary shares of 1.0p (2015: 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.

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.

The Board considers the distributable reserves and the total return for the year when recommending a dividend. The distributable reserves of the Company as at 31 August 2016 were £6,593,000 made up of the Special Distributable Reserve and the Capital Reserve – Realised.

In addition, the Board is authorised to make market purchases up to a maximum of 10% of the issued Ordinary shares 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 20 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 year (2015: nil shares).

The Company repurchased nil shares for cancellation during the year (2015: 18,005 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 31 August 2016.

	31 August 2016 £'000	31 August 2015 £'000
<b>Financial assets at fair value through income statement</b>		
Fixed asset investments	6,468	6,944
<b>Total financial assets at fair value through income statement</b>	<b>6,468</b>	6,944
<b>Financial assets measures at amortised cost</b>		
Cash at bank	26	92
Other debtors	4	15
Accrued income	211	89
<b>Total financial assets measured at amortised cost</b>	<b>241</b>	196
<b>Financial liabilities at amortised cost</b>		
Accruals and other creditors	104	(74)
<b>Total financial liabilities at amortised cost</b>	<b>104</b>	(74)

Fixed asset investments (see note 10) are carried at fair value. Unquoted investments are carried at fair value as determined by the directors in accordance with the IPEVC guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the statement of financial position. The Directors believe that the fair value of the assets held at the period end is equal to their book value.

In carrying on its investment activities, the Company is 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, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. 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 page 12. An analysis of investments is given in note 10.

97.9% 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 31 August 2016 would have increased net assets and the total return for the period by £647,000. 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 31 August 2016. By cost, no individual investment exceeded 30.0% of the Company's net assets at 31 August 2016.

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 31 August 2016 the Company's financial assets exposed to credit risk comprised the following:

	31 August 2016 £'000	31 August 2015 £'000
Cash on deposit	26	92

#### 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 31 August 2016 these investments were valued at £26,000 (2015: £92,000).

#### 15. Post balance sheet events

Subsequent to the year end, the Company received principal debt from five different loans across the portfolio amounting to a total of £68,000.

The Board is not aware of any other significant events or transactions between 1 September 2016 and the date of the publication of this report.

#### 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 £38,000 (2015: £36,000) was payable in relation to the year to 31 August 2016. £6,000 was accrued at 31 August 2016 (2015: £12,000).

There were no contingencies, guarantees or financial commitments as at 31 August 2016.

#### 17. Related party transactions

Katrina Shenton, a non-executive director of Octopus VCT 4 plc during the period ended 31 August 2016, is an employee of Octopus Investments Limited. Octopus VCT 4 plc paid Octopus Investments Limited £7,500 in the period for Katrina Shenton's Director's fees (2015: £7,500). 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 year £23,000 was paid to Octopus Investments Limited and there was £nil outstanding at the statement of financial position date (2015: £23,000 and £nil).

In addition, Octopus also provides Company secretarial services for an additional fee of £8,000 per annum. During the year £8,000 was paid to Octopus Investments Limited and there was £nil outstanding at the statement of financial position date (2015: £8,000 and £nil).

Octopus VCT 4 plc owns 49.9% of the equity in each of its investee companies with Octopus VCT 3 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

**DECC** – Department of Energy and Climate Change

**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

**O&M** – Operations and Maintenance

**PPA** – Power Purchase Agreement

**PV** – Photovoltaics is the method of converting solar energy into direct current electricity using semiconducting materials

**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 4 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 pages 3 and 4 and the Investment Manager's Review on pages 9 to 13.

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 unquoted 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 of the Income Tax Act 2007 on a continuing basis, specifically the provisions of chapter 3 and, in particular, s280A:

- at least 70% of the Company's investments must comprise 'qualifying holdings'\* (as defined in the legislation);
- for cash raised post 5 April 2011 at least 70% of the 70% of qualifying holdings must be invested into Ordinary shares with no preferential rights;
- no single investment can exceed 15% of the total company value at the point 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 an unquoted UK company (or companies traded on AIM or ISDX Growth Market) 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. It should be noted that, due to the nature of the Company's investments, which have an estimated twenty five year life, together with the intention to pay an annual dividend, it is anticipated that the net asset value will fall to zero over the life of the Company as the value of the solar companies reduces as they approach the end of their operating lives.

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

## VCT Legislation

The 2015 Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State Aid rules. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. The Manager has reviewed the impact of the new legislation on the Company's investment strategy and has concluded that it expects there to be limited impact on the Company as a result of these changes.

## 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 Capita shareholder portal at: [www.capitashareportal.com](http://www.capitashareportal.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, by calling **0371 664 0324** (calls cost 10p per minute plus network extras. Lines are open Monday-Friday 9.00 a.m. – 5.30 p.m.), or by writing to them at:

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

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 4 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

Subject to shareholder approval at the Annual General Meeting the final dividend of 5.0p per share will be paid on 10 February 2017 to shareholders on the register on 13 January 2017.

## Share Price

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

### Ordinary shares

TIDM/EPIC code	OCV4
Latest share price (29 November 2016)	81.5p 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, in the interests of all shareholders, the buyback facility has been temporarily suspended.

The Company is, however, unable to buy back shares directly from shareholders. 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, Capita Asset Services, under the signature of the registered holder or via the Capita online share portal at: [www.capitashareportal.com](http://www.capitashareportal.com). Their contact details are provided on page 48.

### Electronic Communications

Reports and accounts and all other correspondence are published electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would like to receive an email telling you a report is available to view or to receive documents by email, please contact Octopus on **0800 316 2295** or Capita on **0371 664 0324**. Alternatively you can sign up to receive e-communications via the Capita online share portal at: **[www.capitashareportal.com](http://www.capitashareportal.com)**.

### 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](http://www.octopusinvestments.com)** by navigating to Investors, Octopus VCT 4 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](http://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

Graham Paterson (Chairman)  
Simon Smith  
Katrina Shenton

## Company Number

Registered in England No. 07743878

## Secretary and Registered office

Nicola Board ACIS  
33 Holborn  
London  
EC1N 2HT

## Investment and Administration Manager

Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT  
Tel: 0800 316 2295  
[www.octopusinvestments.com](http://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

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
Tel: 0371 664 0324  
(Calls cost 10p per minute plus network extras. Lines are open  
Monday – Friday 9.00am – 5.30pm)  
[www.capitaregistrars.com](http://www.capitaregistrars.com)

# Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Octopus VCT 4 plc will be held at the offices of Octopus Investments Limited, 33 Holborn, London, London EC1N 2HT on 25 January 2017 at 4 p.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions:

## Ordinary Business

1. To receive and adopt the financial statements for the year ended 31 August 2016 and the Directors' and Auditor's Reports thereon.
2. To approve a final dividend of 5.0 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Simon Smith 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 Resolution 7 as an Ordinary Resolution and Resolutions 8 and 9 as Special Resolutions:

### 7. Authority to allot relevant securities

THAT the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £8,245 (representing approximately 10% of the ordinary share capital in issue at today's date) such authority to expire at the later of the conclusion of the Company's next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

### 8. Empowerment to make allotments of equity securities

TO empower the Directors pursuant to s571 of the Companies Act 2006 (the Act) to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the Act) for cash pursuant to the authority referred to in Resolution 7 as if s561 (1) of the Act did not apply to any such allotments and so that:

- (a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the Act; and
- (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

### 9. 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:

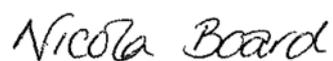
- (a) the maximum number of shares so authorised to be purchased shall not exceed 824,500 ordinary shares;
- (b) the minimum price which may be paid for an ordinary share shall be 1p;
- (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to the higher of (i) 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 and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

- (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

A handwritten signature in black ink that reads "Nicola Board". The signature is written in a cursive, slightly slanted style.

Nicola Board (ACIS)  
Company Secretary  
30 November 2016

**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, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.
- (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) You may submit your proxy electronically using the Shareportal Service at [www.capitashareportal.com](http://www.capitashareportal.com). If not already registered for the share portal you will need your investor code which can be found on your share certificate. If you cannot locate your investor code please contact Capita Asset Services, between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number **0371 664 0300** or, if telephoning from outside the UK, on **+44 20 8639 3399**. Calls to Capita Asset Services' Helpline (**0371 664 0300**) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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 in 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.

- (i) 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](http://www.octopusinvestments.com)**, under Products/Venture Capital Trusts.
- (j) 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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