

# Octopus Titan VCT Prospectus

Offer for subscription by Octopus Titan VCT plc for the tax years 2018/2019 and 2019/2020 to raise up to £120 million by way of an issue of New Shares, with an over-allotment facility of a further £80 million.

13 September 2018



**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 financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).**

This document, which comprises a prospectus relating to Octopus Titan VCT plc (the “Company”) dated 13 September 2018, has been prepared in accordance with the prospectus rules made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under the Prospectus Rules on 13 September 2018.

The Company and the Directors, whose names appear on pages 28 and 29 of this document, accept responsibility for the information contained herein. To the best of the knowledge 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.

Persons receiving this document should note that Howard Kennedy, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor for the Company and no-one else and will not, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with any matters referred to herein.

**Octopus Titan VCT plc**

*(registered number 06397765)*

**Prospectus relating to:**

**offer for subscription by Octopus Titan VCT plc of New Shares to raise up to a maximum of £120 million, with an over-allotment facility of a further £80 million, payable in full in cash on application**

**Sponsor**

**Howard Kennedy Corporate Services LLP**

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The ordinary shares of the Company in issue at the date of this document are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange’s main market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within 10 business days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form and will rank pari passu in all respects with the existing Shares. The Offer is conditional on the passing by the Shareholders of Resolutions 1 and 3 at the General Meeting.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa.

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## SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. The Elements are numbered in Sections A—E.

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

### Section A - Introduction and Warnings

Element	Disclosure requirement	Disclosure
A. 1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent for Use of Prospectus by financial intermediaries	The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 12 September 2019. There are no conditions attaching to this consent.  <b>Information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.</b>

### Schedule B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Octopus Titan VCT plc.
B.2	Domicile and legal form	Octopus Titan VCT plc was incorporated and registered in England and Wales on 12 October 2007 as a public company limited by shares under the Companies Act 1985 with registered number 06397765.
B.5	Group description	The Company has one wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.
B.6	Major shareholders	The Company is not aware of any person or persons who have, or who following the Offer will or could have, directly or indirectly voting rights representing 3% or more of the issued share capital of the Company or who can, or could following the Offer, directly

		or indirectly exercise control over the Company. There are no different voting rights for any Shareholder.																																																						
B. 7	Selected financial information	<p>Selected historical financial information relating to the Company, which has been extracted from the audited and unaudited financial statements referenced in the following tables, is set out below.</p> <table border="1"> <thead> <tr> <th></th> <th>Year Ended 31 October 2015 (audited)</th> <th>Year Ended 31 October 2016 (audited)</th> <th>Year Ended 31 October 2017 (audited)</th> <th>Six months ended 30 April 2017 (unaudited)</th> <th>Six months ended 30 April 2018 (unaudited)</th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td>228,461</td> <td>315,976</td> <td>432,703</td> <td>425,402</td> <td>617,759</td> </tr> <tr> <td>Net asset value per Share (p)</td> <td>102.7</td> <td>97.9</td> <td>96.4</td> <td>95.2</td> <td>94.3</td> </tr> <tr> <td>Dividend paid per Share during the period (p)</td> <td>4.5</td> <td>9.0</td> <td>5.0</td> <td>3.0</td> <td>3.0</td> </tr> <tr> <td>NAV plus cumulative dividends paid (p)</td> <td>154.7</td> <td>158.9</td> <td>162.4</td> <td>159.2</td> <td>163.3</td> </tr> <tr> <td>Total Expenses (£'000)</td> <td>9,073*</td> <td>11,230*</td> <td>14,350*</td> <td>5,006*</td> <td>8,247*</td> </tr> <tr> <td>As a percentage of average Shareholders' funds</td> <td>4.0%</td> <td>4.1%</td> <td>3.8%</td> <td>1.4%</td> <td>1.6%</td> </tr> <tr> <td>Revenue return after expenses and taxation (£'000)</td> <td>(2,232)</td> <td>(3,992)</td> <td>(4,488)</td> <td>(2,031)</td> <td>(2,861)</td> </tr> <tr> <td>Net asset value return/ (loss) (p)</td> <td>7.7</td> <td>4.9</td> <td>3.9</td> <td>0.5</td> <td>1.2</td> </tr> </tbody> </table> <p>* Includes a performance fee payment</p> <p>On 27 November 2014 the Company merged with Titan 1, Titan 3, Titan 4 and Titan 5 with a total of 140,597,475 Shares being issued to former shareholders of Titan 1, Titan 3, Titan 4 and Titan 5. Net proceeds of £53.0 million, £99.8 million, £115.9 million and £199.3 million were raised by the Company under offers for subscription which opened on 16 September 2014, 8 September 2015, 23 August 2016 and 5 September 2017 respectively. Save in respect of these matters both during the financial periods referred to above and since 30 April 2018 there has been no significant change in the financial</p>		Year Ended 31 October 2015 (audited)	Year Ended 31 October 2016 (audited)	Year Ended 31 October 2017 (audited)	Six months ended 30 April 2017 (unaudited)	Six months ended 30 April 2018 (unaudited)	Net assets (£'000)	228,461	315,976	432,703	425,402	617,759	Net asset value per Share (p)	102.7	97.9	96.4	95.2	94.3	Dividend paid per Share during the period (p)	4.5	9.0	5.0	3.0	3.0	NAV plus cumulative dividends paid (p)	154.7	158.9	162.4	159.2	163.3	Total Expenses (£'000)	9,073*	11,230*	14,350*	5,006*	8,247*	As a percentage of average Shareholders' funds	4.0%	4.1%	3.8%	1.4%	1.6%	Revenue return after expenses and taxation (£'000)	(2,232)	(3,992)	(4,488)	(2,031)	(2,861)	Net asset value return/ (loss) (p)	7.7	4.9	3.9	0.5	1.2
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		condition or operating results of the Company.
B.8	Key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus.
B.9	Profit forecast	Not applicable. No profit forecast or estimate is made.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained within the document are not qualified.
B.11	Insufficient Working capital	Not applicable. The Company is of the opinion that the working capital available to the Company and the Group is sufficient for the Company's and the Group's present requirements (that is, for at least the next twelve months from the date of this document).
B.34	Investment objective and policy including investment restrictions	<p>The investment policy of the Company is as follows:</p> <p>The Company's focus is on providing early stage, development and expansion funding to unquoted companies. The Company typically makes an initial investment of £0.1 million to £5 million and will make further follow on investments into existing portfolio companies. The intention is to hold a portfolio of largely unquoted technology companies.</p> <p>The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of investee companies from a number of different technology sectors. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15% of the Company by value will be in any one investment. Any borrowing by the Company for the purposes of making investments will be in accordance with the Company's articles of association.</p> <p>The investment profile is expected to be:</p> <ul style="list-style-type: none"> <li>● 80-90% in VCT qualifying investments, primarily in unquoted companies</li> <li>● 10-20% in non-VCT qualifying investments or cash.</li> </ul> <p>Non-VCT Qualifying Investments</p> <p>An active approach is taken to manage any cash held, prior to investing in VCT qualifying companies. After the Company has ensured it satisfies all VCT investment qualification targets required by HMRC, the majority of the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments. Currently this includes liquid AIFs, UCITS or other money market funds including those managed by Octopus.</p> <p>VCT Qualifying Investments</p> <p>Investment decisions made must adhere to HMRC's VCT qualification rules. In considering a prospective investment in a company, particular regard is made to:</p> <ul style="list-style-type: none"> <li>● the strength of the management team;</li> <li>● large, typically global, addressable markets;</li> <li>● the investee company's ability to sustain a competitive advantage;</li> <li>● the existence of proprietary technology;</li> </ul>

		<ul style="list-style-type: none"> <li>● visibility over future revenues and recurring income; and</li> <li>● the company's prospects of being sold or floated in the future, at a significant multiple on the initial cost of investment.</li> </ul> <p>No material changes may be made to the Company's investment policy described above without the prior approval of shareholders by the passing of an Ordinary Resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.</p>
B.35	Borrowing limits	The Company has the power in its articles of association to borrow up to 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.
B.36	Regulatory status	The Company is not a regulated entity.
B.37	Typical investor	A typical investor for whom the Offer is designed is a UK taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out in Section D of this Summary, considers the investment policy detailed above to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who already have a portfolio of non-VCT investments.
B.38	Investment of 20% or more in a single underlying asset or investment company	Not applicable. The Company will not invest more than 20% in a single underlying asset or investment company.
B.39	Investment of 40% or more in a single underlying asset or investment company	Not applicable. The Company will not invest more than 40% in a single underlying asset or investment company.
B.40	Applicant's service providers	The Company and its Directors entered into an agreement dated 13 September 2018 with Octopus and Howard Kennedy subject to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for New Shares. Under this agreement Octopus is paid a fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the latest net asset value of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary for up to seven years, and has agreed to discharge all the external costs of advice and their own costs in respect of the Offer. Under the agreement certain warranties have been given by the Company, the Directors and Octopus to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for contracts of this type. The agreement can be terminated if any material statement in the Prospectus is untrue, any material omission from the Prospectus arises or any material breach of warranty occurs. Octopus has agreed to indemnify the Company against the costs of the Offer exceeding 7.5% of the gross proceeds of the Offer.

A management agreement (the “Management Agreement”) dated 2 November 2007 between Titan 1, the Company and Octopus Ventures Limited (as novated to Octopus by a deed of novation dated 19 October 2009 and to Octopus AIF by a deed of novation dated 1 September 2017) and a sub-management agreement (the “Sub-Management Agreement”) dated 1 September 2017 between Octopus AIF and Octopus (the Management Agreement and the Sub-Management Agreement together the “Management Agreements”) and an administration agreement (the “Administration Agreement”) dated 2 November 2007 between Titan 1, the Company and Octopus, (the Management Agreement and Administration Agreement both as varied by deeds of variation dated 7 February 2013, 16 September 2014 and 1 September 2017). The Management Agreements provide that Octopus will provide investment management services to the Company in respect of its portfolio of qualifying investments for a fee of 2% of the Company’s NAV on an annual basis. The Manager is also entitled to a performance incentive fee under the Management Agreement as set out below.

In November 2014, the Titan VCTs were merged. At the time of the Merger all the Titan VCTs except for Titan 5 (which at the time of the Merger represented approximately £28.6m) had met their performance fee hurdle (Titan 5 being the youngest of the Titan VCTs, having been incorporated in 2010). This currently continues to have an impact on the way the performance fee is calculated and paid, of which there are three parts:

1. In respect of Company’s fund equivalent to the previous Titan 1, 2, 3 & 4 shares at the time of the Merger and funds raised since the merger, a performance fee of 20% of all future gains above the high-water mark (being the highest NAV plus cumulative dividends paid at a previous audited year-end), will be payable to the Manager. The current high-water mark is 162.4p per share which is the total value as at 31 October 2017.
2. In respect of the proportion of the Company’s fund equivalent to the previous Titan 5 shares at the time of the Merger, a performance fee is due when the following conditions have been met:
  - a. Further dividends of 3.3p per Share have been paid subsequent to the Merger.
  - b. A 20% performance fee will start accruing when the NAV + cumulative dividends + performance fees paid since the merger of the Company exceeds 147.2p (the lower threshold).
  - c. A 20% performance fee will be payable to the Manager when the NAV + cumulative dividends + performance fees paid since the merger reaches 169.3p (the upper threshold).

	Lower Threshold	NAV + cumulative dividends + performance fees paid since the merger (as at 31 October 2017)	Upper Threshold	Accrued Titan 5 performance fees (as at 31 October 2017)
Titan 5	147.2p	166.1p	169.3p	£1.1m

As (a) and (b) have now been met, it is considered likely that the upper threshold will be met in due course. The performance fee is therefore currently accruing (i.e. has not yet been paid) for gains above the lower threshold: as at 31 October 2017 the Company had accrued £1.1m in respect of the Titan 5 performance fee which is taken into account in the 31 October 2017 NAV.



		<p>3. Once the performance fee hurdles (c) in relation to Titan 5 shares has been met a 20% performance fee on any future gains above NAV plus cumulative dividends paid, subject to the high-water mark (being the highest total value from an audited previous year-end), will be payable to the Manager.</p> <p>Pursuant to the Administration Agreement, Octopus provides administration services and company secretarial services to the Company for a fee of 0.3% of the Company's NAV.</p> <p>The deed of variation dated 16 September 2014 extended the term of the Management Agreement and the Administration Agreement for a further 4 years from completion of the Merger, terminable by the parties on 12 months written notice thereafter, subject to earlier termination in the event of the underperformance of the Portfolio Manager, the departure of certain members of the Portfolio Manager or as agreed by the Shareholders and the Portfolio Manager.</p> <p>The Company, the Manager and Octopus have agreed in principle changes to the investment management and administration fees detailed above. In addition, there are ongoing discussions between these parties as to extending the notice period of the Management Agreement and the Administration Agreement, which may be subject to regulatory and Shareholder approval.</p> <p>The Company is classified by the FCA as an alternative investment fund (an "AIF"). Under the Alternative Investment Fund Management Directive (the "AIFM Directive"), member states are required to ensure that each AIF managed within the scope of the AIFM Directive has a single alternative investment fund manager (an "AIFM") responsible for ensuring compliance with the AIFM Directive. An AIFM must provide, at a minimum, portfolio management and risk management services to one or more AIFs as its regular business irrespective of where the AIFs are located or what legal form the AIF takes.</p> <p>AIFMs that manage AIFs whose assets under management ("AUM") do not meet the size criteria set out in the AIFM Directive ("sub-threshold") will not be subject to the full requirements of the AIFM Directive. An AIFM will be sub-threshold if it manages portfolios of AIFs whose aggregate AUM:</p> <ul style="list-style-type: none"> <li>· do not exceed €100 million (including any assets acquired through the use of leverage); or</li> <li>· do not exceed €500 million where the portfolio of AIFs consist of AIFs that are unleveraged; and</li> <li>· do not give their investors a right of redemption within five years of initial investment in each AIF.</li> </ul> <p>As the Company is no longer sub-threshold, Octopus AIF, which is a full scope alternative investment fund manager, was appointed as the Company's investment manager and the investment management agreement between the Company and Octopus that was in place at the time of that appointment was assigned by way of the deed of novation referred to above from Octopus to Octopus AIF (the "Assignment"), and subsequently amended and restated by way of a deed of variation and restatement in order to reflect Octopus AIF's status as a full scope AIFM. Pursuant to the subsequent Sub-Management Agreement referred to above, Octopus provides portfolio management services to the Company.</p> <p>As a result of the Assignment and the Sub-Management Agreement, the personnel managing the Company's portfolio and the investment management fee payable by the</p>
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		Company remain unchanged from the time when the Company was sub-threshold.
B.41	Regulatory status of the Manager/ custodian	Octopus AIF is authorised and regulated by the Financial Conduct Authority.
B.42	Calculation of Net Asset Value	<p>The NAV of a Share is calculated by the Company in accordance with its accounting policies and is published at least every six months through a Regulatory Information Service.</p> <p>The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Company could not readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	Cross liability re umbrella collective investment undertaking	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes of Shares or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within the document.
B.45	Portfolio	The Company's investment portfolio comprises predominantly UK unquoted companies across a range of industries as outlined in the investment policy. As at 30 April 2018 (the date to which the most recent unaudited financial information has been drawn up), the Company's portfolio of investments comprised, by value, £364,442,000.
B.46	Most recent Net Asset Value	The unaudited NAV per Share as at 30 April 2018 was 94.3p. The latest published NAV per Share, less dividends paid, is 92.3p, as an interim dividend of 2.0 pence was paid on 24 August 2018.

### Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The Company will issue new ordinary shares of 10p each pursuant to the Offer. The ISIN and SEDOL of the New Shares are GB00B28V9347 and B28V934 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	The Company will issue New Shares under the Offer of up to £120 million of funds raised, with an over-allotment facility of up to a further £80 million.
C.4	Description of the rights attaching to the securities	<p><u>As Regards Income:</u> The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p><u>As Regards Capital:</u> On a return of capital on a winding up or any other return of capital (other than on a purchase by the Company of its shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their</p>

		<p>respective holdings of Shares.</p> <p><u>As Regards Voting and General Meetings:</u> Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p><u>As Regards Redemption:</u> The Shares are not redeemable.</p>
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares.
C.6	Admission	Application has been made to the UK Listing Authority for the New Shares to be issued pursuant to the Offer to be admitted to the premium segment of the Official List and an application will be made to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence, within 10 business days of their allotment.
C.7	Dividend policy	Generally, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Company is targeting a regular annual dividend of 5p with the potential to pay special dividends when there are significant gains from the sale of portfolio holdings.

#### Section D — Risks

Element	Disclosure requirement	Disclosure
D.1	Key information on the key risks specific to the issuer or its industry	<ul style="list-style-type: none"> <li>Shareholders may be adversely affected by the performance of the investments, which may restrict the ability of the Company to distribute any capital gains and revenue received on the investments.</li> <li>The Company's investments may be difficult, and take time, to realise.</li> <li>Investment in unquoted companies, which comprises most of the Company's portfolio, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.</li> <li>The Company will only pay dividends on the Shares to the extent that it has distributable reserves and cash available for that purpose. VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.</li> <li>Income tax relief on subscription for shares in a VCT after 5 April 2014 is restricted where, within 6 months, whether before or after the subscription, the investor had disposed of shares in that VCT or a VCT which at any time merges with that VCT and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription that the VCTs were intending to merge.</li> </ul>
D.3	Key information on the key risks specific to the	<ul style="list-style-type: none"> <li>The value of the Shares may go down as well as up. Shareholders may not receive back the full amount invested and could lose part or all of their investment.</li> <li>There is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely</li> </ul>

	securities	<p>upon any share buyback policy to offer any certainty of selling their Shares at prices that reflect their underlying NAV.</p> <ul style="list-style-type: none"> <li>Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of 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 Shareholders may find it difficult to realise their investment.</li> </ul>
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#### Section E — Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and expenses of the Issue	The net proceeds of the Offer, assuming a £200 million subscription and the maximum initial charge, will be £185 million. The costs and expenses (excluding VAT but including intermediary commission) relating to the Offer for the Company and the expenses charged to an investor, either directly or indirectly, will be up to 7.5% of the gross funds raised by the Company.
E.2a	Reason for the Offer, use of proceeds and estimated net amount of the proceeds	The Company's success, to date, has highlighted that the investment model used by the Portfolio Manager is one that can lead to significant returns. The Board believes that the portfolio is well positioned to continue this trend, delivering capital growth to those investors able to take a long term view to investing in well-run UK companies. New funds raised will be used for new investments and follow-on investments to support the existing portfolio in accordance with the Company's published investment policy. The net proceeds of the Offer, assuming a £200 million subscription and the maximum initial charge, will be £185 million.
E.3	Terms and conditions of the Offer	<p>The Offer Price will be determined by the following formula:</p> <ul style="list-style-type: none"> <li><b>the most recently announced NAV per Share of the Company, divided by 0.945</b></li> </ul> <p>Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1%, or by 2% if valid applications are received on or before 5pm on 25 October 2018. Other Applicants whose valid applications are received on or before 5pm on 25 October 2018 will benefit from costs of the Offer being reduced by 1%. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines.</p> <p>The Company announces its NAV at least every six months. Where the share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. In respect of the Offer, the NAV per Offer Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants (except where the amount is less than the Offer Price of one New Share in which case it will be donated to charity), without interest.</p> <p>The Offer will be closed on full subscription, i.e. once the full £120 million plus the over-allotment facility of £80 million have been raised. The Board reserves the right to close the Offer earlier and to accept applications and issue New Shares at any time prior to the close of the Offer. New Shares issued will rank pari passu with the existing Shares from the date of issue.</p> <p>The Offer is conditional upon the passing of Resolutions 1 and 3 at the General Meeting.</p>
E.4	Material interests	Not applicable. No interest is material to the issue of the New Shares.

E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Offer and there are no lock-up agreements.
E.6	Amount and percentage of dilution	The existing issued Shares in the Company will represent 76.3% of the enlarged ordinary share capital of the Company immediately following the Offer, assuming that the Offer is fully subscribed, including the over allotment facility, at an Offer Price of 97.7p, and on that basis Shareholders who do not subscribe under the Offer will, therefore, be diluted by 23.7%.
E.7	Expenses charged to the investor	<p>For all investors, the Offer Price per Share will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Share, divided by 0.945. A more detailed explanation is set out at E3 above.</p> <p>In consideration for promoting the Offer, the Company will pay an initial charge of 3% of the gross sums invested in the Offer to Octopus. This is payable in the same way on all subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:</p> <p><b>1) <u>A direct investment</u></b>  Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Company.</p> <p>In consideration for promoting the Offer, if an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to seven years, provided the investor continues to hold the Shares.</p> <p><b>2) <u>An advised investment where advice is received for an upfront fee with an ongoing adviser charge</u></b>  Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.</p> <p>The Company can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her intermediary/adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above.</p> <p>The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to seven years, whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the most recently announced NAV per Share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the Board.</p> <p>If the investor terminates their relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Company will facilitate ongoing adviser charges to a</p>

		<p>new adviser if an investor changes their adviser and requests the ongoing adviser charge to be paid to their new adviser.</p> <p><b>3) <u>An advised investment where advice is received for an upfront fee with no ongoing adviser charge</u></b>  Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice, including investors who are investing through intermediaries/advisers using financial platforms.</p> <p>Where an investor agreed an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments.</p> <p>In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.</p> <p><b>4) <u>A non-advised investment using an intermediary</u></b>  Investors who have invested their money through a financial intermediary and have not received advice.</p> <p>An initial commission of up to 2.5% of the investment will be paid by the Company to the intermediary. An annual ongoing adviser charge of 0.5% of the investment amount's latest NAV will be paid by the Company to the intermediary. Such commission will be available for up to seven years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.</p> <p>These charges may, according to the proportion of Advised Investors where advice is received for an upfront fee only, create some limited reduction of the net asset value per Share immediately subsequent to subscriptions in the Offer being made. This effect will be mitigated and is ultimately expected to be more than compensated, for continuing investors, by the expected benefits derived from a larger pool of investable funds and the financial benefit in subsequent periods of the absence of ongoing adviser charges in respect of such investments.</p>
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## **RISK FACTORS**

Prospective investors 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 business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks the Company or its Shareholders will face. Any decision to invest under the Offer should be based on consideration of this document as a whole.

### Risk factors relating to the Company

The Offer is conditional on the approval by Shareholders of Resolutions 1 and 3 to be proposed at the General Meeting. If these Resolutions are not approved, the Offer will be withdrawn and the expected benefits of the Offer will not be realised and the Company will be responsible for the costs of the Proposals.

The past performance of the Company, Octopus or Octopus AIF is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments of the Company. The value of such investments, and the interest income and dividends they generate, may fall and adversely affect the performance of the Company.

The Company'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. Both of these may adversely affect the performance of the Company.

It can take a number of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company 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. This may adversely affect the performance of the Company.

Investment in 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 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 the Shareholders 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 lose its VCT status, dividends and gains arising on the disposal of shares in the Company would become subject to tax and the Company would also lose its exemption from corporation tax on capital gains.

If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax relief originally claimed.

The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively, which may adversely affect an investment in the Company.

Any purchaser of existing Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded only to subscribers of New Shares on the amount invested.

The Company will only pay dividends on Shares to the extent that it has distributable reserves and cash available for that purpose. A reduction in income from the Company's investments may adversely affect the dividends payable to Shareholders. Such a reduction could arise, for example, from lower dividends or lower rates of interest paid on the Company's investments, or lower bank interest rates than are currently available.

VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from share capital or reserves arising from the issue of shares within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

The Finance Act 2018 introduced a new "risk-to-capital" condition for Qualifying Investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk. The Company may not make any prohibited non-qualifying investments, including those which breach the "risk-to-capital" condition, and the potential penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors. These changes may mean that there are fewer opportunities for investment and that the Company may not be able to provide further investment funds for companies already in their portfolios. Whilst HMRC have stated that VCT status will not be withdrawn where an investment is ultimately found to be non-qualifying if, after taking reasonable steps including seeking advice, a VCT considers that an investment is qualifying, violation of any of these conditions could result in the loss of VCT status by the Company or HMRC requiring rectification of the breach, which may mean the VCT is forced to dispose of the investment at a loss.

#### Risk factors relating to the Shares

The value of Shares can fluctuate and investors may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buyback policy to offer any certainty of selling their Shares at prices that reflect their underlying NAV and there may be periods during a year where the Company will be prohibited from buying back Shares.

Although the existing Shares have been (and it is anticipated that the New Shares 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. 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 Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT, and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription that the VCTs were intending to merge. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.



## EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS

Launch date of the Offer	13 September 2018
First allotment under the Offer	On or before 5 April 2019
Deadline for receipt of applications for final allotment in 2018/19 tax year	12 noon on 5 April 2019
Deadline for receipt of applications for final allotment in 2019/20 tax year	12 noon on 12 September 2019
Closing date of the Offer	12 September 2019

- The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier and to accept Applications and issue New Shares at any time following the receipt of valid applications.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority.
- Dealing is expected to commence in New Shares within ten business days of allotments and share and tax certificates are expected to be dispatched within 14 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified through a Regulatory Information Service.

### Offer Statistics

Costs of Offer	Up to 7.5% of gross proceeds of Offer
Initial adviser charge or intermediary commission	Up to 4.5% of gross proceeds of Offer
Ongoing adviser charge or annual ongoing charge	Up to 0.5% per annum of the latest NAV of gross sums invested in the Offer for up to 7 years

- The cost of the Offer is capped at 7.5%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

## **Letter from the Chairman**

**Octopus Titan  
VCT plc**  
33 Holborn  
London  
EC1N 2HT

13 September 2018

Dear Shareholder,

Since Octopus Titan VCT was launched in October 2007, the Titan funds have raised over £670 million from approximately 15,000 Shareholders and have invested £340 million in 92 companies as at 31 July 2018. Shareholders who invested at the launch of the Company would have received a tax free return (equal to the cumulative dividends paid from inception to 30 April 2018 plus the NAV at 30 April 2018) of 163.3p for every 100p which they subscribed.

I would like to thank Shareholders for their support and welcome new Shareholders who helped us to raise over £200 million in last year's fundraising, which closed to new applications ahead of the tax year end. During the 12 months to 30 April 2018, we have deployed £83 million of investments into new and existing portfolio companies, £28 million in respect of dividends, £5 million in respect of share buybacks and £16 million in company expenses. As a result, we are currently in line with our intention to deploy funds within 12-18 months of the tax year-end in which the funds were raised.

In the 12 months to December 2017, the companies in the Company's portfolio grew their revenues by 45%, generating £250 million of additional revenue and creating approximately 900 new jobs. With many of the portfolio companies continuing on their ambitious growth trajectory, and with a number of impressive entrepreneurs seeking new investment from Octopus Ventures, we remain excited about the future prospects for the Company. To continue to build large and valuable businesses, several of the portfolio companies will require further funding to reach their full potential. It is against this backdrop that we are delighted to once again offer you an opportunity to acquire new Shares in the Company.

### **The Offer**

The Company is seeking to raise £120 million under the Offer, with an over-allotment facility of a further £80 million, subject to demand. The Offer is intended for investors looking for the potential to generate tax-free capital growth from a portfolio of early-stage UK companies. Like most VCTs, the Company aims to continue to return as much of this investment performance back to Shareholders in the form of regular and special tax free dividends as the Board considers appropriate. Investors will benefit from immediate exposure to an existing portfolio of around 67 early stage companies operating in many different technology enabled sectors, making it a great way to get broad exposure to one of the fastest growing parts of the UK economy. Investors should remember that the value of an investment, and any income from it, can fall as well as rise.

The Offer is conditional upon the passing by the Shareholders of Resolutions 1 and 3 at the General Meeting to be held at 11.30 am on 25 October 2018 at 33 Holborn, London EC1N 2HT (or at any adjournment of that meeting).

## **Company performance**

The Company was launched in October 2007 and began investing in 2008. Many of the companies within the portfolio are more mature, having proven their resilience in the years after the global financial crisis. The rate at which the Company has made investments has also been strong in recent years, meaning there are a number of companies in the portfolio that are still at an early stage in their lifecycle. Typically the Company would expect to hold an investment in an early stage technology business for several years, and the Board looks forward to following the investee companies as they drive forward with their ambitious growth plans.

The Company paid its first dividend in April 2009 and has maintained a strong track record of dividend payments ever since, having paid total dividends of 71p per Share as at the date of this document. Octopus Titan VCT is now targeting regular annual dividends of 5p per share and when we make a particularly profitable sale from the portfolio, we also aim to pay special dividends.

The Company has an impressive track record, generating a total return of 39% over the last five years to 30 April 2018. This includes the impact of all fees and charges but does not include the 30% upfront income tax relief available on newly issued VCT shares.

## **VCT tax benefits**

VCTs are Government-led investment vehicles designed to incentivise investors for supporting smaller, higher-risk companies. Qualifying investors are entitled to claim a number of tax incentives on investments up to £200,000 each year. These include income tax relief as well as tax-free dividends and capital gains. See pages 40 to 43 of the Prospectus for more details.

## **Octopus Ventures**

Launched in 2007, Octopus Ventures is one of Europe's largest venture capital teams. It features a diverse team of more than 30 investment professionals, operations and investor relations specialists who have a combined investment experience of over 150 years as well as bringing together a wide range of business experience and academic expertise and qualifications. Further details of the range of their experience is set out in Part One of the Prospectus.

The team looks to back entrepreneurs capable of 'unleashing change', and typically makes initial investments of between £100,000 and £5 million with a view to achieving returns of ten times the original value. In order to give the companies they invest in every chance of success, they do not just look to passively manage the investment, but actively participate in the development and growth of the business. A member of Octopus Ventures typically sits on the board of the companies they invest into. This allows them to play a prominent role in the company's ongoing development.

Octopus Ventures takes time to research the companies and sectors it wants to invest in. Small investments are then made initially, with Octopus Ventures' investment committee scrutinising each deal. Larger stakes are then built up in those companies that continue to prove successful, with milestones put in place for each investment. This approach helps to reduce the impact of potential failures by seeking to make repeat investments in the potential winners.

## **Directors of the Board**

We recognise that ensuring the Board of your VCT remains independent and robust is of the utmost importance to our Shareholders. To this end, your Board decided to appoint an additional Non-Executive Director. As a result, Tom Leader was appointed with effect from 8 August 2018 (see page 29 for Tom's biography).

Tom will join Mark Hawkesworth, Jane O'Riordan, Matt Cooper and myself to comprise a Board of five, all of whom apart from Matt, are independent from Octopus Ventures and the Company.

## **Investment Management and Administration Agreement and Fees**

The investment management and administration agreements between the Manager, Octopus and the Company were signed in November 2014 (following the Merger) for a fixed four-year term, terminable by the parties on 12 months' written notice thereafter. In light of the present size of the Company, the parties have agreed in principle changes to the fees provided for in these agreements. In addition, there are ongoing discussions between these parties as to extending the notice period of these agreements, which may be subject to regulatory and Shareholder approval. It is anticipated that the first allotment under the Offer will follow this regulatory and shareholder approval. These changes are intended to further enhance alignment between Shareholders and Octopus, helping to ensure the focus remains on the optimal outcome for Shareholders, as well as directly contributing to a reduction of the Company's running costs. The existing performance incentive arrangements between the Company and the Manager are unaffected by these changes.

## **The investment case**

The Company has a strong track record. For example, our final exit from Zoopla Property Group (now known as ZPG) represented an increase on the initial share price that the Company purchased at of 33 times. More recently in 2018, the Company has benefitted from successful transactions in both Tails.com (Tailsco Limited) and Secret Escapes. In April, the Company sold its stake in Tailscom to Nestle Purina Petcare, resulting in total proceeds of almost £9 million (a proportion of which is expected to be received in 2019) attributed to the Company, compared to an initial investment of £1.5m. In July, the Company sold part of its stake in Secret Escapes held via Zenith Holding Company Limited. This transaction completed at a price around 80 times that of the initial price the Company purchased shares at, returning around £11.5 million back to the Company.

In addition, Shareholders have also benefitted from multiple high-profile sales, which have enabled the Company to pay out tax-free dividends. For example, the Company successfully realised its investments in Magic Pony, Vision Direct and SwiftKey in 2016. Collectively, these sales returned a total of £48 million to the Company, compared to initial investment that totalled just £10 million.

The Company has established itself as an important investor in the next generation of companies that will have an impact on the world. For that reason, we believe, some of the world's highest profile and most innovative technology companies, like Google, Microsoft and Amazon, have all acquired businesses the Company has funded.

As you would expect, investing in early stage companies is not without its risks. A VCT is considered a high risk investment, and a portfolio of VCT-qualifying companies is expected to have a proportion of

failures. Since the Company's inception, just 21% of investee companies have been exited at a whole or partial loss. This equates to less than 12% of total capital invested. These losses are fully incorporated into the Company's overall performance history and demonstrates the resilience of the investment strategy.

During the half year to 30 April 2018 a number of companies saw a collective decrease in valuation of £14m where performance has been more challenging. Octopus believes many of these businesses have the potential to overcome the issues they have faced and continues to work closely with them to secure a return to their high growth plans. Where appropriate, this may include providing further funding to ensure the business has sufficient capital to execute on its strategy. For example MIRACL Limited and Uniplaces Limited, which the Company invested in further during the period despite the companies' prior investments being valued at less than the cost of that investment.

### **New investment opportunities**

The UK is the most active technology market in Europe. Back in 2010, there were only two European technology companies, founded after 2000 valued at \$1 billion. Today, there are almost 50 with a billion-dollar valuation, and 20 of these are UK-based. Despite the political uncertainty surrounding Brexit, the UK continues to foster entrepreneurial talent and there is no shortage of quality companies looking for capital.

The Board believes a successful VCT needs three essential ingredients. The first is deal flow. The Ventures Team reviews more than 5,000 potential investment opportunities each year. This means they can be highly selective and pick those they believe offer the best opportunities for investment. They typically meet with around 400 of those companies and only invest into around 10-20 new companies each year.

The second key ingredient is resource. It's vital to have the right resources in place to support the businesses we invest in. Over time, the Ventures Team will selectively add new holdings and exit existing companies, but the primary focus will continue to be on developing existing holdings to help them realise their global ambitions. The team has many years of experience supporting early stage companies and helping them grow. This includes helping portfolio companies succeed in new international markets. In fact, 70% of portfolio companies generate revenues outside Europe, while 65% have international offices. That's why the team has invested in offices in New York and have Venture Partners based in Shanghai, Singapore and the West Coast of the USA.

The third ingredient for success is cash. It's important to have enough cash on hand to make the most of the opportunities we find, whether that's making follow-on investments in existing holdings or adding new companies to the portfolio. It's thanks to our Shareholders and their continuing support that the Company has been able to excel in this area.

The Board is confident that the Company can continue to deliver strong investment performance to Shareholders. The Ventures Team has proven its ability to find great companies, to back the winners both financially and non-financially, and to help negotiate for our Shareholders with some of the world's leading technology companies to secure exits at very profitable valuations.

I would like to thank all of our existing Shareholders for their continuing support of the UK's small businesses and entrepreneurs.

Yours sincerely

**John Hustler**

Chairman

**Octopus Titan VCT plc**

<sup>1</sup>Octopus Ventures Portfolio Companies, 12 months to December 2016 versus previous year.

<sup>2</sup>Markit, 2010 compared with GP Bullhound Research - European Unicorns, 2016.

## **PART ONE: THE OFFER**

### **Introduction to the Offer**

### **Terms of the Offer**

### **Use of Funds**

### **Intermediary Charges**

### **Investment Policy**

### **Conflicts of Interest**

### **Performance History**

### **Five-Year Performance**

### **Investment Management and Administration Agreements and Fees**

### **Octopus Titan VCT in numbers**

### **Dividend Policy and Dividend Reinvestment Scheme**

### **Buyback Policy**

### **The Board**

### **The Investment Team**

### **Management Remuneration**

### **Example Investments**

### **Example Exits**

## **Introduction to the Offer**

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £728 million was invested in VCTs in the 2017/2018 tax year.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of unquoted smaller companies with the aim of generating returns over the medium to long term. The net proceeds of the Offer will be invested in accordance with the Company's investment policy, as set out below.

The Company is seeking to raise £120m million under the Offer, with an over-allotment facility of a further £80 million. The minimum investment is £3,000. There is no maximum investment. Multiple Applications are permitted.

The Offer is conditional upon the passing by the Shareholders of Resolutions 1 and 3 at the General Meeting.

The Offer will remain open until 12 September 2019 unless fully subscribed at an earlier date and the Board reserves the right to close the Offer earlier and to accept applications and issue New Shares at any time following the receipt of valid applications. New Shares issued will rank pari passu with the existing Shares from their date of issue.

## **Terms of the Offer**

The full terms and conditions applicable to the Offer are set out on pages 79 to 85.

## **Use of funds**

The funds raised under the Offer will be invested in accordance with the Company's investment policy. Some of the funds raised will be used to invest into new portfolio companies and some will be used to further support the Company's existing portfolio.

## **Intermediary Charges**

Details are set out in the Terms and Conditions of the Offer on pages 79 to 85.

## **Investment Policy**

The investment policy of the Company is as follows:

The Company's focus is on providing early stage, development and expansion funding to unquoted companies. The Company typically makes an initial investment of £0.1 million to £5 million and will make further follow on investments into existing portfolio companies. The intention is to hold a portfolio of largely unquoted technology companies.

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of investee companies from a number of different technology sectors. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15% of the Company by value will be in any one investment. Any borrowing by the Company for the purposes of making investments will be in accordance with the Company's articles of association.

The investment profile is expected to be:

- 80-90% in VCT qualifying investments, primarily in unquoted companies
- 10-20% in non-VCT qualifying investments or cash.

### **Non-VCT Qualifying Investments**

An active approach is taken to manage any cash held, prior to investing in VCT qualifying companies. After the Company has ensured it satisfies all VCT investment qualification targets required by HMRC, the majority of the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments. Currently this includes liquid AIFs, UCITS or other money market funds including those managed by Octopus.

### **VCT Qualifying Investments**

Investment decisions made must adhere to HMRC's VCT qualification rules. In considering a prospective investment in a company, particular regard is made to:

- the strength of the management team;
- large, typically global, addressable markets;
- the investee company's ability to sustain a competitive advantage;
- the existence of proprietary technology;
- visibility over future revenues and recurring income; and
- the company's prospects of being sold or floated in the future, at a significant multiple on the initial cost of investment.

No material changes may be made to the Company's investment policy described above without the prior approval of shareholders by the passing of an Ordinary Resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

## **Conflicts of Interest**

The Company has built strong relationships with many of the companies in which it invests, and sometimes this can present "conflicts of interest" as explained below.



With these relationships, there's a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group or with the interests of Octopus. The Company aims to make sure that the interests of its Shareholders are always looked after. Conflicts of interest are sometimes unavoidable. In the first instance, the Company looks to prevent them but if it can't it will take action to manage or mitigate any effect.

#### Investing alongside other Octopus funds

The Octopus Ventures team has previously invested funds from the Company alongside and into other Octopus-managed products and sometimes even alongside the Venture Partners and Octopus itself. This is typically not the case on new deals going forward. Through this co-investment, investors in the Company have had access to deals that may not have been possible without being part of the larger deal with other Octopus investors. However, funds from the Company may be invested in other Octopus products.

#### The role of Octopus employees

The Company often places an Octopus employee on the board of the companies it invests in, either as an observer or a director. This means the Company is able to closely monitor the investment it has made on behalf of the Company's investors. However, this also means that, as company directors, those employees have obligations to all shareholders of the company, and not just the Company's investors.

#### When could conflicts of interest be harmful to investors?

Sometimes Octopus spots a good investment opportunity, and wants to invest from more than one Octopus fund. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully. Similarly, when investments held by a number of different investors come to be sold, the interests of all parties may not be fully aligned. Octopus has agreed policies and processes which are in place to make sure this is done fairly, but sometimes, investors may still be limited in the amounts they can invest or be restricted in the timing of an exit.

#### Fees from portfolio companies for Octopus' services

Octopus may receive fees from the companies that the Company invests in (for example, when making or selling our investment in a company, as well as for appointing a representative to the board of directors). The Company and Octopus have agreed in principle that from 31 October 2018, Octopus will no longer receive such fees in respect of new investments, with those fees being passed to the Company. The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus, not by the Company. Please see pages 60 to 62 for more information.

#### Managing conflicts

The Company has a number of controls in place to manage any conflicts of interest where it cannot prevent them. These include:

- Octopus Venture's investment committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed when they cannot be avoided as well as being responsible for the allocation policy.
- In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by a conflicts committee, which is responsible for ensuring conflicts are handled appropriately, and who are independent of Octopus Ventures and the Company.
- As the Company is a publicly listed company, it has its own Board of Directors, which is required to act independently and represent Shareholders' best interests at all times, and who are ultimately responsible for ensuring the investment objectives and policy of the Company are carried out.

## Performance History

The Company targets high levels of capital growth from a portfolio of early-stage UK companies. However, like most VCTs, rather than increasing the value of its shares, the Company aims to return this investment performance back to Shareholders in the form tax free dividends.

£5,000 invested in the Company five years ago would, over five years, have given a total return of £6,950: a 39% gain. This illustration assumes upfront fees have already been taken from the value of the initial investment and that the investment on 30 April 2013 was held for five years up until 30 April 2018 – the Company's latest interim accounting period. The cumulative total return shown above takes into account any ongoing fees and costs and is inclusive of any dividends paid. It does not include any upfront income tax relief claimed by the investor.

### Five year performance

Year to 30 April	2014	2015	2016	2017	2018
Annual total return	9.6%	11.4%	7.2%	4.7%	4.3%
Annual dividend yield	5.6%	5.4%	9.2%	5.2%	5.3%
Total value	137.2p	147.7p	154.7p	159.2p	163.3p

The performance information above shows the total return of the Company for the last five years to 30 April, the Company's interim accounting period. The annual total return for the Company is calculated from the movement in net asset value (NAV) over the year to 30 April, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return.

Total value is calculated as the sum of the NAV per share in pence and cumulative dividends per share in pence for the last five years to 30 April. The NAV is the combined value of the assets owned by the Company after deducting the value of its liabilities (such as debts and financial obligations). The performance shown is net of all ongoing fees and costs. The annual dividend yield is calculated by dividing the dividends paid per annum by the NAV at the start of the period.

The value of an investment, and any income from it, can fall as well as rise and you may not get back the full amount investments. Past performance is not a reliable indicator of future results and may not be repeated. The NAV per share may be higher than the share price, which is the price you may get for shares in the secondary market. On 27 November 2014, the Titan VCTs merged into Octopus Titan VCT 2, which was then renamed Octopus Titan VCT plc.

### Investment Management and Administration Agreements and Fees

The investment management and administration agreements between the Manager, Octopus and the Company were signed in November 2014 (following the Merger) for a fixed four-year term, terminable by the parties on 12 months' written notice thereafter. In light of the present size of the Company, the parties have agreed in principle changes to the fees provided for in these agreements, which are outlined in more detail below. In addition, there are ongoing discussions between these parties as to extending the notice period of these agreements, which may be subject to regulatory and Shareholder approval. It is anticipated that the first allotment under the Offer will follow this regulatory and shareholder approval. These changes are intended to further enhance alignment between Shareholders and Octopus, helping to ensure the focus remains on the optimal outcome for Shareholders, as well as directly contributing to a reduction of the Company's running costs.

1. The annual management charge ("AMC") that the Manager receives in respect of the provision of investment management services to the Company will remain at 2% of the Company's NAV

in respect of existing funds but in respect of funds raised by the Company under the Offer and thereafter (and subject to the Company having a cash reserve of 10% of its NAV), the AMC will be the lower of either (i) the actual return that the Company receives on its cash and funds that are the equivalent of cash (which currently consist of open ended investment companies and money market funds) subject to a 0% floor and (ii) 2% of the Company's NAV.

2. From 31 October 2018, Octopus will no longer receive arrangement and monitoring fees\* in respect of new investments, with any fees received after that time being passed to the Company. Octopus received approx. £1.08m in the year to 30 April 2018 (£1.27m in the year to 30 April 2017) in respect of arrangement and monitoring fees relating to investments made on behalf of the Company.
3. The administration and accounting fees that Octopus receives, which previously were 0.3% of the Company's NAV, are capped at the lower of either (i) 0.3% of the Company's NAV and (ii) when determined, an amount based on the administration and accounting costs of the Company for the year ending 31 October 2018, which is estimated to be approximately £1.8m, with inflation increases going forward.
4. The cap relating to the Company's total expense ratio, that is the regular, recurring costs of the Company expressed as a percentage of its NAV, above which Octopus will pay, will be reduced from 3.2% to 2.5%.

\*Octopus currently may receive fees from the companies that the Company invests in (for example, when making or selling an investment in a company, as well as for appointing a representative to the board of directors of the investee company). The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus.

### Octopus Titan VCT in Numbers



<sup>1</sup>Octopus Ventures, comparison of 2016 calendar year vs. 2017 calendar year.

<sup>2</sup>Octopus Ventures, takes top ten as at April 2018 and compares their revenues from 2016 calendar year with 2017 calendar year.

### Dividend Policy and Dividend Reinvestment Scheme

VCTs are able to make dividend payments from distributable reserves. In order to retain qualification as a VCT, the Company may not retain more than 15% of the income it receives from shares and securities.

The amount of these dividends depends, amongst other things, on the level of income and capital returns generated by the Qualifying Investments, the performance of the non-Qualifying Investments and the amount raised by the Offer. In the medium to long term the size of dividends paid to Shareholders will depend largely on the level of profits realised from the disposal of investments.

The Company is targeting a regular annual dividend of 5p per annum with the potential to pay special dividends as investments are realised at a significant profit. As at the date of this document the Company has paid total dividends of 71p per Share to investors.

The Company has adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares. Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Scheme should obtain the usual VCT tax advantages as set out above.

Investors under the Offer may elect to participate in the Dividend Reinvestment Scheme by completing the dividend reinvestment section of the Application Form, and should be aware that it will apply to their entire holding of New Shares and any existing Shares. Participation in the Dividend Reinvestment Scheme by a Shareholder can be cancelled at any time with written authority from the Shareholder or by calling Octopus on 0800 316 2295.

### **Buyback Policy**

The Board intends to buy back Shares at up to a 5% discount to the prevailing net asset value. The Board believes this makes an investment in the Company attractive to both current and future Shareholders. All buybacks are subject to the Company having sufficient funds available and are at the discretion of the Board. There may be periods during a year where the Company will be prohibited from buying back Shares which may include the periods of up to four months after its financial year end and up to three months after its half year end.

### **The Board**

The Board comprises five directors, the majority of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies.

### **John Hustler (Chairman)**

John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Seneca Growth Capital VCT plc (formerly Hygea vct plc). He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000 and was a member of the Council of the British Venture Capital Association from 1989-1991.

### **Matthew Cooper (Non-Executive Director)**

Matt currently works as a non-executive chairman and/or director with a range of public and private companies. These include Octopus Capital Limited, VouchedFor Ltd, Tandem Bank Limited and the National Centre for Circus Arts. Matt's areas of expertise include corporate strategy formulation, brand and marketing and implementation, organisational culture and design, and executive coaching and leadership. Previously, Matt was Principal Managing Director of Capital One Bank Europe plc until leaving the company in 2001. Originally from New Jersey, Matt graduated first in his class in Chemistry from Princeton University in 1988.

### **Mark Hawkesworth (Non-Executive Director)**

Mark was appointed a director on 27 November 2014. He retired as an investment partner at Nova Capital Management Limited in January 2010, having spent more than 25 years in the private equity industry. Prior to joining Nova, he was a senior partner at Baring Private Equity Partners and also spent 12 years at Lazard. Mark originally trained as an electrical engineer and spent his early career working for international engineering companies such as Taylor Woodrow, Trafalgar House and BICC/Balfour

Beatty. Mark is Treasurer of The Gordon Foundation. He was a director and Chairman of Octopus Titan VCT 3 plc from 17 March 2008 to 27 November 2014.

**Jane O’Riordan (Non-Executive Director)**

Jane is a Director of Yellowwoods Associates UK Limited, a private equity and venture capital advisory firm where she has been involved in the strategic development of companies such as Nando’s, Gourmet Burger Kitchen, Pizza Express/Gondola and others. Jane was previously a director with Braxton Associates, the then strategic consulting division of Deloitte & Touche. In addition to over 20 years of private equity, venture capital and management consulting experience, Jane worked for three years with British Aerospace as a spacecraft systems engineer. Jane has a BSc in mechanical engineering and an MBA from Harvard Business School. Jane was director and Chairman of Octopus Titan VCT 5 plc from 17 November 2010 to 27 November 2014.

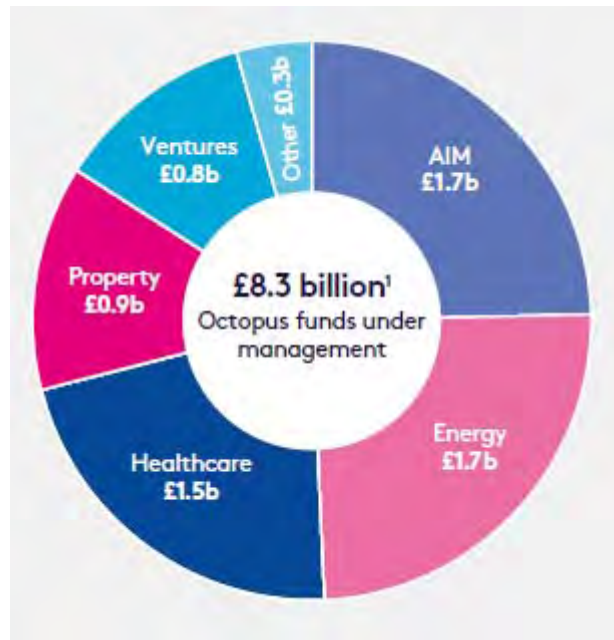
**Tom Leader (Non-Executive Director)**

Tom has over 26 years’ private equity experience. He is currently Director and Head of Portfolio, Unquoted Pool at Caledonia Investments plc. In his last role, he was Chief Investment Officer of Nova Capital Management. Before Nova, Tom worked at Baring Private Equity Partners and Morgan Grenfell Private Equity. Tom started his career in the management consultancy practice of Coopers & Lybrand. Tom is Non-Executive Director of Choice Care Group, Brookshire Capital, Cooke Optics and Caledonia Sterling Industries. Separately, he is Non-Executive Chairman of Penox Group GmbH.

**The Investment Team**

Octopus Investments Limited was launched in 2000 by three founders who wanted to create an investment company that put its customers first. Today it has more than 650 employees and approximately £8.3 billion in assets under management and manages more than £975 million of VCT money on behalf of over 28,000 investors (Source: Octopus investments Limited, 30 June 2018). Octopus has tens of thousands of clients and has built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. Octopus sees a strong business case for each of these sectors, whether that’s providing for an ageing population in need of lifelong care, or the long-term trend towards renewable energy as a viable alternative to fossil fuels, or investing in dynamic, entrepreneurial companies that have a positive effect on the economy, and the people, around them.

Octopus has helped several large start-ups grown to become household names, including Zoopla Property Group, graze.com and Secret Escapes.



Octopus Ventures, which manages the Company's investments, comprises the following members:

**Jo Oliver**

Jo became an Octopus Venture Partner in 2005. Having run several businesses of his own, from publishing surf books to property development, and having made numerous angel investments, including many as an Octopus Venture Partner, Jo joined as a director in Octopus Ventures in May 2009. He is involved in the team's investment process, portfolio management and fundraising activity, as well as sitting on a number of the boards of investee companies in the portfolio, including Amplience, Currency Fair, Iovox, Property Partner and SwiftKey, which was acquired by Microsoft in 2016. Jo qualified as a chartered accountant in 1995. He spent seven years working as a research analyst at NatWest, Merrill Lynch and Lehman Brothers, where he led a top rated equity research team specialising in the European mobile telecoms sector including companies such as Vodafone, Orange and O2.

**Alex Macpherson**

Alex has been in the same position as many entrepreneurs having started, built and sold his own business. He founded Katalyst Ventures with his colleagues in 2000, creating the private angel network which would later be known as the Octopus Venture Partners. Over seven years, Alex led the business as CEO until its sale to Octopus in August 2007, providing succession plans for the executive team as the Titan series of VCTs were raised to invest alongside the newly branded Octopus Venture Partners. Since 2007, the amount of assets that the Ventures team manages has risen from approximately £20 million to in excess of £500 million. Alex is Chairman of Octopus Ventures, remaining actively involved in new deal transactions, portfolio management, exits and new fund creation.

**Alliott Cole**

Alliott joined Octopus in 2008 and spent eight years making seed and early-stage investments in London before he moved to New York to set up the Octopus Ventures US practice. He was appointed Chief Executive of Octopus Ventures in September 2017. Before joining Octopus, Alliott spent four years working at international law firm Ashurst LLP, with stints at NM Rothschild and IBM in London. He holds a Masters in Classics from Oxford University and a postgraduate diploma in Law from BPP University, London.

**Alan Wallace**

Alan brings over 30 years of experience in marketing, general management and strategic planning to the selection and development of management teams. Prior to founding Katalyst with his colleagues and its

subsequent sale to Octopus Investments, he held senior marketing positions in fast moving consumer goods companies: Sara Lee, Rank Hovis McDougall, Cambridge Nutrition and Great Universal Stores. His experience as a general manager includes Managing Director of Cambridge Nutrition, Dairy Crest and Premier Brands. Alan has also been a Non-Executive Director of Lingarden. Alan holds a B.A.(Hons) in Economics (Liverpool University) and a PhD in Business Administration (University of Manchester).

#### **Edward Berkeley**

Edward joined Octopus in 2012 as a fund accountant to a number of VCT and LP funds managed by Octopus Investments. He then moved to Octopus Ventures in 2016 where he focuses on the financial activities within the team and in relation to the different funds managed by Octopus Ventures. Edward became a Chartered accountant in 2010 while at HW Fisher & Company, where he spent a number of years working as an auditor across a range of industries.

#### **Eyal Rabinovich**

Eyal Joined Octopus Ventures in 2016, and focuses on the assessment of investment opportunities, deal origination and ongoing portfolio management. He has an active interest in businesses focussing on mobile, digital health, big data and AI. Eyal brings 13 years of experience in the technology industry with 8 years of experience in business development, product management and marketing, fundraising more than \$17 million from global investors, establishing strategic partnerships and building a network of 70 million mobile players. Prior to joining Octopus Ventures, Eyal co-founded PlayScape, a leading mobile game publisher where he managed the world-wide marketing and business development activities as VP Business Affairs. Prior to that, Eyal served as an officer in an elite IDF Navy unit, in addition to being a Senior Software Engineer at Hedge-Tech Financial Engineering, and VeriFone. Eyal holds an MBA from INSEAD.

#### **Frederic Lardieg**

Frederic joined Octopus Ventures in 2012. He is responsible for sourcing, executing and managing venture capital deals. He has led investments into and served on the boards of a number of investee companies including Yplan (acquired by TimeOut), Ecrebo, Zynstra and Adbrain. In 2000, Frederic was one of the early employees of Digital Rum, a start-up that raised more than \$20 million from leading European and US venture capital firms. The company sold mobile commerce solutions to the major telecommunication companies in Europe, expanded in three different countries and grew to more than 100 employees. Digital Rum was acquired by Velti, a mobile marketing company, in 2006. Prior to joining Octopus, Frederic worked at Vodafone Ventures, the venture capital arm of Vodafone, where he led Vodafone's investments in Vouchercloud and LocalResponse. Previous experience also includes working in the corporate strategy team for Sony Ericsson, the mobile handset manufacturer. Frederic has an MSc in Industrial Engineering and an MBA from INSEAD.

#### **George Whitehead**

George has worked in the Venture Capital industry and with angel investors and entrepreneurs for over 20 years and has built up deep relationships across the entrepreneurial ecosystem. As well as heading up Octopus Ventures marketing and communications function George is Chairman of the Venture Capital Trust Association and Co-Founder and Chairman of the Angel Cofund, a £100 million Government backed fund focused on co-investing with angel investors. Prior to Octopus George held the position of Business Development Director at NESTA Investments' £50 million Venture Capital Fund where he ran a portfolio of programmes aimed at supporting growth companies. He began his career as an investment manager at Oxford Innovations, where he managed the Oxford Investment Opportunity Network (OION), one of Europe's most successful private investment networks, before moving on to successfully turnaround and manage the incubations programme for the University of Toronto's Technology Transfer Office.

#### **Luke Hakes**

Luke joined Octopus at the beginning of 2009. A former scientist and technology consultant, Luke has a particular interest in deep technology opportunities, although he has experience of working with a number of early stage businesses across a range of different sectors. Luke has led investments into and served on the boards of a number of investee companies including Evi (acquired by Amazon), Magic Pony (acquired by Twitter), Eve Sleep (IPO) and Chronext among others. Outside of Octopus, Luke is the

Chairman of UMI3, The University of Manchester's Innovation company and sits on the investment committee of Queen Mary University London. Luke holds a degree in Biochemistry and Biotechnology, a Masters in Computational Biology and a PhD in Computational Genetics.

#### **Marieke Christmann**

Marieke joined Octopus in 2018. She draws on over eight years experience in investment banking and private equity. Marieke focusses on late-stage investments and is a member of the Octopus Ventures Investment Committee. Prior to Octopus, Marieke was an investment manager at Zouk Capital, a London based technology investor where she led deal origination in the German speaking market and was involved in numerous investments in the SaaS, payments, cybersecurity and telecom space. Prior to Zouk, Marieke spent three years in Leveraged Finance with Credit Suisse, London, and NIBC, Frankfurt. In her time in investment banking, she executed transactions ranging from €30 million to €3.5 billion in transaction value, working on numerous transactions in the TMT space. Marieke holds a Masters of Finance and Business Administration from Mannheim University.

#### **Malcolm Ferguson**

Malcolm joined Octopus Ventures in 2013, focused on the assessment of investment opportunities, deal execution and ongoing portfolio management. Prior to joining Octopus, Malcolm spent a number of years in the investment banking industry, firstly within the TMT team of Bank America Merrill Lynch in London and then subsequently at GP Bullhound, a leading boutique investment bank, focussing exclusively on technology businesses. Malcolm is a Non-Executive Director of various portfolio companies including; Bought By Many, Metrasens, Segura Systems and Sofar Sounds. Malcolm holds a first class degree in BBA Management from Lancaster University.

#### **Priscila Bala**

Priscila joined Octopus Ventures in 2017 and focuses on helping the management teams we invest in start and scale in the US. Priscila is an entrepreneur and business professional with experience in investment banking, fundraising and business development. Most recently, she was the Director of the Mentor Network at the Yale Entrepreneurial Institute, connecting ventures to experienced advisors, and growing Yale's entrepreneurial ecosystem. Prior, she was a business strategy consultant, and founding partner of a genomic diagnostics venture. Priscila has taught executive courses on behavioural economics, negotiations and competitive strategy, and is a fellow of the Yale Center for Customer Insights. Her financial career included working with European Equities at Credit Suisse in New York and Latin American Equities at Morgan Stanley in São Paulo, Brazil. She holds a BA and MBA from Yale University. She has served on various non-profit boards and is a fervent advocate for financial literacy, access to education, the arts and the outdoors.

#### **Rebecca Hunt**

Rebecca joined Octopus Ventures in 2012, focused on the assessment of investment opportunities, deal origination and ongoing portfolio management. Having spent a number of years advising companies on their M&A activity, her specialist interests are the consumer marketplaces, eCommerce, retail and fashion technology as well as having a keen interest in the financial and education technology sector. Rebecca has led investments into and served on the boards of a number of investee companies including BridgeU, Eve Sleep Ltd, AppearHere, Trouva, Tails.com, Uniplaces and Outfittery. Prior to joining Octopus, Rebecca spent five years working in the Corporate Finance department at Deloitte, firstly in the Transaction Services department and later in the Corporate Finance Advisory division, where she was involved in a diverse range of M&A and capital market deals across a range of sectors. Rebecca is a qualified chartered accountant, and has a first class honours degree in Accounting and Finance from the University of Southampton.

#### **Samantha Ling**

Samantha joined Octopus Ventures in 2008 while the first Titan VCTs were still being established. She manages the operations and investor relations of the Ventures Team, including the various stakeholders in the funds managed by the Ventures Team, as well as various investment and portfolio processes as a whole. Prior to joining Octopus, Samantha spent a number of years supporting and working with international teams and clients in the oil and gas and software industries at PVM Oil and then Det



Norske Veritas, implementing and leading international processes and projects, including leading the rollout of a new global CRM system. She also spent time as a project coordinator at the Royal College of Nursing.

#### **Simon King**

Simon joined the team at the beginning of 2012 and focuses on early stage deal flow, screening investment opportunities and performing preliminary due diligence. He has an active interest in businesses focussing on EdTech, IoT and Machine Learning. Within the Octopus portfolio, Simon works closely with Elvie, Origami Energy, Trafi, Wave Optics and SmartKem. Before joining Octopus, Simon was a research scientist investigating novel materials for photovoltaic applications at Imperial College in London. Simon holds an MA and MSc in Physics and a Ph.D. in Molecular Electronics.

#### **Will Gibbs**

Will joined Octopus Ventures in 2013. He has recently been based in the New York office helping Octopus companies looking to internationalise to the US. He has now returned to the UK, spending the majority of his time looking for future investment opportunities, working with a number of existing investments and also plays an active role in fundraising. Prior to joining Octopus, Will set-up and scaled an organic spirits company and a rare breed pig farm, and holds a degree in Ancient History from the University of Oxford.

#### **Zihao Xu**

Zihao joined Octopus Ventures in 2016 and splits his time between deal origination, carrying out due diligence and working with portfolio companies. Prior to joining Octopus, he spent more than 5 years as a strategy consultant with Roland Berger, where he led strategic, operational and transaction advisory projects around the world spanning a wide range of sectors. While at Roland Berger, he also founded Canopy Sunglasses. Zihao holds a degree in Economics and Management from the University of Oxford.

#### **Zoe Castro**

Zoe joined Octopus Ventures in 2017 and spends her time assessing and executing investment opportunities and assisting portfolio companies. Prior to joining Octopus, she spent more than seven years as a corporate lawyer with the US law firm Jones Day, where she focused on a diverse range of venture capital, mergers and acquisitions and private equity transactions. Within that time, she worked in the firm's Dubai office for six months and for the Special Situations Group at Goldman Sachs for a year. Zoe holds a degree in Law with French Law from University College London.

Octopus Ventures is completed by four associates, three analysts, an operations, finance and support team of seven, and complemented by a number of Venture Partners.

#### **Management Remuneration**

Full details of the Manager's remuneration are set out at paragraph 8.6 of Part Five.

#### **Three ingredients for success**

The Ventures Team believe a successful VCT needs three things. First, it must have access to a wide range of investment opportunities, what investment managers call deal flow. Second, a successful VCT needs to be able to back its winners through multiple investment rounds. It should hold sufficient funds to invest in both new businesses and to make follow-on investments into companies it already has a stake in. Third, it has to have the resources in place to manage the investments it makes. This includes providing practical support and guidance to company management to increase the chances of success. Further details of these three ingredients are given below.

#### **Deal flow: Finding the best investment opportunities**

To back the best ideas, you need to know about them first. Having access to a wide range of investment opportunities is essential. The best entrepreneurs tend to be selective about accepting investment, so

it's important a VCT manager has a good reputation for backing great businesses by providing ongoing investment and adding value through giving advice and access to entrepreneurs.

These days, many entrepreneurs make the first move and come to the Ventures Team, because they know Octopus offers great support. They sometimes include entrepreneurs Octopus has backed in earlier ventures, who come back to Octopus with a new idea. This is a strong endorsement of the relationships Octopus builds with entrepreneurs. For example, the co-founder of graze.com, the snack subscription company the Company invested into in 2009, came back to the Company when he started pet food business Tails.com.

The Ventures Team now engages with around 5,000 companies seeking investment each year. They typically select around 400 of those to meet with and choose 10-20 new companies to invest in each year. Over the years, the team has built a portfolio of around 67 early stage companies operating in a diverse range of sectors.

#### **Funding: Backing winners with additional investment**

An early stage company will often need several rounds of funding as it grows. So entrepreneurs want to partner with investors who can support them throughout their journey. Being able to show we have the sufficient funds to back companies through multiple investment rounds is a powerful factor in attracting new deal flow.

As a result, the majority of the investments made by the Ventures Team are actually follow-on investments. The Company has around 67 companies in its portfolio, from a diverse range of sectors. The team work closely with them, they know which companies will want follow-on investments and when, as well as how they're performing against their goals.

One important feature of investing in early-stage companies is that there's no guarantee they will prove to be successful, or will deliver a return on the investment. The team recognises that smaller companies, on average, have a higher failure rate than companies listed on the main market of the London Stock Exchange. The team typically starts cautiously, making small initial investments in companies, with its investment committee scrutinising each deal. It then builds up larger stakes in those companies that continue to prove successful, with milestones put in place for each investment. This approach helps the team to reduce the impact of failures by only making repeat investments in the potential winners.

The typical failure of early-stage companies is around 50%. Since the Company launched in 2007, it has exited 21% of the companies it has invested in at a loss. However, this accounts for less than 12% of all the money invested since launch. This shows the benefit of making small initial investments.

#### **Resource: Providing practical support to help companies succeed**

Backing entrepreneurs and helping them reach their ambitions goes well beyond just providing finance. The Ventures Team understand that you also have to provide practical support to the people you back, whether it's opening doors or helping them seize opportunities. They help companies find the right people to hire and introduce them to industry experts.

Since the Company was launched, Octopus Ventures has built its team from five to over 30 people, including operations and finance professionals. This is important, because the number of new investments the team has made has increased by around 50% since last year.

Early stage companies often need nurturing and so the Ventures Team do not just make an investment but also actively participate in the company's growth plans. Usually, one of the team sits on the board of the company it invests into, which allows the team to play a prominent role in the company's ongoing development. The Ventures Team has a combined investment experience of more than 150 years and brings together a wide range of business skills and individual insights, having been involved in some of the most successful European technology companies.

The Ventures Team is also in a great position to help companies expand internationally. The team work with the entrepreneurs it backs by holding workshops on strategy, advising on sales and marketing plans, as well as providing connections to other companies which could help. Additionally, the team is spread between offices in London and New York, which helps portfolio companies expand into the US market.

The team is also bolstered by a group known as the Venture Partners, a group of entrepreneurs and business experts who offer best-in-class expertise in areas such as marketing and strategy that can make a significant difference for companies. They are based globally in London, San Francisco, Shanghai and Singapore and their purpose is to focus purely on helping the portfolio companies reach their full potential and achieve their global ambitions.

### **Three ingredients for a great early stage company**

The UK is an excellent place to find people with bold new business ideas. In the past decade, the UK has become the most active technology market in Europe. Back in 2010, there were only two European technology companies valued at more than a billion dollars. Today there are over 50, with more than 20 of them based in the UK. And the UK continues to demonstrate strong growth, with the total volume of venture capital investment almost doubling between 2016 and 2017 alone.

70% of the companies the Company invested in were less than three-years-old when it first invested. Investing in companies when they're still young means we often buy shares at a lower price, so the Company has the potential of making a greater profit if they're successful and can sell shares at a higher price than if it had invested at a later stage. The Ventures Team has followed this approach for over a decade, and has built up a portfolio of around 67 companies. The majority, just over 50%, of the Company's funds are in the top ten holdings. The Company knows these top ten companies well because it has been working with them for a long time. Over that time they have achieved what they set out to do, and the Company has invested more as they have grown. As a result, 80% of the top ten holdings are now more than 5 years old.

There are many factors that the Ventures Team must take into consideration before making an investment. As a rule of thumb there are three criteria the team look for in every company they back.

### **Talented entrepreneurs and management team**

As any founder will tell you, things rarely go according to the business plan. Things change. There are challenges to overcome, most of which can't be predicted in advance. So you need a management team who can adapt while at the same time keeping everyone focused on the goal

So the Ventures Team need to see that there is a deep-seated passion for the idea, knowledge of the relevant industry and an appreciation of how big the opportunity is. Often, the team will be approached by entrepreneurs who already have successful ventures under their belt. Sometimes they'll be people the team has backed before so the team know they are up to the task of leading a company and scaling it up. In other cases, a first-time entrepreneur will have a great business that only they can make

happen. They'll know exactly how they're going to disrupt the market, and they'll have a great team around them to help them do it.

### **A world-changing idea**

Many great businesses are based on finding small, incremental improvements for something that already exists. While this is a valid approach, it's not what the Ventures Team look for. The team look for those ideas that disrupt the status quo. The ones that can turn an established industry upside down or create something that didn't exist before.

The team also wants to back businesses that can grow quickly to be very valuable, especially those with global ambitions. This is why the team focuses on technology-driven companies whose business model allows for rapid scale-up without a big increase in costs. Because when you have a fantastic product or service, you want to reach as many customers as you can as quickly and efficiently as possible.

### **Enormous market opportunity**

The Ventures Team is not interested in niche ideas that will only ever be niche. It looks for those companies that could grow to be much bigger than they are today. So the potential market for what they do needs to be large, to give them plenty of room for future growth.

An example is Origami Energy, which creates real-time markets where energy suppliers, users and traders can buy, sell and trade the energy being produced by a wide network of power-generating assets. Origami could revolutionise an industry which saw an annual investment worldwide of USD 1.8 trillion in 2017.

### **Example Investments**

#### **Sofar Sounds**

Sofar Sounds was founded in 2009 out of a frustration with the live music experience. At one extreme there's the O2 arena, where the singer is a speck in the distance and you watch most of the gig on a giant screen. At the other, you've got sweaty pubs and clubs where people are talking, jostling and spilling your beer. Sofar, which is short for 'songs from a room', brings the magic back to live music by organising secret, intimate performances in unique locations like rooftops, private homes and boutique shops.

It's a great idea, as shown by how widely it's spread. Having started in London in 2009, there are now hundreds of Sofar events each month across more than 400 cities around the world, everywhere from Beijing to Buenos Aires to Brighton. Performances are filmed and can be watched on a dedicated YouTube channel. There is now an online community of 750,000 fans, 2,500 volunteers and a database of over 26,000 hand-picked artists.

Sofar's management team has more than two decades' experience in senior marketing roles at brands like Coca-Cola and Disney. So we're confident the team can continue building Sofar into a brand associated with high quality live music events.

Live music generates \$25 billion in global revenues each year. Most of that is ticket sales, but things like ticketing fees, sponsorship and licensing make up a healthy chunk. Sofar has created something live music fans were crying out for. It has inspired people to open their homes and give up their time to help create unique experiences, and has built a loyal following along the way. This gives Sofar a springboard to dominate a market they created from scratch.

## **Memrise**

Memrise is a recent addition to the Company's portfolio. We first invested in 2018, although we've been tracking the company since 2012. The Memrise app makes learning a new language fun, with games that learners can play at home, on their commute, or wherever they're using their phone.

The company's founders have an academic background in cognitive science. One is a memory grandmaster, which means he can memorise a 1,000 digit number in one hour. This gives them deep insight into how people learn and the techniques that are most effective. The management team also includes people with a proven record of driving big sales increases at early stage companies.

Memrise won top iOS App of the Year 2016 in several countries, and Best App of 2017 at the Google Play awards. The app continues to receive great reviews on Google Play and Apple's App Store, and has proven itself with strong growth in the number of people who not only sign up initially, but also go on to be paying customers.

The market opportunity is huge and growing, thanks to two very strong global trends. The first is the growth in language learning, which in turn is driven by population growth and higher levels of geographical mobility. The second is the growth of online learning, also called eLearning, which includes learning 'on the go'. The eLearning market is currently worth around \$165 billion a year globally, and is growing at around 5% a year.

If Memrise can take full advantage of that opportunity, there should be much more room for growth. It has a compelling product and a strong management team, so we believe it could.



## **Tails.com**

In 2013, a team of serial entrepreneurs approached us with a great idea for disrupting the pet food market. We already knew one of these founders very well - Graham Boshier had been a co-founder of Graze.com (backed by the Company in 2009). The other founder James Davidson, the current chief executive, worked previously for Unilever and Innocent Drinks, so we knew the team had great experience of building big businesses.

They also had a great business idea. A subscription dog food service, where the food is nutritionally tailored to each individual dog and delivered directly to customers. At a stroke, it offers dog owners both higher quality and more convenience. It was also a business that was highly likely to see repeat buying from its customers. Indeed, that's one of the big attractions of running a subscription business.

This was clearly a huge market opportunity. It's estimated that a quarter of the UK adult population has a dog. Plus, the concept could be applied to other pets as well. Octopus Titan VCT made its first investment in Tails.com in 2013, the year it was founded. We made a follow-on investment in 2015. By August 2017, Tails.com was one of the fastest-growing start-ups in the UK, feeding more than 70,000 dogs. In April 2018, we sold our stake to pet food giant Nestlé Purina Petcare.

## Example Exits

2012		<b>Evi Technologies</b> Sold to Amazon
2014		<b>Rangespan</b> Sold to Google
2016		<b>Magic Pony</b> Sold to Twitter
		<b>Vision Direct</b> Sold to Essilor
		<b>SwiftKey</b> Sold to Microsoft
2017		<b>Zoopla Property Group</b> Listed in LSE in 2014, sold final shares in 2017
2018		<b>Tails</b> Sold to Nestle
		<b>Secret Escapes</b> Partial sale to Old Mutual

This is not an exhaustive list.

### Backing Britain's brightest businesses

The Ventures Team looks for companies that use innovative technology, have talented and ambitious management teams, address large market opportunities and demonstrate a rapid pace of growth. It is always looking for companies which have the potential to become a \$1 billion business. Here are some examples which it believes have the potential to achieve this over the coming years:

#### secret Escapes

Secret Escapes is a members-only British travel company selling heavily discounted luxury hotel stays and trips through its website and mobile app.

#### digital shadows

Digital Shadows draws on a wide range of data sources from the open, deep and dark webs and uses the information to manage digital risk for some of the world's largest and most sensitive companies.



#### origamienergy

Origami Energy creates real-time markets where energy suppliers, users and traders can buy, sell and trade the energy being produced by a wide network of power-generating assets.

#### myTomorrows

myTomorrows helps patients who have exhausted existing approved medical options to get access to potentially life-saving pre-approval treatments.

#### WaveOptics

WaveOptics makes see-through displays for augmented reality wearable devices, which overlay the real world with computer-generated images.

#### Big Health

Big Health provides mental health treatments through software rather than with medicines. Its Sleepio app is designed to teach users how to overcome poor sleep without pills or potions.



#### BOUGHT BY MANY

Bought By Many is a free, members-only service that helps users find insurance for the things they care about, from pets or gadgets to travel, health and home insurance.

#### depop

Depop is a global online marketplace where users can buy clothes and other items from each other.

## **PART TWO: TAX BENEFITS AND CONSIDERATIONS FOR INVESTORS**

### **General**

The following paragraphs apply to the Company and to individuals holding Shares as an investment who are the absolute beneficial owners of such Shares, and who are resident in the UK. They may not apply to certain classes of individuals, 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 financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive New Shares and where the New Shares acquired are within the investor's annual £200,000 limit. The reliefs are not available for investments in excess of £200,000 per tax year.

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

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT.

### **Tax Position of Investors under the Offer**

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

#### ***Tax Benefits for VCT investors***

##### ***1. Income Tax***

###### ***1.1 Initial Income Tax relief***

An investor can acquire New Shares of up to a maximum of £200,000 under the Offer in each of 2018/19 and 2019/20 tax years. The relief is subject to an amount which reduces the investor's income tax liability for the tax year to nil. Each application creates an entitlement to income tax relief of 30% of the amount invested. To retain that relief the New Shares have to be held for 5 years.

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial income tax relief available can reduce the effective cost of an investment of £10,000 in a VCT to only £7,000, by a qualifying investor subscribing for VCT shares:

	Effective cost	Tax relief
Investor unable to claim any tax reliefs	£10,000	Nil
VCT investor able to claim full 30% income tax relief	£7,000	£3,000

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT, and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription that the VCTs were intending to merge. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.



### **1.2 Dividend relief**

Dividends paid on ordinary shares in a VCT are free of income tax. VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. Dividends paid from realised profits may be made without loss of VCT status.

### **1.3 Withdrawal of relief**

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period. Dividend relief is not available for dividends paid in an accounting period during which the VCT loses its approval.

## **2. Capital Gains Tax**

### **2.1 Relief from capital gains tax on the disposal of VCT shares**

Disposing of a VCT share at a profit does not create a chargeable gain for the purposes of UK Capital Gains Tax. Similarly, disposing at a loss does not create an allowable loss for UK Capital Gains Tax.

### **3. Withdrawal of approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares.

In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period during or after which VCT status has been lost. Any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

## **4. Other tax considerations**

### **4.1 Obtaining initial tax reliefs**

The Company will provide each investor with a tax certificate which the investor may use to claim income tax relief. To do this, an investor must either obtain a tax coding adjustment from HMRC under the PAYE system, or wait until the end of the tax year and use their self assessment tax return to claim relief.

### **4.2 Shareholders not resident in the UK**

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in the Company, as they may be subject to tax in other jurisdictions as well as in the UK.

## **5. Tax Position of the Company**

A VCT has to satisfy a number of tests to qualify as a venture capital trust. A summary of these tests is set out below.

### **5.1 Qualification as a VCT**

5.1.1 To qualify as a venture capital trust, a company must be approved as such by HMRC. To maintain approval, the conditions summarised below must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;
- (iv) the VCT must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 70% (80% from 31 October 2019), by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (vi) for share issues on or after 1 November 2018, at least 30% of the funds from those share issues must be invested in qualifying holdings by the anniversary of the accounting period in which those shares were issued.
- (vii) for funds raised after 5 April 2011, , and for investments made after 5 April 2018 for funds included in the requirement at (v) above, have at least 70%, by value, of the VCT's Qualifying Investments in "eligible shares", that is ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed although they may have certain preferential rights to dividends so long as that right is non cumulative and is not subject to discretion;
- (viii) the VCT must not make an investment in a company which causes that company to receive more than £5 million of State Aid investment in the 12 months ending on the date of the investment (subject to UK legislation £10 million for a Knowledge Intensive Company).
- (ix) the VCT must not return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for shares occurs;
- (x) no investment can be made by the VCT into a company which causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of State Aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded;
- (xi) no investment can be made by the Company in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where a turnover test is satisfied;
- (xii) no funds received from an investment into a company can be used to acquire shares in another company nor another existing business or trade; and
- (xiii) the VCT must not make a non-Qualifying Investment other than those specified in section 274 ITA 2007.

"Qualifying investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest at all times thereafter). A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production, operating or managing hotels or guest houses, generation of electricity, power or

heat, production of fuel, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. Investee companies must have a permanent establishment in the UK. The investee company cannot receive more than £5 million (subject to UK legislation £10 million for a Knowledge Intensive Company) from VCTs or other State Aid investment sources during the 12 month period which ends on the date of the VCT's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The investee company must have fewer than 250 employees or 500 employees in the case of a Knowledge Intensive Company. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in eligible shares, as described above. The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of State Aid investment (including from VCTs) over the company's lifetime. The company's first commercial sale must be no more than 7 years (10 years for a Knowledge Intensive Company) prior to the date of the VCT's investment, except where previous Risk Finance State Aid was received by the company within 7 years or where a turnover test is satisfied. Funds received from an investment by a VCT cannot be used to acquire shares in another company nor another existing business or trade.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently becomes listed may still be regarded as a qualifying investment for a further five years following listing, provided all other conditions are met.

- 5.1.2 The risk-to-capital condition introduced in Finance Act 2018 requires that a Qualifying Company has long term growth plans and that the investment made by the VCT is at risk.

## ***5.2 Taxation of a VCT***

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. VCTs will be subject to corporation tax on their income (excluding dividends received from UK companies) after deduction of attributable expenses.

### PART THREE: FINANCIAL INFORMATION ON THE COMPANY

Audited financial information on the Company is published in the annual reports for the years ended 31 October 2015, 31 October 2016 and 31 October 2017 and unaudited information in the interim reports for the six month periods ended 30 April 2017 and 30 April 2018.

The annual reports referred to above were audited by James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire, RG1 4AP. All reports were without qualification and contained no statements under section 498(2) or (3) of the CA 2006 and, together with the interim reports were prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 104 Interim Financial Reporting. The annual reports contain a description of the Company's financial condition, changes in financial condition and results of operation for each relevant financial year and the pages of these and the interim reports referred to below are being incorporated by reference and can be accessed at the following website:

**octopusinvestments.com**

The Company and the Directors confirm that the Company's most recent two years' financial information (having been prepared under Financial Reporting Standard 102) have been presented and prepared in a form which is consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards, policies and legislation applicable to such annual financial statements.

Where these documents make reference to other documents, such other documents, together with those pages of the annual and interim reports that are not referred to below, are not relevant to investors and are not incorporated into and do not form part of this document.

Such information includes the following:

<b>Description</b>	<b>31 October 2015 <u>Annual Report</u></b>	<b>31 October 2016 <u>Annual Report</u></b>	<b>31 October 2017 <u>Annual Report</u></b>	<b>30 April 2017 <u>Half Year Report</u></b>	<b>30 April 2018 <u>Half Year Report</u></b>
Balance Sheet	Page 54	Page 41	Page 43	Page 12	Page 13
Income Statement (or equivalent)	Page 53	Page 40	Page 42	Page 11	Page 12
Statement showing all changes in equity (or equivalent note)	Page 55	Page 42	Page 44	Page 13	Page 14
Cash Flow Statement	Page 56	Page 43	Page 45	Page 14	Page 15

Accounting Policies and Notes	Page 57	Page 44	Page 46	Page 15	Page 16
Auditor's Report	Page 50	Page 37	Page 38	n/a	n/a

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>31 October 2015 <u>Annual Report</u></b>	<b>31 October 2016 <u>Annual Report</u></b>	<b>31 October 2017 <u>Annual Report</u></b>	<b>30 April 2017 <u>Half Year Report</u></b>	<b>30 April 2018 <u>Half Year Report</u></b>
Performance Summary	Page 1	Page 1	Page 1	Page 2	Page 2
Results and Dividends	Page 9	Page 8	Page 7	Page 2	Page 2
Investment Policy	Page 7	Page 2	Page 2	n/a	n/a
Outlook	Page 11	Page 6	Page 5	Page 6	Page 7
Manager's Review	Page 18	Page 11	Page 10	n/a	n/a
Portfolio Summary	Page 22	Page 15	Page 17	Page 7	Page 8
Business Review	Page 13	Page 7	Page 6	n/a	n/a
Valuation Policy	Page 23	Page 14	Page 16	n/a	n/a

As at 30 April 2018, the date to which the most recent unaudited financial information on the Company has been drawn up, the Company had unaudited net assets of £617,759, 000.

## PART FOUR: INVESTMENT PORTFOLIO AND PRINCIPAL INVESTMENTS OF THE COMPANY

The investment portfolio of the Group as at the date of this document representing more than 59% of the NAV of the Company is as follows (the valuations being the unaudited valuations as at 30 April 2018):

### Investments held by the Company

Investments	Sector	Investment cost at 30 April 2018 *	Unrealised profit / (loss)	Valuation	Valuation
				at 30 April 2018	as % net assets
		£'000	£'000	£'000	£'000
Zenith Holding Company Limited	Various	8,963	36,945	45,908	7.43%
Secret Escapes Limited	Travel & Leisure	4,256	31,278	35,534	5.75%
Amplience Limited	Business Software	13,499	12,259	25,758	4.17%
Sourceable Limited (trades as Swoon Editions)	Ecommerce	6,957	11,061	18,018	2.92%
Sofar Sounds Limited	Travel & Leisure	7,705	6,132	13,837	2.24%
MIRACL Limited	Security	14,223	(2,965)	11,258	1.82%
LHE Holdings Limited (trades as Property Partner)	Property	10,402	464	10,866	1.76%
Uniplaces Limited	Property	7,621	2,573	10,194	1.65%
Semafone Limited	Business Software	3,594	6,222	9,816	1.59%
Conversocial Limited	Business Software	4,165	4,638	8,803	1.42%
Other **	Various	172,300	2,150	174,450	28.24%
<b>Total portfolio investments</b>		<b>253,685</b>	<b>110,757</b>	<b>364,442</b>	
OEICs***				72,466	11.73%
Money market funds****				76,269	12.35%
<b>Total investments</b>				<b>513,177</b>	
Other net assets				104,582	
<b>Total net assets</b>				<b>617,759</b>	

\* Investment cost reflects the amount invested into each investee company from the Titan VCTs before the Merger and from the Company after the Merger. This is different to the book cost which includes the holding gains and losses on assets which transferred from Titan 1, Titan 3, Titan 4 and Titan 5 to the Company during the Merger, as the Company purchased these assets at fair value.

\*\* Includes 59 investments – Adbrain Limited (in administration), Affectv Limited, Aframe Media Group Limited (in administration), Antidote Technologies Ltd, Appear Here Limited, Applied Superconductor Limited (in liquidation), Artesian Solutions Limited, Behaviometrics AB, Big Health Limited, Bought By Many Limited, Bowman Power Limited, BridgeU Inc., Chiaro Technology Limited, Chronext AG, CurrencyFair Limited, DePop Limited, Digital Shadows Inc., Ecrebo Limited, Elliptic Enterprise Limited, e-Therapeutics plc, Eve Sleep Plc, Excession Technologies Limited, Fluidly Limited, GTN Ltd, Hubhub Deliveries Limited, Impatients N.V., Iovox Limited, Katalyst Inc, Mailcloud Limited (in liquidation), Medisafe Project Limited, Memrise Inc, Metrasens Limited, Michelson Diagnostics Limited, Mi-Pay Group plc, Mush Limited, OpenSignal Inc, Origami Energy Limited, Oxcis Aviation Limited, Permutive Inc., Phase Vision Limited (in liquidation), Phasor Inc., Phoelex Ltd, Picsoneye Segmentation Innovation

Limited, PLU&M limited, Pop Global Limited, Rook Wealth Limited, Segura Systems Limited, Shopa Limited (in liquidation), Smartkem Limited, Streetbees.com Limited, Streethub Limited, Surrey NanoSystems Limited, The Faction Collective SA, Time Out Group PLC, Token, Inc, Trafi Limited, UltraSoC Technologies Limited, Wave Optics Limited, Zynstra Limited.

\*\*\* OEICs comprise the FP Octopus UK Micro Cap Growth Fund, a fund investing in smaller, listed companies and FP Octopus Global Strategies Fund.

\*\*\*\* Money market funds comprise the Fidelity Institutional Liquidity Fund and BlackRock Institutional Cash Series.

Between 30 April 2018 and 31 July 2018 there has been 1 full disposal, 1 part disposal and 12 acquisitions, the investment cost of which totalled £31 million.

Save in respect of the disposals and acquisitions mentioned above, since 30 April 2018 there has been no significant change in the value of the Company's portfolio.

### **Investments held by Zenith Holding Company Limited**

Zenith Holding Company Limited has a holding in Octopus Zenith LP, an Octopus managed fund, which holds stakes in Secret Escapes, Nature Delivered (Graze) and Calastone, which were formerly held by the Company, Titan 1 and Titan 3.

Founded in April 2007, Graze is the UK's first company to deliver natural, high energy foods by post, straight to the home or office. Customers can select Graze boxes created by the company or place orders for personalised assortments of foods. The company has offices in the UK and the US.

Calastone is the global fund transaction network. More than 810 customers in 24 domiciles are processing domestic and cross-border transactions across Calastone's transaction network. Calastone is part of Fintech50 and European Fintech and is one of the UK Government Tech City Future Fifty companies.

Secret Escapes offers exclusive rates (up to 60% off) on members-only flash sales for luxury travel. Secret Escapes has offices in London, Sweden, Spain, Poland, Germany and the US.

## **PART FIVE: ADDITIONAL INFORMATION ON THE COMPANY**

### **1) INCORPORATION**

- 1.1 The Company was incorporated and registered in England and Wales on 12 October 2007 under the CA 1985 with registered number 6397765 as a public company limited by shares and with the name Octopus Titan VCT 2 plc. On 27 November 2014 the Company changed its name to its present name.
- 1.2 On 22 October 2007, the Registrar of Companies issued the Company with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus AIF was incorporated and registered in England and Wales on 4 December 2013 under the CA 2006 with registered number 8802172 as a private company limited by shares. The address of Octopus AIF's registered office is at 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus AIF operates is the Acts and regulations made thereunder. Octopus AIF is authorised and regulated by the Financial Conduct Authority.
- 1.3 Octopus was incorporated and registered in England and Wales on 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address of Octopus' registered office is 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

### **2) REGISTERED OFFICES AND PRINCIPAL LEGISLATION**

- 2.1 The registered office of the Company is at 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295.
- 2.2 The principal legislation under which the Company operates and which governs its shares is the Acts and regulations made thereunder.

### **3 SHARE AND LOAN CAPITAL**

- 3.1 On the incorporation of the Company, two ordinary shares were issued nil paid to the subscribers to the memorandum of the Company, Octopus Investments Nominees Limited and OCS Services Limited.
- 3.2 By ordinary and special resolutions passed by the Company on 7 November 2017, the Company authorised the Directors in accordance with Section 551 CA 2006 to allot Shares up to an aggregate nominal amount of £24.2 million (representing approximately 53.8% of the Shares in issue as at 4 September 2017) and disapplied the pre-emption provisions of Section 561 of the CA 2006 in respect of any such allotment, in each case for a period expiring 18 months thereafter (unless previously revoked, varied or extended by the Company in general meeting).
- 3.3 The following resolutions will be proposed at the General Meeting:
  1. that, in addition to existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Shares and to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal amount of £24.5 million (representing approximately 37% of the Shares in issue as at 12 September 2018), provided that the authority conferred by this Resolution 1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make, before



the expiry of this authority, offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;

2. that, in addition to existing authorities the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot and issue Shares in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £6.1 million (representing approximately 9% of the Shares in issue as at 12 September 2018), provided that the authority conferred by this Resolution 2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;
3. that, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 1 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 3 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
  - (a) the allotment and issue of Shares up to an aggregate nominal value of £24.5 million pursuant to offer(s) for subscription; and
  - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,where the proceeds may in whole or part be used to purchase Shares in the Company;
4. that, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 2 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 4 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares in connection with the Company's dividend reinvestment scheme;
5. that, the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
  - (a) the aggregate number of Shares which may be purchased shall not exceed 87 million Shares;
  - (b) the minimum price which may be paid per Share is the nominal value thereof;
  - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased; and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;
  - (d) the authority conferred by this Resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2020 (unless renewed, varied or revoked by the Company in general meeting); and

(e) the Company may make a contract to purchase Shares under the authority conferred by this Resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;

6. that, subject to the sanction of the High Court the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled; and

7. that, subject to the sanction of the High Court the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

3.4 At the date of this document the issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	65,828,794	658,287,940

3.5 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming the Offer is fully subscribed, including the over-allotment facility, with 204,708,290 New Shares being issued at an Offer Price of 97.7p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	86,299,623	862,996,230

3.6 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming the Offer is fully subscribed, including the over-allotment facility, with 244,498,777 New Shares being issued at an Offer Price of 81.8p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	90,278,672	902,786,717

3.7 The following allotments and repurchases of Shares have taken place since 1 November 2014:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
21 November 2014*	173,484	98.9
27 November 2014**	140,597,475	97.7
1 December 2014	14,741,050	103.4
22 December 2014	3,214,629	103.4

16 February 2015	4,232,089	103.4
30 March 2015	15,633,985	103.4
4 April 2015	9,340,146	103.4
30 April 2015	1,961,807	103.4
30 June 2015	5,081,752	103.4
24 July 2015*	1,219,880	95.7
17 December 2015	29,223,993	108.7
29 January 2016	4,189,536	108.7
26 February 2016	4,957,159	108.7
22 March 2016	18,663,974	108.7
22 March 2016*	2,809	95.7
01 April 2016	19,806,320	108.7
06 April 2016	14,517,060	108.7
13 April 2016	5,444,706	108.7
29 April 2016*	5,674,930	95.7
10 June 2016*	57,679	95.7
05 July 2016	103,157	95.7
02 September 2016*	1,770,714	93.7
21 November 2016*	526	93.7
16 December 2016	56,927,819	103.6
21 December 2016	1,393,259	103.6
26 January 2017	9,311,815	103.6
22 March 2017	51,429,343	103.6
06 April 2017	3,470,121	103.6
28 April 2017*	3,658,054	94.9
21 June 2017	512,301	100.8
17 August 2017	468,728	98.7
25 August 2017*	2,416,834	93.2
17 November 2017	88,257,069	102.2
21 November 2017	7,090,446	102.2
2 February 2018	26,821,677	103.0
26 March 2018	64,060,792	103.0
5 April 2018	9,099,079	103.0
5 April 2018	5,598,817	103.0
11 April 2018	3,786,662	103.0
27 April 2018*	5,330,093	94.3
20 June 2018	1,048,883	99.8
24 August 2018*	3,670,352	92.3
24 August 2018	558,604	97.7
24 August 2018	206,521	92.3

\* Represents the issue of shares at NAV under the DRIS

\*\* Represents the issue of shares at NAV on the merger of Titan 1, Titan 3, Titan 4 and Titan 5 with the Company

<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
13 February 2015	345,000	92.75
18 February 2015	321,270	92.75
13 March 2015	300,000	92.75
24 April 2015	650,000	92.75
30 April 2015	658,645	92.75
29 June 2015	130,000	92.75
6 July 2015	338,231	92.75
17 July 2015	246,051	90.75
15 September 2015	325,158	91.0
25 September 2015	1,416,116	91.5
30 October 2015	1,495,263	91.5

11 February 2016	380,000	98.1
17 February 2016	485,224	98.1
29 April 2016	1,114,397	91.5
27 June 2016	380,000	91.5
1 July 2016	353,625	91.5
23 September 2016	450,000	89.6
30 September 2016	626,605	89.6
31 October 2016	465,792	89.6
6 February 2017	250,000	93.6
10 February 2017	320,141	93.6
31 March 2017	350,000	93.6
7 April 2017	362,729	90.7
28 April 2017	555,041	90.7
26 June 2017	150,000	91.0
30 June 2017	127,444	91.0
11 September 2017	220,000	89.1
15 September 2017	513,366	89.1
26 September 2017	366,634	89.1
21 November 2017	984,926	92.2
27 November 2017	422,830	92.2
7 February 2018	280,000	93.0
12 February 2018	863,449	93.0
29 March 2018	518,809	93.0
30 April 2018	1,176,648	90.1
27 June 2018	700,000	90.1
4 July 2018	1,284,994	90.1

- 3.8 Other than the issue of New Shares under the Offer and Shares under its Dividend Reinvestment Scheme, the Company has no present intention to issue any Shares.
- 3.9 The Company does not have in issue any securities not representing share capital.
- 3.10 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to the Company, except to the extent disapplied by the Company in general meeting. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer shares to be issued for cash to existing Shareholders on a pro rata basis.
- 3.11 No Shares are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.12 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.13 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since 1 November 2014.
- 3.14 Other than pursuant to the Offer, none of the New Shares have been sold or are available in whole or in part to the public in conjunction with the application for the New Shares to be admitted to the Official List.

- 3.15 The New Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the New Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. New Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of the Company permit the holding of shares in CREST.
- 3.16 The ISIN and SEDOL Codes of the Shares are GB00B28V9347 and B28V934 respectively.

#### 4 DIRECTORS' INTERESTS

- 4.1 As at the date of this document the Directors and their immediate families have the following interests in the issued share capital of the Company:

Director	No. of Shares	% of Issued Share Capital
John Hustler	92,695	Less than 0.1%
Matt Cooper	1,189,321	Less than 0.2%
Mark Hawkesworth	86,202	Less than 0.1%
Jane O'Riordan	68,262	Less than 0.1%
Tom Leader	0	0%

- 4.2 Assuming that the Offer is fully subscribed, including the over-allotment facility, with 204,708,290 New Shares being issued at an Offer Price of 97.7p, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
John Hustler	92,695	Less than 0.1%
Matt Cooper	1,394,029	Less than 0.2%
Mark Hawkesworth	96,437	Less than 0.1%
Jane O'Riordan	68,262	Less than 0.1%
Tom Leader	0	0%

- 4.3 The Company is not aware of any person who holds or who, assuming that the Offer is fully subscribed with 204,708,290 New Shares being issued at an Offer Price of 97.7p, will, immediately following Admission of the New Shares, hold (for the purposes of rule 5 of the Disclosure Guidance and Transparency Rules ("DGTR 5")), directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company to which voting rights are attached or who could, directly or indirectly, jointly or severally, exercise control over the Company.
- 4.4 The persons, including the Directors referred to in paragraphs 4.1 and 4.2 above, do not have voting rights in respect of the Shares (issued or to be issued) which differ from any other Shareholder.
- 4.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 4.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or

unperformed, except for Matt Cooper who is a shareholder in, and Chairman of, Octopus Capital Limited, the holding company of Octopus, which is a party to the agreements referred to in paragraphs 8.1 to 8.4 and 8.6 below and who is consequently interested in these agreements.

4.7 In addition to their directorships of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management

<b>Name</b>	<b>Position</b>	<b>Name of company/partnership</b>	<b>Positions Still held</b>
John Hustler	Director	Hustler Venture Partners Limited	Y
	Director	Hygea vct Limited	Y
	Director	Seneca Growth Capital VCT Plc (formerly Hygea vct plc)	Y
	Director	Northern Venture Trust plc	N
	Director	RenaissanceRe Syndicate Management Limited	N
Matthew Cooper	Limited Partner	Octopus Zenith Founder Partner LP	Y
	Director	Tandem Bank Limited	Y
	Director	Imaginatik plc	N
	Director	Imaginatik (Goswell) Limited	N
	Director	Which? Financial Services Limited	N
	Director	Accesso Technology Group Plc (formerly LO-Q plc)	N
	Director	ClearlySo Limited	N
	Director	Vouchedfor Ltd	Y
	Director	Circus Space Events Limited	Y
	Director	National Centre for Circus Arts	Y
	Director	Circus Space Property Company Limited	Y

	Director	Tandem Money Limited	Y
	Director	Ultimate Finance Group Limited	N
	Director	Ultimate Finance Holdings Limited	N
	Director	My Dish Limited	N
	Director	10Duke Software Ltd	N
	Director	The Mental Health Foundation	N
	Member	Carbon Leadership LLP	Y
	Director	Octopus Investments Limited	N
	Director	Octopus Capital Limited	Y
	Director	Octopus Eclipse VCT plc (dissolved)	N
	Director	Octopus Apollo VCT plc	N
	Director	Octopus Eclipse VCT 2 plc (dissolved)	N
	Director	Octopus Eclipse VCT 3 plc (dissolved)	N
	Director	Octopus Eclipse VCT 4 plc (dissolved)	N
	Director	Octopus Apollo VCT 1 plc (dissolved)	N
	Director	Octopus Apollo VCT 2 plc (dissolved)	N
	Director	Octopus Titan VCT 1 plc (dissolved)	N
	Director	Independent Growth Finance Limited	Y
	Director	The Conservatoire for Dance and Drama	N
	Director	Rise Capital Limited (dissolved)	N
Mark Hawkesworth	Director	The Gordon Foundation	Y
	Director	Procuritas Investment Manager II Limited	N
	Director	Procuritas Investment Manager Limited (dissolved)	N
	Director	BPEP Holdings Limited	N
	Director	ESD Managers Limited	N

	Director	Euralcom Group BV (in liquidation)	N
	Director	Octopus Titan VCT 3 plc (dissolved)	N
	Member	Baring Private Equity Partners Group LLP (dissolved)	N
Jane O'Riordan	Director	Nando's Limited	Y
	Director	Pilotspice Limited (dissolved)	N
	Director	The Honor Chapman Foundation (formerly The Ducky Foundation) (dissolved)	N
	Director	The London Larder Company Limited	Y
	Director	Yellowwoods Associates UK Ltd	Y
	Director	Capricorn Advisors Limited	Y
	Director	Klein Moerbeij Estate (Pty) Limited	Y
	Director	Dynamo Restaurants Limited	Y
	Limited Partner	Wickstowe Management LLP	Y
	Limited Partner	Capricorn Marketing LLP	Y
	Director	The Soho Shooting Company Limited	N
	Director	Octopus Titan VCT 5 plc (dissolved)	N
Tom Leader	Limited Partner	Caledonia Sterling Industries LLP	Y
	Director	Penox Group GmbH	Y
	Director	Caledonia Choice Limited	Y
	Director	Chaplin Topco Limited	Y
	Director	Caledonia Sterling Limited	Y
	Director	Brookshire Trading Limited	Y
	Director	UK Boxer Midco Limited (in liquidation)	Y



	Director	Cole-Parmer Limited	N
	Director	UK Boxer Midco 2 Limited	N
	Director	Nova Boxer GP One Limited	N
	Director	Nova Boxer GP Two Limited	N
	Director	Nova Capital Group Limited	N
	Director	Nova Capital Management Limited	N
	Director	Chaplin Bidco Limited	N
	Director	Chaplin Midco Limited	N
	Director	UK Boxer Propco Holdco 2 Limited (dissolved)	N
	Director	Techne (Cambridge) Limited (dissolved)	N
	Director	UK Boxer Holdco Limited (dissolved)	N
	Director	UK Boxer Propco Holdco Limited (dissolved)	N
	Director	UK Boxer Propco 2 Limited (dissolved)	N
	Director	UK Boxer Bidco 1 Limited (dissolved)	N
	Director	UK Boxer Propco 1 Limited (dissolved)	N
	Director	UK Boxer Newco Limited (dissolved)	N
	Director	Wescon Controls LLC	N
	Director	Wescon Plastics LLC	N
	Director	MC Electronics LLC	N
	Director	Anderson & Forrester LLC	N
	Director	Coast Wire & Plastic Tech LLC	N
	Director	Shell Topco LP	N

The business address of all the Directors is 33 Holborn, London EC1N 2HT.

4.8 Save as set out below, none of the Directors has at any time within the last five years:

- 4.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- 4.8.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- 4.8.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.7 above; or
- 4.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Octopus Eclipse VCT plc, Octopus Eclipse VCT 2 plc, Octopus Eclipse VCT 3 plc, Octopus Eclipse VCT 4 plc, Octopus Apollo VCT 1 plc, Octopus Apollo VCT 2 plc, Octopus Titan VCT 1 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 5 plc, Procuritas Investment Manager Limited, UK Boxer Propco Limited, UK Boxer Bidco 1 Limited, UK Boxer Propco 2 Limited and Techne (Cambridge) Limited were all in voluntary liquidation prior to being dissolved. Mark Hawkesworth was on the supervisory board of Euralcom Group BV which filed for insolvency in December 2007, with unsecured creditors amounting to approximately 40 million euros.

- 4.9 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.10 There are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for the Company.
- 4.11 The Directors, Octopus, Octopus AIF and the directors of Octopus and Octopus AIF do not have any conflicts of interest between their duties to the Company and their private interests or other duties except for Matthew Cooper who is a shareholder in Octopus Capital Limited, the holding company of Octopus, and Chairman of Octopus Capital Limited, which is a party to the agreements referred to in paragraphs 8.1 to 8.4 and 8.6 below and who is consequently interested in these agreements.

## **5 DIRECTORS' LETTERS OF APPOINTMENT**

John Hustler and Matt Cooper were appointed as Directors on 2 November 2007 subject to appointment letters of the same date. Mark Hawkesworth and Jane O'Riordan were appointed as Directors on 27 November 2014 subject to appointment letters of those dates. Tom Leader was appointed as a Director on 8 August 2018 subject to an appointment letter of the same date. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by the Company entitling the Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. John Hustler, as chairman of the Company, is entitled to annual remuneration of £40,000. Mark Hawkesworth, as audit Chairman is entitled to £35,000, while the annual remuneration receivable by Matt Cooper, Jane O'Riordan & Tom Leader is £32,500 each. With effect from 1 May 2016, the annual

remuneration of Matt Cooper has been paid by Octopus. None of the Directors has a service contract with the Company and no such contract is proposed. In respect of the year ended 31 October 2017, John Hustler received £35,000, Matt Cooper received £27,500, Mark Hawkesworth received £30,000 and Jane O’Riordan received £27,500.

## **6 THE COMPANY AND ITS SUBSIDIARY**

The Company has one wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.

## **7 OFFER AGREEMENT**

An agreement dated 13 September 2018, between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for New Shares. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the latest NAV of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary for up to seven years, and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by the Company, the Directors and Octopus to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any material statement in the Prospectus is untrue, any material omission from the Prospectus arises or any material breach of warranty occurs. Octopus has agreed to indemnify the Company against the costs of the Offer exceeding 7.5% of the gross proceeds of the Offer.

## **8 MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by the Group and which contain any provision under which the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An agreement dated 5 September 2017 between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2017 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2017 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2017 Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the 2017 Offer who have invested directly into the Company and not through a financial intermediary for up to nine years subject to these fees not exceeding, in aggregate, an amount that is equal to 2.35% of the Company’s market capitalisation as at the date of the agreement, and agreed to discharge all external costs of advice and their own costs in respect of the 2017 Offer. Under this agreement

certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2017 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2017 Offer exceeding 7.5% of the gross proceeds of the 2017 Offer.

- 8.3 An agreement dated 23 August 2016, between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2016 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2016 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2016 Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the 2016 Offer who have invested directly into the Company and not through a financial intermediary for up to nine years subject to these fees not exceeding, in aggregate, an amount that is equal to 2.35% of the Company's market capitalisation as at the date of the agreement, and agreed to discharge all external costs of advice and their own costs in respect of the 2016 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2016 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2016 Offer exceeding 7.5% of the gross proceeds of the 2016 Offer.
- 8.4 An offer agreement dated 8 September 2015 between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2015 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2015 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2015 Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the 2015 Offer who have invested directly into the Company and not through a financial intermediary for up to nine years and agreed to discharge all external costs of advice and their own costs in respect of the 2015 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2015 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2015 Offer exceeding 7.5% of the gross proceeds of the 2015 Offer.
- 8.5 The letters of appointment of the Directors, details of which are set out in paragraph 5 above.
- 8.6 A management agreement (the "Management Agreement") dated 2 November 2007 between Titan 1, the Company and Octopus Ventures Limited (as novated to Octopus by a deed of novation dated 19 October 2009 and to Octopus AIF by a deed of novation dated 1 September 2017) and a sub-management agreement (the "Sub-Management Agreement") dated 1 September 2017 between Octopus AIF and Octopus (the Management Agreement and the Sub-Management Agreement together the "Management Agreements") and an administration agreement (the "Administration Agreement") dated 2 November 2007 between Titan 1, the

Company and Octopus, (the Management Agreement and Administration Agreement both as varied by deeds of variation dated 7 February 2013, 16 September 2014 and 1 September 2017). The Management Agreements provide that Octopus will provide investment management services to the Company in respect of its portfolio of qualifying investments for a fee of 2% of the Company's NAV on an annual basis. The Manager is also entitled to a performance incentive fee under the Management Agreement as set out below.

In November 2014, the Titan VCTs were merged. At the time of the Merger all the Titan VCTs except for Titan 5 (which at the time of the Merger represented approximately £28.6m) had met their performance fee hurdle (Titan 5 being the youngest of the Titan VCTs, having been incorporated in 2010). This currently continues to have an impact on the way the performance fee is calculated and paid, of which there are three parts:

1. In respect of Company's fund equivalent to the previous Titan 1, 2, 3 & 4 shares at the time of the Merger and funds raised since the merger, a performance fee of 20% of all future gains above the high-water mark (being the highest NAV plus cumulative dividends paid at a previous audited year-end), will be payable to the Manager. The current high-water mark is 162.4p per share which is the total value as at 31 October 2017.
2. In respect of the proportion of the Company's fund equivalent to the previous Titan 5 shares at the time of the Merger, a performance fee is due when the following conditions have been met:
  - a. Further dividends of 3.3p per Share have been paid subsequent to the Merger.
  - b. A 20% performance fee will start accruing when the NAV + cumulative dividends + performance fees paid since the merger of the Company exceeds 147.2p (the lower threshold).
  - c. A 20% performance fee will be payable to the Manager when the NAV + cumulative dividends + performance fees paid since the merger reaches 169.3p (the upper threshold).

As (a) and (b) have now been met, it is considered likely that the upper threshold will be met in due course. The performance fee is therefore currently accruing (i.e. has not yet been paid) for gains above the lower threshold: as at 31 October 2017 the Company had accrued £1.1m in respect of the Titan 5 performance fee which is taken into account in the 31 October 2017 NAV.

	Lower Threshold	NAV + cumulative dividends + performance fees paid since the merger (as at 31 October 2017)	Upper Threshold	Accrued Titan 5 performance fees (as at 31 October 2017)
Titan 5	147.2p	166.1p	169.3p	£1.1m

3. Once the performance fee hurdle (c) in relation to Titan 5 shares has been met a 20% performance fee on any future gains above NAV plus cumulative dividends paid, subject to the high-water mark (being the highest total value from an audited previous year-end), will be payable to the Manager.

Pursuant to the Administration Agreement, Octopus provides administration and company secretarial services to the Company for a fee of 0.3% of the NAV of the Company on an annual basis.

The deeds of variation dated 16 September 2014 extended the term of the Management Agreement and the Administration Agreement for a further 4 years from completion of the

Merger, terminable by the parties on 12 months' written notice thereafter, subject to earlier termination in the event of the underperformance of the Portfolio Manager, the departure of certain members of the Portfolio Manager or as agreed by the Shareholders and the Portfolio Manager.

The Company, the Manager and Octopus have agreed in principle changes to the investment management and administration fees detailed above. In addition, there are ongoing discussions between these parties as to extending the notice period of the Management Agreement and the Administration Agreement, which may be subject to regulatory and Shareholder approval.

Octopus also retains the right pursuant to the Management Agreement to charge transaction, directors', monitoring, consultancy, corporate finance, introductory and syndication fees, commissions and refunds of commissions in respect of the management of the Company's investment portfolio. Such fees do not typically exceed 1.5% of the total amount invested by all Octopus managed funds (including the Company) per annum, assuming an investment of £5 million and a holding period of five years. The Company and Octopus have agreed in principle that from 31 October 2018, Octopus will no longer receive such fees in respect of new investments, with those fees being passed to the Company. The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus.

The Company is classified by the FCA as an alternative investment fund (an "AIF"). Under the Alternative Investment Fund Management Directive (the "AIFM Directive"), member states are required to ensure that each AIF managed within the scope of the AIFM Directive has a single alternative investment fund manager (an "AIFM") responsible for ensuring compliance with the AIFM Directive. An AIFM must provide, at a minimum, portfolio management and risk management services to one or more AIFs as its regular business irrespective of where the AIFs are located or what legal form the AIF takes.

AIFMs that manage AIFs whose assets under management ("AUM") do not meet the size criteria set out in the AIFM Directive ("sub-threshold") will not be subject to the full requirements of the AIFM Directive. An AIFM will be sub-threshold if it manages portfolios of AIFs whose aggregate AUM:

- do not exceed €100 million (including any assets acquired through the use of leverage); or
- do not exceed €500 million where the portfolio of AIFs consist of AIFs that are unleveraged; and
- do not give their investors a right of redemption within five years of initial investment in each AIF.

As the Company is no longer sub-threshold, Octopus AIF, which is a full scope alternative investment fund manager, was appointed as the Company's investment manager and the investment management agreement between the Company and Octopus that was in place at the time of that appointment was assigned by way of the deed of novation referred to above from Octopus to Octopus AIF (the "Assignment"), and subsequently amended and restated by way of a deed of variation and restatement in order to reflect Octopus AIF's status as a full scope AIFM. Pursuant to the subsequent Sub-Management Agreement referred to above, Octopus provides portfolio management services to the Company.

As a result of the Assignment and the Sub-Management Agreement, the personnel managing the Company's portfolio and the investment management fee payable by the Company remain unchanged from the time when the Company was sub-threshold.

## 8.7 Material contracts for Zenith Holding Company Limited

On 3 May 2013 Zenith Holding Company Limited entered into a partnership agreement ("Partnership Agreement") with Octopus GP Limited ("General Partner"), Octopus Zenith Founder Partner LP, the Portfolio Manager and the limited partners referred to in the Partnership Agreement, relating to Octopus Zenith LP ("Zenith"), which had been formed to carry on the business of an investor and to which certain investments had been transferred by the Company, Titan 1 and Titan 3. Pursuant to the Partnership Agreement Zenith is managed by the General Partner, which will delegate its responsibilities to the Portfolio Manager. The term of Zenith will be five years from the final closing date and the investment period will be two years (or such earlier date when all investments have been made), both of which may be extended by up to two additional one year periods. Zenith is also reliant on certain key individuals and the departure of such individuals may lead to a suspension of the operation of the investment period. The General Partner shall also appoint three representatives to act as members of an investor committee (which shall include a representative of the Company) that are to be consulted by the General Partner on general policies and guidelines, prospective investment sectors and conflicts of interest, but shall not make any decisions relating to the making or realisation of investments. The Company may also be presented with the option to co-invest in certain opportunities alongside Zenith.

- 8.8 A depositary agreement (the "Depositary Agreement") dated 1 September 2017 between the Company (1), BNP Paribas Securities Services (the "Depositary") (2) and the Manager (3) pursuant to which the Depositary provides cash monitoring, safekeeping of financial instruments and other assets and oversight duties as well as such other services as agreed by the parties to the Depositary Agreement (the "Services").

The Depositary is a wholly-owned subsidiary of BNP Paribas SA. It is incorporated in France as a Société en Commandite par Actions (a partnership limited by shares) and registered at the Companies Register of Paris under No. 552 108 011, with its registered address at 3 Rue d'Antin, 75002 Paris, France, and operates through its London branch at 10 Harewood Avenue, London NW1A 6AA (telephone +44 (0)20 7595 1340).

BNP Paribas Securities Services SCA is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF) and, in respect of its services as depositary in the United Kingdom, is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.

The Depositary is permitted to act as depositary of an alternative investment fund in accordance with FUND 3.11.10.

Under the Depositary Agreement the Company and the Manager have given certain warranties and an indemnity to the Depositary, and the Depositary has given certain warranties to the Company and the Manager, which are in usual form for a contract of this type. The Depositary Agreement can be voluntarily terminated by the parties on six months prior written notice, subject, in the case of a termination by the Depositary, to a new depositary being appointed, or earlier in certain circumstances. The fees payable to the Depositary for the Services will depend on the level of the Services to be provided and are set out in a Schedule to the Depositary Agreement.

## **9 RELATED PARTY TRANSACTIONS**

Save for offer agreement detailed at paragraph 7 above, the fees paid to the Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.6 above, the fees paid to Octopus of £8.9 million in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.2 to 8.4 above and pursuant to an offer agreement dated 16 September 2014, there were no other related party transactions or

fees paid by the Group to a related party during the years ended 31 October 2015, 31 October 2016 and 31 October 2017 or for the period from 31 October 2017 to the date of this document.

## 10 WORKING CAPITAL

The Company is of the opinion that the working capital of the Company and the Group is sufficient for the Company's and the Group's present requirements, that is, for at least the period of twelve months from the date of this document.

## 11 CAPITALISATION AND INDEBTEDNESS

11.1 The capitalisation of the Company as at 30 April 2018 was as follows:

<b><u>Capital and reserves</u></b>	
Called up Equity Share Capital	65,479
Share Premium	295,277
Special Distributable Reserve	186,106
Capital Redemption Reserve	1,495
Capital Reserve Realised	9,405
Capital Reserve Unrealised	74,869
Revenue Reserve	(14,724)
Translation Reserve	(148)
<b>Total Equity Shareholders' Funds</b>	<b>617,759</b>

There has been no material change to the capitalisation since 30 April 2018.

11.2 Since incorporation, the Company has incurred no indebtedness. The Company has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 14.1.13 below.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

12.1 The audit committee of the Company comprises the Board (with the exception of Matt Cooper), is chaired by Mark Hawkesworth and meets twice a year. The committee has direct access to BDO LLP, 55 Baker Street, London W1U 7EU, the Company's external auditor. The duties of the audit committee are, inter alia:

- 12.1.1 to review and approve the half yearly and annual results of the Company and the statutory accounts before submission to the Board;
- 12.1.2 to review and approve the external auditor's terms of engagement and remuneration; and
- 12.1.3 to review the appropriateness of the Company's accounting policies, to consider matters of corporate governance as may generally be applicable to the Company and to make recommendations to the Board in connection therewith as appropriate.



### *Nomination and Remuneration Committees*

- 12.1.4 A nomination committee consisting of the Board and chaired by John Hustler has been established to consider recommendations for the re-election of Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors are considered by the Board and any Director is excluded from meetings the purpose of which is the setting of his own remuneration.

## **13. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

## **14. ARTICLES OF ASSOCIATION**

- 14.1 The articles of association of the Company contain, *inter alia*, the following provisions.

### 14.1.1 Voting Rights

Subject to any disenfranchisement as provided in paragraph 14.1.5 below the Shares shall carry the right to receive notice of or to attend or vote at any general meeting of the Company and on a show of hands every holder of Shares present in person or by proxy (or being a corporation, present by an authorised representative) shall have one vote and, on a poll, every holder of Shares who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

### 14.1.2 Transfer of Shares

The Shares are in registered form and will be freely transferable free of all liens. All transfers of Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a Share shall be executed by or on behalf of the transferor and, in the case of a partly paid Share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis and may also refuse to register any instrument of transfer unless:

- 14.1.3 (i) it is duly stamped (if so required), is lodged with the Company's registrar or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share; and
- (iii) the transferees do not exceed four in number.

### 14.1.4 Dividends

The Company may in general meeting by ordinary resolution declare dividends to be paid to members in accordance with the Articles, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to a dividend arises. All dividends unclaimed for a period of twelve years after being declared or

becoming due for payment shall be forfeited and shall revert to the Company.

The Shares shall entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the Shares and from income received and accrued which is attributable to the Shares.

The Directors may, with the prior sanction of an ordinary resolution of the Company, offer Shareholders the right to elect to receive in respect of all or part of their holding of Shares, additional Shares credited as fully paid instead of cash in respect of all or part of such dividend or dividends and (subject as hereinafter provided) upon such terms and conditions and in such manner as may be specified in such ordinary resolution. The ordinary resolution shall confer the said power on the Directors in respect of all or part of a particular dividend or in respect of all or any dividends (or any part of such dividends) declared or paid within a specified period but such period may not end later than the date of the annual general meeting next following the date of the general meeting at which such ordinary resolution is passed.

#### 14.1.5 Disclosure of Interest in Shares

If any Shareholder or other person appearing to be interested in Shares is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in Section 793 of the CA 2006, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant Shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant Shares and additionally in the case of a Shareholder representing at least 0.25% by nominal value of any class of Shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant Shares.

#### 14.1.6 Distribution of Assets on Liquidation

On a winding-up any surplus assets will be divided amongst the holders of each class of shares in the Company according to the respective numbers of shares held by them and in accordance with the provisions of the CA 2006, subject to the rights of any shares which may be issued with special rights or privileges.

The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the CA 2006, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### 14.1.7 Changes in Share Capital

- (i) Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the CA 2006, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amounts, or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.

- (iii) Subject to the CA 2006, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and may also, subject to the Act, purchase its own shares.
- (iv) The Company may by ordinary resolution convert any fully paid up shares into stock of the same class as the shares which shall be so converted, and reconvert such stock into fully paid up shares of the same class and of any denomination.

#### 14.1.8 Variation of Rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the nominal amount of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of such holders.

#### 14.1.9 Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be fewer than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be fewer than the prescribed minimum, the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment.

Any Director may in writing under his hand appoint (a) any other Director, or (b) any other person who is approved by the Board as hereinafter provided, to be his alternate. A Director may at any time revoke the appointment of an alternate appointed by him. Every person acting as an alternate Director of the Company shall be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him.

Subject to the provisions of the Statutes (as defined in the Company's articles of association), the Directors may from time to time appoint one or more of their body to be managing director or joint managing directors of the Company or to hold such other executive office in relation to the management of the business of the Company as they may decide.

A Director may continue or become a Director or other officer, servant or member of any company promoted by the Company or in which they may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any remuneration or other benefits derived as Director or other officer, servant or member of such company.

The Directors may from time to time appoint a chairman of the Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office.

The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality, whether at home or abroad, in such manner as they think fit.

#### 14.1.10 Directors' Interests

- 14.1.10.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the CA 2006, the nature of his interest.

- 14.1.10.2. Provided that he has declared his interest in accordance with paragraph 14.1.10.1, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.
- 14.1.10.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through the Company, unless his interest arises only because the case falls within one or more of the following paragraphs:
- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
  - (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
  - (f) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a Director, officer or auditor.
- 14.1.10.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

#### 14.1.11 Remuneration of Directors

14.1.11.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £150,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

14.1.11.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.

14.1.11.3 The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 14.1.12 Retirement of Directors

At the annual general meeting of the Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed despite having attained any particular age and shall not be required to retire by reason of his having attained any particular age, subject to the provisions of the Act.

#### 14.1.13 Borrowing Powers

Subject as provided below, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Company's articles permit borrowings of amounts up to 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.

#### 14.1.14 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 2006, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the CA 2006, any expenses, loss or liability

(or provision therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company.

#### 14.1.15 Duration of Company

At the later of (i) the annual general meeting held in 2020 and (ii) the tenth annual general meeting held after the fifth anniversary of the last allotment of shares (from time to time) and, if the Company has not then been wound up, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue as a venture capital trust. If the resolution is not passed, the Board shall within 4 months of such meeting convene a general meeting of the Company at which a special resolution for the re-organisation or reconstruction of the Company and/or a special resolution requiring the Company to be wound up voluntarily shall be proposed. If neither of the resolutions is passed, the Company shall continue as a venture capital trust.

#### 14.1.16 General Meetings

The Directors may, whenever they think fit, convene a general meeting of the Company. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved and, in any other case, shall stand adjourned to such day (being not less than ten clear days) and at such time and place as the Board may determine. If at any such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting, a member present in person or by proxy and entitled to vote shall be a quorum.

The chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

#### 14.2 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company's articles of association are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form subject to the Uncertificated Securities Regulations 2001. The New Shares have been made eligible for settlement in CREST.

### 15. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

15.1 Octopus intends to use the proceeds of the Offer in accordance with the Company's object of spreading investment risk and in accordance with the Company's investment policy. This investment policy is in line with the VCT Rules and the Company will not deviate from them. Further, in accordance with the VCT Rules, the Company will invest in ordinary shares, in some

cases in a small number of preference shares where applicable, and always in accordance with such rules.

- 15.2 The Company is not a regulated entity. VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the rules and regulations of the UK Listing Authority.
- 15.3 The Company is regulated by the VCT Rules in respect of the investments it makes, as described in Part Two of this document. The Company has appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as its VCT status monitor. PwC will report to the Company as part of its annual reporting obligations. In respect of any breach of the VCT Rules, the Company, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Shareholders via a Regulatory Information Service provider.
- 15.4 The Company will not invest more than 15% of its gross assets at the point of investment in any single company, in accordance with the VCT legislation, nor will the Company control the companies in which it invests in such a way as to render them subsidiary undertakings until they have obtained approval as a VCT from HMRC.
- 15.5 The Company will not conduct any trading activity which is significant in the context of its group (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds.
- 15.6 The Board must be able to demonstrate that it acts independently of the Manager. A majority of the Board (including the Chairman) must not be directors, employees, partners, officers, or professional advisers of or to, the Manager or any company in the Manager's group or any other investment entity which they manage.
- 15.7 The Company will not invest directly in physical commodities.
- 15.8 The Company will not invest in any property collective investment undertaking.
- 15.9 Other than as provided for under its investment policy, the Company will not invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).
- 15.10 Octopus is responsible for the determination and calculation of the NAV of the Company on a six monthly basis.
- 15.11 The NAV of the Company's investments will be determined by Octopus at least every six months and will be communicated to Shareholders through a Regulatory Information Service. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.
- 15.12 The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Company could not readily, without

undue expenditure, be obtained. Details of any suspension in making such calculations will be communicated to Shareholders through a Regulatory Information Service.

## **16. CORPORATE GOVERNANCE**

The UK Corporate Governance Code published by the Financial Reporting Council in June 2016 (the “Code”) presently applies to the Company. The Directors acknowledge the section headed “Comply or Explain” in the preamble to the Code which acknowledges that some provisions may have less relevance for investment companies and, in particular, consider some areas inappropriate to the size and nature of the business of the Companies. Accordingly, the provisions of the Code are complied with save that (i) the Company does not have a chief executive officer or a senior independent director (the Board does not consider this necessary for the size of the Company), (ii) the Company conducts a formal review as to whether there is a need for an internal audit function, however the Directors do not consider that an internal audit would be an appropriate control for a VCT, (iii) the Company does not have a remuneration committee given the size of the Company and as such the Board as a whole deals with any matters of this nature and (iv) as the Company has no major shareholders, the Shareholders are not given the opportunity to meet any non-executive Directors at a specific meeting other than the annual general meeting. It is proposed that the Code will be revised in respect of accounting periods beginning on or after 1 January 2019.

## **17. TAKEOVERS AND MERGERS**

### **17.1 Mandatory takeover bids**

The City Code on Takeovers and Mergers (the “Takeover Code”) applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover, and that shareholders of the same class are afforded equivalent treatment. The Takeover Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers (the “Panel”) has now been placed on a statutory footing. The Takeovers Directive was implemented in the UK in May 2006 and since 6 April 2007 has effect through the CA 2006. The Directive applies to takeovers of companies registered in an EU member state and admitted to trading on a regulated market in the EU or EEA.

The Takeover Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company the other holders of securities must be protected. This is reinforced by Rule 9 of the Takeover Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30% or more of the voting rights to make a general offer. “Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50% of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

### **17.2 Squeeze out**

Section 979 of the CA 2006 provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining



shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90% in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90% of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the CA 2006 must, in general, be the same as the consideration available under the takeover offer.

### 17.3 Sell out

Section 983 of the CA 2006 permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in a company which amount to not less than 90% in value of all the voting shares in the company and carry not less than 90% of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 18. NOTIFICATIONS OF SHAREHOLDINGS

The provisions of DGTR 5 will apply to the Company and its Shareholders. DGTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3% and each 1% thereafter up to 100%. DGTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and that the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

## 19. GENERAL

- 19.1 The estimated costs and expenses relating to the Offer, assuming full subscription, including the over-allotment facility, all investors being Advised Investors, and all choosing to pay their advisers a 2.5% upfront fee, payable by the Company are estimated to amount to approximately £11 million in aggregate (excluding VAT). On the above assumptions, the aggregate total net proceeds of the Offer, after all fees, is expected to be £189 million.
- 19.2 Grant Thornton UK LLP, chartered accountants of 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB were the auditor of the Company since its incorporation until 11 November 2013. James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP were the auditor since 14 November 2013 until 20 June 2018. BDO LLP of 55 Baker Street, London, W1U 7EU has been the auditor since 20 June 2018. James Cowper LLP has given unqualified audit reports on the statutory accounts of the Company for all of the financial years set out in Part Three, within the meaning of Section 495 of the CA 2006. None of those reports contained any statements under Section 237(2) or (3) of the CA 2006. The statutory accounts referred to in Part Three have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006 and together with the interim reports for the 6 month periods ended 30 April 2017 and 30 April 2018, were prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 104 Interim Financial Reporting.
- 19.3 The Company shall take all reasonable steps to ensure that its auditors are independent of it and will obtain written confirmation from its auditors that it complies with guidelines on independence issued by its national accountancy and auditing bodies.
- 19.4 Howard Kennedy has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

- 19.5 The statements attributed to Octopus in this document have been included in the form and context in which they appear with the consent and authorisation of Octopus. Octopus accepts responsibility for those statements, and to the best of the knowledge and belief of Octopus (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of such information.
- 19.6 The Company does not assume responsibility for the withholding of tax at source.
- 19.7 There has been no significant change in the financial or trading position of the Group since 30 April 2018, the date to which the Company's latest unaudited interim financial information has been published, to the date of this document.
- 19.8 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Group's prospects or which have materially affected the Group's income from operations so far as the Company and the Directors are aware.
- 19.9 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service announcement, if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.
- 19.10 The Company's capital resources are restricted insofar as they may be used only in putting into effect the Company's investment policy, as set out in this document. There are no firm commitments in respect of any of the Company's principal future investments. As at 31 July 2018, the Company had £216 million of uninvested cash which has been retained for working capital and follow-on or new investments.
- 19.11 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 19.12 The typical investor for whom investment in the Company is designed is a UK income taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out on pages 15 and 16, considers the investment policy of the Company to be attractive. This may include retail, institutional and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-VCT investments.
- 19.13 The Company does not have any material shareholders with different voting rights.
- 19.14 Application has been made for the admission of the New Shares to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The New Shares will be in registered form. If, following issue, recipients of New Shares wish to hold their New Shares in uncertificated form, they should contact the Company's registrar.
- 19.15 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.16 Pursuant to the investment management agreement, details of which are set out in paragraph 8.6 above, Octopus AIF will procure safe custody to the Company in respect of the un-invested cash, general investment and dealing services on a discretionary basis and other related facilities

which may include the following investments: shares in investee companies, debenture stock, loan stock, bonds, units, notes, certificates of deposit, commercial paper or other debt instruments, municipal and corporate issues, depository receipts, cash term deposits, money market securities, unit trusts, mutual funds, OEICs, investment funds and similar funds and schemes in the United Kingdom or elsewhere. These services exclude any transaction in relation to futures and options or other derivative type instruments or commodity (or derivative thereof) by Octopus. Pursuant to the depository agreement, details of which are set out at paragraph 8.7 above, BNP Paribas Securities Services provides cash monitoring, safekeeping of financial instruments and other assets and oversight duties as well as such other services as agreed by the parties to the depository agreement.

- 19.17 The existing issued Shares will represent 76.3% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming the Offer is fully subscribed, including the over-allotment facility, with 204,708,290 New Shares being issued at an Offer Price of 97.7p, and on that basis Shareholders who do not subscribe under the Offer will, therefore, be diluted by 23.7%.
- 19.18 The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 12 September 2019. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.
- 19.19 **In the event of an offer being made by a financial intermediary, the financial intermediary will provide information to investors on the terms and conditions of the offer at the time that the offer is made. Any financial intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto.**

## **20. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company and Howard Kennedy whilst the Offer remains open:

- 20.1 the Articles;
- 20.2 the half year reports of the Company for the 6 month periods ended 30 April 2017 and 30 April 2018 and its annual accounts for the periods ended 31 October 2015, 31 October 2016 and 31 October 2017;
- 20.3 the Circular; and
- 20.4 this document.

13 September 2018

## DEFINITIONS

The following definitions apply throughout this document, unless otherwise expressed or the context otherwise requires:

"2015 Offer"	the offer for subscription by the Company as set out in the prospectus dated 8 September 2015 issued by the Company
"2016 Offer"	the offer for subscription by the Company as set out in the prospectus dated 23 August 2016 issued by the Company
"2017 Offer"	the offer for subscription by the Company as set out in the prospectus dated 5 September 2017 issued by the Company
"Acts"	CA 1985 and CA 2006
"Admission"	the admission of New Shares to trading on the London Stock Exchange's main market for listed securities
"Advised Investors"	investors under the Offer who receive advice from their financial intermediaries
"Applicant"	a person applying for New Shares using the Application Form
"Application"	an application for New Shares under the Offer
"Application Form"	the application form relating to the Offer which can be found on the Company's website
"Articles"	the articles of association of the Company
"Board" or "Directors"	the board of directors of the Company
"CA 1985"	Companies Act 1985
"CA 2006"	Companies Act 2006
"Circular"	the circular to Shareholders dated 13 September 2018
"Company"	Octopus Titan VCT plc
"Dividend Reinvestment Scheme" or "DRIS"	the Company's dividend reinvestment scheme, details of which are set out in Part One of this document
"FCA"	the Financial Conduct Authority
"FCA Handbook"	the rules of the FCA as set out in the FCA Handbook of Rules and Guidance as published from time to time
"FSMA"	the Financial Services and Markets Act 2000, as amended
"FUND"	the Investment Funds sourcebook which forms part of the FCA Handbook;
"General Meeting"	the general meeting of the Company to be held on at 11.30 am on 25 October 2018 (or any adjournment thereof);
"Group"	the Company and its wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes

	Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands
"HMRC"	HM Revenue and Customs
"Howard Kennedy"	Howard Kennedy Corporate Services LLP
"IA 1986"	The Insolvency Act 1986, as amended from time to time
"ITA 2007"	Income Tax Act 2007, as amended from time to time
"Knowledge Intensive Company"	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007.
"London Stock Exchange"	London Stock Exchange plc
"Market Abuse Regulation"	Market Abuse Regulation (596/2014/EU)
"Money Laundering Regulations"	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
"NAV"	net asset value
"New Shares"	the Shares being offered under the Offer (and each a "New Share")
"Octopus AIF" or the "Manager"	Octopus AIF Management Limited
"Octopus", the "Portfolio Manager" or the "Receiving Agent"	Octopus Investments Limited
"Octopus VCT"	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
"Octopus Ventures"	those members of Octopus who manage the Company's portfolio, whose details are set out on pages 30 to 33
"Offer"	the offer for subscription for New Shares in respect of the tax years 2018/19 and 2019/20 contained in this document
"Offer Price"	the price per New Share, as set out in Part One of this document
"Official List"	the official list maintained by the UK Listing Authority
"Proposals"	the proposals to effect the Offer, and to approve the Resolutions
"Prospectus"	this document
"Prospectus Rules"	the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC
"Qualifying Company"	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
"Qualifying Investments"	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in chapter 4 of Part 6 ITA 2007

“Qualifying Subscriber”	an individual who subscribes for New Shares and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Resolutions”	the resolutions to be proposed at the General Meeting (and each a “Resolution”)
“Risk Finance State Aid”	State aid received by a company as defined in Section 280B (4) of ITA 2007
“Scheme” or “Merger”	the merger of the Company with Titan 1, Titan 3, Titan 4 and Titan 5, which completed on 27 November 2014, by means of placing Titan 1, Titan 3, Titan 4 and Titan 5 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of the assets and liabilities of Titan 1, Titan 3, Titan 4 and Titan 5 in consideration for Scheme Shares
“Scheme Shares”	the Shares issued subject to the Scheme (and each a “Scheme Share”)
“Shareholders”	holders of Shares, as the context permits (and each a “Shareholder”)
“Shares”	ordinary shares of 10p each in the capital of the Company (and each a “Share”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992
“Terms and Conditions”	the terms and conditions of Application, contained in this document on pages 79 to 85
“Titan 1”	Octopus Titan VCT 1 plc (dissolved via members' voluntary liquidation)
“Titan 3”	Octopus Titan VCT 3 plc (dissolved via members' voluntary liquidation)
“Titan 4”	Octopus Titan VCT 4 plc (dissolved via members' voluntary liquidation)
“Titan 5”	Octopus Titan VCT 5 plc (dissolved via members' voluntary liquidation)
“Titan VCTs”	the Company, Titan 1, Titan 3, Titan 4 and Titan 5
“venture capital trust” or “VCTs”	a company which is, for the time being, approved as a venture capital trust as defined by Section 259 of ITA 2007
“VCT Rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs as amended from time to time

## TERMS AND CONDITIONS

The following terms and conditions apply to the Offer. The section headed "Application Procedure" as set out below also forms part of these terms and conditions of Application.

1. The maximum amount to be raised by the Company is £120 million with an over-allotment facility of a further £80 million. Participation by the Company in the Offer is conditional upon the passing by the Shareholders of Resolutions 1 and 3 at the General Meeting. In the event that Resolutions 1 and 3 are not passed at the General Meeting, the Offer will not proceed and Application monies already received by the Company will be returned to investors. The Offer will close once the Company has reached the aggregate maximum number of New Shares which may be issued.
2. The minimum investment is £3,000. There is no maximum investment.
3. The contract created with the Company by the acceptance of an Application (or any proportion of it) under the Offer will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Company subject to the Offer to the Official List (save as otherwise resolved by the Board).
4. The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than the Offer Price of one Share) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
5. By completing and delivering an Application Form, you:
  - I. irrevocably offer to subscribe for New Shares in the Company under the Offer in the monetary amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the New Shares at the Offer Price, determined by dividing the most recently announced NAV per Share of the Company by 0.945 to allow for issue costs, on the terms of and subject to this document and subject to the memorandum and articles of association of the Company. Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1%, or by 2% if valid applications are received on or before 5pm on 25 October 2018. Other Applicants whose valid applications are received on or before 5pm on 25 October 2018 will benefit from costs of the Offer being reduced by 1%. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines. Where the Share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offer will be ex-dividend. In respect of the Offer, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted);
  - II. agree that your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;

- III. agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive certificates in respect of the New Shares allotted to you until you make payment in cleared funds for such New Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) rescind the agreement to subscribe for such New Shares and may issue such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;
- IV. agree that, in respect of those New Shares for which your Application is received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation and allotment, or by notification of acceptance thereof to the Receiving Agents;
- V. agree that any monies refundable to you by the Company may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations and that such monies will not bear interest;
- VI. authorise the Receiving Agents to send share certificates in respect of the number of New Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Shares;
- VII. agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company or Octopus to bring any action, suit or proceeding arising out of, or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
- VIII. confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document, the cover correspondence or any part thereof or involved in the preparation thereof shall have any liability for such information or representation (save for fraudulent misrepresentation or wilful deceit);
- IX. irrevocably authorise the Receiving Agents to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents to execute any document required therefore;
- X. agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning the Company and the Offer contained therein;
- XI. confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;



- XII. declare that you are an individual aged 18 or over;
  - XIII. agree that all documents and cheques sent by post to, by or on behalf of either the Company or the Receiving Agents, will be sent at the risk of the person entitled thereto;
  - XIV. agree, on request by the Company or Octopus, to disclose promptly in writing to Octopus, any information which Octopus may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Company or Octopus to disclose any information relating to your Application as the Company or Octopus consider appropriate;
  - XV. agree that Octopus will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Shares subject to the Offer or the suitability for you of an investment in New Shares subject to the Offer or be responsible to you for providing the protections afforded to its customers;
  - XVI. where applicable, authorise the Company to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
  - XVII. declare that the Application Form has been completed to the best of your knowledge;
  - XVIII. undertake that you will notify the Company if you are not or cease to be either a VCT qualifying subscriber or beneficially entitled to the New Shares;
  - XIX. declare that a loan has not been made to you or any associate, which would not have been made or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares under the Offer and that such New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax; and
  - XX. agree that information provided on the Application Form may be provided to the registrars and Receiving Agents to process shareholdings details and send notifications to you.
6. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.
  7. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the New Shares have not been and will not be registered under the United States Investment Company Act of 1940, as amended. Octopus will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
  8. The basis of allocation will be determined by the Company (after consultation with Octopus) in its absolute discretion. The right is reserved by the Board to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Company or Octopus

consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied, and to reduce the minimum investment of £3,000. Dealings prior to the issue of certificates for New Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

#### 9. Money Laundering Regulations

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

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over the sterling equivalent of €15,000 (approximately £13,700) or who invest using third party cheques. Octopus may therefore undertake an electronic search for the purposes of verifying your identity. To do so Octopus may check the details you supply against your particulars on any database (public or other) to which Octopus has access. Octopus may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If Octopus cannot verify your identity it may ask for a recent, original utility bill and an original HMRC Tax Notification or a copy of your passport certified by a bank, solicitor or accountant from you or a Client Verification Certificate from your IFA.

If within a reasonable period of time following a request for verification of identity, and in any case by no later than 3.00 pm on the relevant date of allotment, Octopus has not received evidence satisfactory to it as aforesaid, Octopus, at its absolute discretion, may reject any such Application in which event the remittance submitted in respect of that Application will be returned to the Applicant (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for by members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation.

#### 10. Costs of the Offer

For all investors, the Offer Price will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer.

**The formula is: the most recently announced NAV per Share, divided by 0.945.**

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1%, or by 2% if valid applications are received on or before 5pm on 25 October 2018. Other Applicants whose valid applications are received on or before 5pm on 25 October 2018 will benefit from costs of the Offer being reduced by 1%. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines.

In consideration for promoting the Offer, the Company will pay an initial charge of 3% of the gross sums invested in the Offer to Octopus. This is payable in the same way on all

subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:

**1) A direct investment**

Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Company.

In consideration for promoting the Offer, if an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to seven years, provided the investor continues to hold the Shares.

**2) An advised investment where advice is received for an upfront fee with an ongoing adviser charge**

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.

The Company can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her intermediary/adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as set out above.

The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to seven years whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the Board.

If the investor terminates their relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Company will facilitate ongoing adviser charges to a new adviser if an investor changes their adviser and requests the ongoing adviser charge to be paid to their new adviser.

**3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge**

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay

their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments.

In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.

**4) A non-advised investment using an intermediary**

Investors who have invested their money through a financial intermediary and have not received advice.

An initial commission of up to 2.5% of the investment will be paid by the Company to the intermediary. An annual ongoing charge of 0.5% of the investment amount's latest NAV will be paid by the Company to the intermediary. Such commission will be available for up to seven years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

These charges may, according to the proportion of Advised Investors where advice is received for an upfront fee only, create some limited reduction of the NAV per Share immediately subsequent to subscriptions in the Offer being made. This effect will be mitigated and is ultimately expected to be more than compensated, for continuing investors, by the expected benefits derived from a larger pool of investable funds and the financial benefit in subsequent periods of the absence of ongoing adviser charges in respect of such investments.

The reinvestment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the New Shares. Any purchaser of those Shares will not benefit from the reinvestment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of Shares will not benefit from the issue or allotment of any additional New Shares under the arrangements set out above.

Any additional New Shares which are issued under the arrangements which are described above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Company does not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Company is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

The above payments are subject to any future changes in the applicable rules and regulations.

**Example**

On the assumption that an investor does not receive any advice in respect of their Application, an illustration of the pricing formula for an aggregate investment of £10,000 under the Offer (using the most recently published unaudited NAV of the Company as at the date of this document) is set out below:

<b>Latest published unaudited NAV as at the date of the Prospectus (p)</b>	<b>Offer Price (p)</b>	<b>Application (£)</b>	<b>Number of New Shares to be allotted</b>
92.3	97.7	£10,000	10,235

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares. The cost of the Offer is capped at 7.5%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

## ANNEX I

### TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEME (THE "DRIS") OF THE COMPANY

1. Elections to participate in the Scheme should be addressed to the Scheme administrator, Computershare Investor Services plc ("Scheme Administrator") in accordance with condition 11 and will only be effective for dividends to be paid 15 days following receipt of the election by the Scheme Administrator.
2.
  - (a) The Company, acting through the Scheme Administrator, shall have absolute discretion to accept or reject elections. An applicant shall become a member of the Scheme upon acceptance of his or her election by the Scheme Administrator on the Company's behalf ("Participants"). The Scheme Administrator will provide written notification if an election is rejected. Only registered shareholders of the Company ("Shareholders") may join the Scheme.
  - (b) The Company shall apply dividends to be paid to Participants on ordinary shares in the Company ("Ordinary Shares") in respect of which an election has been made in the allotment of further Ordinary Shares. The Scheme Administrator shall not have the discretion, and Participants may not instruct the Scheme Administrator, to apply those dividends ("funds") towards any investments other than investment in Ordinary Shares as set out in this condition 2(b).
  - (c) Participants who are Shareholders may only participate in the Scheme if all Ordinary Shares registered in their name are mandated to the Scheme.
  - (d) By joining the Scheme, Participants instruct the Scheme Administrator that the mandate will apply to the full number of Ordinary Shares held by them in respect of which the election is made, as entered onto the share register of the Company from time to time.
  - (e) In relation to new Ordinary Shares to be allotted in relation to a dividend such Ordinary Shares will only be allotted to the registered Shareholder and not any beneficial holder. Nominee Participants shall not be entitled to instruct the Scheme Administrator to allot Ordinary Shares to a beneficial holder (and Participants are advised to read condition 15 in respect of the consequences for VCT Tax reliefs).
3.
  - (a) On or as soon as practicable after a day on which a dividend on the Ordinary Shares is due to be paid to a Participant or, if such day is not a dealing day on the London Stock Exchange, the dealing day thereafter ("Payment Date"), the Participant's funds held by the Company shall, subject to conditions 9, 10 and 19 below and the Company having the requisite shareholder authorities to allot Ordinary Shares, be applied on behalf of that Participant to subscribe for the maximum number of whole new Ordinary Shares which can be allotted with the funds.
  - (b) The number of Ordinary Shares to be allotted to a Participant pursuant to condition 3(a) above shall be calculated by dividing the Participant's funds by the greater of (i) the last published net asset value per existing Ordinary Share, (ii) the mid market price per Ordinary Share as quoted on the London Stock Exchange at the close of business on the 10th business day preceding the date of issue of such Ordinary Shares and (iii) Ordinary Shares will not be allotted at less than their nominal value.
  - (c) Fractional entitlements will not be allotted and any residual cash balance of less than the amount required to subscribe for a further new Ordinary Share, as set out in 3(b) above will be donated to a registered charity at the discretion of the Board.
  - (d) The Company shall not be obliged to allot Ordinary Shares under the Scheme to the extent that the total number of Ordinary Shares allotted by the Company pursuant to

the Scheme in any financial year would exceed 10% of the aggregate number of Ordinary Shares on the first day of such financial year.

- (e) The Company shall immediately after the subscription of Ordinary Shares in accordance with the condition at 3(a) above take all necessary steps to ensure that those Ordinary Shares shall be admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange, provided that at the time of such subscription the existing Ordinary Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.
4. The Scheme Administrator shall as soon as practicable after the allotment of Ordinary Shares in accordance with condition 3 procure (i) that the Participants are entered onto the Share Register of the Company as the registered holders of those Ordinary Shares (ii) that share certificates (unless such Ordinary Shares are to be uncertified) and, where applicable, income tax vouchers ("Tax Vouchers") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:
- (a) the total number of Ordinary Shares held at the record date for which a valid election was made;
  - (b) the number of Ordinary Shares allotted;
  - (c) the price per Ordinary Share allotted;
  - (d) the cash equivalent of the Ordinary Shares allotted; and
  - (e) the date of allotment of the Ordinary Shares;
5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
6. Each Participant warrants to the Scheme Administrator that all information set out in the application form (including any electronic election) on which the election to participate in the Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator and that during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the Scheme will not be available to any person who is a citizen, resident or national of, or who has a registered address in, any jurisdiction outside the UK unless such right could properly be made available to such person. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
9. Participants may:
- (a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme and withdraw any funds held by the Company on their behalf; and

- (b) in respect of Ordinary Shares they hold as nominee and subject to condition 2(e), give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive Ordinary Shares is only to apply to a specified amount due to the Participant as set out in such notice.

Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the Scheme Administrator at least 15 days prior to such Payment Date. In respect of notices under (a) above, such notice will be deemed to have been served where (i) the Participant ceases to hold any Ordinary Shares or (ii) the Participant applies for further Ordinary Shares under a prospectus or top-up offer document issued by the Company, and indicates on the relevant application form applying that they do not want the shares to be issued to them to be subject to the Scheme (upon which their existing participation in the Scheme in relation to all their Ordinary Shares shall be deemed to terminate in accordance with (a) above). Upon receipt of notice of termination, all funds held by the Company on the Participant's behalf shall be returned to the Participant as soon as reasonably practical at the address set out in register of members, subject to any deductions which the Company may be entitled or bound to make hereunder.

- 10. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
  - (a) suspend the operation of the Scheme;
  - (b) terminate the Scheme without notice to the Participants; and/or
  - (c) resolve to pay dividends to Participants partly by way of cash and partly by way of new Ordinary Shares pursuant to the Scheme.
- 11. Participants who wish to participate in the Scheme in respect of new Ordinary Shares to be issued pursuant to a prospectus or top-up offer document may tick the relevant box on the applicable application form.

Participants who wish to participate in the Scheme and who already have Ordinary Shares issued to them held in certificated form, i.e. not in CREST, should complete and sign a Mandate Form and return it no later than 15 days prior to the dividend payment date to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Personalised Mandate Forms can be obtained from Computershare Investor Services plc at the address above or by telephoning 0370 703 6324. Calls to this number cost the same as a normal local or national landline call and may be included in your service providers tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services PLC cannot provide any financial, legal or tax advice and calls may be monitored for security and training purposes.

Participants who wish to participate in the Scheme and who already have Ordinary Shares issued to them held in uncertificated form in CREST (and was in uncertificated form as at the relevant record date), the Participants can only elect to receive a dividend in the form of new Ordinary Shares by means of the CREST procedure to effect such an election for the Company. No other method of election will be permitted under the Scheme and will be rejected. By doing so, such Shareholders confirm their election to participate in the Scheme and their acceptance of the Scheme terms and conditions. If a Participant is a CREST sponsored member, they should consult their CREST sponsor, who will be able to take appropriate action on their behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual. The Dividend Election Input Message submitted must contain the number of Ordinary Shares on which the election is being made. If the relevant field is left blank or completed with zero, the election will be rejected. If a Participant enters a number of



Ordinary Shares greater than the holder in CREST on the relevant record date for dividend the system will automatically amend the number down to the record date holding. When inputting the election, a 'single drip' election should be selected (the Corporation Action Number for this can be found on the CREST GUI). Evergreen elections will not be permitted. Participants who wish to receive new Ordinary Shares instead of cash in respect of future dividends, must complete a Dividend Election Input Message on each occasion otherwise they will receive the dividend in cash. Elections via CREST should be received by CREST no later than 5.00 p.m. on such date that is at least 15 days before the dividend payment date for the relevant dividend in respect of which you wish to make an election. Once an election is made using the CREST Dividend Election Input Message it cannot be amended. Therefore, if a CREST Shareholder wishes to change their election, the previous election would have to be cancelled.

12. A written mandate form will remain valid for all dividends paid to the Participant by the Company until such time as the Participant gives notice in writing to the Scheme Administrator that he no longer wishes to participate in the Scheme.
13. The Company shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless in the Company's opinion the change materially affects the interests of the Participants. Amendments to the Scheme Terms and conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.
14. By ticking the relevant election box and completing and delivering the application form the Participant:
  - (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
  - (b) declares that a loan has not been made to the Participant on whose behalf the Ordinary Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive new Ordinary Shares and that the Ordinary Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purposes of which is the avoidance of tax.
15. Elections by individuals for Ordinary Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of an individual) for the tax year in which the Ordinary Shares are allotted provided that the issue of Ordinary shares under the Scheme is within the investor's annual £200,000 limit. Participants and beneficial owners are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. The Tax Voucher can be used to claim any relevant income tax relief either by obtaining from the HM Revenue & Customs an adjustment to the Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self Assessment Tax Return.
16. The Company will, subject to conditions 9, 10 and 19, issue Ordinary Shares in respect of the whole of any dividend payable (for the avoidance of doubt, irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the Scheme Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.
17. Shareholders electing to receive Ordinary Shares rather than a cash dividend will be treated

as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on shares allotted in respect of dividends from qualifying VCT shares.

18. For capital gains tax purposes, Shareholders who elect to receive Ordinary Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Ordinary Shares. The new Ordinary Shares will be treated as a separate asset for capital gains purposes.
19. The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the Scheme Administrator.
20. The amount of any claim or claims a Participant has against the Company or the Scheme Administrator shall not exceed the value of such Participant's Ordinary Shares in the Scheme. Nothing in these Scheme Terms and Conditions shall exclude the Company or the Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the Scheme Administrator will be responsible for:
  - (a) acting or failing to act in accordance with a court order of which the Scheme Administrator has not been notified (whatever jurisdiction may govern the court order); or
  - (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from a Shareholder (or, where relevant, a nominee) are genuine; or
  - (c) losses, costs, damages or expenses sustained or incurred by a Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
  - (d) any indirect or consequential loss.
21. These Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
22. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.
23. These Scheme Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

**Shareholders who are in any doubt about their tax position should consult their independent financial adviser.**

**LIST OF ADVISERS TO THE COMPANY**

<b>Investment Manager</b>	Octopus AIF Management Limited 33 Holborn London EC1N 2HT
<b>Portfolio Manager, Administrator and Receiving Agents</b>	Octopus Investments Limited 33 Holborn London EC1N 2HT
<b>Company Secretary</b>	Parisha Kanani
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Solicitor</b>	Howard Kennedy LLP 1 London Bridge London SE1 9BG
<b>Sponsor</b>	Howard Kennedy Corporate Services LLP 1 London Bridge London SE1 9BG
<b>Tax Adviser to the Offer</b>	Philip Hare & Associates LLP Suite C First Floor 4-6 Staple Inn London WC1V 7QH
<b>Registrars</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZY
<b>VCT Tax Adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Depository</b>	BNP Paribas Securities Services 10 Avenue London NW1A 6AA



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