

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).

If you have sold or otherwise transferred all of your shares in Octopus Phoenix VCT plc (the Company), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

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

OCTOPUS PHOENIX VCT PLC

(Registered in England and Wales with registered number 04575572)

Recommended merger by way of a scheme of reconstruction of the Company and cancellation of the listing of the Company's shares

Your attention is drawn to the letter from the chairman of the Company set out in Part III of this document which contains a recommendation to vote in favour of the resolutions to be proposed at the meetings referred to below. Your attention is also drawn to the risk factors set out in Part II of this document.

You will find set out at the end of this document notices of the First General Meeting of the Company to be held at 2.30 p.m. on 4 August 2010 to approve the Scheme and of the Second General Meeting of the Company to be held at 11.00 a.m. on 12 August 2010 to place the Company into members' voluntary liquidation. Both meetings will be held at 8 Angel Court, London EC2R 7HP.

To be valid, the appropriate form of proxy attached to this document for the relevant meeting should be returned not less than 48 hours before the meetings, either by post or by hand (during normal business hours only) to the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. For further information on the meeting or the completion and return of a form of proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to Capita Registrars 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. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.

For further information Shareholders are recommended to read the prospectus to be issued by Octopus AIM VCT plc dated 9 July 2010 which accompanies this document.

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EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

| | |
|---|-----------------------------------|
| Date from which it is advised that dealings in Shares should only be for cash settlement and immediate delivery of documents of title | 27 July 2010 |
| Latest time for receipt of forms of proxy for the First General Meeting | 2.30 p.m. on 2 August 2010 |
| First General Meeting | 2.30 p.m. on 4 August 2010 |
| Latest time for receipt of forms of proxy for the Second General Meeting | 11.00 a.m. on 10 August 2010 |
| Record Date for Shareholders' entitlements under the Scheme | 11 August 2010 |
| Register of Members closed | 11 August 2010 |
| Calculation Date | after 5.00 p.m. on 11 August 2010 |
| Dealings in Shares suspended | 7.30 a.m. on 12 August 2010 |
| Second General Meeting | 11.00 a.m. on 12 August 2010 |
| Effective Date for the transfer of the assets and liabilities of the Company to AIM VCT and the issue of New AIM VCT Shares pursuant to the Scheme* | 12 August 2010 |
| Announcement of the results of the Scheme | 12 August 2010 |
| Cancellation of the Shares' listing | 8.00 a.m. on 13 August 2010 |

(*see further timetable for AIM VCT on page 4 with regard to admission and certificates being dispatched.)

EXPECTED TIMETABLE FOR AIM VCT

THE SCHEME

| | |
|---|-----------------------------------|
| Latest time for receipt of forms of proxy for the AIM VCT Extraordinary General Meeting | 2.00 p.m. on 2 August 2010 |
| AIM VCT Extraordinary General Meeting | 2.00 p.m. on 4 August 2010 |
| Effective date for the AIM VCT Restructuring | 4 August 2010 |
| Amendment to the listing of the Shares arising from the AIM VCT Restructuring | 5 August 2010 |
| Calculation Date | after 5.00 p.m. on 11 August 2010 |
| Effective Date for the transfer of the assets and liabilities of the Company to AIM VCT and the issue of New AIM VCT Shares pursuant to the Scheme* | 12 August 2010 |
| Announcement of the results of the Scheme | 12 August 2010 |
| Admission of and dealings in the New AIM VCT Shares issued pursuant to the Scheme to commence | 13 August 2010 |
| Certificates for the New AIM VCT Shares (arising from the AIM VCT Restructuring or issued pursuant to the Scheme) dispatched | 25 August 2010 |

(*this will, therefore, be the final expected date of trading of the Company's Shares.)

THE AIM VCT OFFER

| | |
|--|-------------------------------------|
| AIM VCT Offer opens | 9 July 2010 |
| Allotment of New AIM VCT Shares pursuant to the AIM VCT Offer | Monthly |
| Admission of and dealings in the New AIM VCT Shares issued pursuant to the AIM VCT Offer to commence | 3 business days following allotment |
| Certificates for the New AIM VCT Shares issued pursuant to the AIM VCT Offer dispatched | within 14 business day of allotment |
| AIM VCT Offer closes* | 30 April 2011 |

(*the AIM VCT Offer will close earlier than the date stated above if it is fully subscribed.)

The AIM VCT Board reserves the right to close the AIM VCT Offer earlier or to extend the AIM VCT Offer and to accept applications and issue New AIM VCT Shares at any time prior to or after the closing date. The AIM VCT Offer is not underwritten and there is no minimum subscription to the AIM VCT Offer.

CORPORATE INFORMATION

Directors

Stephen John Hazell-Smith (Chairman)
Matthew Jonathan Cooper
Arthur William Crawford Morgan (Tony Morgan)

Registered Office

8 Angel Court
London
EC2R 7HP

Telephone: 0800 316 2349
Email: operations@octopusinvestments.com
Website: www.octopusinvestments.com

Company Number

04575572

Investment Manager, Administrator & Custodian

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Company Secretary

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP

Solicitors

Martineau
No. 1 Colmore Square
Birmingham
B4 6AA

Registrars

Capita Registrars
Northern House
Woodsome Park
Huddersfield
West Yorkshire
HD8 0GA

Auditors

Grant Thornton UK LLP
1 Westminster Way
Oxford
OX2 0PZ

PART I – DEFINITIONS

| | |
|--|---|
| “AIM” | The Alternative Investment Market, a market operated by the London Stock Exchange |
| “AIM VCT” | Octopus AIM VCT plc, registered in England and Wales under number 03477519 whose registered office is at 8 Angel Court, London EC2R 7HP |
| “AIM VCT Board” | the board of directors of AIM VCT |
| “AIM VCT Circular” | the circular to holders of AIM VCT Shares dated 9 July 2010 |
| “AIM VCT Deferred Shares” | the deferred shares of 49p each arising from the AIM VCT Restructuring |
| “AIM VCT Extraordinary General Meeting” | the extraordinary general meeting of AIM VCT to be held on 4 August 2010 |
| “AIM VCT Offer” | the offer for subscription of New AIM VCT Shares to raise up to £10 million |
| “AIM VCT Prospectus” | the prospectus issued by AIM VCT dated 9 July 2010 in relation to the Scheme and the Offer |
| “AIM VCT Restructuring” | the proposed restructuring of the share capital of AIM VCT to result in ordinary shares of 1p each in the capital of AIM VCT as set out on page 21 |
| “AIM VCT Shares” | ordinary shares of 50p each in the capital of AIM VCT or ordinary shares of 1p each following the AIM VCT Restructuring, as the context permits (and each an “AIM VCT Share”) |
| “Articles” | the articles of association of the Company, as amended from time to time |
| “Board” or “Directors” | the board of directors of the Company |
| “CA 1985” | Companies Act 1985, as amended |
| “CA 2006” | Companies Act 2006, as amended |
| “Calculation Date” | the date on which the Roll-Over Value and the Merger Value will be calculated, this being after the close of business on 11 August 2010 |
| “Capita Registrars” | a trading name of Capita Registrars Limited |
| “Charles Stanley Securities” | Charles Stanley Securities, a division of Charles Stanley & Co Limited, which is authorised and regulated by the FSA, is a UKLA registered sponsor and is a member of the London Stock Exchange |
| “Close Brothers” | Close Investments Limited, the former investment manager of AIM VCT |
| “Companies Acts” | CA 1985 and CA 2006 |
| “Company” | Octopus Phoenix VCT plc |
| “Effective Date” | the date on which the Scheme will be completed, anticipated as being 12 August 2010 |
| “Enlarged Company” | AIM VCT, following implementation of the Scheme |
| “First General Meeting” | the first general meeting of the Company to be held on 4 August 2010 |
| “FSA” | the Financial Services Authority |
| “FSMA” | the Financial Services and Markets Act 2000, as amended |
| “HMRC” | Her Majesty’s Revenue & Customs |

| | |
|-----------------------------------|--|
| “IA 1986” | Insolvency Act 1986, as amended |
| “ICTA 1988” | Income and Corporation Taxes Act 1988, as amended |
| “ITA 2007” | Income Tax Act 2007, as amended |
| “Liquidators” | William Duncan and Sarah Louise Burge of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA being the proposed liquidators of the Company |
| “Listing Rules” | the listing rules of the UKLA |
| “London Stock Exchange” | London Stock Exchange plc |
| “Meetings” | the First General Meeting and the Second General Meeting |
| “Merger Ratio” | the Roll-Over Value divided by the Merger Value |
| “Merger Regulations” | Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004 |
| “Merger Value” | the value of an AIM VCT Share calculated in accordance with paragraph 4 of Part IV of this document |
| “NAV” or “net asset value” | net asset value |
| “New AIM VCT Shares” | the AIM VCT Shares of 1p each (following the AIM VCT Restructuring) to be issued by AIM VCT to Shareholders in accordance with the Scheme and pursuant to the Offer (and each a “New AIM VCT Share”) |
| “Octopus” | Octopus Investments Limited, the investment manager to the Company and AIM VCT, of 8 Angel Court, London EC2R 7HP |
| “Official List” | the official list of the UKLA |
| “PLUS” | a prescribed market for the purposes of section 118 of FSMA and a recognised investment exchange operated by PLUS Markets Group plc |
| “Proposals” | the proposals to effect the merger by way of the Scheme and pass the resolutions to be proposed at the Meetings |
| “Record Date” | the record date to which Shareholders’ entitlements will be allocated pursuant to the Scheme, this being 11 August 2010 |
| “Roll-Over Value” | the value of a Share calculated in accordance with paragraph 4 of Part IV of this document |
| “Scheme” | the proposed merger of the Company with AIM VCT by means of placing the Company into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by AIM VCT of all of the Company’s assets and liabilities in consideration for New AIM VCT Shares, further details of which are set out in Part IV of this document |
| “Second General Meeting” | the second general meeting of the Company to be held on 12 August 2010 |
| “Shareholder” | a holder of Shares |
| “Shares” | ordinary shares of 10p each in the capital of the Company (and each a “Share”) |
| “TCGA 1992” | Taxation of Chargeable Gains Act 1992, as amended |
| “Transfer Agreement” | the agreement between AIM VCT and the Company (acting through the Liquidators) for the transfer of all of the assets and liabilities of the Company by the Liquidators to AIM VCT pursuant to the Scheme |
| “UK” | the United Kingdom |

“UKLA” or “UK Listing Authority”

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

“VCT” or “venture capital trust”

a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts

PART II – RISK FACTORS

Shareholders and prospective holders of Shares (or, as the case may be, AIM VCT Shares) should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's (or, as the case may be, AIM VCT's) business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company (or, as the case may be, AIM VCT), the Board or the holders of Shares (or, as the case may be, AIM VCT Shares) will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's (or, as the case may be, AIM VCT's) business, financial condition or results of operations. The value of the Shares (or, as the case may be, AIM VCT Shares) could decline due to any of the risk factors described below and holders of Shares (or, as the case may be, AIM VCT Shares) could lose part or all of their investment. Shareholders and prospective holders of Shares (or, as the case may be, AIM VCT Shares) should consult an independent financial adviser authorised under FSMA. References to AIM VCT should be taken as including the Enlarged Company.

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders, the AIM VCT Restructuring and the Scheme becoming effective. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company. If the AIM VCT Restructuring and the merger is not approved and effected, the benefits of the AIM VCT Restructuring and the merger will not be realised. The AIM VCT Offer and the Scheme are conditional on the AIM VCT Restructuring having been completed. The Scheme is not conditional on the AIM VCT Offer proceeding, or vice versa.

The value of Shares (or, as the case may be, AIM VCT Shares) can fluctuate and holders of Shares (or, as the case may be, AIM VCT Shares) may not get back the amount they invested. In addition, there is no certainty that the market price of Shares (or, as the case may be, AIM VCT Shares) will fully reflect their underlying NAV or that any dividends will be paid, nor should holders of Shares (or, as the case may be, AIM VCT Shares) rely upon any share buy-back policy to offer any certainty of selling their Shares (or, as the case may be, AIM VCT Shares) at prices that reflect the underlying NAV.

Although the existing Shares (or, as the case may be, AIM VCT Shares) have been (and it is anticipated that the New AIM VCT Shares to be issued pursuant to the Scheme or the AIM VCT Offer will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and, therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to NAV) and holders of Shares (or, as the case may be, AIM VCT Shares) may find it difficult to realise their investment. An investment in the Company (or, as the case may be, AIM VCT) should, therefore, be considered as a long-term investment.

The past performance of the Company, AIM VCT and/or Octopus is no indication of future performance. The return received by holders of Shares (or, as the case may be, AIM VCT Shares) will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.

Although the Company (or, as the case may be, AIM VCT) may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it may not be in a position to fully protect its interests.

The Company's (or, as the case may be, AIM VCT's) investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company (or, as the case may be, AIM VCT).

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company (or, as the case may be, AIM VCT) invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in AIM-traded, PLUS market-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small

companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

Whilst it is the intention of the Board that the Company (or, as the case may be, AIM VCT) will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in holders of Shares (or, as the case may be, AIM VCT Shares) losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company (or, as the case may be, AIM VCT) lose its VCT status, dividends and gains arising on the disposal of Shares (or, as the case may be, AIM VCT Shares) would become subject to tax and the Company (or, as the case may be, AIM VCT) would also lose its exemption from corporation tax on its capital gains.

If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New AIM VCT Shares issued pursuant to the Scheme will be the original date of issue of the Shares in respect of which such New AIM VCT Shares are issued.

If at any time VCT status is lost for the Company (or, as the case may be, AIM VCT), dealings in Shares (or, as the case may be, AIM VCT Shares) will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in the Company (or, as the case may be, AIM VCT) and/or the rates of tax may change during the life of the Company (or, as the case may be, AIM VCT) and may apply retrospectively.

Any purchaser of existing Shares (or, as the case may be, AIM VCT Shares) in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.

Changes in legislation, including those proposed in the Budget Report 2010 and the Emergency Budget 2010, concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

Holders of AIM VCT Shares (existing or as may be issued pursuant to the Scheme and the AIM VCT Offer) may be adversely affected by the performance of the investments, whether acquired from the Company or made by AIM VCT. The performance of the investments acquired from the Company, as well as the investments of AIM VCT, may restrict the ability of AIM VCT following the merger to distribute any capital and revenue gains achieved on the investments transferred from the Company to AIM VCT (as well as the investments of AIM VCT). Any gains (or losses) made on the investments of AIM VCT will, following the Scheme, be shared amongst the holders of all AIM VCT Shares then in issue.

Shareholders may be adversely affected by a change in the VCT status of AIM VCT if a number of the investments acquired from the Company or the investments of AIM VCT, are, or become, unable to meet VCT requirements. In addition, as VCT investment restrictions are assessed per VCT, the Enlarged Company could be adversely affected by the VCT investment restrictions which currently allow the Company and AIM VCT to co-invest, in aggregate, larger amounts of funds.

PART III

LETTER FROM THE CHAIRMAN

OCTOPUS PHOENIX VCT PLC

(Registered in England and Wales with registered number 04575572)

Directors:

Stephen Hazell-Smith (Chairman)
Matthew Cooper
Tony Morgan

Registered Office:

8 Angel Court
London
EC2R 7HP

9 July 2010

Dear Shareholder

Recommended proposals for a merger with Octopus AIM VCT plc by way of a scheme of reconstruction of the Company and cancellation of the listing of the Company's Shares

The Board announced on 13 January 2010 that they were in preliminary discussions on terms for a merger with AIM VCT.

I am pleased to advise Shareholders that discussions have concluded and the purpose of this letter is to set out the Proposals to Shareholders for consideration. The Proposals will, if effected, result in the Company being merged with AIM VCT, creating (taking into account the proposed AIM VCT offer to raise £10 million and assuming full subscription) an Enlarged Company with net assets of over £40 million. The merger is expected to deliver cost savings and strategic benefits to both sets of shareholders.

To effect the Proposals, the consent of Shareholders pursuant to IA 1986 and the Listing Rules is being sought at the Meetings to approve the Scheme, to appoint the Liquidators and authorise them to implement the Scheme and cancel the listing of the Company's Shares on the Official List once the Scheme has been implemented.

Background

The Company was launched in November 2002 and has raised £17.7 million (net of expenses) since inception. Its investment portfolio, which invests primarily in AIM-listed companies, is managed by Octopus. The Company's current objective is to provide Shareholders with tax-free dividends and long-term capital growth by investing in a diverse portfolio of AIM-listed or PLUS quoted companies. The Company has returned £6.1 million to Shareholders through dividends and share buy-backs.

As at 31 May 2010, the Company had unaudited net assets of £7.1 million (38.4p per Share) and, in aggregate, investments in 35 companies. The Company had one class of share on inception in 2002 followed by an offering of C ordinary shares of 10p each in 2005. These two share classes have since been amalgamated into one class of Share. The total dividends and adjusted NAVs across this amalgamated Share class are shown in the table below.

| | Current NAV | Total dividends paid | Total return |
|--------|------------------------|-------------------------------------|-------------------------|
| Shares | 38.4p | 35.0p | 73.4p |

Notes:

1. The comparative total return per converted C ordinary share of 10p each is 66.6p, which includes dividends paid prior to conversion of 12p, calculated by adjusting the NAV and dividends by the conversion ratio.
2. The information in the above table and in note 1 is to 31 May 2010 and has been extracted from the unaudited management accounts of the Company to 31 May 2010.

The above table does not include the interim dividend of 2.0p per Share declared on 23 June 2010 payable to Shareholders on the register on 9 July 2010.

AIM VCT was launched in February 1998 and has raised £48.4 million (net of expenses) since inception. As with the Company, its investment portfolio, which invests primarily in AIM-listed companies, is

managed by Octopus and its objective is to invest in a broad range of AIM or PLUS quoted companies in order to generate income and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. AIM VCT has returned £19.7 million to its shareholders through dividends and share buy-backs.

As at 31 May 2010, AIM VCT had unaudited net assets of £24.1 million (83.1p per AIM VCT Share) and, in aggregate, investments in 53 companies. As at the date of this document, AIM VCT had investments in 52 companies. AIM VCT has historically had a number of share classes during its life since its inception in 1998, which have since been amalgamated into one class of share. The total dividends and adjusted NAVs across these historic classes of shares and the amalgamated share class are shown in the table below.

| | Current NAV | Total dividends paid | Total return |
|---|------------------------|-------------------------------------|-------------------------|
| old ordinary shares of 50p (1998 issue) | 45.3p | 71.2p | 116.5p |
| C ordinary shares of 50p (2001 issue) | 48.7p | 24.35p | 73.1p |
| D ordinary shares of 50p (2002 issue) | 83.1p | 21.05p | 104.2p |
| AIM VCT Shares | 83.1p | 7.5p | N/A |

Notes:

1. There is now only one share class in AIM VCT; AIM VCT Shares of 50p each. For old AIM VCT ordinary shares of 50p each, AIM VCT C ordinary shares of 50p each and AIM VCT D ordinary shares of 50p each which have previously undergone share reorganisations, the NAV and dividends have been adjusted in accordance with the conversion ratios to calculate the total returns.

2. The information in the above table and in note 1 is to 31 May 2010 and has been extracted from the unaudited management accounts of AIM VCT to 31 May 2010.

VCTs are required to be listed on the Official List, which involves a significant level of listing costs as well as related fees to ensure the VCT complies with all relevant legislation. As a VCT becomes fully invested, its net assets may start to decrease, primarily due to dividends, buy-backs and annual expenses. As a result, the running costs can become a proportionally greater burden which may have an adverse effect on the returns for shareholders. A larger VCT should, therefore, be better placed to spread such running costs across a larger investment portfolio and, as a result, may be able to pay a higher level of dividends to shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have now taken advantage of these regulations to create larger VCTs where running costs can be spread over a substantially greater asset base.

With the above in mind, the Board entered into discussions with AIM VCT and Octopus to consider a merger of the Company and AIM VCT to create a single, larger VCT, thereby establishing a platform from which further funds could be raised. The aim of the Board is to achieve strategic benefits and reductions in the annual running costs for both sets of shareholders.

Merger with AIM VCT

Following detailed consideration of the portfolios and the financial position of the Company and AIM VCT, the Board has reached an agreement to merge the Company and AIM VCT. The merger is conditional upon the approval by the shareholders of the Company and AIM VCT of resolutions to be proposed at the Meetings and the AIM VCT Extraordinary General Meeting, the AIM VCT Restructuring (as detailed below) having been completed and the other conditions set out in paragraph 8 of Part IV of this document. The merger is not conditional on the AIM VCT Offer proceeding.

AIM VCT will firstly, subject to approval of the shareholders of AIM VCT, complete a restructuring of its share capital to result in a share class having a nominal value of 1p.

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

- the Company will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110, IA 1986; and
- all of the assets and liabilities of the Company will be transferred to AIM VCT in consideration for the issue of New AIM VCT Shares (which will be issued directly to Shareholders).

The merger will be completed on a relative net asset value basis (unaudited net assets as at close of business on the day immediately preceding the Effective Date) and the benefits will be shared by both sets of shareholders, with the costs being split proportionately based on the merger NAVs.

The merger will result in the creation of an enlarged company and should result in material savings in running costs and simpler administration. As both companies have the same investment manager and materially the same investment policies and other advisers, this is achievable without major additional cost or disruption to the portfolio of investments.

The Board considers that this merger will bring a number of benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate companies;
- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs;
- participation in a larger VCT with the longer term potential for a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments and allowing for further investment in existing portfolio companies; and
- providing the ability to maintain a buy-back programme and the potential payment of further dividend distributions in the future due to the increased size and reduced running costs of the Enlarged Company.

Annual running costs, excluding management fees, for the Company and AIM VCT are approximately £197,000 and £171,000 respectively or £368,000 in total. These costs represent 2.8 per cent. of the Company's unaudited net asset value and 0.71 per cent. of AIM VCT's unaudited net asset value, in each case as at 31 May 2010. The Board considers that the level of continued administrative annual running costs can be materially reduced through the merger resulting in benefits to both groups of shareholders.

The aggregate anticipated cost of undertaking the merger is approximately £199,000, including VAT, legal and professional fees, stamp duty and the costs of winding up the Company. The costs of the merger will be split proportionately between the Company and AIM VCT by reference to their respective Roll-Over Value and Merger Value.

On the assumption that the NAV of the Enlarged Company will remain the same immediately after the merger (and disregarding the payment of the amount equivalent to three months' notice to the Directors of the Company referred to below as these are one-off payments), annual cost savings for the Enlarged Company of at least £185,000 per annum (representing 0.59 per cent. per annum of the expected net assets of the Enlarged Company) are anticipated to be achieved following completion of the merger. On this basis, and on the basis that no new funds are raised or investments realised to meet annual costs, the Board believes that the costs of the merger would, therefore, be recovered within 13 months.

The Board believes that the Scheme provides an efficient way of merging the companies with a lower level of costs compared with other merger routes. Although either of the companies could have acquired all of the assets and liabilities of the other, AIM VCT was selected as the acquirer because of its larger size (and, therefore, a lower stamp duty cost on the transfer of all of the assets and liabilities from the Company). Shareholders should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

Shareholders who do not vote in favour of the resolution at the First General Meeting are entitled to dissent as set out in paragraph 9 of Part IV of this document. If the conditions of the Scheme are not satisfied the Company will continue in its current form and the Board will continue to review all options available to it regarding the future of the Company.

Further information regarding the terms of the Scheme is set out in Part IV of this document.

Scheme Example:

As at 31 May 2010, the unaudited NAV per Share of the Company (taken from the unaudited management accounts of the Company to 31 May 2010) was 38.4p. The Roll-Over Value of a Share (this being the unaudited NAV of the Company as at 31 May 2010 after adjustments in relation to the Scheme and anticipated merger costs, divided by the number of Shares in issue), would have been

38.1p (assuming no dissenting Shareholders) had the Scheme been implemented on that date. This does not take into account the interim dividend of 2.0p per Share declared on 23 June 2010.

As at 31 May 2010, the unaudited NAV of an AIM VCT Share (taken from the unaudited management accounts of AIM VCT to 31 May 2010) was 83.1p. The Merger Value per AIM VCT Share (this being the unaudited NAV of AIM VCT as at 31 May 2010 after adjustments in relation to the Scheme and anticipated merger costs divided by the number of AIM VCT Shares in issue excluding AIM VCT Shares held in treasury) would have been 82.5p had the Scheme been implemented on that date. The AIM VCT Restructuring will not affect the number of AIM VCT Shares held by the AIM VCT shareholders nor the NAV per AIM VCT Share.

The number of New AIM VCT Shares to be issued to Shareholders would then have been calculated by multiplying the number of Shares in issue by the Merger Ratio, this being the Roll-Over Value per Share divided by the Merger Value of an AIM VCT Share. The New AIM VCT Shares would then have been issued to Shareholders pro-rata to holdings in the Company (disregarding for these purposes dissenting Shareholders and the amounts required to purchase such Shares held). This would effectively have given 0.46 New AIM VCT Shares for every Share held (assuming no dissenting Shareholders), 8,538,546 New AIM VCT Shares in aggregate, had the merger been completed on 31 May 2010.

AIM VCT

The AIM VCT Board has three non-executive directors; Michael Reeve (chairman), Roger Smith and Stephen Hazell-Smith (who is also the Chairman of the Company).

The AIM VCT Board and the Board have considered the size and future composition of the AIM VCT Board and it has been agreed that the existing AIM VCT Board will continue in its current form (Stephen Hazell-Smith being regarded as the Company's representative retained on the AIM VCT Board for these purposes).

AIM VCT's share capital currently comprises ordinary shares of 50p each. It is proposed to restructure the share capital of AIM VCT to result in each AIM VCT Share having a nominal value of 1p.

The AIM VCT Restructuring will be effected by each existing AIM VCT ordinary share of 50p being subdivided into one AIM VCT ordinary share of 1p and one AIM VCT Deferred Share. The AIM VCT Deferred Shares will have no economic value and will be bought back by AIM VCT for an aggregate amount of 1p and cancelled as issued. The AIM VCT Restructuring will result in AIM VCT creating further capital redemption reserves from the repurchase of the AIM VCT Deferred Shares and increased share premium on the issue of New AIM VCT Shares (pursuant both to the Scheme and to the Offer) which can subsequently be cancelled, subject to the sanction of the court, creating distributable reserves to assist in the payment of dividends, the ability to make market purchases of shares and for other corporate purposes.

The number of AIM VCT Shares held by a holder of AIM VCT Shares and NAV per AIM VCT Share will not change (the creation of AIM VCT Deferred Shares and the repurchase merely being a mechanism by which the AIM VCT Restructuring will be effected). The AIM VCT Restructuring will, subject to approval of the shareholders of AIM VCT, be completed prior to the Scheme being implemented.

The AIM VCT Board believes that there may be opportunities to invest in companies that seek pre-IPO funds, participation in which would be in the interest of shareholders. The AIM VCT Board has, therefore, decided to amend its investment policy, further details of which are set out on pages 20 and 21 of Part V of this document.

AIM VCT has established a practice of paying twice yearly dividends of 2.5p, which equates to a yield of 7.1 per cent. at the 31 May 2010 share price of 70.5p. Currently the AIM VCT Board is restricted in paying dividends due to insufficient reserves, however, following completion of the cancellation of the share premium account and capital redemption reserve (expected to be completed at the end of July), the AIM VCT Board intends to continue its policy of paying a steady income stream, with increases in line with the returns of the portfolio, as a means of providing value to shareholders.

Further details relating to AIM VCT are set out in Part V of this document.

AIM VCT Offer

The AIM VCT Board has also decided to take the opportunity to raise up to £10 million through an offer for subscription of a maximum of 15,000,000 New AIM VCT Shares (subject to AIM VCT shareholder approval). The AIM VCT Offer is also conditional on the AIM VCT Restructuring having been completed

and will open on 9 July 2010. This will provide AIM VCT shareholders and other investors the opportunity to invest in AIM VCT and benefit from the tax reliefs available to qualifying investors in VCTs. The AIM VCT Offer is not conditional on the Scheme becoming effective.

Termination Agreements and AIM VCT Future Fees

Octopus is the investment manager of the Company and AIM VCT and also provides administration and secretarial services.

Separate annual management and administration fees are payable to Octopus by the Company of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) for the former and £25,000 (exclusive of VAT, if any) (as increased by RPI) for the latter. In respect of AIM VCT, a combined annual management and administration fee is payable to Octopus by AIM VCT of an amount equivalent to 2 per cent. of the net assets of AIM VCT (exclusive of VAT, if any); ie no separate administration fee is payable.

Octopus will continue to provide investment management and administration services to the Enlarged Company following the merger on the same annual fee basis as above for AIM VCT (ie an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) and without any further separate charge for administration services). Octopus has agreed to terminate the investment management and administration arrangements with the Company with effect from the Effective Date (subject to the Scheme becoming effective) without notice or penalty.

In support of the merger, and so that all gains may remain with shareholders, Octopus has already agreed to forego all future performance incentive fee payments from AIM VCT (as well as from the Company), and the existing entitlements have been terminated.

Capita Registrars (the Company's registrar) and Octopus (as the Company's custodian) have also agreed to terminate their existing arrangements with effect from the Effective Date (subject to the Scheme becoming effective) without notice or penalty as they will also continue to provide these services to the Enlarged Company.

The current annual directors' fees for the Company and AIM VCT are £53,000 and £61,180 respectively (plus applicable employers National Insurance Contributions). The aggregate annual remuneration for the AIM VCT Board following the merger will, as the size and composition will not change, remain at £61,180 (plus applicable employers National Insurance Contributions). This is an annual cost saving of £53,000 across the two companies (disregarding the payment of an amount equal to three months' notice to each of the Directors (including Stephen Hazell-Smith) as final directors' fees whilst the Company is in liquidation – the Directors have agreed to waive all further directors' fees in respect of the Company if the Scheme becomes effective).

Cancellation of Listing

The Company will apply to the UKLA for cancellation of the listing of its Shares, upon the successful completion of the Scheme, which is anticipated to be on 13 August 2010.

Taxation

The following paragraphs and Part VI of this document apply to persons holding Shares (or, as the case may be, New AIM VCT Shares) as an investment in the Company (and subsequently in AIM VCT) who are the absolute beneficial owners of such Shares (or, as the case may be, New AIM VCT Shares) and are resident in the UK. They may not apply to certain classes of persons such as dealers in securities. The following information and that contained in Part VI of this document is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice. Any Shareholder in doubt about their position, or who might be subject to tax in a jurisdiction other than the UK, should consult their independent financial adviser.

As is more fully explained in Part VI of this document, the receipt by Shareholders of New AIM VCT Shares should not constitute a disposal of their Shares in the Company for UK capital gains tax purposes. Shareholders should, for UK tax purposes, effectively be able to treat the New AIM VCT Shares received pursuant to the Scheme as if they had been acquired at the same date and at the same price as the original Shares in the Company. Any capital gains tax deferral attaching to the original Shares in the Company will then attach to the New AIM VCT Shares. As AIM VCT is also a VCT, the usual VCT tax reliefs should continue to apply.

Further details as to the taxation consequences for Shareholders are detailed in Part VI of this document. Shareholders should note that tax clearances have been obtained as is more particularly described in Part VI of this document.

Meetings

Notices of the Meetings are set out at the end of this document. The Meetings will be held at the offices of Octopus, 8 Angel Court, London EC2R 7HP as follows:

- the First General Meeting will be held at 2.30 p.m. on 4 August 2010; and
- the Second General Meeting will be held at 11.00 a.m. on 12 August 2010.

The resolutions to be proposed at the First General Meeting and Second General Meeting will be proposed as special resolutions. All resolutions will require the approval of at least 75 per cent. of the votes cast on that resolution at the relevant meeting.

First General Meeting

The resolution to be proposed at the First General Meeting will seek Shareholder approval for the Scheme and authorise its implementation by the Liquidators.

Second General Meeting

The resolution to be proposed at the Second General Meeting will seek the following:

Paragraph (i) of the resolution will seek approval to put the Company into members' voluntary liquidation and appoint and remunerate the Liquidators for the purposes of such winding-up.

Paragraph (ii) of the resolution will authorise the Liquidators to exercise certain powers for which the express sanction of Shareholders is required under the IA 1986, such as paying classes of creditors in full.

Paragraph (iii) of the resolution will approve the cancellation of the listing of the Company's Shares following the successful completion of the Scheme.

Action to be Taken

Before taking any action, you are recommended to read the further information set out in this document.

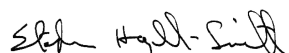
Shareholders will find attached at the end of this document forms of proxy for use at the Meetings. Whether or not you propose to attend the Meetings, you are requested to complete and return the forms of proxy attached so as to be received not less than 48 hours before the time appointed for holding the relevant meeting. Completion and return of the forms of proxy will not prevent a Shareholder from attending and voting in person at the relevant meeting should a Shareholder wish to do so.

Recommendation

The Board is of the opinion that the Proposals are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the resolutions to be proposed at the Meetings as they intend to do in respect of their own holdings of 38,860 Shares representing approximately 0.21 per cent. of the issued Share capital.

Finally, I would like to take the opportunity, and on the assumption the merger is approved and becomes effective, to thank my fellow Directors for the experience they have brought and the commitment they have made to the Company over the years.

Yours faithfully



Stephen Hazell-Smith

Chairman

PART IV – THE SCHEME

1. Definitions and Interpretation

The definitions set out in Part I of this document shall have the same meanings when used in the context of this Part IV.

On or immediately prior to the Effective Date, Octopus (on the instruction of the Liquidators) shall calculate the Roll-Over Value and the Merger Value in accordance with paragraph 4 below.

2. Provision of Information

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of the Company and shall deliver to AIM VCT:

- particulars of all of the assets and liabilities of the Company;
- a list certified by the registrars of the names and addresses of, and the number of Shares held by, each of the Shareholders on the register at 5.30 p.m. on the Record Date;
- an estimate of the winding-up costs of the Company which will form part of the costs of the Scheme; and
- the amount estimated to be required to purchase the holdings of any dissenting Shareholders.

3. Transfer Agreement

On the Effective Date, the Liquidators (on behalf of the Company) and AIM VCT will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of the Company to AIM VCT in exchange for the issue of New AIM VCT Shares (fully paid) to Shareholders on the basis set out in paragraph 4 below.

In further consideration of such transfer of assets and liabilities of the Company to AIM VCT, AIM VCT will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Scheme, the winding up of the Company and the purchase for cash of any holdings of dissenting Shareholders.

4. Calculation of the Roll-Over Value, Merger Value and the Number of New AIM VCT Shares to be Issued pursuant to the Scheme

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Roll-Over Value, the Merger Value and the number of New AIM VCT Shares to be issued, the following provisions will apply:

The Company

The Roll-Over Value will be calculated as:

$$\frac{(A + B) - (C + D)}{E}$$

where:

A = the unaudited net asset value of the Company as at close of business on the Calculation Date, calculated in accordance with the Company's normal accounting policies;

B = any adjustment that both the Board and the AIM VCT Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company (including any dividends to be paid);

C = the Company's *pro rata* proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger plus £10,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to the Company incurred by AIM VCT, which will indemnify the Liquidators in respect of all costs of the Company following the transfer on the Effective Date);

D = the amount estimated to be required to purchase the holdings of Shares from dissenting Shareholders; and

E = the number of Shares in issue as at close of business on the Record Date (save for any Shares held by dissenting Shareholders).

AIM VCT

The Merger Value will be calculated as follows:

$$\frac{(F + G) - (H)}{I}$$

where:

F = the unaudited net asset value of AIM VCT as at close of business on the Calculation Date, calculated in accordance with AIM VCT's normal accounting policies;

G = any adjustment that both the AIM VCT Board and the Board considers appropriate to reflect any other actual or contingent benefit or liability of AIM VCT (including dividends to be paid);

H = AIM VCT's *pro rata* proportion (by reference to the relative Roll-Over Value and Merger Value but ignoring merger costs) of the costs of the merger; and

I = the number of AIM VCT Shares in issue as at close of business on the Record Date.

New AIM VCT Shares to Shareholders

The number of New AIM VCT Shares to be issued to Shareholders (save for any dissenting Shareholders) will be calculated as follows:

$$\left(\frac{J}{K} \right) \times E$$

Where:

J = the Roll-Over Value;

K = the Merger Value; and

E = the number of Shares in issue as at close of business on the Record Date (save for any Shares held by dissenting Shareholders).

The number of New AIM VCT Shares to be issued pursuant to the Scheme will not be greater than 11,500,000 and will be issued directly to Shareholders *pro rata* to their existing holdings (disregarding Shares held by dissenting Shareholders) on instruction of the Liquidators.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

Shareholders will receive a new certificate for the New AIM VCT Shares issued and existing certificates will no longer be valid.

Dividend payment mandates provided for Shares will under the terms of the Scheme, unless Shareholders advise otherwise, be transferred to the New AIM VCT Shares.

An application has been made to the UKLA for the New AIM VCT Shares to be listed on the Official List and will be made to the London Stock Exchange for such New AIM VCT Shares to be admitted to trading on its market for listed securities. The New AIM VCT Shares will rank *pari passu* with the existing issued AIM VCT Shares from the date of issue.

5. Modifications

The provisions of the Scheme shall have effect subject to such non-material modifications or additions as the parties to the Transfer Agreement may from time to time approve in writing.

6. Reliance on Information

The Liquidators and AIM VCT shall be entitled to act and rely, without enquiry, on any information furnished or made available to them or any of them, as the case may be, in connection with the Scheme and the Transfer Agreement including, for the avoidance of doubt, any certificate, opinion, advice, valuation, evidence or other information furnished or made available to them by the Company, AIM VCT, the Board, the AIM VCT Board, any individual director of the Company or AIM VCT, Octopus, the registrar or the custodians or the bankers of the Company and AIM VCT or its or their other professional advisers and the Liquidators shall not be liable or responsible for any loss suffered as a result thereof.

7. Liquidators' Liability

Nothing in the Scheme or in any document executed under or in connection with the Scheme shall impose any personal liability on the Liquidators or either of them save for any liability arising out of any negligence, breach of duty or wilful default by the Liquidators in the performance of their duties and this shall, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with the Scheme or the Transfer Agreement.

8. Conditions

The Scheme is conditional upon:

- the passing of the resolutions to be proposed at the Meetings;
- notice of dissent not having been received from Shareholders holding more than 10 per cent. in nominal value of the issued Share capital of the Company under Section 111 IA, 1986 (this condition may be waived by the Board); and
- the passing of resolutions 1 and 2 to be proposed at the AIM VCT Extraordinary General Meeting.

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of the Company to be proposed at the Second General Meeting. If it becomes effective, the Scheme shall be binding on all Shareholders and all persons claiming through or under them.

If the conditions set out above have not been satisfied by 30 September 2010, the Scheme shall not become effective and the Company will continue in its current form and the Board will continue to keep the future of the Company under review.

9. Dissenting Shareholders

Provided that a Shareholder does not vote in favour of the resolution to be proposed at the First General Meeting, such Shareholder may within 7 days following the First General Meeting express his/her dissent to the Liquidators in writing at the registered office of the Company and require the Liquidators to purchase that Shareholder's holding in the Company.

The Liquidators will offer to purchase the holdings of dissenting Shareholders at the break value price of a Share, this being an estimate of the amount a Shareholder would receive per Share in an ordinary winding-up of the Company if all of the assets of the Company had to be realised. The break value of Shares is expected to be significantly below its unaudited net asset value. Shareholders should also be aware that such purchases will constitute a disposal. Further details on the taxation consequences for Shareholders are set out in Part VI of this document.

10. Governing Law

The Scheme shall, in all respects, be governed by and construed in accordance with the laws of England and Wales.

PART V – AIM VCT

1. Constitution and Status

AIM VCT was launched in February 1998 as a public limited company listed on the Official List.

AIM VCT has met the requirement for VCTs pursuant to Chapter 3 of Part 6 ITA 2007 and intends to carry on its activities so as to continue qualifying as a VCT.

2. Directors

The directors of AIM VCT are Michael Reeve (chairman), Roger Smith and Stephen Hazell-Smith (Stephen Hazell-Smith being Chairman of the Company).

It has been agreed that, following the merger, the existing AIM VCT Board will continue in its current form (Stephen Hazell-Smith being regarded as the Company's representative retained on the AIM VCT Board for these purposes).

Biographies for the directors of AIM VCT can be found in Part III of the AIM VCT Prospectus which accompanies this document.

3. Investment Manager

The investment manager to AIM VCT is Octopus, the same investment manager as for the Company.

Octopus is an investment manager with substantial experience in identifying, investing in, monitoring and subsequently exiting from companies of the size and type qualifying for VCT investment.

Further details relating to Octopus are set out in Part IV of the AIM VCT Prospectus which accompanies this document.

4. Investment Objective and Policies

The objective of AIM VCT is to invest in a broad range of AIM or PLUS quoted companies in order to generate income and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

AIM VCT's current investment policy is as set out below:

AIM VCT's investment policy has been designed to enable it to comply with the VCT regulations. The AIM VCT Board intends that the long-term disposition of AIM VCT's assets will be not less than 80 per cent. in a portfolio of qualifying AIM or PLUS quoted investments. Once its qualifying target has been reached, AIM VCT intends that approximately 20 per cent. of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short term money market deposits with, or issued, by major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20 per cent. could be invested in an authorised UK smaller company fund managed by Octopus or directly in equities or bonds. This 20 per cent. could provide a reserve of liquidity which should maximise AIM VCT's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, at no time during the year must AIM VCT's qualifying holdings in any one company exceed 15 per cent. by value of its investments. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that AIM VCT's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significant proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

AIM VCT's articles permit borrowings of amounts up to 10 per cent. of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of AIM VCT and the amount standing to the credit of the capital and revenue reserves of AIM VCT (whether or not distributable)

after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.

The AIM VCT Board believe that there may be opportunities to invest in companies that seek pre-IPO funds, participation in which would be in the interest of shareholders. The AIM VCT Board, therefore, propose to amend the investment policy to include the following:

“Investments may also be taken in unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS as being a short to medium term objective.”

Accordingly, AIM VCT shareholders are being asked at the AIM VCT Extraordinary General Meeting to approve a change to AIM VCT’s investment policy relating to investing in pre-IPO companies.

No material changes may be made to AIM VCT’s investment policy described above without the prior approval of shareholders by the passing of an ordinary resolution. The AIM VCT directors will continually monitor the investment process and ensure compliance with the investment policy.

5. Investments and Net Asset Value

As at 31 May 2010, AIM VCT had in aggregate investments in 53 companies with an aggregate value of £16.9 million and unaudited net assets of £24.1 million (83.1p per AIM VCT Share).

6. Dividend Policy

AIM VCT has established a practice of paying twice yearly dividends of 2.5p, which equates to a yield of 7.2 per cent. at the AIM VCT Share price of 69.75p (as at 5 July 2010). Currently the AIM VCT Board is restricted in paying dividends due to insufficient reserves, however, following completion of the cancellation of the share premium account and capital redemption reserve (which is expected to be completed at the end of July 2010 as set out below), the AIM VCT Board intends to continue its policy of paying a steady income stream, with increases in line with the returns of the portfolio, as a means of providing value to holders of AIM VCT shares.

7. Shares

AIM VCT’s share capital currently comprises ordinary shares of 50p each. It is proposed to restructure the share capital of AIM VCT to result in each AIM VCT Share having a nominal value of 1p. This will be effected by each existing AIM VCT ordinary share of 50p being subdivided into one AIM VCT ordinary share of 1p and one AIM VCT Deferred Share. The AIM VCT Deferred Shares will have no economic value and will be bought back by AIM VCT for an aggregate amount of 1p and cancelled as issued.

8. Buy-back Policy

The AIM VCT Board believes that it is in the best interests of AIM VCT and its shareholders to make occasional market purchases of its shares, to allow any shareholders who need to sell their AIM VCT Shares to do so and to reduce to a degree any discount to NAV in the current market price than might otherwise prevail. The AIM VCT Board will agree the discount to NAV at which AIM VCT Shares will be bought back and regularly reviews the buy-back policy.

The AIM VCT Board has currently suspended the operation of a buy-back policy due to insufficient reserves, but intends to reinstate the policy as soon as it is able to do so. The AIM VCT Board anticipates being able to re-instate the buy-back policy as soon as cancellation of the share premium account and capital redemption reserve has been completed (expected to be completed at the end of July 2010 as set out below).

Any future repurchases will be made in accordance with guidelines established by the AIM VCT Board from time to time and will be subject to AIM VCT having the appropriate authorities from its shareholders and sufficient funds available for this purpose.

AIM VCT Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. AIM VCT Shares bought back in the market will ordinarily be cancelled.

9. Cancellation of Share Premium Account and Capital Redemption Reserve

During the financial years ending 28 February 2009 and 2010 AIM VCT paid dividends totalling £2,245,158 and undertook share repurchases of 2,052,421 shares for a total consideration of

£1,460,991, both of which were not carried out in a manner consistent with the requirements of the CA 2006.

At an extraordinary general meeting of AIM VCT held on 1 July 2010, resolutions were passed by shareholders of AIM VCT to remedy such dividends and share buy-backs by cancelling AIM VCT's share premium account and capital redemption reserve, subject to sanction by the High Court which is expected to be received during August.

Following the sanctioning of the cancellation of the share premium account and capital redemption reserve by the High Court, AIM VCT intends to re-instate both its dividend and share buy-back policy.

10. Annual Expenses and Management Fees

Octopus is the investment manager of AIM VCT and also provides administration and secretarial services.

The current management and administration fee payable to Octopus is an annual fee of 2 per cent. of the net assets of AIM VCT (exclusive of VAT, if any).

Octopus will continue to provide investment management and administration services to the Enlarged Company following the merger on the same annual fee basis as above for AIM VCT (ie an amount equivalent to 2 per cent. of net assets of the Company (exclusive of VAT, if any).

In support of the Merger, and so that all gains may remain with shareholders, Octopus has already agreed to forego all future performance incentive fee payments from AIM VCT and the existing entitlements have been terminated.

11. Accounts and auditors

The accounting reference date of AIM VCT is 28 February and annual accounts are usually dispatched in June each year with half-yearly accounts for the six month period to 31 August being usually dispatched in October each year. The auditors of AIM VCT are PKF (UK) LLP.

12. Publication of Share Price

The NAV of an AIM VCT Share will be calculated on a weekly basis and published on an appropriate Regulatory Information Service. The most recent unaudited NAV and share price of an AIM VCT Share are available on the website of the London Stock Exchange.

13. Taxation

As a VCT, AIM VCT is not subject to UK taxation on capital gains on the disposals of its investments. AIM VCT will, however, be subject to UK taxation on income at the usual rates.

Qualifying shareholders of AIM VCT will not be liable to UK taxation on dividends paid on AIM VCT Shares or capital gains on the disposals of such shares (although such disposal will trigger the payment of any capital gains tax deferred on subscription).

PART VI – TAXATION

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, New AIM VCT Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive New AIM VCT Shares under the Scheme.

1. The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 of ITA 2007.

The Board considers that the Company has to date conducted its affairs and will continue to do so, to enable it to qualify as a VCT for the period ending on the date on which the proposed liquidation is completed. Furthermore, the proposed method of winding up the Company is such that the benefit of VCT status should be available to the Liquidators, to the extent that the Liquidators effect disposals of chargeable assets for the purpose of UK taxation of capital gains to implement the Scheme.

2. Receipt by Shareholders of New AIM VCT Shares under the Scheme

The effective exchange of existing Shares in the Company for New AIM VCT Shares should not constitute a disposal of the existing Shares for the purposes of UK taxation. Instead, the new holding of New AIM VCT Shares should be treated as having been acquired at the same time and at the same cost as the existing Shares in the Company from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing Shares in the Company should not, therefore, be crystallised for payment but will be transferred to the New AIM VCT Shares.

For Shareholders holding (together with their associates) more than 5 per cent. of the Shares in the Company, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own more than 5 per cent. of the Shares in the Company should also apply to them.

Shareholders in AIM VCT, as a VCT, should be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of New AIM VCT Shares.

Although AIM VCT will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of the Company (which form part of the merger costs being allocated to both AIM VCT and the Company), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

3. Dissenting Shareholders

Dissenting Shareholders whose holdings are purchased for cash at the break value price shall be treated as having disposed of their existing Shares in the Company. The Company should still be able to claim the benefit of VCT status and the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in the Company and a dissenting Shareholder will be liable to pay any capital gains tax for which such dissenting Shareholder obtained deferral relief on subscription.

If the dissenting Shareholder has disposed of Shares within the holding period required to retain upfront tax relief, income tax relief on those subscriptions will also be repayable. As the Company should still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising from the disposal.

Clearances

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New AIM VCT Shares should not, except in the case of dealers, fall to be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Shareholders of New AIM VCT Shares should not prejudice tax reliefs obtained by Shareholders on existing Shares in the Company and should not be regarded as a disposal.

PART VII – ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share Capital

- 2.1 As at 8 July 2010 (this being the latest practicable date prior to the publication of this document), the authorised and issued share capital of the Company was as follows:

| | Authorised | | Issued and fully paid | |
|-------------------|-------------------|-----------|------------------------------|--------------|
| | No. of | £ | No. of | £ |
| | Shares | | Shares | |
| Shares (10p each) | 40,000,000 | 4,000,000 | 18,492,719 | 1,849,271.90 |

- 2.2 As at 8 July 2010 (this being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option, nor did the Company hold any share capital in treasury.

3. Directors and their Interests

- 3.1 The names and business addresses of the Directors, all of whom are non-executive, are as follows:

- Stephen Hazell-Smith (Chairman)
- Matthew Cooper
- Tony Morgan

all of 8 Angel Court, London EC2R 7HP (the registered office and principal place of business of the Company).

- 3.2 As at 8 July 2010 (this being the latest practicable date prior to publication of this document), the interests of the Directors (and their immediate families) and the directors of AIM VCT, in the issued share capital of the Company and AIM VCT were as follows:

| | Company | | AIM VCT | |
|----------------------|----------------|----------------------------------|-----------------------|--|
| | Shares | % of issued share capital | AIM VCT Shares | % of AIM VCT issued voting share capital* |
| <i>Director</i> | | | | |
| Stephen Hazell-Smith | 25,500 | 0.14 | 79,142 | 0.27 |
| Matthew Cooper | 10,300 | 0.06 | – | – |
| Tony Morgan | 3,060 | 0.02 | – | – |
| Michael Reeve | – | – | 6,959 | 0.02 |
| Roger Smith | – | – | – | – |

(*excludes AIM VCT Shares held in treasury.)

- 3.3 The Directors were appointed under letters of appointment dated 11 November 2002 which may be terminated on three months' notice. No arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office nor have any amounts been set aside to provide pension, retirement or similar benefits. Matthew Cooper and Tony Morgan are entitled to annual fees of £16,000 each and Stephen Hazell-Smith (as Chairman) is entitled to £21,000. Fees paid to the Directors in respect of the year ended 28 February 2010 were £53,000 (plus applicable employers National Insurance Contributions). Aggregate emoluments for the current year on this basis are also expected to be £53,000 (plus applicable employers National Insurance Contributions). The Directors will, subject to the Scheme becoming effective, receive a payment

equivalent to three months notice as final directors' fees whilst the Company is in liquidation – the Directors have agreed to waive all further directors' fees in respect of the Company).

- 3.4 Matthew Cooper, a non-executive Director of the Company, is chairman of Octopus. The Company has employed Octopus throughout the year as its investment manager. The Company has paid Octopus £90,000 (2009: £172,000, 2008: £419,000 and 2007: £397,000) including VAT at the applicable rate in the year to date as a management fee. Octopus also provides accounting, administrative and secretarial services to the Company, payable quarterly in advance for a fee of £20,000 in the year to date (2009: £59,000, 2008: £66,000 and 2007: £65,000) including VAT at the applicable rate.
- 3.5 Save as set out in paragraphs 3.4 above, there are no potential conflicts or interests between the duties of any Director and their private interests and/or duties.
- 3.6 Other than disclosed in this paragraph 3, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 31 October 2007, 2008 and 2009 or in the current financial year or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

4. Substantial Shareholders

As at 8 July 2010 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who has or will have an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

5. Material Contracts

- 5.1 Save as disclosed in this paragraph 5.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

An investment management agreement dated 27 November 2002 between the Company (1) and Octopus (2), which was supplemented by a supplemental investment management agreement dated 24 January 2005 and varied by a deed of variation dated 8 July 2010, pursuant to which Octopus provides certain investment management services and administration and secretarial services to the Company for a fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company calculated in accordance with the Company's normal accounting policies.

Octopus also charges the Company an annual fee, pursuant to the investment management, for accountancy and administrative services of £25,000 per annum (exclusive of VAT, if any) (as increased by RPI).

The agreement is terminable on 12 months' notice by either party subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement.

The agreement contains provisions indemnifying Octopus against any liability not due to its wilful default, gross negligence, or breach of an express term of the agreement.

The performance incentive fee entitlement under this agreement has been waived by Octopus and terminated by the parties.

- 5.2 The following contracts will be entered into, subject, *inter alia*, to the Scheme becoming unconditional:
 - 5.2.1 A termination agreement dated 8 July 2010 between the Company (1) and Octopus (2) pursuant to which the investment management agreement referred to at paragraph 5.1 above will be terminated from the Effective Date conditional on the Scheme being implemented.

5.2.2 A termination agreement dated 8 July 2010 between the Company (1) and Capita Registrars (2) pursuant to which the appointment of Capita Registrars as registrar to the Company will be terminated from the Effective Date conditional on the Scheme being implemented.

5.2.3 A termination agreement dated 8 July 2010 between the Company (1) and Octopus (2) pursuant to which the appointment of Octopus as custodian to the Company will be terminated from the Effective Date conditional on the Scheme being implemented.

6. Overseas Shareholders

The issue of New AIM VCT Shares to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Shareholders should inform themselves about and observe any legal requirements, in particular:

- (a) none of the New AIM VCT Shares has been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan, South Africa or New Zealand;
- (b) AIM VCT is not registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of that Act; and
- (c) no offer is being made, directly or indirectly, under the Scheme, in or into or by the use of mails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Japan, South Africa or New Zealand.

It is the responsibility of Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New AIM VCT Shares, including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

7. General

- 7.1 The Company, formerly known as Phoenix VCT plc, was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 29 October 2002, with registered number 04575572. The principal legislation under which the Company operates is the Companies Acts (and regulations made thereunder). The legal and commercial name of the Company is Octopus Phoenix VCT plc. The Company is domiciled in England.
- 7.2 Statutory accounts of the Company for the years ended 31 October 2007, 2008 and 2009, in respect of which the Company's auditors, Grant Thornton UK LLP, have made unqualified reports under Section 235 CA 1985/Section 495 CA 2006, have been delivered to the Registrar of Companies and such reports did not contain any statements under Sections 237(2) or (3) CA 1985/Sections 495 to Section 497A CA 2006.
- 7.3 Save for the fees paid to Octopus under the arrangements set out at paragraph 5.1 above and the fees paid to the Directors and connected parties as detailed in paragraphs 3.3 and 3.4 above, there were no related party transactions or fees paid by the Company during the years ended 31 October 2007, 2008 and 2009 or to the date of this document in the current financial year.
- 7.4 The Company has no employees or subsidiaries.
- 7.5 There has been no significant change in the financial or trading position of the Company since 30 April 2010, the date to which the last unaudited interim six-month statement of the Company has been published, to the date of this document.
- 7.6 The Company is not and has not at any time in the 12 months immediately preceding the date of this document been involved in any governmental, legal or arbitration proceedings (and the Company is not aware of any such proceedings being pending or threatened) which may have, or have had a significant effect on the Company's financial position or profitability.
- 7.7 The Liquidators have given and not withdrawn their written consent to the issue of this document with the inclusion of their name and the references to them in the form and context in which they appear.

- 7.8 If the Scheme becomes effective in accordance with the expected timetable on page 3 it is anticipated that the listing of the Shares will be cancelled on 13 August 2010.
- 7.9 New AIM VCT Shares issued to Shareholders under the Scheme will rank *pari passu* with the existing AIM VCT Shares and will be admitted for trading on the main market of the London Stock Exchange.

8. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Martineau at 35 New Bridge Street, London EC4V 6BW and also at the registered office of the Company:

- 8.1 the memorandum and articles of association of the Company;
- 8.2 the audited report and accounts of the Company for the financial years ended 31 October 2007, 2008 and 2009;
- 8.3 the unaudited interim report of the Company for the six month period ended 30 April 2010;
- 8.4 the audited report and accounts of AIM VCT for the financial years ended 28 February 2008, 2009 and 2010;
- 8.5 the material contracts referred to in paragraph 5 above;
- 8.6 a draft (subject to non-material updating and amendment) of the Transfer Agreement;
- 8.7 the consent referred to in paragraph 7.7 above;
- 8.8 the AIM VCT Circular, dated 9 July 2010;
- 8.9 the AIM VCT Prospectus, dated 9 July 2010; and
- 8.10 this document.

9 July 2010

OCTOPUS PHOENIX VCT PLC

(Registered in England and Wales with registered number 04575572)

NOTICE OF FIRST GENERAL MEETING

Notice is hereby given that a general meeting of Octopus Phoenix VCT plc ("the Company") will be held at 2.30 p.m. on 4 August 2010 (or as soon thereafter as the extraordinary general meeting of Octopus AIM VCT plc convened for 2.00 p.m. on that day has concluded) at 8 Angel Court, London EC2R 7HP for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

Special Resolution

That, subject to the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to the shareholders of the Company dated 9 July 2010 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled and notwithstanding anything in the articles of association of the Company to the contrary, the Scheme, as defined and set out in Part IV of the Circular, be and hereby is approved and the directors of the Company and William Duncan and Sarah Louise Burge of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA ("the Liquidators") be and they hereby are authorised (insofar as they are not already authorised by the articles of association of the Company) to implement the Scheme and to execute any document and do any act or thing for the purpose of carrying the Scheme into effect and, in particular (but without prejudice to the foregoing generality):

- (a) the Company (acting by the Liquidators) be and hereby is authorised and directed to enter into, and the Liquidators be and they are hereby authorised and directed, pursuant to Section 110 of the Insolvency Act 1986, to give effect to, a transfer agreement in the form of the draft which is produced to the meeting and signed for the purpose of identification by the chairman of the meeting with such non-material modifications thereto as the parties to such agreement may agree ("Transfer Agreement"); and
- (b) the Liquidators be and they hereby are authorised and directed to request Octopus AIM VCT plc ("AIM VCT") to arrange for the issue of new ordinary shares of 1p each in the capital of AIM VCT on the basis described in the Transfer Agreement for distribution among the holders of the ordinary shares of 10p each in the capital of the Company by way of satisfaction and discharge of their respective interests in so much of all of the assets and liabilities of the Company as shall be transferred to AIM VCT in accordance therewith and with the Scheme and for the purposes of the resolution, words and expressions defined in the Circular shall have the same meanings in this resolution, save where the context requires otherwise.

Dated 9 July 2010

By order of the Board

Celia Whitten FCIS
Secretary

Registered Office:

8 Angel Court
London
EC2R 7HP

Notes:

1. Each director has an appointment letter with the Company, a copy of which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast in accordance with Regulation 41 of the Uncertified Securities Regulation 2001), members must be registered in the register of members of the Company at 5.00 p.m. on 2 August 2010 (or, in the event of any adjournment, 5.00 p.m. on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint their own choice of proxy (not the chairman) and give their instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Capita Registrars between 9.00 am and 5.00 pm (GMT) Monday to Friday on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) 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. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. A member should indicate in the box next to the proxy holder's name the number of shares in relation to which the proxy is authorised to act as the member's proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A form of proxy is attached to this document and a reply paid envelope is enclosed. To be valid, it should be lodged with the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 2.30 pm on 2 August 2010 or 48 hours before the time appointed for 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. A member may return a proxy form in their own envelope with the address FREEPOST RSBH-UJKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU.
6. As at 8 July 2010 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 18,492,719 shares, each carrying one vote each. Therefore, the total voting rights in the Company as at 8 July 2010 was 18,492,719.
7. In accordance with section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, in accordance with section 149(2) of the Companies Act 2006 and under an agreement between him/her and the member by whom he/she was nominated, have a right 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, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. As an alternative to returning the hard-copy proxy form by post, you can appoint a proxy by sending the proxy form 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 Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
10. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
11. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
12. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
13. Information regarding the meeting is also available on the website of Octopus Investments Limited, www.octopusinvestments.com.

OCTOPUS PHOENIX VCT PLC

(Registered in England and Wales with registered number 04575572)

NOTICE OF SECOND GENERAL MEETING

Notice is hereby given that a general meeting of Octopus Phoenix VCT plc ("the Company") will be held at 11.00 a.m. on 12 August 2010 at 8 Angel Court, London EC2R 7HP for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

Special Resolution

That:

- (i) subject to the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to shareholders of the Company dated 9 July 2010 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
 - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Sarah Louise Burge of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA ('the Liquidators') be and they hereby are appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
 - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List following the implementation of the Scheme (as defined in the Circular) be and hereby is approved.

Dated 9 July 2010

By order of the Board

Celia Whitten FCIS
Secretary

Registered Office:

8 Angel Court
London
EC2R 7HP

Notes:

1. Each director has an appointment letter with the Company, a copy of which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast in accordance with Regulation 41 of the Uncertified Securities Regulation 2001), members must be registered in the register of members of the Company at 5.00 p.m. on 10 August 2010 (or, in the event of any adjournment, 5.00 p.m. on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint their own choice of proxy (not the chairman) and give their instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Capita Registrars between 9.00 am and 5.00 pm (GMT) Monday to Friday on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) 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. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. A member should indicate in the box next to the proxy holder's name the number of shares in relation to which the proxy is authorised to act as the member's proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A form of proxy is attached to this document and a reply paid envelope is enclosed. To be valid, it should be lodged with the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 am on 10 August 2010 or 48 hours before the time appointed for 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. A member may return a proxy form in their own envelope with the address FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU.
6. As at 8 July 2010 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 18,492,719 shares, each carrying one vote each. Therefore, the total voting rights in the Company as at 8 July 2010 was 18,492,719.
7. In accordance with section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, in accordance with section 149(2) of the Companies Act 2006 and under an agreement between him/her and the member by whom he/she was nominated, have a right 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, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. As an alternative to returning the hard-copy proxy form by post, you can appoint a proxy by sending the proxy form 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 Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
10. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
11. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
12. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
13. Information regarding the meeting is also available on the website of Octopus Investments Limited, www.octopusinvestments.com

PROXY FOR THE FIRST GENERAL MEETING

OCTOPUS PHOENIX VCT PLC

I/We
 (Block Capitals Please)

of.....

being a shareholder(s) of the above-named Company, appoint the Chairman of the General Meeting or

for the following number of ordinary shares

to act as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 8 Angel Court, London EC2R 7HP at 2.30 p.m. on 4 August 2010 (see note 1 below) and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

Please indicate with an 'X' if this is one of multiple proxy instructions being given

Please indicate with an 'X' in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against the resolution or abstain from voting as he thinks fit.

The proxy is directed to vote as follows:

| Special Resolution | For | Against | Vote Withheld |
|--|------------|----------------|----------------------|
| Approval of the Scheme and authorise its implementation by the Liquidators | | | |

Signature Dated2010

Notes:

- The notice of the General Meeting is set out in the circular to shareholders of the Company dated 9 July 2010. Definitions used in the circular apply herein.
- If any other proxy is preferred, strike out the words "Chairman of the General Meeting" and add the name and address of the proxy you wish to appoint. The proxy need not be a member.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Capita Registrars between 9.00 am and 5.00 pm (GMT) Monday to Friday on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) 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. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.

Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

- Any alterations to the form should be initialled.
- If the appointer is a corporation, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
- To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power must reach the registrars of the Company at Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
- As an alternative to returning this hard-copy proxy form by post, you can appoint a proxy by sending this proxy form 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 Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
- The completion of this form will not preclude a member from attending the General Meeting and voting in person.



PROXY FOR THE SECOND GENERAL MEETING

OCTOPUS PHOENIX VCT PLC

I/We
 (Block Capitals Please)

of.....

being a shareholder(s) of the above-named Company, appoint the Chairman of the General Meeting or

for the following number of ordinary shares

to act as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 8 Angel Court, London EC2R 7HP at 11.00 a.m. on 12 August 2010 (see note 1 below) and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

Please indicate with an 'X' if this is one of multiple proxy instructions being given

Please indicate with an 'X' in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against the resolution or abstain from voting as he thinks fit.

The proxy is directed to vote as follows:

| Special Resolution | For | Against | Vote Withheld |
|--|-----|---------|---------------|
| Approval to (i) put the Company into liquidation and appoint and remunerate the Liquidators for the purposes of such winding up, (ii) authorise the Liquidators to exercise certain powers for which the express sanction of Shareholders is required under the IA 1986, such as paying classes of creditors in full and (iii) cancel the listing of the Company's shares. | | | |

Signature Dated2010

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