

Octopus AIM VCT plc and Octopus AIM VCT 2 plc

**Octopus AIM VCT plc and**

**Octopus AIM VCT 2 plc**

**Offer for Subscription**

**For the tax years 2014/2015 and 2015/2016**

**29 August 2014**

**To raise up to £20 million in aggregate by way of an issue of New Shares with an over-allotment facility of a further £10 million in aggregate**

**PROSPECTUS**

**AND APPLICATION FORM**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

This document, which comprises a prospectus relating to Octopus AIM VCT plc and Octopus AIM VCT 2 plc (the “Companies”) dated 29 August 2014, 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 29 August 2014.

The Companies and the Directors, whose names appear on pages 41 to 43 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that Howard Kennedy Corporate Services LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor for the Companies 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 Corporate Services LLP or providing advice in connection with any matters referred to herein.

**Octopus AIM VCT plc**

***(registered number 3477519)***

**Octopus AIM VCT 2 plc**

***(registered number 5528235)***

**Prospectus relating to:**

**offers for subscription to raise up to £20 million, in aggregate, with an over-allotment facility of a further £10 million, in aggregate, by way of an issue of New Shares, payable in full in cash on application**

**Sponsor**

**Howard Kennedy Corporate Services LLP**

The ordinary shares of the Companies 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.

The Offers are not being made, directly or indirectly, in or into the United States, Canada, Australia, 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 (A.1—E.7).

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 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 the securities.
A.2	Use of Prospectus by financial intermediaries	<p>The Companies 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 Offers. The Offers are expected to close on or before 12 noon on 10 August 2015, unless previously extended by the Directors but may not extend beyond 28 August 2015. There are no conditions attaching to this consent.</p> <p><b>Financial intermediaries must give investors information on the terms and conditions of the Offers at the time they introduce the Offers to investors.</b></p>

## Schedule B – Issuer

Element	Disclosure requirement	Disclosure												
B.1	Legal and commercial name	Octopus AIM VCT PLC and Octopus AIM VCT 2 PLC												
B.2	Domicile and legal form	<p>Octopus AIM VCT plc was incorporated and registered in England and Wales on 8 December 1997 as a public company limited by shares under the Companies Act 1985 with registered number 3477519.</p> <p>Octopus AIM VCT 2 plc was incorporated and registered in England and Wales on 4 August 2005 as a public company limited by shares under the Companies Act 1985 with registered number 5528235.</p> <p>The Companies operate under the CA 2006 and regulations made under the CA 2006.</p>												
B.5	Group description	Not applicable. The Companies are not part of a group.												
B.6	Major shareholders	The Companies are not aware of any person or persons who has, or who following the Offers will or could have, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Companies or who can, or could following the Offers, directly or indirectly, exercise control over the Companies. There are no different voting rights for any Shareholder.												
B. 7	Key financial information	<p>Octopus AIM</p> <p>Selected historical financial information relating to Octopus AIM has been extracted from the audited financial statements referenced in the following table, which summarises the financial condition of Octopus AIM for the three financial years ended 29 February 2012, 28 February 2013 and 28 February 2014.</p> <table><tr><th></th><th>Audited Financial Results for the Year Ended 29 February 2012</th><th>Audited Financial Results for the Year Ended 28 February 2013</th><th>Audited Financial Results for the Year Ended 28 February 2014</th></tr><tr><td>Net assets (£'000)</td><td>39,689</td><td>44,123</td><td>69,730</td></tr><tr><td>Net asset value per</td><td>86.9</td><td>93.7</td><td>125.2</td></tr></table>		Audited Financial Results for the Year Ended 29 February 2012	Audited Financial Results for the Year Ended 28 February 2013	Audited Financial Results for the Year Ended 28 February 2014	Net assets (£'000)	39,689	44,123	69,730	Net asset value per	86.9	93.7	125.2
	Audited Financial Results for the Year Ended 29 February 2012	Audited Financial Results for the Year Ended 28 February 2013	Audited Financial Results for the Year Ended 28 February 2014											
Net assets (£'000)	39,689	44,123	69,730											
Net asset value per	86.9	93.7	125.2											

		Share (p)			
		Revenue return after expenses and taxation (£'000)	51	89	77
		Dividend per Share (p)	5.0	5.0	5.0
		Expenses (£'000)	1,014	1,040	1,237
		As a percentage of average Shareholders' funds	2.6%	2.3%	2.2%
		Net asset value return/ (loss) (p)	(1.7)	11.6	36.9
		<p>Save in respect of a decrease in the NAV per share from 125.2p as at 28 February 2014 (audited) to 111.9p as at 25 August 2014 (unaudited), there has been no significant change in the financial condition or operating results of Octopus AIM during or subsequent to the period covered by the historical information set out above.</p> <p>Octopus AIM 2</p> <p>Selected historical financial information relating to Octopus AIM 2 has been extracted from the audited and unaudited financial statements referenced in the following table, which summarises the financial condition of Octopus AIM 2 for the three financial years ended 30 November 2011, 30 November 2012 and 30 November 2013 and the six month periods ended 31 May 2013 and 31 May 2014.</p>			

		Audited Financial Results for the Year Ended 30 November 2011	Audited Financial Results for the Year Ended 30 November 2012	Six months ended 31 May 2013 (unaudited)	Audited Financial Results for the Year Ended 30 November 2013	Six months ended 31 May 2014 (unaudited)
	Net assets (£'000)	26,590	28,712	33,431	39,818	46,454
	Net asset value per Share (p)	62.4	66.3	74.3	84.4	89.3p
	Revenue return after expenses and taxation (£'000)	(40)	36	(43)	36	(48)
	Dividend per Share (p)	3.3	3.2	1.8	3.5	2.0
	Expenses (£'000)	758	739	419	857	553
	As a percentag e of average Sharehold ers' funds	2.9%	2.6%	n/a	2.5%	n/a
	Net asset value return/ (loss) (p)	(3.0)	6.6	9.8	22.3	6.3
	<p>Save in respect of a decrease in the NAV per share from 89.3p as at 31 May 2014 (unaudited) to 83.9p as at 25 August 2014 (unaudited) there has been no significant change in the financial condition or operating results of Octopus AIM 2 during or subsequent to the period covered by the historical information set out above.</p>					



B.8	Key pro forma financial	Not applicable. There is no pro forma financial information in the Prospectus.
B.9	Profit forecast	Not applicable. No profit forecast or estimate 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. Each Company is of the opinion that the working capital available to that Company is sufficient for its present requirements (that is, for at least the next twelve months from the date of this document).
B.34	Investment policy	<p>The investment policy of each of the Companies is as follows:</p> <p>The objective of the Company is to invest in a broad range of AIM or ISDX Growth Market traded companies in order to generate income and long term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.</p> <p>The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long term disposition of the Company's assets will be not less than 80% in a portfolio of qualifying AIM, ISDX Growth Market traded or unquoted companies where the management view an initial public offering (IPO) on AIM or ISDX Growth Market traded companies is a short to medium-term objective. Now the qualifying target has been achieved, the Board intends that approximately 20% of the Company's funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities, short-term money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency and is not registered in the EU. A proportion of the 20% could be invested in a UK smaller company fund managed by Octopus or other direct equity investments and bonds. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.</p> <p>Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15% of the Company's assets, at cost, will be invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, Shareholders should be aware that the Company's qualifying investments are</p>

		held with a view to long-term capital growth as well as income and will often have limited marketability; as a result, it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on borrowings.
B.35	Borrowing limits	The Companies' articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Companies and the amount standing to the credit of the capital and revenue reserves of the Companies (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.
B.36	Regulatory status	The Companies are authorised and regulated entities by the FCA as small registered alternative investment fund managers.
B.37	Typical investor	A typical investor for whom the Offers are designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out in Section D of this Summary, considers the investment policy of each of the Companies to be attractive. This may include retail and sophisticated investors, as well as high net worth individuals who already have a portfolio of investments.
B.38	Investment of 20% or more in a single underlying asset or investment company	Not applicable. The Companies 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 Companies will not invest more than 40% in a single underlying asset or investment company.
B.40	Applicant's service providers	<p>Octopus AIM</p> <p>An investment management agreement dated 3 February 1998 between Octopus AIM (1) and Close Investment Limited (2), which was supplemented by a supplemental investment management agreement dated 19 September 2000, which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 1 July 2010, 1 February 2013 and 29 August 2014, pursuant to which the Manager provides certain investment management services and administration and secretarial</p>

		<p>services to Octopus AIM for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM (the “Fee”) calculated in accordance with Octopus AIM’s normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the ongoing financial intermediary charges and the additional ongoing charges payable to Octopus by Octopus AIM under the offer for subscription of Octopus AIM that was launched in February 2013 and under the Offers will not exceed 2% of the NAV of Octopus AIM per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA, ceases to be resident in the UK or if there is a change of control of the Manager. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.</p> <p>Octopus AIM 2</p> <p>An investment management agreement dated 6 October 2005 between Octopus AIM 2 (1) and Close Investment Limited (2), which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010, 1 February 2013 and 29 August 2014, pursuant to which the Manager provides certain investment management services and administration and secretarial services to Octopus AIM 2 for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM 2 (the “Fee”) calculated in accordance with Octopus AIM 2’s normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the ongoing financial intermediary charges payable under the Offers and the additional ongoing charges payable to Octopus by Octopus AIM 2 under the offer for subscription of Octopus AIM 2 that was launched in February 2013 and under the Offers will not exceed 2% of the NAV of Octopus AIM 2 per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM 2 if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.</p> <p>The Companies</p> <p>Agreements dated 29 August 2014 between each of the Companies (1), their Directors (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Companies in respect of the Offers and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares. Under the agreements the Manager is paid an initial fee of up to 5.5% of the funds received under the Offers (such a fee to be reduced in relation to applications from investors who are existing, or who</p>
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		were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to investors who have invested directly into the Companies and not through a financial intermediary, and which ongoing charges shall be deducted from the Fee, and the Manager has agreed to discharge all the external costs of advice and their own costs in respect of the Offers. Under these agreements certain warranties have been given by the Companies, the Directors and the Manager to Howard Kennedy. The Companies have 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 agreements can be terminated if any statement in the prospectus relating to the Offers is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.
B.41	Regulatory status of the Manager	The Manager is authorised and regulated by the Financial Conduct Authority.
B.42	Calculation of Net Asset Value	<p>The Net Asset Value of a Share is calculated by each Company in accordance with its accounting policies and is published weekly through a Regulatory Information Service.</p> <p>The calculation of the Net Asset Value per Share would only be suspended in circumstances where the underlying data necessary to value the investments of either 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	Not applicable. The Companies are not umbrella collective investment undertakings 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 Companies have commenced operations and historical financial information is included within the document.
B.45	Portfolio	<p>Octopus AIM 's investment portfolio is in a variety of sectors and comprises 55 UK AIM-quoted companies, 4 non-AIM UK private limited companies, 3 fully listed companies on the premium segment of the Official List, 1 listed company on NASDAQ and 1 traded on the ISDX Growth Market. As at 25 August 2014, Octopus AIM's portfolio of investments comprised, by value, £56.6m.</p> <p>Octopus AIM 2's investment portfolio is in a variety of sectors and comprises 52 UK AIM-quoted companies, 3 non-AIM UK private limited companies, 3 fully listed companies on the premium segment of the Official List, 1 listed company on NASDAQ and 1 traded on the ISDX Growth Market. As at 25 August 2014, Octopus AIM 2's portfolio of investments comprised, by value, £37.6m.</p>

B.46	Net Asset Value	The unaudited Net Asset Value per Share as at 25 August 2014 was 111.9p and 83.9p for Octopus AIM and Octopus AIM 2 respectively.
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### Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	The Companies will issue New Shares under the Offers. The ISIN and SEDOL of Octopus AIM New Shares are GB0034202076 and 3420207 respectively. The ISIN and SEDOL of Octopus AIM 2 New Shares are GB00B0JQZZ80 and B0JQZZ8 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	The Companies will issue New Shares under the Offers of up to £20 million in aggregate of funds raised, with an over-allotment facility of up to a further £10 million in aggregate.
C.4	Description of the rights attaching to the securities	<p><b>As Regards Income:</b> The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p><b>As Regards Capital:</b> On a return of capital on a winding up or on a return of capital (other than on a purchase by the Companies of their own 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 respective holdings of Shares.</p> <p><b>As Regards Voting and General Meetings:</b> 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><b>As Regards Redemption:</b> 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 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. Octopus AIM intends to maximise tax free distributions to Shareholders from income and realised gains and currently has a policy of paying a minimum dividend of 5p per year or a 5% yield based on share price, whichever is greater at the time. Octopus AIM 2 intends to pay annual dividends amounting to a 5% yield of Octopus AIM 2's average share price, through a semi-annual dividend with a targeted minimum of 3.6p a year.

## Section D — Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the issuer	<ul style="list-style-type: none"> <li>• The Companies' 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 tax status of the Companies. These factors may affect the performance of the Companies.</li> <li>• Investment in AIM-traded, ISDX Growth Market traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.</li> <li>• Whilst it is the intention of the Boards that the Companies will continue to be managed so as to qualify as VCTs, there can be no guarantee that such status will be maintained. If the Companies cease to qualify as venture capital trusts, venture capital trust tax benefits will not be available to Shareholders.</li> <li>• 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 reliefs originally claimed. Tax relief on subscriptions for Shares is also restricted if, within 6 months of subscription, the investor also disposes of Shares in the same Company.</li> <li>• The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose.</li> </ul>
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> <li>• The value of Shares can fluctuate and investors may not get back the amount they invested.</li> <li>• Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the</li> </ul>

		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.
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## Section E — Offers

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and expenses of the Issue	The expenses (excluding VAT) relating to the Offers (including intermediary commission), and the expenses charged to an investor, directly or indirectly, will be up to 5.5% of the gross funds raised by the Companies. The net proceeds of the Offers, assuming full subscription and the maximum initial adviser charge will, therefore, be £28.35 million.
E.2a	Reason for the Offers and use of proceeds	<p>The raising of further funds by way of the Offers is intended to produce the following benefits:</p> <ul style="list-style-type: none"> <li>to provide existing and new investors with the opportunity to invest into smaller companies in a tax efficient manner, through an experienced investment management team;</li> <li>to provide existing investments with additional capital in pursuit of their growth objectives;</li> <li>to provide additional funds for new investments into qualifying companies so that the portfolios can potentially be diversified, including investments in larger companies now permitted following the Finance Act 2012; and</li> <li>to provide the Companies with additional funds for their working capital purposes, not least in support of their buyback policies, which sustain the secondary market in the shares, and to provide a larger capital base over which to spread the fixed costs of the Companies.</li> </ul>
E.3	Terms and conditions of the Offers	<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 each Company at the time of allotment, divided by 0.945</b></li> </ul> <p>The Companies announce their NAV on a weekly basis. Where the share prices for the Companies have 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 Offers, the NAV per New 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 without interest, except where the amount is less</p>

		<p>than the Offer Price of one New Share, in which case it will be donated to a charity approved by the Boards. The Offers in respect of Octopus AIM and Octopus AIM 2 are conditional upon Resolutions 1 and 3 being passed at the Octopus AIM GM and the Octopus AIM 2 GM respectively. Subject to the Offers becoming unconditional and remaining open for both Companies, Applicants may elect that their Applications are allocated 100% to either Company or split 60% to Octopus AIM and 40% to Octopus AIM 2 and, in default of any election, the subscription monies will be split 60% to Octopus AIM and the remaining 40% to Octopus AIM 2. The maximum to be raised by Octopus AIM is £18 million. The maximum to be raised by Octopus AIM 2 is £12 million. As the Companies near capacity one may be fully subscribed earlier than the other. In the event of an Applicant's preferred allocation, or the default allocation, not being possible, that part of an Applicant's subscription that cannot be allocated to either Company will, unless an Applicant directs otherwise, be allocated to the other Company. If the Offers do not become unconditional for either Company, an Applicant's subscription will, unless an Applicant directs otherwise, be allocated to the other Company.</p> <p>The Offers will be closed on full subscription. The Boards reserve the right to close the Offers earlier or to extend the closing date of the Offers to a date no later than 28 August 2015 and to accept applications and issue New Shares at any time. New Shares issued will rank pari passu with the existing Shares from the date of issue, except any issued on an ex-dividend basis, which will therefore not qualify for the next dividend.</p>
E.4	Material interests	Not applicable. No interest is material to the Offers.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Offers and there are no lock-up agreements.
E.6	Dilution	<p>The existing issued Octopus AIM Shares will represent 79.1% of the enlarged ordinary share capital immediately following the Offers, assuming the Offers are fully subscribed in both Companies at an Offer Price for Octopus AIM of 118.5p, and on that basis Octopus AIM Shareholders who do not subscribe under the Offers will, therefore, be diluted by 20.9%.</p> <p>The existing issued Octopus AIM 2 Shares will represent 79.3% of the enlarged ordinary share capital immediately following the Offers, assuming the Offers are fully subscribed in both Companies at an Offer Price for Octopus AIM 2 of 88.8p, and on that basis Octopus AIM 2 Shareholders who do not subscribe under the Offers will, therefore, be diluted by 20.7%.</p>
E.7	Expenses charged to the investor	<p>For all investors, the Offer Price per Share will be determined by a formula reflecting the Net Asset Value per Share ("NAV") adjusted for an allowance for the majority of the costs of the Offers. The formula is:</p> <p><b>the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945.</b></p>



		<p>The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholders of any Octopus VCT, who will benefit from the costs of the Offers being reduced by 0.5%.</p> <p>In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, the Companies will pay an initial charge of 3% of the gross sum invested in the Offers to Octopus. This is payable in the same way on all subscriptions to the Offers. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offers. 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) A direct investment</b></p> <p>Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies.</p> <p>In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, if an application is made directly (not through an intermediary/adviser) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided the investor continues to hold the New Shares. The cost of this ongoing charge will not result in a higher fee since Octopus will reduce its annual management fee accordingly.</p> <p><b>2) An advised investment where advice is received for an upfront fee with an ongoing adviser charge</b></p> <p>Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.</p> <p>The Companies 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 Companies can also facilitate 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 most recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided that the investor continues to be the beneficial owner of the New Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount</p>
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		<p>will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share rounded down to the nearest whole share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the relevant Board. The cost of ongoing adviser charges will not result in a higher fee since Octopus will reduce its annual management fee accordingly.</p> <p>If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Companies will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.</p> <p><b>3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge</b></p> <p>Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice.</p> <p>Where an investor agreed to an upfront fee only, the Companies 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 Companies will not facilitate ongoing annual payments. To ensure that the Companies are not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be deemed to have been paid by the Companies for a period of nine years. The cost of this notional ongoing adviser charge will not result in a higher fee since Octopus will reduce its annual management fee accordingly.</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) A non-advised investment using an intermediary</b></p> <p>Investors who have invested their money through a financial intermediary and have not received advice.</p> <p>An initial charge of 2.5% of the investment will be paid by the Companies to such an intermediary. An ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be paid by Octopus to the intermediary for up to nine years provided that the investor continues to be the beneficial owner of the New Shares (and in the case of an intermediary the intermediary continues to act for the investor).</p> <p>These charges may, according to the proportion of advised investors where</p>
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		<p>advice is received for an upfront fee only, create some limited reduction of the NAV per Share immediately subsequent to subscriptions in the Offers 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> <p>The reinvestment arrangements relating to ongoing adviser charges which are described in section 2 above will only operate for as long as an investor remains the holder of the New Shares. Any subsequent purchaser of those New Shares will not benefit from the reinvestment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser nor will Octopus facilitate any adviser charges. This, therefore, means that any subsequent purchaser of New Shares will not benefit from the issue or allotment of any additional New Shares under the arrangements set out above.</p> <p>Any additional New Shares which are issued under the arrangements described in 2) and 3) above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Companies do 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 Companies is simply to facilitate such payments to the extent permitted by applicable rules and regulations.</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 either of the Companies' business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks which the Companies or their Shareholders will face. Further risks, unknown by the Companies, may exist. Any decision to invest under the Offers should be based on consideration of this document as a whole.

### Risk factors relating to the Companies

The past performance of the Companies and/or Octopus and/or any other Octopus managed funds is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and the interest income and dividends they generate, may rise or fall and there is no certainty as to any level of returns which may be received by Shareholders.

The Companies' 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 Companies, which may adversely affect the performance of the Companies.

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 Companies invest, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in AIM traded, ISDX Growth Market traded and unquoted companies, by their nature, involves a higher degree of risk than investment in companies listed on the premium segment of 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 Boards that the Companies will continue to be managed so as to qualify as VCTs, 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 Companies lose their VCT status, dividends and gains arising on the disposal of New Shares in the Companies would become subject to tax and the Companies would also lose their 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 reliefs originally claimed.

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

The Companies will only pay dividends on Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the Companies' investments may adversely affect the dividends payable to Shareholders. Accordingly, there is no certainty as to the level of dividends (if any) that may be paid to investors.

The Finance Act 2014 amends the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that 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. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

#### Risk factors relating to the Shares

The value of Shares can go down as well as up. Shareholders' capital is at risk and they may not get back the full amount invested.

The value of the Shares could decline due to any of the risk factors described above and Shareholders could lose part or all of their investment.

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 the underlying NAV.

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. 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 their NAV) and Shareholders may find it difficult to realise their investment. An investment in the Companies should, therefore, be considered as a long term investment.

Tax relief on subscriptions for shares in a VCT is restricted where an investor has disposed of shares in that VCT within six months (before or after) that subscription. Existing Shareholders should be aware that the sale of existing Octopus AIM Shares or Octopus AIM 2 Shares within these periods could, therefore, put their income tax relief relating to the Offers at risk.

## EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFERS

### Expected Timetable

Launch date of the Offers	29 August 2014
First allotments under the Offers	10 November 2014
Subsequent allotments under the Offers	12 January 2015 and every two months thereafter
Closing date of Offers	12 noon on 10 August 2015

- Applications for the 2014/2015 tax year must be received by 12 noon on 1 April 2015.
- The Offers will close earlier if fully subscribed. The Boards reserve the right to close the Offers earlier or to extend the closing date of the Offers (but to no later than 28 August 2015) and to accept Applications and issue New Shares at any time.
- The results of the Offers will be announced to the London Stock Exchange through a Regulatory Information Service 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 fourteen business days of allotments.

### Statistics

Costs of Offers*	Up to 5.5% of gross proceeds of Offers
Initial adviser charge or intermediary commission**	Up to 4.5% of gross sum invested in the Offers
Ongoing adviser charge or annual ongoing charge***	Up to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to the investor for up to 9 years

\* The costs of the Offers (including intermediary commission) are capped at 5.5% of gross proceeds. Octopus has agreed to indemnify the Companies against the costs of the Offers in excess of this amount. The costs of the Offers are subject to adjustment in relation to applications from investors who are existing, or who were previously, shareholders in any Octopus VCT, as referred to below.

\*\* In the case of applications where advice is received and an ongoing charge is not to be paid, an amount equal to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to the investor will be deducted from Octopus' annual management fee.

\*\*\* To be paid or met by Octopus through a reduction in its annual management fee.

### Loyalty Discount

Investors who are existing, or who were previously, shareholders of any Octopus VCT, will benefit from the costs of the Offers being reduced by 0.5%. This reduction will be met by Octopus through an equivalent reduction in the Costs of Offers fee referred to above.

## LETTER FROM THE CHAIRMEN OF BOTH OF THE OCTOPUS AIM VCTs

**Octopus AIM VCT plc**  
**Octopus AIM VCT 2 plc**  
20 Old Bailey  
London  
EC4M 7AN

29 August 2014

Dear Investor,

### BACKGROUND TO THE COMPANIES

Octopus AIM and Octopus AIM 2 are VCTs which invest predominantly in AIM companies in order to provide long-term capital growth and income on a tax-free basis. The two companies were set up in December 1997 and August 2005 respectively. The Companies have retained their separate identities, although they have been managed by the same team at Octopus since 1 August 2008. New Qualifying Investments are usually made by the Companies in proportion to the relative sizes of the two Companies, depending on the availability of funding, application of VCT rules, etc. This has been the case since 2010 and as a result the two portfolios have become increasingly similar over time.

Reflecting their different starting dates, the Companies have different year ends. The advantage for an investor who has shares in both Companies should be the receipt of tax-free dividends from the Companies at approximately quarterly intervals.

### RECENT JOINT FUNDRAISING

Towards the end of the 2013/14 tax year, the two Octopus AIM VCTs had a linked top-up offer to raise £4.1m each. That proved popular and both VCTs raised the maximum amount. Given the success of that linked offer and that the Manager's expectation is, at present, for a continued high level of AIM flotations and investment opportunities, the Boards have decided to offer a further chance to invest in the Companies through a joint prospectus to raise up to £20m in total. Should the Offers prove to be successful there will be scope, subject to Directors' approval, to increase the size of the Offers by a further £10m during the life of the Prospectus. There will be no minimum amount to be subscribed for the Offers to take place, although individual applications will be subject to a minimum of £5,000.

### CO-INVESTMENTS

It is intended that the two Companies will invest in new qualifying investments in proportion to their relative size (on a net asset value basis), subject to any constraints such as the availability of cash. This has been the case in the majority of investments made since the mergers and accompanying fundraisings in 2010 and accounts for the high incidence of common holdings in the portfolios.

The Octopus Smaller Companies Team is responsible for other mandates, including EIS, which has similar qualifying criteria to VCTs. Where an investment is considered suitable for multiple mandates then all funds will be allocated and scaled back proportionately.

## TAX BENEFITS

All participating investors in the Offers will benefit from the tax reliefs available on an issue of new VCT shares for the tax years 2014/2015 and 2015/2016, subject to their personal tax circumstances and the potential to receive regular tax free dividends. Tax treatment depends on the individual circumstances of each investor and may be subject to change. Specifically, the tax benefits are:

- Up to 30% income tax relief on the investment, provided that the New Shares are held for at least five years and that there has been no disposal of Shares in the Company into which the subscription has been made within six months of the subscription date. This applies to both the period before and after the subscription date. For example, an investor investing £10,000 would receive £3,000 in income tax relief. This tax relief can be claimed provided you have paid that amount in tax, up to a maximum relief of £60,000 per tax year (i.e. an investment of £200,000).
- Tax-free dividends
- No capital gains tax on disposal of the shares at a profit.

## WHY INVEST NOW?

It is Octopus's view that, over the past 50 years, UK smaller companies have enjoyed significantly higher earnings growth than their larger counterparts. Over the same period smaller companies indices have delivered better returns than large company indices. The effect of the prolonged recession provided a setback but in recent years Octopus has seen a resumption of the longer term trend with 2013 being one of the best years for the performance of smaller company shares since the Numis Smaller Companies Index started in 1987. After a strong start to 2014, there has been a correction in the small cap indices although the supply of new issues on AIM has continued. Octopus believes that the smaller companies market remains an extremely dynamic growth market, yet it is under-researched and inefficient, making it possible for active managers to discover value for shrewd investors who are less concerned about short-term swings in sentiment and prefer to invest in companies which are positioned to grow their profits over the long term.

The Alternative Investment Market (AIM) leads the world as a market for helping exciting and innovative smaller companies grow. When the London Stock Exchange launched AIM in 1995 for the smaller companies market, it contained just 10 companies with a combined market value of £82.2 million. Less than twenty years later, AIM features more than 1,100 listed companies, with a combined market value of more than £75 billion. There are around 40 different sectors on AIM.

Octopus believes that, with increasing optimism around the state of the UK economy and its growth and with investors recognising the potential available from UK smaller companies, many existing and future AIM companies are well positioned for further progress over the next few years. An AIM venture capital trust represents a highly tax-efficient means of accessing the potential growth of AIM traded companies, giving investors exposure to smaller companies in a way in which growth is not taxed and risks are partially offset by the valuable upfront income tax relief, which the government offers.

Each of the Companies has a proven track record as investment vehicles in the AIM VCT sector. Each currently has a spread of 60 holdings or more ranging from established investments in profitable and dividend paying companies, many of which have matured during the period of each Company's investment, to earlier stage investments, some of which have been made more recently and which are expected by Octopus to continue the momentum. As at 31 July 2014 each Company had approximately 55% of its assets invested in its top 20 equity holdings, all of which are expected by Octopus to make a profit in their current financial year. In relation to each Company, of the total



equity holdings, approximately 90% by value is invested in investee companies which are forecast to be profitable in the current year and 67% by value is invested in companies forecast to pay a dividend. Both Companies have performed well producing positive growth in their respective unaudited NAV total return over the last three and five year periods and in particular over the last year with Octopus AIM seeing its unaudited NAV total return rise by 18.2% in the 12 months to 31 July 2014 and Octopus AIM 2 has seen its unaudited NAV total return rise by 18.0% during the same period. Given the growth potential of many new investments recently added to the portfolios and the outlook for the economic recovery, the Boards believe that this performance can continue. Additionally, Octopus believes that the recent correction in share prices after a strong first quarter of 2014 should provide opportunities to make new investments with the capital raised at sensible prices.

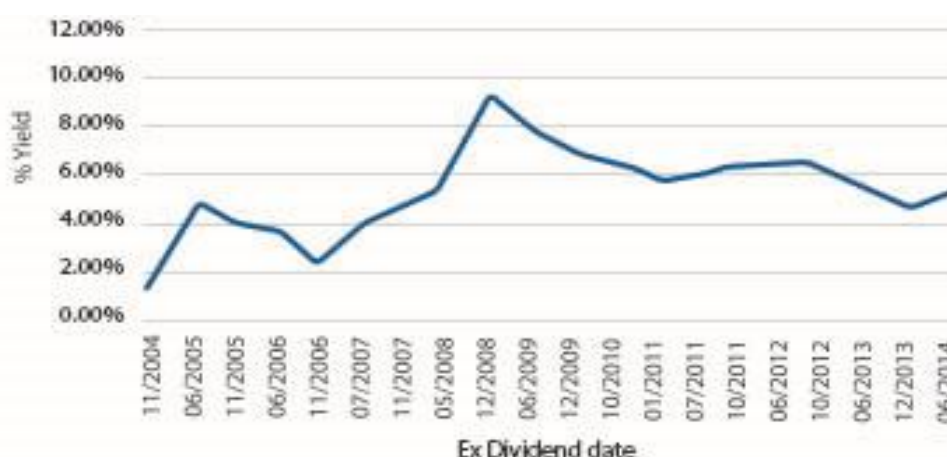
Following the closure of the Offers, it is the intention of both Boards that each Company will continue to pay two dividends per year, approximately six months apart. Since each Company has a different year end, the timing of dividend payments is also different. It is intended that an investor investing in both Companies under the combined Offers will, therefore, receive a dividend approximately every three months, thus enabling some income to be received quarterly, subject to any changes in legislation.

## DIVIDENDS

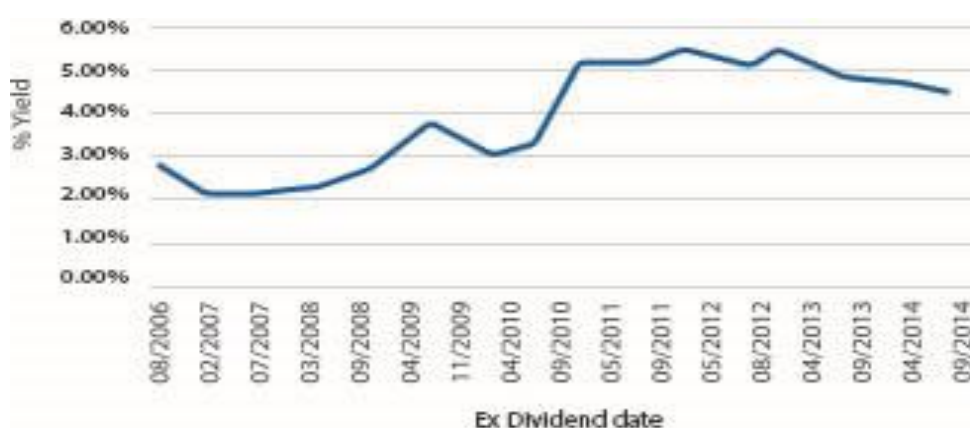
Both Companies have an established track record of paying out dividends to their investors, as shown in the graphs below.

The graphs show what the annualised dividend yields have been for investors over the last five years and longer. This is calculated by taking each dividend and annualising it (which takes into account the two dividend payments a year) and dividing by the (mid) share price at the time the dividend was paid. You should remember that dividends from VCTs are tax free.

OCTOPUS AIM: ANNUALISED DIVIDEND YIELD



## OCTOPUS AIM 2 : ANNUALISED DIVIDEND YIELD



Created using closing mid prices for each XD date. Source: Octopus, Bloomberg.

## PERFORMANCE

The two tables below show the performance of each VCT for the last five yearly periods (each year ending 31 July), comparing this performance to the broader AIM index.

### OCTOPUS AIM

	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010
Octopus AIM NAV Performance - Total Return	18.24%	22.14%	0.54%	20.55%	22.16%
FTSE AIM All Share Index Total Return	7.96%	8.42%	-22.12%	27.18%	27.85%
Octopus AIM Share Price Performance Total Return	20.95%	29.99%	-3.45%	32.61%	8.96%

### OCTOPUS AIM 2

	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010
Octopus AIM 2 NAV Performance - Total Return	17.96%	19.48%	-0.73%	15.84%	-2.43%
FTSE AIM All Share Index Total Return	7.96%	8.42%	-22.12%	27.18%	27.85%
Octopus AIM 2 Share Price Performance – Total Return	20.04%	28.08%	-2.84%	14.50%	-0.21%

Sources: Octopus, Lipper: VCT performance shown is a simple return comparison between the NAV at the beginning of the period, and the NAV, plus any dividends paid out, at the end of the period. VCT Share Price performance shown includes reinvested dividends. NAV stated after deduction of ongoing fund management fees.

#### DIRECTORS' SUBSCRIPTIONS

The Directors have committed to make a £50,000 subscription in aggregate under the Offers.

#### TOP TEN HOLDINGS OF OCTOPUS AIM

Listed below are the ten largest investments, valued at bid price, as at 31 July 2014:

##### STAFFLINE GROUP PLC

When Staffline listed on AIM in 2004 it was a small but profitable provider of specialist temporary and contract workers. Since then it has developed its own 'on-site' recruitment solution, helping it grow organically, while also supplementing its growth with acquisitions. After recently adding new employment sectors, such as driving and agriculture, Staffline's growth rate is expected to accelerate, boosted by new Welfare to Work programmes.

<b>Initial investment date:</b>	December 2004
<b>Cost:</b>	£340,749
<b>Valuation:</b>	£3,642,132
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£416.2 million
<b>Profits before Tax:</b>	£8.6 million
<b>Market Capitalisation:</b>	£266.4 million
<b>First purchase price:</b>	80.0p
<b>Bid Price as at 31/07/2014:</b>	962.0p
<b>Share Price Gain:</b>	1102.5%

##### ADVANCED COMPUTER SOFTWARE GROUP PLC

One of the largest software and services providers based in the UK, Advanced Computer Software Group focuses primarily on health and care, business solutions and managed services. The company is led by Vin Murria, who managed a previously AIM listed company, which was also a profitable investment for the AIM VCTs.

<b>Initial investment date:</b>	July 2008
<b>Cost:</b>	£577,000
<b>Valuation:</b>	£3,430,096
<b>Last Audited Accounts:</b>	28 February 2014
<b>Revenue:</b>	£203.2 million
<b>Profit before Tax:</b>	£12.1 million
<b>Market Capitalisation:</b>	£571.2 million
<b>First purchase price:</b>	17.0p
<b>Bid Price as at 31/07/2014:</b>	118.3p
<b>Share Price Gain:</b>	595.6%

#### BREEDON AGGREGATES LIMITED

As the UK's largest independent aggregates business, Breedon Aggregates has 41 quarries, 22 asphalt plants and 51 ready-mixed concrete and mortar plants in England and Scotland and supplies a wide range of materials to the construction industry. The holding gives our investors an excellent way to benefit from the renewed strength of the UK's construction sector.

<b>Initial investment date:</b>	August 2010
<b>Cost:</b>	£858,000
<b>Valuation:</b>	£2,843,556
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£224.6 million
<b>Profit before Tax:</b>	£11.0 million
<b>Market Capitalisation:</b>	£404.0 million
<b>First purchase price:</b>	12.0p
<b>Bid Price as at 31/07/2014:</b>	39.8p
<b>Share Price Gain:</b>	231.3%

#### QUIXANT PLC

Since Quixant listed on AIM in 2013 the company, which designs and manufactures computer game platforms, has developed a substantial research and development department, a range of market leading products, a profitable track record and a pipeline of interesting potential customers. Both AIM VCTs invested at flotation and have taken some profits from the holdings since. The company looks well set for growth in the next few years.

<b>Initial investment date:</b>	May 2013
<b>Cost:</b>	£697,000
<b>Valuation:</b>	£2,240,402
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£14.7 million
<b>Profit before Tax:</b>	£3.6 million
<b>Market Capitalisation:</b>	£96.3 million
<b>First purchase price:</b>	46.0p
<b>Bid Price as at 31/07/2014:</b>	148.0p
<b>Share Price Gain:</b>	221.7%

#### BROOKS MACDONALD GROUP PLC

Founded in 1991 as a financial advisory business, Brooks Macdonald is now also a fund manager responsible for £5 billion of assets. The company listed on AIM in 2005 and continues to grow its funds under management, list of clients and the range of funds it offers customers.

<b>Initial investment date:</b>	March 2005
<b>Cost:</b>	£746,000
<b>Valuation:</b>	£2,178,541
<b>Last Audited Accounts:</b>	30 June 2013
<b>Revenue:</b>	£63.2 million
<b>Profit before Tax:</b>	£10.4 million
<b>Market Capitalisation:</b>	£190.4 million

<b>First purchase price:</b>	140.0p
<b>Bid Price as at 31/07/2014:</b>	1401.0p
<b>Share Price Gain:</b>	900.7%

#### NETCALL PLC

Netcall provides its customer engagement software to a range of customers in both the public and private sectors. The company counts the NHS and many call centres amongst its clients. An original Netcall product is its patented QueueBuster, which offers to return your call, so that you don't waste time waiting for a response. Customers range from travel and retail to professional services and finance.

<b>Initial investment date:</b>	June 2006
<b>Cost:</b>	£437,000
<b>Valuation:</b>	£2,171,318
<b>Last Audited Accounts:</b>	30 June 2013
<b>Revenue:</b>	£16.1 million
<b>Profit before Tax:</b>	£2.3 million
<b>Market Capitalisation:</b>	£76.2 million
<b>First purchase price:</b>	48.7p
<b>Bid Price as at 31/07/2014:</b>	61.0p
<b>Share Price Gain:</b>	25.3%

#### IDOX PLC

Traditionally a provider of planning software solutions to the public sector, IDOX acquired Glasgow-based McLaren in 2010. The company now serves clients around the world, although UK local authorities remain its dominant customer group. The addition of McLaren, whose software enables the management of enormous engineering drawings, means IDOX has huge potential for further expansion and growth, especially in America and Australia.

<b>Initial investment date:</b>	May 2007
<b>Cost:</b>	£353,000
<b>Valuation:</b>	£2,087,940
<b>Last Audited Accounts:</b>	31 October 2013
<b>Revenue:</b>	£57.3 million
<b>Profit before Tax:</b>	£7.5 million
<b>Market Capitalisation:</b>	£163.1 million
<b>First purchase price:</b>	7.5p
<b>Bid Price as at 31/07/2014:</b>	44.5p
<b>Share Price Gain:</b>	493.3%

#### GB GROUP PLC

As specialists in ID verification, GB Group's services have been increasingly in demand from companies trying to prevent ID theft and fraud. GB Group has expanded rapidly in recent years and, thanks to the ever-expanding scope of internet-related transactions, its growth prospects look appealing.

<b>Initial investment date:</b>	November 2011
<b>Cost:</b>	£714,000
<b>Valuation:</b>	£1,783,391

<b>Last Audited Accounts:</b>	31 March 2014
<b>Revenue:</b>	£41.8 million
<b>Profit before Tax:</b>	£4.0 million
<b>Market Capitalisation:</b>	£181.8 million
<b>First purchase price:</b>	40.0p
<b>Bid Price as at 31/07/2014:</b>	153.0p
<b>Share Price Gain:</b>	282.5%

#### MATTIOLI WOODS PLC

Founders Ian Mattioli and Bob Woods still run the company that bears their names. Based in Leicester, the fee-based pensions advisory business listed on AIM in 2005 and recently launched its own fund management operation. Dealing in both personal and corporate pension scheme advice, the company should benefit from government proposals to make individuals more responsible for their own pension provision.

<b>Initial investment date:</b>	November 2005
<b>Cost:</b>	£526,000
<b>Valuation:</b>	£1,731,791
<b>Last Audited Accounts:</b>	31 May 2013
<b>Revenue:</b>	£23.4 million
<b>Profit before Tax:</b>	£4.6 million
<b>Market Capitalisation:</b>	£88.1 million
<b>First purchase price:</b>	132.0p
<b>Bid Price as at 31/07/2014:</b>	438.0p
<b>Share Price Gain:</b>	231.8%

#### ESCHER GROUP HOLDINGS PLC

Escher floated on AIM in 2011 so that it could refinance its balance sheet and fund its growth plans as it sought to provide its software to post offices worldwide. That software facilitates both postal and non-postal transactions across entire national postal networks, ranging in size from the US Postal Service to much smaller networks like Gibraltar. The company is developing new software services to provide post offices with revenue in the face of declining mail volumes and rising electronic delivery and we see good growth prospects over the next few years.

<b>Initial investment date:</b>	August 2011
<b>Cost:</b>	£1,002,753
<b>Valuation:</b>	£1,708,782
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£15.0 million
<b>Profit before Tax:</b>	£0.9 million
<b>Market Capitalisation:</b>	£55.9 million
<b>First purchase price:</b>	170.0p
<b>Bid Price as at 31/07/2014:</b>	290.0p
<b>Share Price Gain:</b>	70.6%

## TOP TEN HOLDINGS OF OCTOPUS AIM 2

Listed below are the ten largest investments, valued at bid prices as at 31 July 2014:

### ADVANCED COMPUTER SOFTWARE PLC

One of the largest software and services providers in the UK, Advanced Computer Software Group focuses primarily on health and care, business solutions and managed services. The company is led by Vin Murria, who managed a previously AIM listed company, which was also a profitable investment for the AIM VCTs.

<b>Initial investment date:</b>	July 2008
<b>Cost:</b>	£645,000
<b>Valuation:</b>	£2,374,414
<b>Last Audited Accounts:</b>	28 February 2014
<b>Revenue:</b>	£203.2 million
<b>Profit before Tax:</b>	£12.1 million
<b>Market Capitalisation:</b>	£571.2 million
<b>First purchase price:</b>	17.0p
<b>Bid Price as at 31/07/2014:</b>	118.3p
<b>Share Price Gain:</b>	595.6%

### BREEDON AGGREGATES LIMITED

As the UK's largest independent aggregates business, Breedon Aggregates has 41 quarries, 22 asphalt plants and 51 ready-mixed concrete and mortar plants in England and Scotland and supplies a wide range of materials to the construction industry. The holding gives our investors an excellent way to benefit from the renewed strength of the UK's construction sector

<b>Initial investment date:</b>	August 2010
<b>Cost:</b>	£573,000
<b>Valuation:</b>	£1,897,029
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£224.6 million
<b>Profit before Tax:</b>	£11.0 million
<b>Market Capitalisation:</b>	£404.0 million
<b>First purchase price:</b>	12.0p
<b>Bid Price as at 31/07/2014:</b>	39.8p
<b>Share Price Gain:</b>	231.3%

### IDOX PLC

Traditionally a provider of planning software solutions to the public sector, IDOX acquired Glasgow-based McLaren in 2010. The company now serves clients around the world, although UK local authorities remain its dominant customer group. The addition of McLaren, whose software enables the management of enormous engineering drawings, means IDOX has huge potential for further expansion and growth, especially in America and Australia.

<b>Initial investment date:</b>	May 2007
<b>Cost:</b>	£356,000
<b>Valuation:</b>	£1,667,392

<b>Last Audited Accounts:</b>	31 October 2013
<b>Revenue:</b>	£57.3 million
<b>Profit before Tax:</b>	£7.5 million
<b>Market Capitalisation:</b>	£163.1 million
<b>First purchase price:</b>	7.5p
<b>Bid Price as at 31/07/2014 (p):</b>	44.5p
<b>Share Price Gain:</b>	493.3%

#### NETCALL PLC

Netcall provides its customer engagement software to a range of customers in both the public and private sectors. The company counts the NHS and many call centres amongst its clients. An original Netcall product is its patented QueueBuster, which offers to return your call, so that you don't waste time waiting for a response. Customers range from travel and retail to professional services and finance.

<b>Initial investment date:</b>	June 2006
<b>Cost:</b>	£421,000
<b>Valuation:</b>	£1,561,332
<b>Last Audited Accounts:</b>	30 June 2013
<b>Revenue:</b>	£16.1 million
<b>Profit before Tax:</b>	£2.3 million
<b>Market Capitalisation:</b>	£76.2 million
<b>First purchase price:</b>	48.7p
<b>Bid Price as at 31/07/2014:</b>	61.0p
<b>Share Price Gain:</b>	25.3%

#### QUIXANT PLC

Since Quixant listed on AIM in 2013 the company, which designs and manufactures computer game platforms, has developed a substantial research and development department, a range of market leading products, a profitable track record and a pipeline of interesting potential customers. Both AIM VCTs invested at flotation and have taken some profits from the holdings since. The company looks well set for growth in the next few years.

<b>Initial investment date:</b>	May 2013
<b>Cost:</b>	£465,000
<b>Valuation:</b>	£1,493,601
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£14.7 million
<b>Profit before Tax:</b>	£3.6 million
<b>Market Capitalisation:</b>	£96.3 million
<b>First purchase price:</b>	46.0p
<b>Bid Price as at 31/07/2014:</b>	148.0p
<b>Share Price Gain:</b>	221.7%



#### ESCHER GROUP HOLDINGS PLC

Escher floated on AIM in 2011 so that it could refinance its balance sheet and fund its growth plans as it sought to provide its software to post offices worldwide. That software facilitates both postal and non-postal transactions across entire national postal networks, ranging in size from the US Postal Service to much smaller networks like Gibraltar. The company is developing new software services to provide post offices with revenue in the face of declining mail volumes and rising electronic delivery and we see good growth prospects over the next few years.

<b>Initial investment date:</b>	August 2011
<b>Cost:</b>	£753,000
<b>Valuation:</b>	£1,282,310
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£15.0 million
<b>Profit before Tax:</b>	£0.9 million
<b>Market Capitalisation:</b>	£55.9 million
<b>First purchase price:</b>	170.0p
<b>Bid Price as at 31/07/2014:</b>	290.0p
<b>Share Price Gain:</b>	70.6%

#### ANIMALCARE GROUP PLC

Animalcare Group plc manufactures and distributes veterinary medicines for pets and livestock. It also supplies identity chips for domestic pets. Animalcare's speciality is the re-formulation of existing compounds to give more convenient and effective treatments. It is currently investing in its pipeline with the objective of launching two to three new drugs annually. This investment is holding profits back in the short term but should accelerate the growth rate of the company on a two to three year view.

<b>Initial investment date:</b>	December 2007
<b>Cost:</b>	£823,000
<b>Valuation:</b>	£1,224,339
<b>Last Audited Accounts:</b>	30 June 2013
<b>Revenue:</b>	£12.1 million
<b>Profit before Tax:</b>	£2.3 million
<b>Market Capitalisation:</b>	£30.2 million
<b>First purchase price:</b>	55.0p
<b>Bid Price as at 31/7/2014:</b>	140.0p
<b>Share Price Gain:</b>	154.5%

#### GB GROUP PLC

As specialists in ID verification, GB Group's services have been increasingly in demand from companies trying to prevent ID theft and fraud. GB Group has expanded rapidly in recent years and, thanks to the ever-expanding scope of internet-related transactions, its growth prospects look appealing.

<b>Initial investment date:</b>	November 2011
<b>Cost:</b>	£476,000
<b>Valuation:</b>	£1,188,928
<b>Last Audited Accounts:</b>	31 March 2014
<b>Revenue:</b>	£41.8 million

<b>Profit before Tax:</b>	£4.0 million
<b>Market Capitalisation:</b>	£181.8 million
<b>First purchase price:</b>	40.0p
<b>Price as at 31/07/2014:</b>	153.0p
<b>Share Price Gain:</b>	282.5%

#### STAFFLINE GROUP PLC

When Staffline listed on AIM in 2004 it was a small but profitable provider of specialist temporary and contract workers. Since then it has developed its own 'on-site' recruitment solution, helping it grow organically, while also supplementing its growth with acquisitions. After recently adding new employment sectors, such as driving and agriculture, Staffline's growth rate is expected to accelerate.

<b>Initial investment date:</b>	March 2011
<b>Cost:</b>	£224,937
<b>Valuation:</b>	£1,185,665
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£416.2 million
<b>Profits before Tax:</b>	£8.6 million
<b>Market Capitalisation:</b>	£266.4 million
<b>First purchase price:</b>	183.0p
<b>Bid Price as at 31/07/2014:</b>	962.0p
<b>Share Price Gain:</b>	425.7%

#### EKF DIAGNOSTICS PLC

Healthcare professionals in more than 70 countries now use blood testing equipment produced by EKF Diagnostics. Progress in its molecular diagnostics division is also exciting, with the company looking to develop a revolutionary test to help detect cancer cells in blood samples. The company has cash on its balance sheet and is confident on the outlook for the rest of the year.

<b>Initial investment date:</b>	July 2010
<b>Cost:</b>	£864,000
<b>Valuation:</b>	£1,129,242
<b>Last Audited Accounts:</b>	31 December 2013
<b>Revenue:</b>	£31.8 million
<b>Profit before Tax:</b>	£0.6 million
<b>Market Capitalisation:</b>	£107.6 million
<b>First purchase price:</b>	15.0p
<b>Bid Price as at 31/07/2014:</b>	25.5p
<b>Share Price Gain:</b>	70.0%

While the top ten holdings in both portfolios represent some of the larger and more mature investments of both Companies, it is Octopus' analysis that more than 90% of the holdings (by value) within the portfolios are companies expected to make a profit in 2014, at an average of more than £8.5 million each. The average turnover of all companies in the Companies' portfolios is expected to exceed £100 million in 2014.

Amongst other holdings which Octopus believe will contribute to future NAV growth of the Companies in years to come are the following companies:

#### PROXAMA

Thanks to companies such as Proxama it won't be long before we're using our mobile phones to pay for meals, tickets and groceries. Proxama is one of the leaders in 'Near Field Communications' (NFC), which allows individuals to use credit cards, vouchers and travel passes on mobile devices. Founded in 2005, Proxama listed on AIM in 2013 and has offices in London, Norwich and New York.

<b>First purchase price:</b>	2.50p
<b>Bid Price as at 31/07/2014:</b>	3.30p
<b>Price increase:</b>	30%

#### RATED PEOPLE

Website ratedpeople.com puts homeowners in touch with local tradesmen in the same way they search for hotels, restaurants and other services. Since Rated People's website went live in 2005 it has posted more than 2.5 million jobs. The fundraising the Octopus AIM VCTs took part in enabled it to increase its business by advertising more widely.

<b>First purchase price:</b>	11128p
<b>Bid Price as at 31/07/2014:</b>	11128p
<b>Price increase:</b>	nil      Private company valued at cost.

#### MYCELX

Environmental regulations are getting tougher all the time for oil and gas companies, which is great news for Mycelx. It markets products for removing oil from water – a vital operation for any drilling platform. Although still at an early stage, the company is looking to address a very large market and has a growing pipeline of opportunities.

<b>First purchase price:</b>	210p
<b>Bid Price as at 31/07/2014:</b>	400p
<b>Price increase:</b>	90.5%

#### TASTY

After a slow start Tasty, which operates a chain of "casual dining" restaurants (under the brands of Dim T and Wildwood) is now growing its profits rapidly, and generating enough cash to keep opening four to six new restaurants a year. Most of its restaurants are close to London and have been trading very well, which has resulted in upgrades for the Group's trading forecasts.

<b>First purchase price:</b>	110p
<b>Bid Price as at 31/07/2014:</b>	94.5p
<b>Price increase:</b>	-14%

#### NEXT STEP

In launching the Offers, the Companies are seeking to raise a meaningful amount of new capital, which the Managers and Boards believe can be invested to continue the progress in the growth of the Companies' NAV seen over the last few years. The Offers will close on or before 10 August 2015 unless extended by the Directors (but no later than 28 August 2015). New Shares will be allocated on a first come, first served basis. It is intended that allotments of New Shares will be made on 10 November 2014 and every two months thereafter.

The Application Form is attached at the end of this document. The Terms and Conditions for the subscription of New Shares are set out on pages 93 to 99. Subject to the Offers becoming unconditional and remaining open for both Companies, Applicants may elect that their Applications are allocated 100% to either Company or split 60% to Octopus AIM and 40% to Octopus AIM 2 and in default of any election their subscription monies will be split 60% to Octopus AIM and the remaining 40% to Octopus AIM 2. The maximum that may be raised by Octopus AIM is £18 million. The maximum that may be raised by Octopus AIM 2 is £12 million. As the Companies near capacity one may be fully subscribed earlier than the other. In the event of an Applicant's preferred allocation, or the default allocation, not being possible, that part of an Applicant's subscription that cannot be allocated to either Company will, unless an Applicant directs otherwise, be allocated to the other Company. If the Offers do not become unconditional for either Company, an Applicant's subscription will, unless an Applicant directs otherwise, be allocated to the other Company.

#### LOYALTY DISCOUNT

If you are an existing, or were previously a, shareholder of any Octopus VCT, you will benefit from the costs of the Offers being reduced by 0.5%.

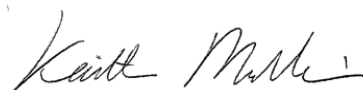
If you have any questions, you should contact your financial adviser or call Octopus on 0800 316 2295. However, please note that Octopus is not able to provide you with investment, financial or tax advice.

We would like to thank existing Shareholders for their continued support and we also very much look forward to welcoming new Shareholders to the Companies.

Yours sincerely



Michael Reeve  
Chairman  
Octopus AIM VCT plc



Keith Mullins  
Chairman  
Octopus AIM VCT 2 plc

## **KEY FEATURES**

### **PART ONE**

#### **Introduction to the Offers**

#### **Terms of the Offers**

#### **Use of funds**

#### **Costs of the Offers**

#### **Intermediary charges**

#### **Investment policy**

#### **Tax Benefits for Investors**

#### **The Manager**

#### **Dividend Policy**

#### **Buyback Policy**

#### **The Boards**

#### **The Investment Team**

#### **Management Remuneration**

#### **Introduction to the Offers**

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies, including those admitted to trading on the Alternative Investment Market (AIM). The Government achieved this by offering VCT investors a series of attractive tax benefits.

An investment under the Offers will provide individuals with exposure to a diversified portfolio of AIM-listed smaller companies with the aim of generating returns over the medium to long-term. Each of the Companies will invest in accordance with its investment policy, as set out below.

The Companies are seeking to raise, in aggregate, up to £20 million under the Offers with an over allotment facility of a further £10 million, in aggregate. Subject to the Offers becoming unconditional and remaining open for both Companies, Applicants may elect that their Applications are allocated 100% to either Company or split 60% to Octopus AIM and 40% to Octopus AIM 2 and in default of any election the subscription monies will be split 60% to Octopus AIM and the remaining 40% to Octopus AIM 2. The maximum that may be raised by Octopus AIM is £18 million. The maximum that may be raised by Octopus AIM 2 is £12 million. As the Companies near capacity one may be fully subscribed earlier than the other. In the event of an Applicant's preferred allocation, or the default allocation, not being possible, that part of an Applicant's subscription that cannot be allocated to either Company will, unless an Applicant directs otherwise, be allocated to the other Company. The Offers in respect of Octopus AIM and Octopus AIM 2 are conditional upon Resolutions 1 and 3 being passed at the Octopus AIM GM and the Octopus AIM 2 GM respectively. If the Offers do not become unconditional for either Company, Applications will, unless an Applicant directs otherwise, be allocated to the other Company. The Offers will remain open until 10 August 2015 unless fully subscribed at an earlier date or unless extended by the Directors (but to no later than 28 August 2015).

#### **Terms of the Offers**

The Offer Price will be determined by the following formula:

**the most recently announced NAV per Share of each Company, divided by  
0.945**

Where the share price for either Company has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. For the purpose of determining the Offer Price, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued under the Offers 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, without interest, except where the amount is less than the Offer Price of one New Share, in which case it will be donated to a charity approved by the Boards.

The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholders of any Octopus VCT, who will benefit from the costs of the Offers being reduced by 0.5%.

The Offers will remain open until noon on 10 August 2015 unless fully subscribed at an earlier date. The Boards reserve the right to close the Offers earlier, or to extend the Offers (but to no later than 28 August 2015) and to accept applications and issue New Shares at any time prior to the close of the Offers. New Shares issued will rank pari passu with the existing Shares from the date of issue, except any issued on an ex-dividend basis, which will, therefore, not qualify for the next dividend.

### Example

On the assumption that an investor does not receive any advice in respect of their application, an illustration of the application allocation and pricing formula for an aggregate investment of £10,000 under the Offers (using the most recently published NAVs as at the date of this document and assuming an investment split 60% to Octopus AIM and 40% to Octopus AIM 2) is set out below:

	<b>Unaudited NAV as at 25 August 2014 (p)</b>	<b>Offer Price (p)</b>	<b>Number of New Shares to be allotted</b>
Octopus AIM	<b>111.9p</b>	118.5	5,063
Octopus AIM 2	<b>83.9p</b>	88.8	4,504

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares.

The full terms and conditions applicable to the Offers are set out on pages 93 to 99.

### Use of funds

Octopus continues to see opportunities to make new investments at attractive valuations. The funds raised under the Offers will be used by each of the Companies to make investments in accordance with their published investment policies and for the payment of normal running costs. Some of the funds raised will be used to invest into new portfolio companies and some may be used to support the Companies' existing holdings.

### Costs of the Offers

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, the Companies will pay an initial charge of 3% of the gross sum invested in the Offers to Octopus. This is payable in the same way on all subscriptions to the Offers. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offers.

## Intermediary Charges

There are 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. Investors are required to give explicit authority and direction for transparent methods of adviser remuneration. Investors will fall into one of four categories, as follows:

- 1) Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies;
- 2) Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice;
- 3) Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice including investors who are investing through intermediaries/advisers using financial platforms with no ongoing adviser charge;
- 4) Investors who have invested their money through a financial intermediary and have not received advice.

Details of the adviser remuneration for each of the categories set out above is included in the Terms and Conditions of the Offers on pages 93 to 99. **The category applicable to the investor will determine the options available to them to remunerate their financial intermediary. The Boards encourage investors to read carefully the Application Form and complete the sections that are relevant to their circumstances and choices. If anything is unclear, the investor should speak to a financial adviser or call Octopus on 0800 316 2295. Please note that Octopus cannot advise in respect of an investment under the Offers.**

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

- **the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945.**

As stated above, the application of the above formula will be adjusted for those investors who are existing, or who were previously, shareholders of any Octopus VCT.

## Investment Policy

The investment policy of each of the Companies is as follows:

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

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of qualifying AIM, ISDX Growth Market traded or unquoted companies where the management view an initial public offering (IPO) on AIM or ISDX Growth Market traded companies is a short to medium-term objective. Now the qualifying target has been achieved, the Board intends

that approximately 20% of the Company's funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities, short-term money market deposits with a minimum Moody's long-term debt rating of 'A'. A proportion of the 20% could be invested in a UK smaller company fund managed by Octopus or direct in equity investments and bonds. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

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

### **Tax Benefits for Investors**

Qualifying investors into VCTs will benefit from the following tax advantages:

- Up to 30% of the amount invested deducted from their income tax liability;
- Tax free dividends; and
- Tax free capital gains.

### **The Manager**

The Companies are managed by Octopus. Octopus is an award winning investment manager that has over £3.5 billion under management. It manages more VCT funds than any other provider in the industry, and is an expert in investing in UK smaller companies across a range of funds, tax structures and risk/return mandates.

Octopus has more than 300 staff, including over 70 investment professionals, and has twice been voted as one of the 'Top 100 Small Companies to Work For' in the Sunday Times survey. Financial advisers have voted Octopus 'Best VCT Provider of the Year' at the Professional Adviser awards four years in a row. Octopus is one of only two investment managers to have ever received an AAA rating for customer service from Citywire, and currently holds a 5 Star rating for customer service from Financial Adviser magazine.

The first VCT was launched in 1995, and the VCT industry has grown remarkably since then. According to the Association of Investment Companies (AIC), almost £436 million was invested in VCTs in the 2013/14 tax year, and the total amount invested in VCTs currently stands at an impressive £3.2 billion. Octopus currently manage several different VCTs along with a range of other tax-efficient investment products and discretionary investment portfolios. In total, Octopus invest funds on behalf of more than 50,000 UK investors, and work in partnership with more than 3,000 financial advisers.



## **Dividend Policy**

Octopus AIM intends to pay annual dividends of a minimum of 5p per share, through a semi-annual 2.5p dividend or a 5% yield based on share price, reconciled at the year end. Octopus AIM has achieved this, on average, for the past 7 years and it remains the intention of the Directors of Octopus AIM to continue this policy, subject to available cash and distributable reserves.

Octopus AIM 2 intends to pay annual dividends amounting to a 5% yield of Octopus AIM 2's average share price, through a semi-annual dividend with a targeted minimum of 3.6p per share a year. Octopus AIM 2 has achieved its 5% yield target for the past 4 years and it remains the intention of Octopus AIM 2 to continue this policy, subject to available cash and distributable reserves.

## **Buyback Policy**

On 23 January 2013, the Boards announced a change in their long standing policy of providing secondary market liquidity in the Shares. Having previously bought back Shares at a 10% discount to the latest NAV, the Companies announced that they will buy back Shares from selling Shareholders at approximately a 5% discount. The Boards will monitor the volume of Shares bought back and at present intend to maintain the existing limit of the share capital that they buy back and cancel each year at 10% of the total. This aspect of the policy has not changed. The policy is not binding upon the Boards and operates at their discretion. However, it is the Boards' intention that Shareholders should be able to sell their Shares back to the Companies in the absence of an active secondary market.

## **The Boards**

Each of the Boards comprises four Directors all 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 Companies. The Boards have wide experience of investment in both smaller growing companies and larger quoted companies.

### **OCTOPUS AIM**

#### **Michael Reeve MBE MA FCA (Chairman)**

Michael Reeve is a chartered accountant and was formerly a director of Charterhouse Bank from 1971-74, a managing director of Copleys Bank 1974-80, a director of Rea Brothers 1977-80 and managing director of Greyhound Bank 1981-87. He was the chairman of Finsbury Growth & Income Trust PLC from 1991 – 2008. Michael Reeve became director and chairman of Octopus AIM in 1998.

#### **Roger Smith MSc (Stanford Sloan Fellow)**

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol plc and chairman of European Motor Holdings PLC from 1992 to 2007. Until recently, he was the chairman of the Central Finance Board of the Methodist Church. Roger Smith became a director of Octopus AIM in 1998 and is Chairman of its Audit Committee.

#### **Stephen Hazell-Smith**

Stephen Hazell-Smith was the Managing Director of Close Investment Limited until September 2001, having previously founded Rutherford Asset Management in 1993. Prior to this he gained experience

of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK equity fund. He also worked at Mercury Asset Management from 1989 to 1992 and was the chairman of PLUS Markets Group PLC from 2005 to 2010. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen Hazell-Smith became a director of Octopus AIM in 1998.

#### **Marion Sears BSc (Hons)**

Marion Sears is Senior Non-Executive director at Dunelm Group plc, the retailer and Non-Executive Director of Persimmon Plc and Fidelity European Values Plc. She was previously a Managing Director of Investment Banking at JP Morgan. As a Non-Executive she has also served on the Boards of Zetar Plc, Boehringer Ingelheim Ltd, LGC Holdings plc and Prelude Trust Plc, amongst others. Marion Sears became a director of Octopus AIM on 1 October 2011.

#### **OCTOPUS AIM 2**

#### **Keith Mullins (Chairman)**

Keith Mullins joined SG Warburg's investment management division in 1978. The division later developed into Mercury Asset Management and subsequently became Merrill Lynch Investment Managers upon its acquisition by Merrill Lynch in 1998. He therefore has many years' experience as a specialist UK equity fund manager. During this time he was responsible for establishing and managing the team specialising in small and medium-sized pension fund portfolios, and from 2000 he was head of pension fund asset allocation. He left as a managing director of Merrill Lynch Investment Managers in 2001. Keith became a Director of Octopus AIM 2 on 14 September 2005.

#### **Elizabeth Kennedy LLB (Hons) FCIS FCSI**

Elizabeth Kennedy worked for 30 years in corporate finance, principally with Brewin Dolphin Limited, specialising in IPO, secondary issue, takeover code, UKLA sponsor and AIM nominated adviser work. She has been a member of the London Stock Exchange's AIM Advisory Group since 1995. She is currently a partner of Kergan Stewart LLP, Solicitors and is a Non-Executive director of F&C Private Equity Trust plc, Sofant Technologies Limited and Taragenyx Limited. Elizabeth became a director of Octopus Second AIM VCT plc in February 2001 which became Octopus Third AIM VCT plc on the merger and was subsequently dissolved in October 2011. Elizabeth became a Director of Octopus AIM 2 on 12 August 2010 when these companies merged.

#### **Andrew Raynor FCA**

Andy Raynor joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Following the acquisition of this business by RSM Tenon, he became finance director and, in a subsequent board reorganisation, chief executive in 2003, leading the company to win National Firm of the Year 2011 in the British Accountancy Awards. Andy then resigned in January 2012. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he established the corporate finance department and held overall responsibility for business development, before becoming managing partner. Andy is currently Chief Client Officer of Shakespeares Legal LLP, an expanding Midlands law firm, and Non-Executive at HW Fisher & Co, the London accountants. Andy became a Director of the Company on 14 September 2005. Further details relating to Andy's directorship of RSM Tenon are set out on page 73.

### **Alastair Ritchie BA (Econ)**

Alastair Ritchie is chairman of John Swan & Sons plc, which is quoted on AIM, and a Non-Executive director of John Swan Trustee Limited. He has considerable experience in small companies, both private and public, and has served as chairman of several companies. Alastair became a director of Octopus Second AIM VCT plc in February 2001, which became Octopus Third AIM VCT plc on the merger, and was subsequently dissolved in October 2011. He became a Director of Octopus AIM 2 on 12 August 2010 when the Companies merged.

### **The Investment Team**

The AIM investment team at Octopus comprises:

#### **Andrew Buchanan**

Andrew originally joined Barclays Bank in 1973 to manage investment portfolios. After gaining an MBA from London Business School, he spent time with Mercury Asset Management and Hoare Govett, before joining Rutherford Asset Management in 1993. He established Beacon Investment Trust in 1994, the first fund to specialise in investment in AIM. He joined Close Brothers when it purchased Rutherford and left to join Octopus Investments Limited in 2008. He has been involved in the management of the Companies since their launch as well as other AIM portfolios.

#### **Kate Tidbury**

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000, since when she has been involved in the management of the Companies as well as other AIM portfolios. She joined Octopus Investments Limited in 2008.

#### **Richard Power**

Richard started his career at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments Limited to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the CFIC Octopus UK MicroCap Growth Fund.

#### **Edward Griffiths**

Edward is a portfolio manager at Octopus Investments Limited involved particularly in the management of AIM portfolios for private individuals. He joined Octopus Investments Limited in 2004 having previously worked at Schroder's and State Street.

#### **Paul Stevens**

Paul joined Octopus Investments Limited in 2005 as a member of the AIM investment team and has been involved in the management of AIM portfolios since then.

**Stephen Henderson**

Stephen joined Octopus in 2008 as a member of the operations team. Having helped in the Multi Manager team, he joined the AIM investment team in 2011.

**Mark Symington**

Mark graduated from the University of Cape Town in 2010 with a Bcom in Economics and Finance. He joined Octopus in 2012 after two years at Warwick Wealth in South Africa. Mark is studying towards the Chartered Financial Analyst designation and is providing portfolio management and analytical support to the team.

**Management Remuneration**

Octopus provides investment management, administration and secretarial services to the Companies. Previously, this has been for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of the Companies. Out of this Octopus paid all applicable trail commissions to financial intermediaries.

As a result of the implementation of RDR, Octopus is no longer able to pay financial intermediaries where advice has been given in respect of new investments. However, subject to the instructions of the investor, the Companies are able to pay financial intermediary charges directly in relation to ongoing adviser charges on new funds raised under the Offers. To ensure that the Companies are not financially disadvantaged by such payments, these payments will be deducted from the fee charged by Octopus so that the sum of the fee, the ongoing financial intermediary charges and the additional ongoing charges payable to Octopus by each of the Companies in respect of both the Offers and the offers for subscription of the Companies that were launched in February 2013, will not exceed 2% of the NAV of each of the Companies per annum.

The Octopus fee will continue to be paid quarterly in arrears.

There is no performance incentive fee arrangement between Octopus and the Companies.

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

The following paragraphs apply to the Companies 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 a 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 under the Offers 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.

### **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 Offers in each of the 2014/15 and 2015/16 tax years. Each application creates an entitlement to income tax relief of 30% of the amount invested. The relief is subject to an amount which reduces the investor's income tax liability for the tax year to nil. To retain that relief the New Shares would have to be held for 5 years. Tax relief on subscriptions for shares in a VCT is restricted where an investor has disposed of shares in that VCT within 6 months (before or after) that subscription.

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

#### **1.2 Dividend relief**

Venture capital trust dividends are free of 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 venture capital trust loses its approval within this period.

### **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 an accounting period ending 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**

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

The Companies 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.

#### ***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 Companies, as they may be subject to tax in other jurisdictions as well as in the UK.

#### **Tax Position of VCTs**

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.

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

To qualify as a VCT, 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 venture capital trust) 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%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (vi) for funds raised before 6 April 2011, have at least 30%, by value, of its Qualifying Investments represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights;
- (vii) for funds raised after 5 April 2011, 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) not make an investment in a company which causes that company to receive more than £5million of State Aid investment in the 12 months ended on the date of the investment; and
- (ix) in relation to shares issued by a VCT on or after 6 April 2014, not return to shareholders any of the capital received by the VCT in relation to those shares issued before the third anniversary of the end of the accounting period during which the subscription for those shares occurs.

“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 and operating or managing hotels, guest houses, nursing and residential care homes and the generation of electricity from renewable sources from which certain subsidies and incentives are derived. 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 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. 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.

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.

### ***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 COMPANIES

Audited financial information on Octopus AIM is published in the annual reports for the years ended 29 February 2012, 28 February 2013 and 28 February 2014.

Audited financial information on Octopus AIM 2 is published in the annual reports for the years ended 30 November 2011, 30 November 2012 and 30 November 2013 and unaudited information in the interim reports for the six month periods ended 31 May 2013 and 31 May 2014.

The annual reports for the year ended 28 February 2014 in the case of Octopus AIM and for the year ended 30 November 2013 in the case of Octopus AIM 2 were audited by BDO LLP of 55 Baker Street, London W1U 7EU and the remainder of the annual reports referred to above were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP. All reports were without qualification and contained no statements under section 498(2) or (3) of the CA 2006.

The annual reports referred to above were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the Companies' financial condition, changes in financial condition and results of operation for each relevant financial year and the pages of these referred to below are being incorporated by reference and can be accessed at the following website: [www.octopusinvestments.com](http://www.octopusinvestments.com).

Where these documents make reference to other documents, such other documents, together with those pages of the annual reports 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:

#### Octopus AIM

Description	29 February 2012 <u>Annual Report</u>	28 February 2013 <u>Annual Report</u>	28 February 2014 <u>Annual Report</u>
Balance Sheet	Page 39	Page 41	Page 49
Income Statement (or equivalent)	Page 38	Page 40	Page 48
Statement showing all changes in equity (or equivalent note)	Page 40	Page 42	Page 50
Cash Flow Statement	Page 41	Page 43	Page 51



Accounting Policies and Notes	Page 43	Page 45	Page 53
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Auditor's Report	Page 36	Page 38	Page 44
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#### OCTOPUS AIM 2

<b>Description</b>	<b>30 November 2011 <u>Annual Report</u></b>	<b>30 November 2012 <u>Annual Report</u></b>	<b>31 May 2013 <u>Half Year Report</u></b>	<b>30 November 2013 <u>Annual Report</u></b>	<b>31 May 2014 <u>Half Year Report</u></b>
Balance Sheet	Page 38	Page 38	Page 15	Page 47	Page 16
Income Statement (or equivalent)	Page 36	Page 36	Page 12	Page 45	Page 14
Statement showing all changes in equity (or equivalent note)	Page 39	Page 39	Page 14	Page 48	Page 15
Cash Flow Statement	Page 40	Page 40	Page 16	Page 49	Page 17
Accounting Policies and Notes	Page 42	Page 42	Page 18	Page 51	Page 19
Auditor's Report	Page 34	Page 34	n/a	Page 41	n/a

This information on the annual reports has been prepared in a form consistent with that which will be adopted in the Companies' next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

#### OCTOPUS AIM

<b>Description</b>	<b>29 February 2012 <u>Annual Report</u></b>	<b>28 February 2013 <u>Annual Report</u></b>	<b>28 February 2014 <u>Annual Report</u></b>
Performance Summary	Page 1	Page 3	Page 2
Results and	Page 21	Page 23	Page 14

Dividends			
Investment Policy	Page 21	Page 23	Page 12
Outlook	Page 8	Page 10	Page 10
Manager's Review	Page 9	Page 11	Page 17
Portfolio Summary	Page 12	Page 14	Page 20
Business Review	Page 20	Page 22	Page 13
Valuation Policy	Page 43	Page 45	Page 53

## OCTOPUS AIM 2

	<b>30 November 2011</b>	<b>30 November 2012</b>	<b>31 May 2013</b>	<b>30 November 2013</b>	<b>31 May 2014</b>
<b>Description</b>	<b><u>Annual Report</u></b>	<b><u>Annual Report</u></b>	<b><u>Half Year Report</u></b>	<b><u>Annual Report</u></b>	<b><u>Half Year Report</u></b>
Performance Summary	Page 1	Page 1	Page 3	Page 1	Page 3
Results and Dividends	Page 19	Page 18	Pages 5/6	Page 11	Pages 7/8
Investment Policy	Page 19	Page 19	n/a	Page 9	n/a
Outlook	Page 6	Page 6	Page 7	Page 8	Page 9
Manager's Review	Page 7	Page 7	n/a	Page 14	n/a
Portfolio Summary	Page 10	Page 10	Page 8	Page 18	Page 10
Business Review	Page 18	Page 18	n/a	Page 10	n/a
Valuation Policy	Page 42	Page 42	n/a	Page 51	n/a

The unaudited Net Asset Value per Share as at 25 August 2014 was 111.9p and 83.9p for Octopus AIM and Octopus AIM 2 respectively.

## PART FOUR: INVESTMENT PORTFOLIO OF THE COMPANIES

The investment portfolio of Octopus AIM as at the date of this document is as follows (the valuations being the unaudited valuations, at bid price, as at 25 August 2014 and representing more than 50% of the NAV of Octopus AIM). Revenue and Pre Tax Profit figures are historic annual figures as published by Fidessa.

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Staffline Recruitment Group plc	Support Services	341	3,089	3,430	5.4%	905.9%	251.1	416.2	8.6
Advanced Computer Software Group plc	Software & Computer Services	564	2,750	3,314	5.1%	487.6%	550.6	203.2	12.1
Breedon Aggregates Ltd	Construction & Building	859	2,252	3,111	4.9%	262.2%	440.5	224.6	11.0
Quixant plc	Technology Hardware	698	1,543	2,241	3.5%	221.1%	96.3	14.7	3.6
Brooks Macdonald Group plc	Specialty & Other Finance	541	1,636	2,177	3.4%	302.4%	190.3	63.2	10.4
Netcall plc	Telecommunication Services	768	1,332	2,100	3.3%	173.4%	74.4	16.1	2.3
IDOX plc	Software & Computer Services	355	1,697	2,052	3.1%	478.0%	157.3	57.3	7.5
GB Group plc	Support Services	714	999	1,713	2.7%	139.9%	174.8	41.8	4.0
Mattioli Woods plc	Specialty & Other Finance	526	1,186	1,712	2.7%	225.5%	87.1	23.4	4.6
Escher Group Holdings plc	Software & Computer Services	1,003	706	1,709	2.7%	70.4%	55.4	15.0	0.9
Vertu Motors plc	General Retailers	1,265	295	1,560	2.4%	23.3%	200.8	1684.5	15.8
TLA Worldwide plc	Media & Entertainment	807	746	1,553	2.4%	92.4%	38.8	11.3	0.03
MyCelx Technologies Corporation	Oil Services	883	629	1,512	2.3%	71.2%	50.7	13.0	0.8
Matchtech Group plc	Support Services	346	1,156	1,502	2.3%	334.1%	144.8	408.9	9.9
Tasty plc	Leisure & Hotels	621	867	1,488	2.3%	139.6%	55.8	23.2	1.7
EKF Diagnostics Holdings plc	Healthcare	931	398	1,329	2.1%	42.7%	102.9	31.8	0.6
Ergomed plc	Pharmaceuticals & Biotechnology	1,200	(53)	1,147	1.8%	(4.4%)	45.1	15.1	1.8
Cello Group plc	Media & Entertainment	895	195	1,090	1.7%	21.8%	77.2	159.7	5.5
RWS Holdings plc	Support Services	367	608	975	1.5%	165.7%	334.9	77.4	20.5
Bond International Software plc	Software & Computer Services	354	578	932	1.4%	163.3%	42.3	35.1	1.6
Skyepharmaceuticals plc	Pharmaceuticals & Biotech	731	177	908	1.4%	24.2%	293.7	62.6	(1.0)
Brady plc	Software & Computer Services	716	187	903	1.4%	26.1%	62.4	29.4	0.9
Nektan Limited *	Software & Computer Services	725	120	845	1.3%	16.6%			
Nasstar plc	Software & Computer Services	480	312	792	1.2%	65.0%	29.6	2.0	(2.4)
Proxama plc	Software & Computer Services	538	237	775	1.2%	44.1%	30.3	0.8	(5.4)

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Animalcare Group plc	Food Producers & Processors	304	465	769	1.2%	153.0%	30.2	12.1	2.3
Gooch & Housego plc	Electronic & Electrical	489	279	768	1.2%	57.1%	152.4	63.3	8.3
Judges Scientific plc	Electronic & Electrical	314	425	739	1.1%	135.4%	88.3	36.0	1.2
SQS Software Quality Systems AG	Software & Computer Services	291	428	719	1.1%	147.1%	165.2	189.1	8.1
Craneware plc	Software & Computer Services	183	521	704	1.1%	284.7%	140.4	27.2	7.0
Restore plc	Support Services	467	223	690	1.1%	47.8%	146.3	53.6	5.0
Omega Diagnostics Group plc	Healthcare	529	160	689	1.1%	30.2%	20.1	11.6	0.5
Cohort plc	Aerospace & Defence	282	406	688	1.1%	144.0%	81.9	71.6	6.7
Fusionex International plc	Software & Computer Services	282	371	653	1.0%	131.6%	152.7	8.4	3.9
Immunodiagnostic Systems plc	Healthcare	527	65	592	0.9%	12.3%	139.2	52.3	8.3
Mears Group plc	Support Services	57	522	579	0.9%	915.8%	465.6	865.6	21.8
Futura Medical plc	Pharmaceuticals & Biotech	613	(44)	569	0.9%	(7.2%)	42.1	0.4	(2.5)
WANDisco plc	Software & Computer Services	246	300	546	0.8%	122.0%	98.7	4.9	(12.1)
Adept Telecom plc	Telecommunication Services	600	(107)	493	0.8%	(17.8%)	25.8	21.0	1.6
Plastics Capital plc	Engineering & Machinery	400	72	472	0.7%	18.0%	36.3	32.5	1.0
Cambridge Cognition Holdings plc	Healthcare	600	(129)	471	0.7%	(21.5%)	10.1	4.2	(3.0)
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	771	(307)	464	0.7%	(39.8%)	126.7	55.4	(17.0)
Tangent Communications plc	Support Services	578	(145)	433	0.7%	(25.1%)	21.7	27.0	2.3
Goals Soccer Centres plc	Leisure & Hotels	205	219	424	0.7%	106.8%	1257.1	33.7	9.6
EMIS Group plc	Software & Computer Services	319	48	367	0.6%	15.0%	452.4	105.5	24.6
Learning Technologies Group plc	Support Services	511	(156)	355	0.6%	(30.5%)	63.9	7.6	(0.9)
Rated People Ltd*	Software & Computer Services	354	0	354	0.5%	0.0%			
DP Poland plc	Leisure & Hotels	546	(200)	346	0.5%	(36.6%)	9.2	3.2	(3.3)
Corac Group plc	Engineering & Machinery	648	(315)	333	0.5%	(48.6%)	27.5	19.3	(4.3)
Enteq Upstream plc	Oil Services	1,032	(702)	330	0.5%	(68.0%)	19.2	14.8	(6.9)
Plus500 Ltd	Specialty & Other Finance	82	243	325	0.5%	296.3%	540.5	69.8	40.7
Chime Communications plc	Media & Entertainment	192	86	278	0.4%	44.8%	302.8	299.2	(4.7)
Altitude Group plc	Media & Entertainment	600	(358)	242	0.4%	(59.7%)	6.4	4.2	(1.9)

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Vianet Group plc	Beverages	359	(131)	228	0.4%	(36.5%)	22.4	18.3	1.6
Access Intelligence plc	Software & Computer Services	375	(150)	225	0.3%	(40.0%)	7.3	8.4	(2.6)
Lombard Medical Inc**	Healthcare	408	(184)	224	0.3%	(45.1%)	110.6	\$7.00	(\$20.3)
Clean Air Power Ltd	Industrial	485	(271)	214	0.3%	(55.9%)	11.2	9.9	(2.0)
Woodspeen Training plc***	Support Services	350	(233)	117	0.2%	(66.6%)	2.5	4.0	(0.4)
Enables IT Group plc	Software & Computer Services	300	(204)	96	0.1%	(68.0%)	3.2	7.1	(0.4)
Hasgrove plc*	Media & Entertainment	88	(9)	79	0.1%	(10.2%)			
Work Group plc	Support Services	943	(878)	65	0.1%	(93.1%)	1.7	10.4	(1.4)
Tanfield Group plc	Engineering & Machinery	226	(177)	49	0.1%	(78.3%)	23.7	2.2	7.4
Dods (Group) plc	Media & Entertainment	203	(172)	31	0.0%	(84.7%)	13.6	19.8	(1.5)
Synarbor plc*	Support Services	15	7	22	0.0%	46.7%			
<b>Total investments</b>		<b>33,002</b>	<b>23,610</b>	<b>56,612</b>					
Cash at bank				7,916	12.3%				
Debtors less creditors				(115)	(0.2%)				
<b>Net assets</b>				<b>64,413</b>					

Unless otherwise stated, all the investments set out above:

1. are quoted on AIM or on the London Stock Exchange Full List;
2. represent equity investments; and
3. are in portfolio companies incorporated in the UK with the exception of:
  - Escher – Ireland
  - Mycelx – USA
  - SQS – Germany
  - Plus 500 – Israel
  - Nektan - Gibraltar
  - Lombard Medical – Cayman Islands.

\* Denotes private company.

\*\* Denotes company quoted on Nasdaq.

\*\*\* Denotes company quoted on ISDX Growth Market.

The investment portfolio of Octopus AIM 2 as at the date of this document is as follows (the valuations being the unaudited valuations, at bid price, as at 25 August 2014 and representing more than 50% of the NAV of Octopus AIM 2). Revenue and Pre Tax Profit figures are historic annual figures as published by Fidessa.

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Advanced Computer Software Group plc	Software & Computer Services	527	1,767	2,294	5.3%	335.3%	550.6	203.2	12.1
Breedon Aggregates Ltd	Construction & Building	573	1,503	2,076	4.8%	262.3%	440.5	224.6	11.0
IDOX plc	Software & Computer Services	352	1,288	1,640	3.8%	365.9%	157.3	57.3	7.5
Netcall plc	Telecommunication Services	421	1,089	1,510	3.5%	258.7%	74.4	16.1	2.3
Quixant plc	Technology Hardware	465	1,029	1,494	3.4%	221.3%	96.3	14.7	3.6
Escher Group Holdings plc	Software & Computer Services	753	530	1,283	3.0%	70.4%	55.4	15.0	0.9
Animalcare Group plc	Food Producers & Processors	765	460	1,225	2.8%	60.1%	30.2	12.1	2.3
GB Group plc	Support Services	476	666	1,142	2.6%	139.9%	174.8	41.8	4.0
Staffline Recruitment Group plc	Support Services	225	892	1,117	2.6%	396.4%	251.1	416.2	8.6
Tasty plc	Leisure & Hotels	336	780	1,116	2.6%	232.1%	55.8	23.2	1.7
Vertu Motors plc	General Retailers	777	319	1,096	2.5%	41.1%	200.8	1,684.5	15.8
EKF Diagnostics Holdings plc	Healthcare	863	200	1,063	2.4%	23.2%	102.9	31.8	0.6
TLA Worldwide plc	Media & Entertainment	538	498	1,036	2.4%	92.6%	38.8	11.3	0.03
Brooks Macdonald Group plc	Specialty & Other Finance	609	419	1,028	2.4%	68.8%	190.3	63.2	10.4
MyCelx Technologies Corporation	Oil Services	589	420	1,009	2.3%	71.3%	50.7	13.0	0.8
Matchtech Group plc	Support Services	328	640	968	2.2%	195.1%	144.8	408.9	9.9
Plastics Capital plc	Engineering & Machinery	485	368	853	2.0%	75.9%	36.3	32.5	1.0
Craneware plc	Software & Computer Services	421	376	797	1.8%	89.3%	140.4	27.2	7.0
Ergomed plc	Pharmaceuticals & Biotech	800	(35)	765	1.8%	(4.4%)	45.1	15.1	1.8
Chime Communications plc	Media & Entertainment	457	220	677	1.6%	48.1%	302.8	299.2	(4.7)
RWS Holdings plc	Support Services	249	415	664	1.5%	166.7%	334.9	77.4	20.5
Brady plc	Software & Computer Services	492	129	621	1.4%	26.2%	62.4	29.4	0.9
Skyepharma plc	Pharmaceuticals & Biotech	488	118	606	1.4%	24.2%	293.7	62.6	(1.0)
Nektan Limited *	Software & Computer Services	483	80	563	1.3%	16.6%			
Vianet Group plc	Beverages	866	(313)	553	1.3%	(36.1%)	22.4	18.3	1.6
Nasstar plc	Software & Computer Services	320	208	528	1.2%	65.0%	29.6	2.0	(2.4)
Proxama plc	Software & Computer Services	359	158	517	1.2%	44.0%	30.3	0.8	(5.4)
Omega Diagnostics Group plc	Healthcare	389	125	514	1.2%	32.1%	20.1	11.6	0.5
Gooch & Housego plc	Electronic & Electrical	326	185	511	1.2%	56.7%	152.4	63.3	8.3

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
SQS Software Quality Systems AG	Software & Computer Services	207	303	510	1.2%	146.4%	165.2	189.1	7.2
Judges Scientific plc	Electronic & Electrical	209	283	492	1.1%	135.4%	88.3	36.0	1.2
Bond International Software plc	Software & Computer Services	303	163	466	1.1%	53.8%	42.3	35.1	1.6
Restore plc	Support Services	311	148	459	1.1%	47.6%	146.8	53.6	5.0
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	411	35	446	1.0%	8.5%	126.7	55.4	(17.0)
Fusionex International plc	Software & Computer Services	188	246	434	1.0%	130.9%	152.7	8.4	3.9
Adept Telecom plc	Telecommunication Services	501	(89)	412	0.9%	(17.8%)	25.8	21.0	1.9
Cello Group plc	Media & Entertainment	205	195	400	0.9%	95.1%	77.2	159.7	5.5
Futura Medical plc	Pharmaceuticals & Biotech	408	(29)	379	0.9%	(7.1%)	42.1	0.4	(2.5)
WANdisco plc	Software & Computer Services	164	200	364	0.8%	122.0%	98.7	4.9	(12.1)
Access Intelligence plc	Software & Computer Services	544	(217)	327	0.8%	(39.9%)	7.3	8.4	(2.6)
Cambridge Cognition Holdings plc	Healthcare	400	(86)	314	0.7%	(21.5%)	10.1	4.2	(3.0)
Goals Soccer Centres plc	Leisure & Hotels	148	157	305	0.7%	106.1%	1257.1	33.7	9.6
Tangent Communications plc	Support Services	385	(96)	289	0.7%	(24.9%)	21.7	27.0	2.3
EMIS Group plc	Software & Computer Services	213	32	245	0.6%	15.0%	452.4	105.5	24.6
Learning Technologies Group plc	Support Services	341	(104)	237	0.5%	(30.5%)	63.9	7.6	(0.9)
Rated People Ltd*	Software & Computer Services	236	0	236	0.5%	0.0%			
Immunodiagnostic Systems plc	Healthcare	454	(219)	235	0.5%	(48.2%)	139.2	52.3	8.3
DP Poland plc	Leisure & Hotels	364	(134)	230	0.5%	(36.8%)	9.2	3.2	(3.3)
Corac Group plc	Engineering & Machinery	452	(222)	230	0.5%	(49.1%)	27.5	19.3	(4.3)
Enteq Upstream plc	Oil Services	687	(468)	219	0.5%	(68.1%)	19.2	14.8	(6.9)
Plus500 Ltd	Specialty & Other Finance	54	162	216	0.5%	300.0%	540.5	69.8	40.7
Mattioli Woods plc	Specialty & Other Finance	98	107	205	0.5%	109.2%	87.1	23.4	4.6
Lombard Medical Inc**	Healthcare	584	(388)	196	0.5%	(66.4%)	110.6	\$7.0	\$20.3
Clean Air Power Ltd	Industrial	323	(181)	142	0.3%	(56.0%)	11.2	9.9	(2.0)
Mears Group plc	Support Services	47	40	87	0.2%	85.1%	465.6	865.6	21.8
Woodspeen Training plc	Support Services	250	(167)	83	0.2%	(66.8%)	2.5	4.0	(0.4)
Hasgrove plc*	Media & Entertainment	153	(76)	77	0.2%	(49.7%)			
Enables IT Group plc	Software & Computer Services	200	(136)	64	0.1%	(68.0%)	3.2	7.1	(0.4)
Altitude Group plc	Media & Entertainment	24	17	41	0.1%	70.8%	6.4	4.2	(1.9)
Work Group plc	Support Services	473	(441)	32	0.1%	(93.2%)	1.7	10.4	(1.4)

<b>Total investments</b>		<b>24,069</b>	<b>13,569</b>	<b>37,638</b>					
Cash at bank				5,538	12.8%				
Debtors less creditors				230	0.5%				
<b>Net assets</b>				<b>43,406</b>					

Unless otherwise stated, all the investments set out above:

1. are quoted on AIM or on the London Stock Exchange Full List;
2. represent equity investments; and
3. are in portfolio companies incorporated in the UK with the exception of:
  - Escher – Ireland
  - Mycelx – USA
  - SQS – Germany
  - Plus 500 – Israel
  - Nektan - Gibraltar
  - Lombard Medical – Cayman Islands.

\* Denotes private company.

\*\* Denotes company quoted on Nasdaq.

\*\*\* Denotes company quoted on ISDX Growth Market.



## **PART FIVE — ADDITIONAL INFORMATION ON THE COMPANIES**

### **SECTION A: OCTOPUS AIM**

#### **1. INCORPORATION**

- 1.1 Octopus AIM was incorporated and registered in England and Wales on 8 December 1997 under the CA 1985 with registered number 3477519 as a public company limited by shares.
- 1.2 On 26 January 1998, the Registrar of Companies issued Octopus AIM with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.

#### **2. REGISTERED OFFICE AND PRINCIPAL LEGISLATION**

- 2.1 The registered office of Octopus AIM is at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295.
- 2.2 The principal legislation under which Octopus AIM operates and which governs its shares is the Acts.

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

- 3.1 On the incorporation of Octopus AIM, two ordinary shares were issued nil paid to the subscribers to the memorandum of Octopus AIM.
- 3.2 The following special and ordinary resolutions are to be proposed at the Octopus AIM GM and the issue and allotment by Octopus AIM of New Shares under the Offers is conditional upon the passing of resolutions 1 and 3:

##### **Ordinary Resolutions**

- 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 and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £152,284, representing approximately 26.5% of the share capital in issue as at 28 August 2014, provided that the authority conferred by this paragraph 1 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (unless renewed, varied or revoked by the Company in a 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 Companies

Act 2006 (the “Act”) to exercise all the powers of the Company to allot and issue shares in the capital of the Company in connection with the Company’s dividend reinvestment scheme up to an aggregate nominal amount of £28,743, representing approximately 5% of the share capital in issue as at 28 August 2014, provided that the authority conferred by this paragraph 2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (unless renewed, varied or revoked by the Company in a 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.

### Special Resolutions

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 to 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 paragraph 3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (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 of up to an aggregate nominal value of £152,284 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 26.5% of the share capital in issue as at 28 August 2014.
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 to 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 paragraph 4 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (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 up to an aggregate nominal amount of £28,743, representing approximately 5% of the share capital in issue as at 28 August 2014.

- 3.3 At the date of this document the issued fully paid share capital of Octopus AIM is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	575,444	57,544,424

- 3.4 The issued fully paid share capital of Octopus AIM immediately after the Offers have closed (assuming (i) the Offers are fully subscribed in both Companies and (ii) that the Offer Price is 118.5p per Octopus AIM New Share) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	727,343	72,734,297

3.5 The following allotments and repurchases of Shares have taken place since 1 March 2011:

3,454,584 Shares at a weighted average price of 88.7p were bought back;  
20,263,491 Shares at a weighted average price of 106.7p were allotted.

3.6 Other than the issue of New Shares under the Offers, Octopus AIM has no present intention to issue any Shares.

3.7 Octopus AIM does not have in issue any securities not representing share capital.

3.8 The provisions of Section 561(1) of the CA 2006 (to the extent not disapplied pursuant 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 Octopus AIM, except to the extent disapplied by Octopus AIM in general meeting. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, Octopus AIM must normally offer shares to be issued for cash to holders on a pro rata basis.

3.9 No shares of Octopus AIM 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.

3.10 No share or loan capital of Octopus AIM is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.11 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 Octopus AIM in connection with the issue or sale of any share or loan capital of Octopus AIM in the three years immediately preceding the date of this document.

3.12 Other than pursuant to the Offers, none of the New Shares have been sold or is 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.

3.13 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 New 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. Octopus AIM's Articles permit the holding of shares in CREST.

3.14 The ISIN and SEDOL codes of the Octopus AIM New Shares are GB0034202076 and 3420207 respectively.

#### 4. Directors' interests

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

Director	No. of Shares	% of Issued Share Capital
Michael Reeve	6,959	0.01
Roger Smith	20,000	0.03
Stephen Hazell-Smith	90,100	0.16
Marion Sears	9,572	0.02

- 4.2 Assuming that (i) the Offers are fully subscribed in both Companies with Stephen Hazell-Smith subscribing only in Octopus AIM and (ii) an Offer Price of 118.5p per Octopus AIM New Share, the interests of the Directors of Octopus AIM and their immediate families in the issued share capital of Octopus AIM immediately following the Offers will be:

Director	No. of Shares	% of Issued Share Capital
Michael Reeve	6,959	0.01
Roger Smith	20,000	0.03
Stephen Hazell-Smith	132,294	0.18
Marion Sears	9,572	0.01

- 4.3 At the date of this document and after the Offers have closed, Octopus AIM is not aware of any person who has or will hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")), directly or indirectly, voting rights representing 3% or more of the issued share capital of Octopus AIM to which voting rights are attached or who does or could, directly or indirectly, jointly or severally, exercise control over Octopus AIM (assuming that (i) the Offers are fully subscribed in both Companies and (ii) an Offer Price of 118.5p per Octopus AIM New Share).
- 4.4 The persons including the Directors referred to in paragraph 4.1 above, do not have voting rights in respect of the share capital of Octopus AIM (issued or to be issued) which differ from any other Shareholder of Octopus AIM.
- 4.5 Octopus AIM and the Directors of Octopus AIM are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Octopus AIM.
- 4.6 No Director of Octopus AIM 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 Octopus AIM and which were effected by Octopus AIM 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.
- 4.7 In addition to their directorships of Octopus AIM, the Directors of Octopus AIM 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:

Name	Position	Name of company/partnership	Position still held (Y/N)
Michael Reeve	Director	The Tregear Company Limited	Y
	Director	Saddleback Corporation Limited (in members' voluntary liquidation)	N
	Director		N
	Director	Longhorn Mining Ltd	N
		The Parachute Regiment Charity	N
	Director	Nettleton & Co Ltd	
	Director	Saddleback Mining Limited	N
Roger Smith	Director	Epworth Investment Management Limited	Y
	Director	Cotton Spring Farm Limited	Y
	Director	Herts County Showground Limited	Y
	Director	The Hertfordshire Agricultural Society	Y
	Director	The Macintyre Charitable Trust (dissolved)	N
	Director	Methodist International Centre Limited	N
	Director	Central Industrial Holdings Limited (dissolved)	N
	Director	BB Realisations Limited (in liquidation)	N
Stephen Hazell-Smith	Director	Puma VCT 10 Plc	Y

	Director	Webb Capital Asset Management Limited	Y
	Director	Webb Capital Advisory Limited	Y
	Director	Puma VCT V Plc (in members' voluntary liquidation)	N
	Director	Octopus Phoenix VCT plc (dissolved)	N
	Director	ICAP Securities & Derivatives Exchange Limited	N
	Director	Polemos Plc	N
	Director	Kudosooption PLC (dissolved)	N
Marion Sears	Director	Dunelm Group Plc	Y
	Director	Persimmon PLC	Y
	Director	Fidelity European Values Plc	Y
	Director	Maplin Properties Limited	Y
	Director	Shandon Associates Limited	Y
	Director	Zetar Limited	N
	Director	Stortford Interiors (UK) Limited	N

The business address of all the Directors is 20 Old Bailey, London EC4M 7AN.

- 4.8 None of the Directors of Octopus AIM 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.
- 4.9 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director of Octopus AIM 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 Octopus AIM for the benefit of any of its Directors nor are there any loans or any guarantees provided by any of the Directors of Octopus AIM for Octopus AIM.
- 4.11 The Directors of Octopus AIM and directors of the Manager do not have any conflicts of interest between their duties to Octopus AIM and their private interests or other duties.

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

Michael Reeve, Roger Smith and Stephen Hazell-Smith were appointed as Directors of Octopus AIM on 2 February 1998 pursuant to appointment letters of the same date. Marion Sears was appointed as a Director of Octopus AIM on 1 October 2011 pursuant to an appointment letter of 29 September 2011. These Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Octopus AIM, entitling the Directors of Octopus AIM to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Michael Reeve, as Chairman of Octopus AIM, is entitled to annual remuneration of £24,450, while the annual remuneration receivable by Roger Smith, Stephen Hazell-Smith and Marion Sears is £18,340. None of the Directors of Octopus AIM has a service contract with Octopus AIM and no such contract is proposed. In respect of the year ended 28 February 2014, Michael Reeve received £24,450, Roger Smith £18,340, Stephen Hazell-Smith £18,340 and Marion Sears £18,340.

## **6. OCTOPUS AIM AND ITS SUBSIDIARIES**

Octopus AIM does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 29 August 2014 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the Offers and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under the Offers. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to investors who have invested directly into Octopus AIM and not through a

financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager has agreed to discharge all the external costs of advice and their own costs in respect of the Offers. Under this agreement certain warranties have been given by Octopus AIM, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM 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 statement in the prospectus relating to the Offers is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **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 Octopus AIM 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 Octopus AIM and which contain any provision under which Octopus AIM has any obligation or entitlement which is, or may be, material to Octopus AIM 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 1 February 2013 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the Octopus AIM 2013 Offer and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under that offer. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received under that offer and an ongoing fee for up to nine years of 0.5% per annum of the net asset value of the investment amounts received from investors under that offer who invested directly into Octopus AIM and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and agreed to discharge all the costs of that offer. Under this agreement certain warranties were given by the Company, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity were in usual form for a contract of this type. The agreement could be terminated if any statement in the prospectus relating to the Octopus AIM 2013 Offer was untrue, any material omission from the relevant prospectus arose or any breach of warranty occurred.

8.3 The Directors' letters of appointment, details of which are set out in paragraph 5 above.

8.4 Investment Management and Administration Agreement

An investment management agreement dated 6 October 2005 between Octopus AIM (1) and Close Investment Limited (2), which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010, 1 February 2013 and 29 August 2014, pursuant to which the Manager provides certain investment management services and administration and secretarial services to Octopus AIM for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM (the "Fee") calculated in accordance with Octopus AIM's normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the ongoing financial intermediary charges and the additional ongoing charges payable to Octopus by Octopus AIM under the offer for subscription of Octopus AIM that was



launched in February 2013 by Octopus AIM and under the Offers will not exceed 2% of the NAV of Octopus AIM per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.

## 9. RELATED PARTY TRANSACTIONS

Save for the fees paid to the Directors of Octopus AIM as detailed in paragraph 5 above, the fees paid under the Investment Management and Administration Agreement detailed in paragraph 8.4 above and the fees paid to Octopus of), £789,594.60 (year ended 29 February 2012), £807,978.12 (year ended 28 February 2013,) £973,103.28 (year ended 28 February 2014) and 495,798.00 (current year) in respect of promotion fees and the administration fee payable to Octopus of £465,962.85 pursuant to Octopus AIM's enhanced share buyback facility that closed on 20 February 2013, there were no other related party transactions or fees paid by Octopus AIM during the years ended 29 February 2012, 28 February 2013 and 28 February 2014 or since 28 February 2014 to the date of this document.

## 10. WORKING CAPITAL

Octopus AIM is of the opinion that the working capital of Octopus AIM is sufficient for its 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 and indebtedness of Octopus AIM as at 31 July 2014 was as follows:

<b><u>Capital and reserves</u></b>	<b>£</b>
Called up Equity Share Capital	575,444
Share Premium	4,742,475
Special Distributable Reserve	64,122,863
Capital Redemption Reserve	4,891
Own Shares held in Treasury	-
Capital Reserve Realised	(29,239,169)
Capital Reserve Unrealised	24,202,993
Revenue Reserve	337,071
 Total Equity Shareholders' Funds	 <hr/> 64,746,568 <hr/>

11.2 Since inception, Octopus AIM has incurred no indebtedness. Octopus AIM has power to borrow under its Articles, details of which are set out in the paragraph entitled "Borrowing Powers" on page 82.

## **12. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Octopus AIM is aware) since Octopus AIM's incorporation which may have, or have had in the recent past, a significant effect on Octopus AIM's financial position or profitability.

## **SECTION B: OCTOPUS AIM 2**

### **1. INCORPORATION**

- 1.1 Octopus AIM 2 was incorporated and registered in England and Wales on 4 August 2005 under the CA 1985 with registered number 5528235 as a public company limited by shares.
- 1.2 On 23 September 2005, the Registrar of Companies issued Octopus AIM 2 with a certificate under Section 117 of the CA 1985 entitling it to commence business.

### **2. REGISTERED OFFICE AND PRINCIPAL LEGISLATION**

- 2.1 The registered office of Octopus AIM 2 is at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295.
- 2.2 The principal legislation under which Octopus AIM 2 operates and which governs its shares is the Acts.

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

- 3.1 On the incorporation of Octopus AIM 2, two ordinary shares were issued nil paid to the subscribers to the memorandum of Octopus AIM 2.
- 3.2 The following special and ordinary resolutions are to be proposed at the Octopus AIM 2 GM and the issue and allotment by Octopus AIM 2 of New Shares under the Offers is conditional upon the passing of resolutions 1 and 3:

#### **Ordinary Resolutions**

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 and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,354, representing approximately 26.2% of the share capital in issue as at 28 August 2014, provided that the authority conferred by this paragraph 1 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (unless renewed, varied or revoked by the Company in a 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 Companies

Act 2006 (the “Act”) to exercise all the powers of the Company to allot and issue shares in the capital of the Company in connection with the Company’s dividend reinvestment scheme up to an aggregate nominal amount of £259.00, representing approximately 5% of the share capital in issue as at 28 August 2014, provided that the authority conferred by this paragraph 2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (unless renewed, varied or revoked by the Company in a 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

### Special Resolutions

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 to 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 paragraph 3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (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 of up to an aggregate nominal value of £1,354 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 26.2% of the share capital in issue as at 28 August 2014.
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 to 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 paragraph 4 shall expire on the conclusion of the annual general meeting of the Company to be held in 2016 (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 up to an aggregate nominal amount of £259.00, representing approximately 5% of the share capital in issue as at 28 August 2014.

- 3.3 At the date of this document the issued fully paid share capital of Octopus AIM 2 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	0.01p	5,177	51,765,669

- 3.4 The issued fully paid share capital of Octopus AIM 2 immediately after the Offers have closed (assuming (i) the Offers are fully subscribed in both Companies and (ii) that the Offer Price is 88.8 p per Octopus AIM 2 New Share) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	0.01p	6,528	65,279,183

- 3.5 The following allotments and repurchases of Shares have taken place since 1 December 2010:
- 6,437,505 Shares at a weighted average price of 66.2p were bought back;  
22,455,777 Shares at a weighted average price of 81.0p were allotted.
- 3.6 Other than the issue of New Shares under the Offers, Octopus AIM 2 has no present intention to issue any Shares.
- 3.7 Octopus AIM 2 does not have in issue any securities not representing share capital.
- 3.8 The provisions of Section 561(1) of the CA 2006 (to the extent not disapplied pursuant 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 Octopus AIM 2, except to the extent disapplied by Octopus AIM 2 in general meeting. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, Octopus AIM 2 must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.9 No shares of Octopus AIM 2 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.
- 3.10 No share or loan capital of Octopus AIM 2 is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.11 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 Octopus AIM 2 in connection with the issue or sale of any share or loan capital of Octopus AIM 2 in the three years immediately preceding the date of this document.
- 3.12 Other than pursuant to the Offers, none of the New Shares has been sold or is 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.
- 3.13 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. Octopus AIM 2's Articles permit the holding of shares in CREST.

- 3.14 The ISIN and SEDOL codes of the Octopus AIM 2 New Shares are GB00B0JQZZ80 and B0JQZZ8 respectively.

4. Directors' interests

- 4.1 As at the date of this document the Directors of Octopus AIM 2 and their immediate families have the following interests in the issued share capital of Octopus AIM 2:

Director	No. of Shares	% of Issued Share Capital
Keith Mullins	201,065	0.39
Andrew Raynor	20,700	0.04
Elizabeth Kennedy	37,380	0.07
Alastair Ritchie	31,809	0.06

- 4.2 Assuming that (i) the Offers are fully subscribed in both Companies and (ii) an Offer Price of 88.8 p per Octopus AIM 2 New Share, the interests of the Directors of Octopus AIM 2 and their immediate families in the issued share capital of Octopus AIM 2 immediately following the Offers will be:

Director	No. of Shares	% of Issued Share Capital
Keith Mullins	201,065	0.31
Andrew Raynor	20,700	0.03
Elizabeth Kennedy	37,380	0.06
Alastair Ritchie	31,809	0.05

- 4.3 At the date of this document and after the Offers have closed, Octopus AIM 2 is not aware of any person who has or will hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")), directly or indirectly, voting rights representing 3% or more of the issued share capital of Octopus AIM 2 to which voting rights are attached or who does or could, directly or indirectly, jointly or severally, exercise control over Octopus AIM 2 (assuming that (i) the Offers are fully subscribed in both Companies and (ii) an Offer Price of 88.8p per Octopus AIM 2 New Share).
- 4.4 The persons including the Directors of Octopus AIM 2 referred to in paragraphs 4.1 above, do not have voting rights in respect of the share capital of Octopus AIM 2 (issued or to be issued) which differ from any other Shareholder of Octopus AIM 2.
- 4.5 Octopus AIM 2 and the Directors of Octopus AIM 2 are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Octopus AIM 2.
- 4.6 No Director of Octopus AIM 2 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 Octopus AIM 2 and which were effected by Octopus AIM 2 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.
- 4.7 In addition to their directorships of Octopus AIM 2, the Directors of Octopus AIM 2 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>Position still held (Y/N)</b>
Keith Mullins	-	-	-
Andrew Raynor	Director	Miller's Court Tenants Limited	Y
	Director	21 <sup>st</sup> Century Law Limited	Y
	Director	Bande A Part Limited	Y
	Director	Star Trust (East Midlands) Limited	Y
	Director	Baker Tilly Business Services Limited (formerly RSM Tenon Limited)	N
	Director	RSM Tenon Group PLC (in administration)	N
	Director	Baker Tilly CF Limited (formerly RSM Tenon Corporate Finance Limited)	N
	Director	Old Mill Consultancy Limited (dissolved)	N
	Director	Dhand Hatchard Davies Limited (dissolved)	N
	Director	Williams Allan Financial Services Limited (dissolved)	N
	Director	Godfrey Allan Financial Services Limited (dissolved)	N
	Director	Techlocate Limited (dissolved)	N
	Director	RSM (UK) Limited (dissolved)	N

Director	BKL Financial Services Limited	N
Director	Baker Tilly Corporate Transactions Limited (formerly RSM Tenon Corporate Transactions Limited)	N
Director	Baker Tilly Investment Solutions Limited (formerly RSM Tenon Investment Solutions Limited)	N
Director	TP Trustees Limited	N
Director	M S Finsbury Circus (dissolved)	N
Director	Premier Strategies Limited (in administration)	N
Director	GKF Wealth Management Limited	N
Director	T-Fund GP Limited	N
Director	HWSEG Limited (dissolved)	N
Director	RSM Group (UK) Limited	N
Director	Baker Tilly Financial Management Limited	N
Director	Bowmans Wealth Management Limited (dissolved)	N
Director	Unity Debt Solutions Limited (dissolved)	N
Director	Tenon Entrepreneurs Limited (dissolved)	N
Director	The Wealth Experience Limited (dissolved)	N

	Director	Advisers to Entrepreneurs Limited (dissolved)	N
	Director	The Entrepreneurs' Pyramid Limited (dissolved)	N
Elizabeth Kennedy	Director	F & C Private Equity Trust PLC	Y
	Director	Friends of the Beatson	Y
	Director	F & C Private Equity Zeros Plc	Y
	Director	Sofant Technologies Ltd	Y
	Director	Taragenyx Limited	Y
	Director	Beatson Cancer Charity	Y
	Director	Clean Future VCT No.1 PLC (dissolved)	N
	Director	Octopus Third AIM VCT plc (dissolved)	N
	Partner	Kergan Stewart LLP	Y
Alastair Ritchie	Director	John Swan & Sons PLC	Y
	Director	John Swan Trustee Limited	Y
	Director	Biobest Laboratories Limited	N
	Director	Beauford plc (in members' voluntary liquidation)	Y
	Director	Aberforth Geared Capital & Income Trust PLC	N



Director	Octopus Third AIM VCT plc (dissolved)	N
Director	Information Preservation Limited (dissolved)	N

The business address of all the Directors of Octopus AIM 2 is 20 Old Bailey, London EC4M 7AN.

4.8 None of the Directors of Octopus AIM 2 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.

Andrew Raynor was chief executive officer of RSM Tenon Group plc between 2003 and January 2012. In February 2010 RSM Tenon Financial Services Limited, an operationally independent subsidiary company, received a financial penalty of £700,000 in respect of certain breaches of the FCA rules. The regulatory requirements were not determined to have been deliberately or recklessly contravened and the business was given full credit for co-operating with the regulators to ensure timely redress for investors. On 13 August 2012 the Accounting and Actuarial Disciplinary Board (AADB), part of the Financial Reporting Council (FRC), announced an investigation into the conduct of certain members of the Institute of Chartered Accountants in England and Wales (ICAEW) and of PricewaterhouseCoopers LLP, as auditors of RSM Tenon Group plc, in respect of the preparation, approval and audit of certain published financial information relating to RSM Tenon Group PLC. The investigation is continuing.

On 22 August 2013, RSM Tenon Group PLC and its subsidiary company, Premier Strategies Limited, were placed into administration. In the latest filed report on the administrations of these companies, dated 19 March 2014, it states that there is expected to be a shortfall of approximately £58m in aggregate in respect of secured and unsecured creditors. As noted above, Andrew Raynor had resigned from his position as a director of both companies in the previous year, on 23 January 2012.

- 4.9 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director of Octopus AIM 2 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 Octopus AIM 2 for the benefit of any of the Directors of Octopus AIM 2 nor are there any loans or any guarantees provided by any of the Directors of Octopus AIM 2 for Octopus AIM 2.
- 4.11 The Directors of Octopus AIM 2 and directors of the Manager do not have any conflicts of interest between their duties to Octopus AIM 2 and their private interests or other duties.

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

Keith Mullins and Andrew Raynor were appointed as Directors of Octopus AIM 2 on 14 September 2005 pursuant to appointment letters dated 7 September 2010. Elizabeth Kennedy and Alastair Ritchie were appointed as Directors of Octopus AIM 2 on 12 August 2010 pursuant to appointment letters of the same date. These Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Octopus AIM 2, entitling the Directors of Octopus AIM 2 to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Keith Mullins, as Chairman of Octopus AIM 2, is entitled to annual remuneration of £20,000, Andrew Raynor, as Audit Committee Chairman, is entitled to annual remuneration of £17,000, while the annual remuneration receivable by Elizabeth Kennedy and Alastair Ritchie is £15,000. None of the Directors of Octopus AIM 2 has a service contract with Octopus AIM 2 and no such contract is proposed. In respect of the year ended 30 November 2013, Keith Mullins received £20,000, Andrew Raynor received £17,000, Elizabeth Kennedy received £15,000 and Alastair Ritchie received £15,000.

## **6. OCTOPUS AIM 2 AND ITS SUBSIDIARIES**

Octopus AIM 2 does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 29 August 2014 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the Offers and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under the Offers. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to investors who have invested directly into Octopus AIM 2 and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager has agreed to discharge all the external costs of advice and their own costs in respect of the Offers. Under this agreement certain warranties have been given by Octopus AIM 2, the Directors of Octopus AIM 2 and the Manager to Howard Kennedy. Octopus AIM 2 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 statement in the prospectus relating to the Offers is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **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 Octopus AIM 2 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 Octopus AIM 2 and which contain any provision under which Octopus AIM 2 has any obligation or entitlement which is, or may be, material to Octopus AIM 2 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 1 February 2013 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the Octopus AIM 2 2013 Offer and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under that offer. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received under that offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under that offer who invested directly into Octopus AIM 2 and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and agreed to discharge all the external costs of advice and their own costs in respect of that offer. Under this agreement certain warranties were given by Octopus AIM 2, the Directors of Octopus AIM 2 and the Manager to Howard Kennedy. Octopus AIM 2 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity were in usual form for a contract of this type. The agreement could be terminated if any statement in the prospectus relating to the Octopus AIM 2 2013 Offer was untrue, any material omission from the relevant prospectus arose or any breach of warranty occurred.
- 8.3 The Directors' letters of appointment, details of which are set out in paragraph 5 above.
- 8.4 **Investment Management and Administration Agreement**  
An investment management agreement dated 6 October 2005 between Octopus AIM 2 (1) and Close Investment Limited (2), which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010, 1 February 2013 and 29 August 2014, pursuant to which the Manager provides certain investment management services and administration and secretarial services to Octopus AIM 2 for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM 2 (the "Fee") calculated in accordance with Octopus AIM 2's normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the ongoing financial intermediary charges and the additional ongoing charges payable to Octopus by Octopus AIM 2 under the offer for subscription of Octopus AIM 2 that was launched in February 2013 and by Octopus AIM 2 and under the Offers will not exceed 2% of the NAV of Octopus AIM 2 per annum. The agreement is terminable on 12 months' notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM 2 if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.

## 9. RELATED PARTY TRANSACTIONS

Save for the fees paid to the Directors of Octopus AIM 2 as detailed in paragraph 5 above, the fees paid under the Investment Management and Administration Agreement detailed in paragraph 8.3 above and the fees paid to Octopus of £540,036.96 (year ended 30 November 2011), £549,995.72 (year ended 30 November 2012), £638,714.52 (year ended 30 November 2013) and £532,502.16 (current year) in respect of promotion fees and the administration fee of £279,573.91 paid to Octopus pursuant to Octopus AIM 2's enhanced share buyback facility that closed on 20 February 2013, there were no other related party transactions or fees paid by Octopus AIM 2 during the years ended 30 November 2011, 30 November 2012 and 30 November 2013 or since 30 November 2013 to the date of this document.

## 10. WORKING CAPITAL

Octopus AIM 2 is of the opinion that the working capital of Octopus AIM 2 is sufficient for its 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 and indebtedness of Octopus AIM 2 as at 31 July 2014 was as follows:

<b><u>Capital and reserves</u></b>	<b>£</b>
Called up Equity Share Capital	5,177
Share Premium	5,416,598
Special Distributable Reserve	34,248,264
Capital Redemption Reserve	118
Own Shares held in Treasury	-
Capital Reserve Realised	(9,589,152)
Capital Reserve Unrealised	13,731,944
Revenue Reserve	(201,295)
 Total Equity Shareholders' Funds	 <hr/> 3,611,654 <hr/>

11.2 Since inception, Octopus AIM 2 has incurred no indebtedness. Octopus AIM 2 has power to borrow under its Articles, details of which are set out in the paragraph entitled "Borrowing Powers" on page 82.

## 12. LITIGATION

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Octopus AIM 2 is aware) since Octopus AIM 2's incorporation which may have, or have had in the recent past, a significant effect on Octopus AIM 2's financial position or profitability.

## **SECTION C**

### **THE COMPANIES**

#### **1. ARTICLES OF ASSOCIATION**

The Articles of each of the Companies contain, inter alia, the following provisions.

##### **1.1. Voting Rights**

Subject to any disenfranchisement as provided in paragraph 1.4 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 being a corporation, present by authorised representative) shall have one vote and, on a poll, every holder of ordinary 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.

##### **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:

- (i) it is duly stamped (if so required), is lodged with the Company's registrars 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.

##### **1.3 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.

#### 1.4 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.

#### 1.5 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 Act, 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 Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### 1.6 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 Act, 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.

#### 1.7 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 the class or with the sanction of a resolution passed at a separate meeting of such holders.

#### 1.8 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.

## 1.9 Directors' Interests

1.9.1 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 Act, the nature of his interest.

1.9.2. Provided that he has declared his interest in accordance with paragraph 1.9.1, 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.

1.9.3 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.

1.9.4 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.

## 1.10 Remuneration of Directors

1.10.1 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 £125,000 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.

1.10.2 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.

1.10.3 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.

#### 1.11 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.

#### 1.12 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 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting there from any balance to the credit or debit of the profit and loss account.

#### 1.13 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 Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (or provision therefor) 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.

#### 1.14 Duration of the Company

At the annual general meeting of the Company in 2020 in the case of Octopus AIM and 2021 in the case of Octopus AIM 2 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.

#### 1.15 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.

### 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 Companies' Articles of Association are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form pursuant to the Uncertificated Securities Regulations 1995. The New Shares have been made eligible for settlement in CREST.

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

- 3.1 The Manager intends to use the proceeds of the Offers in accordance with the Companies' objectives of spreading investment risk and in accordance with each Company's investment policy. This investment policy is in line with the VCT rules and each Company will not deviate from it. Further, in accordance with the VCT rules, the Companies will invest in ordinary shares, in some cases a small number of preference shares where applicable, and always in accordance with such rules.
- 3.2 The Companies are authorised and regulated by the FCA as small registered alternative investment fund managers and also need, as VCTs, 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. The Companies have delegated their portfolio management to the Manager, which carries out the portfolio management within the remit of its MiFID permissions.

- 3.3 The Companies are governed by the VCT rules in respect of the investments they make as described in Part 2 of this document. The Companies have appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as their VCT status monitor. PwC will report to the Companies as a part of their annual reporting obligations. In respect of any breach of the VCT rules, the Companies, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Companies' Shareholders through a Regulatory Information Service.
- 3.4 The Companies will not invest more than 15% of their gross assets in any single company, in accordance with the VCT legislation, nor will the Companies control the companies in which they invest in such a way as to render them subsidiary undertakings.
- 3.5 The Companies will not conduct any trading activity which is significant in the context of their group (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Companies 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.
- 3.6 The Boards must be able to demonstrate that they will act independently of the Manager. A majority of each of the Boards (including the Chairmen) 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.
- 3.7 The Companies will not invest directly in physical commodities.
- 3.8 The Companies will not invest in any property collective investment undertaking.
- 3.9 Other than as provided for under their investment policies, the Companies 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).
- 3.10 The Manager is responsible for the determination and calculation of the NAV of the Companies on a weekly basis, which will be communicated to Shareholders through a Regulatory Information Service.
- 3.11 The NAV of the Companies' investments will be determined by the Manager in accordance with the British Venture Capital Association's ("BVCA") recommendations as set out in the BVCA notes of guidance. 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 traded. 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.

- 3.12 The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of the NAV differ from that set out above then this will be communicated to Shareholders through a Regulatory Information Service.

#### **4. CORPORATE GOVERNANCE**

- 4.1 The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the “Code”) applies to the Companies. 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 due to the size and nature of the business of the Companies. Accordingly, the provisions of the Code are complied with save that (i) the Companies do not have a chief executive officer or a senior independent director (the Boards do not consider this necessary for the size of the Companies), (ii) the Companies do not have a separate nomination committee (appointments are dealt with by the full Boards as and when appropriate), (iii) the Companies conduct 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 (iv) the Companies do not have a remuneration committee given the size of the Companies and, as such, the Boards as a whole deal with any matters of this nature and (v) as the Companies have 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 meetings.

##### **4.2 Audit Committee**

The Audit Committees of the Companies comprises the Board, chaired, in the case of Octopus AIM, by Roger Smith and, in the case of Octopus AIM 2, by Andrew Raynor, and meet twice a year. The committees have direct access to BDO LLP, the Companies’ external auditor. The duties of the Audit Committees are, inter alia:

- 4.2.1 to review and approve the half yearly and annual results of the Companies and the statutory accounts before submission to the Boards;
- 4.2.2 reviewing and approving the external auditor’s terms of engagement and remuneration; and
- 4.2.3 reviewing the appropriateness of the Companies’ accounting policies to consider matters of corporate governance as may generally be applicable to the Companies and make recommendations to the Boards in connection therewith as appropriate.

##### **4.3 Nomination and Remuneration Committee**

To date no nomination or remuneration committees have been established by the Companies. Recommendations for the re-election of Directors are considered by the Boards. Matters relating to remuneration of Directors are considered by the Boards and any Director is excluded from meetings whose purpose is the setting of their own remuneration.

## **5. TAKEOVERS AND MERGERS**

### **5.1 Mandatory takeover bids**

The City Code on Takeovers and Mergers (the “City Code”) applies to all takeover and merger transactions in relation to the Companies, 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 City 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 City 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 City 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 no current mandatory takeover bids in relation to the Companies.

### **5.2 Squeeze out**

Section 979 of the CA 2006 provides that if, within certain time limits, an offer is made for the share capital of either 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 relevant 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.

### **5.3 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.

## **6. NOTIFICATIONS OF SHAREHOLDINGS**

The provisions of DTR 5 will apply to the Companies and their Shareholders. DTR 5 sets out the notification requirements for Shareholders and the Companies where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3% and each 1% thereafter up to 100%. DTR 5 provides that disclosure by a Shareholder to the Companies must be made within two trading days of the event giving rise to the notification requirement and the Companies must release details through 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.

## **7. GENERAL**

- 7.1 The estimated costs and expenses relating to the Offers, assuming full subscription and costs and expenses equal to 5.5% of the gross proceeds of the Offers, are estimated to amount to no more than £1.65 million (excluding VAT). Assuming full subscription and costs and expenses equal to 5.5% of the gross proceeds of the Offers (disregarding any discounts for applications from investors who are existing, or who were previously, shareholders of any Octopus VCT), the total net proceeds of the Offers, after all fees, will be £28.35 million.
- 7.2 BDO LLP of 55 Baker Street, London W1U 7EU, the auditors of the Companies, and PKF (UK) LLP, chartered accountants of Farringdon Place, 20 Farringdon Road, London EC1M 3AP, the previous auditors of the Companies, have given unqualified audit reports on the statutory accounts of the Companies for all of the financial years to which they were auditor 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. Statutory accounts of the Companies for each of those financial years have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006. The statutory accounts of Octopus AIM for the year ended 29 February 2012, 28 February 2013 and 28 February 2014 and the statutory accounts of Octopus AIM 2 for the year ended 30 November 2011, 30 November 2012 and 30 November 2013 have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.
- 7.3 Each of the Companies shall take all reasonable steps to ensure that its auditors are independent of it and will obtain written confirmation from its auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.
- 7.4 Howard Kennedy's office address is at 19 Cavendish Square, London W1A 2AW. Howard Kennedy is regulated by the Financial Conduct Authority and is acting in the capacity as Sponsor to the Companies.
- 7.5 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 at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.

- 7.6 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.
- 7.7 The statements attributed to the Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Manager. The Manager accepts responsibility for those statements, and to the best of the knowledge and belief of the Manager (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.
- 7.8 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to either Company's business or profitability.
- 7.9 The Companies do not assume responsibility for the withholding of tax at source.
- 7.10 Save in respect of a decrease in the NAV per share from 125.2p as at 28 February 2014 (audited) to 111.9p as at 25 August 2014 (unaudited) there has been no significant change in the financial or trading position of Octopus AIM since 28 February 2014, the date to which the latest audited financial information has been published, to the date of this document.
- Save in respect of a decrease in the NAV per share from 89.3p as at 31 May 2014 (unaudited) to 83.9p as at 25 August 2014 (unaudited), there has been no significant change in the financial or trading position of Octopus AIM 2 since 31 May 2014, the date to which the latest unaudited financial information has been published, to the date of this document.
- 7.11 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 Companies' prospects or which have materially affected the Companies' income from operations so far as the Manager and the Directors are aware.
- 7.12 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service if the investment restrictions which apply to the Companies as VCTs, as detailed in this document, are breached.
- 7.13 The Companies' capital resources are restricted insofar as they may be used only in putting into effect their respective investment policy as set out in this document. There are no firm commitments in respect of the Companies' principal future investments. As at 31 July 2014, Octopus AIM had £7.6 million of uninvested cash and as at 31 July 2014, Octopus AIM 2 had £5.7 million of uninvested cash, which in the case of both Companies has been retained for working capital and follow-on or new investments.
- 7.14 All Shareholders have the same voting rights in respect of the share capital of the Companies. The Companies are not aware of any person who, directly or indirectly, exercises or could exercise control over the Companies, nor of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Companies.
- 7.15 The Companies have no employees or subsidiaries.



- 7.16 The typical investor for whom investment in the Companies is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out on pages 20 to 21, considers the investment policy of each of the Companies to be attractive. This may include retail and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-venture capital trust investments.
- 7.17 The Companies do not have any material Shareholders with different voting rights.
- 7.18 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 should wish to hold their New Shares in uncertificated form they should contact the Companies' registrar.
- 7.19 The Directors believe that the effect of the Offers on the earnings of the holders of Shares and New Shares will be positive because the Companies' fixed costs will be spread over a larger Company NAV. Had the Offers been undertaken on 1 March 2014, in the case of Octopus AIM, the assets of Octopus AIM would have been supplemented by the net proceeds of the Offers, and the earnings enhanced by income earned on capital deployed from those funds. Had the Offers been undertaken on 1 December 2013, in the case of Octopus AIM 2, the assets of Octopus AIM 2 would have been supplemented by the net proceeds of the Offers, and the earnings enhanced by income earned on capital deployed from those funds.
- 7.20 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 Companies are aware and are able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 7.21 The Manager will provide safe custody to the Companies 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 the Manager.
- 7.22 The existing issued Shares in Octopus AIM will represent 79.1% of the enlarged ordinary share capital of Octopus AIM immediately following the Offers, assuming the Offers are fully subscribed in both Companies at an Offer Price for Octopus AIM of 118.5p, and on that basis Octopus AIM Shareholders who do not participate in the Offers will, therefore, be diluted by 20.9%.
- The existing issued Shares in Octopus AIM 2 will represent 79.3% of the enlarged ordinary share capital of Octopus AIM 2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies at an Offer Price for Octopus AIM 2 of 88.8 p, and on that basis Octopus AIM 2 Shareholders who do not participate in the Offers will, therefore, be diluted by 20.7%.

7.23 The Companies 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 Offers. The Offers are expected to close on or before 10 August 2015, unless previously extended by the Directors but may not extend beyond 28 August 2015. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

7.24 **Information on the terms and conditions of the Offers will be given to Investors by financial intermediaries at the time that the Offers are introduced to Investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in paragraph 7.23 above.**

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Companies and at the offices of Howard Kennedy, 19 Cavendish Square, London, W1A 2AW whilst the Offers remains open:

8.1 the Articles;

8.2 the material contracts referred to in paragraph 8 of Part 5, Sections A and B above;

8.3 the annual accounts of Octopus AIM for the periods ended 29 February 2012, 28 February 2013 and 28 February 2014, the annual accounts of Octopus AIM 2 for the periods ended 30 November 2011, 30 November 2012 and 30 November 2013 and the half year reports of Octopus AIM 2 for the 6 month periods ended 31 May 2013 and 31 May 2014;

8.4 the Circular; and

8.5 this document.

29 August 2014

## DEFINITIONS

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

“Acts”	CA 1985 and CA 2006
“Applicant”	the person applying for New Shares using the Application Form
“Application”	an application for New Shares in either or both Companies under the Offers
“Application Form”	the application form attached to the end of this document
“Articles”	the articles of association of the Companies
“Boards”	the boards of Directors of the Companies (and each a “Board”)
“CA 1985”	Companies Act 1985
“CA 2006”	Companies Act 2006
“Circular”	the circular issued by the Companies to Shareholders dated 29 August 2014
“Companies”	Octopus AIM and Octopus AIM 2 (and each a “Company”)
“Directors”	the directors of the Companies (and each a “Director”)
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meetings”	the Octopus AIM GM and the Octopus AIM 2 GM
“HMRC”	HM Revenue and Customs
“Howard Kennedy”	Howard Kennedy Corporate Services LLP
“ITA 2007”	Income Tax Act 2007 (as amended)
“ISDX Growth Market”	ICAP Securities and Derivatives Exchange Growth Market, a market operated by ICAP
“London Stock Exchange”	London Stock Exchange plc
“MiFID”	The Markets in Financial Instruments Directive 2004/39/EC
“NAV”	net asset value
“New Shares”	Shares being offered by the Companies pursuant to the Offers (and each a “New Share”)
“Octopus”, the “Manager” or the “Receiving Agents”	Octopus Investments Limited
“Octopus AIM”	Octopus AIM VCT plc
“Octopus AIM 2013 Offer”	an offer for subscription of up to 15,000,000 Shares of 1p each to raise up to a maximum of £10 million pursuant to a prospectus issued by Octopus AIM dated 1 February 2013
“Octopus AIM GM”	the general meeting of Octopus AIM to be held on 30 September 2014 (or any adjournment thereof)

“Octopus AIM 2”	Octopus AIM VCT 2 plc
“Octopus AIM 2 2013 Offer”	an offer for subscription of up to 30,000,000 Shares of 0.01p each to raise up to a maximum of £10 million pursuant to a prospectus issued by Octopus AIM 2 dated 1 February 2013
“Octopus AIM 2 GM”	the general meeting of Octopus AIM 2 to be held on 30 September 2014 (or any adjournment thereof)
“Octopus VCT”	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
“Offer Price”	the price per New Share as set out on page 37
“Offers”	the offer for subscription by the Companies for New Shares in respect of the tax years 2014/15 and 2015/16 contained in this document
“Official List”	the official list maintained by the UK Listing Authority
“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 the Companies which meet the requirements described in chapter 4 of Part 6 ITA 2007
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Shares”	ordinary shares of 1p each in the capital of Octopus AIM and ordinary shares of 0.01p each in the capital of Octopus AIM 2 (and each a “Share”)
“Shareholders”	a holder of Shares (and each a “Shareholder”)
“Terms and Conditions”	the terms and conditions of Application, contained in this document on pages 93 to 99
“Total Return”	the sum of (i) the NAV per Share and (ii) all distributions per Share paid since the first admission of the Shares to the Official List
“venture capital trust” or “VCT”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the 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 venture capital trusts

## TERMS AND CONDITIONS

The following terms and conditions apply to the Offers. 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 Companies is £20 million, in aggregate, with an over allotment facility of a further £10 million, in aggregate. Subject to the Offers becoming unconditional and remaining open for both Companies, Applicants may elect that their Applications are allocated 100% to either Company or split 60% to Octopus AIM and 40% to Octopus AIM 2 and in default of any election subscription monies will be split 60% to Octopus AIM and the remaining 40% to Octopus AIM 2. The maximum that may be raised by Octopus AIM is £18 million. The maximum that may be raised by Octopus AIM 2 is £12 million. As the Companies near capacity one may be fully subscribed earlier than the other. In the event of an Applicant’s preferred allocation, or the default allocation, not being possible, that part of an Applicant’s subscription that cannot be allocated to either Company will, unless an Applicant directs otherwise, be allocated to the other Company. If the Offers do not become unconditional for either Company, an Applicant’s subscription will, unless an Applicant directs otherwise, be allocated to the other Company. The Offers will close on full subscription.
2. The contract created with the Companies by the acceptance of an Application (or any proportion of it) under the Offers will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Companies pursuant to the Offers to the Official List (save as otherwise resolved by the Board).
3. The right is reserved by the Companies 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. Multiple applications are permitted. The Companies may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept an Application in respect of which payment is not received by the Companies. 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 New 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.
4. By completing and delivering an Application Form, you:
  - i. irrevocably offer to subscribe the monetary amount for New Shares in the Companies under the Offers in the 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 Companies 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 Companies. Where the Share price for the Companies has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offers will be ex-dividend. In respect of the Offers, 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 Companies 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 Companies in their 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 Companies of such late payment, the Companies may (without prejudice to their other rights) rescind the agreement to subscribe 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 Companies 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 Companies may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Companies or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 2007 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 Companies 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 Companies 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 Companies 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 Companies and the Offers 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 Companies or the Receiving Agents, will be sent at the risk of the person entitled thereto;
  - XIV. agree, on request by the Companies 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 Companies or Octopus to disclose any information relating to your Application as the Companies 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 pursuant to the Offers or the suitability for you of an investment in New Shares pursuant to the Offers or be responsible to you for providing the protections afforded to its customers;
  - XVI. where applicable, authorise the Companies to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Companies;
  - XVII. declare that the Application Form has been completed to the best of your knowledge;
  - XVIII. undertake that you will notify the Companies if you are not or cease to be either a venture capital trust 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 not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares under the Offers 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.
- 5.** 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.

6. 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.
7. The basis of allocation will be determined by the Companies (after consultation with Octopus) in their absolute discretion. The right is reserved by the Boards 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 Companies or Octopus consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied. 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.
8. 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 £10,000 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 Companies 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.

## 9. Offer Price

For all investors, the Offer Price will be determined by the formula reflecting the net asset value per Share ("NAV") at the time of allotment adjusted for an allowance for the majority of the costs of the Offers. The formula is:

- **the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945.**

The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholder of any Octopus VCT, who will benefit from the costs of the Offer being reduced by 0.5%.

A more detailed explanation is set out on page 37.

## 10. Costs of the Offers

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, the Companies will pay an initial charge of 3% of the gross sum invested in the Offers to Octopus. This is payable in the same way on all subscriptions to the Offers. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offers. 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 Companies.

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, if an application is made directly (not through an intermediary/adviser) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided the investor continues to hold the New Shares. The cost of this ongoing charge will not result in a higher fee since Octopus will reduce the annual management fee accordingly.

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

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

The Companies 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 on page 37.

The Companies can also facilitate 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 recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided that the investor continues to be the beneficial owner of the New 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 rounded down to the nearest whole share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the relevant Board. The cost of ongoing adviser charges will not result in a higher fee since Octopus will reduce its annual management fee accordingly.

If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Companies will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.

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

Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice.

Where an investor agreed to an upfront fee only, the Companies 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 on page 37. In these circumstances the Companies will not facilitate ongoing annual payments. To ensure that the Companies are not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be deemed to have been paid by the Companies for a period of nine years. The cost of this notional ongoing adviser charge will not result in a higher fee since Octopus will reduce its annual management fee accordingly.

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 charge of 2.5% of the investment will be paid by the Companies to such an intermediary. An ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be paid by Octopus to the intermediary for up to nine years provided that the investor continues to be the beneficial

owner of the New Shares (and in the case of an intermediary the intermediary continues to act for the investor).

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 Offers 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 re-investment 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 subsequent purchaser of those New Shares will not benefit from the re-investment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser nor will Octopus facilitate any adviser charges. This, therefore, means that any purchaser of New 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 in sections 2 and 3 above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Companies do 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 Companies 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.

**DIVIDEND REINVESTMENT SCHEME**  
**SCHEME TERMS AND CONDITIONS FOR EACH OF THE COMPANIES**

1. Elections to participate in the Scheme should be addressed to the Scheme administrator, Capita Asset Services (“Scheme Administrator”) in accordance with condition 12 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 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. If a Participant in the Scheme applies for further Ordinary Shares under such a prospectus or top-up offer document, and fails to tick the relevant box on such form for the further shares to be issued to them to be subject to the Scheme, then it shall be deemed that the Participant had requested the dividend to be paid to them in cash and, accordingly, their existing participation in the Scheme in relation to all their Ordinary Shares shall be deemed to terminate in accordance with paragraph 9 above.]

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 Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Personalised Mandate Forms can be obtained from Capita Asset Services at the address

above or by telephoning 0871 664 0300 (Calls cost 10p per minute plus network extras. Lines are open 08:30am – 5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 2157).

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 or submitting the election electronically, 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 Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
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 COMPANIES

<b>Investment Manager, Administrator and Receiving Agents</b>	Octopus Investments Limited 20 Old Bailey London EC4M 7AN
<b>Company Secretary</b>	Patricia Standaloft, ACIS
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Solicitor</b>	HowardKennedyFsi LLP 19 Cavendish Square London W1A 2AW
<b>Sponsor</b>	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW
<b>Tax adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

This form allows you to invest in Octopus AIM VCT plc & Octopus AIM VCT 2 plc

### The form has 6 sections:

1. Investor details
2. Subscription details
3. Dividend reinvestment or payment
4. Adviser/intermediary payment
5. Adviser/intermediary details (to be completed by your adviser/intermediary)
6. Investor signature

### How to complete the form

- Any decision to invest in the Octopus AIM VCT and Octopus AIM VCT 2 should be made on the basis of the information contained in the prospectus, which can be found at [octopusinvestments.com](http://octopusinvestments.com). You can also request a copy by calling **0800 316 2295** or emailing us at [info@octopusinvestments.com](mailto:info@octopusinvestments.com). Please make sure you answer all the questions marked with an '\*'.
- Tick the boxes that apply, like this: ☒
- Leave boxes blank where they don't apply to you.

### What happens next?

- We will send you an acknowledgement that we have received your application, and your funds will be invested at the next allotment, (subject to the Terms and Conditions of the Offer).
- Once your funds have been invested we will send you regular performance updates.

### When you have completed the form, tick the following to confirm:

- ☐ My decision to invest in the Octopus AIM VCT and Octopus AIM VCT 2 has been made on the basis of the information contained in the prospectus. The prospectus can be found at [octopusinvestments.com](http://octopusinvestments.com). You can also request a copy by calling **0800 316 2295** or emailing us at [info@octopusinvestments.com](mailto:info@octopusinvestments.com).
- ☐ You've answered all the questions that apply to you.
- ☐ You have enclosed the necessary verification of identity documentation which must be certified by a regulated individual (eg financial adviser, solicitor or accountant):
- an Identity Verification Certificate or one each of the following;
  - a certified copy of identification (your passport or driving licence) **plus**;
  - a certified copy of proof of address (driving licence, bank statement or recent utility bill (not mobile phone))

The original signature should be on each page of the document (not a photocopy).

- ☐ If you are paying by cheque, you have enclosed a cheque from your personal account made payable to 'Octopus AIM VCT plc – Applications'. We do not accept cheques from business accounts or post-dated cheques. Bankers' drafts or building society cheques must specifically mention the investor's name.
- ☐ Or, if you are paying via CHAPS/BACS, please send us your completed application form before transferring your funds to the following account, **making sure that you reference the payment with your name:**

Account name: Octopus AIMVCT plc – Applications  
Sort code: 40-03-28  
Account number: 12684632

Bank: HSBC  
Branch: Holborn

**Payments need to come from your personal account (we do not accept payments from business accounts).**

- ☐ You've signed and dated where indicated in Section 6.

### ✉ Return your completed form to:

Octopus Investments Limited  
PO Box 10847  
Chelmsford CM99 2BU

### Got a question?

📞 Please speak to your adviser or call the Octopus team on **0800 316 2295**

✉ Email: [info@octopusinvestments.com](mailto:info@octopusinvestments.com)

We can't give investment, tax or financial advice, but we're happy to answer questions about anything else.

Before completing this Offer Application Form you should read the Prospectus issued by Octopus AIM VCT plc & Octopus AIM VCT 2 plc dated 29 August 2014 which includes the Terms and Conditions of the Offer\*. The Offer will close at 12 noon on 10 August 2015 unless it is fully subscribed prior to that date or closed earlier.

CAM00144-VCT-10-0814

## Section 1 – Investor details

* Title (Mr/Mrs/Miss/Ms/Other)		
* First name(s)		
* Last name		
* Are you an existing investor in any of the Octopus VCTs?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
* Date of birth (dd/mm/yyyy)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
* National Insurance number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
* Telephone numbers	Home: <input type="text"/> Mobile: <input type="text"/>	Work: <input type="text"/>
* Address	<input type="text"/> <div>Postcode <input type="text"/></div>	
* Email	<input type="text"/>	
* Do you want to receive paper or electronic investment reports?	<input type="checkbox"/> Paper <input type="checkbox"/> Email	
* Would you like to be updated on future investment opportunities? (Tick one box only)	<input type="checkbox"/> Yes <input type="checkbox"/> No	

## Section 2 – Subscription details

* How much are you investing?	The minimum investment per applicant is £5,000. There is no maximum investment. However tax relief is only available on a maximum £200,000 in each tax year.	
	2014/15    £ <input type="text"/>	2015/16    £ <input type="text"/>
Our default allocation will spread your investment across Octopus AIM VCT plc and Octopus AIM VCT 2 plc in a 60/40 ratio. However, if you wish to allocate all of your investment to just one of the VCTs please tick the relevant box below. 100% invested in Octopus AIMVCT plc <input type="checkbox"/> 100% invested in Octopus AIMVCT 2 plc <input type="checkbox"/>		
In the event of your preferred allocation not being available, Octopus will allocate your investment fully into the other VCT in this offer. Please tick here <input type="checkbox"/> if you don't want this to be the case.		

**\* Cheque/bankers' draft, or bank transfer?**  
(Tick one box only)

☐ Cheque/bankers' draft  
Please enclose a cheque from your personal account, made payable to '**Octopus AIM VCT plc – Applications**'. We do not accept cheques from business accounts or post-dated cheques. Bankers' drafts and building society cheques must specifically mention the investor's name.

☐ Bank transfer  
Please transfer your funds to the following account after first sending in your completed application form, making sure that you **reference the payment with your surname and initials**:

Account name:	Octopus AIM VCT plc – Applications		
Sort code:	40-03-28	Bank:	HSBC
Account number:	12684632	Branch:	Holborn

Payments need to come from your **personal account**.  
We do not accept payments from business accounts.

### Section 3 – Dividend reinvestment or payment

**\* Dividend reinvestment or payment?**  
(Tick one box only)

Any dividends paid by the VCT can be reinvested in additional VCT shares, or received as cash payments into your bank account. Please select your preferred option. If you select the dividend payment option please complete the bank details section as well.

☐ Reinvest dividends

By completing this section you confirm that you've read and understood the terms and conditions of the dividend reinvestment scheme as set out on pages 100 to 105. This means all your future dividends paid to you by Octopus AIM VCTs will be reinvested in ordinary shares, until you inform us otherwise.

☐ Pay out dividends

Please give us details of the bank account you would like future dividends to be paid into (bank account must be in your name):

Account name

Account number

Sort code

Please note that this instruction overrides any previous dividend instructions you have given.

### Section 4 – Adviser/intermediary payment

**\* What type of investment is this?**  
(Complete one section only)

The Octopus initial charges are outlined on pages 16 to 19 of the Prospectus. The Companies can also facilitate payments to your financial adviser/intermediary. Please read the following text and then complete either 4.1 or 4.2. or 4.3 or 4.4. Failure to complete this section correctly could result in delays to your investment. If you have any questions please call us on 0800 316 2295.

- If you are submitting this application yourself with no adviser or intermediary, please complete **section 4.1**.
- If you have received financial advice for this investment and have agreed with your adviser to pay ongoing charges, please complete **section 4.2**.
- If you have received financial advice for this investment and have agreed with your adviser to pay no ongoing charges, please complete **section 4.3**.
- If you have used an intermediary but you have not received financial advice, please complete **section 4.4**. Any commission due will be paid by Octopus (subject to the Terms and Conditions of the Offer).

4.1 ☐ **This is a direct investment**

If an application is made directly then the total initial fee paid to Octopus is 5.5% with a total annual fee of 0.5% for up to nine years.

Please proceed to section 6 after completing this section. If you have any questions on this, please call us on **0800 316 2295**.

4.2 ☐ **This is an advised investment with an initial adviser charge and an ongoing adviser charge**

Please indicate the level of initial charges and/or ongoing charges you have agreed with your adviser. If you have agreed that Octopus will facilitate no charges to your adviser then please insert 'nil' in the 'To my adviser' box and insert the full remaining amount in the box titled 'To me as additional shares'.

	To my adviser		To me as additional shares	
Initial:	<input type="text"/> %	+	<input type="text"/> %	Total must equal 2.5%
Ongoing:	<input type="text"/> %	+	<input type="text"/> %	Total must equal 0.5%

4.3 ☐ This is an advised investment with an initial adviser charge and no ongoing adviser charge

Please indicate the level of initial adviser charge agreed. If you have agreed that Octopus will facilitate no charges to your adviser then please indicate 'nil' in the 'To my adviser' box and the full remaining amount in the box titled 'To me as additional shares'.

Initial: To my adviser  % + To me as additional shares  % Total must equal 4.5%

4.4 ☐ This is a non-advised investment through an intermediary

Initial Commission  % Ongoing Commission  %

Standard terms will apply if left blank. Commission should not exceed our standard terms (given in the Octopus AIMVCT plc & Octopus AIMVCT 2 plc Prospectus), otherwise this form may be rejected.

## Section 5 – Adviser/intermediary details (to be completed by your adviser/intermediary)

Company Title (Mr/Mrs/Miss/Ms/Other) First name(s) Last name Telephone Address Postcode Email FCA number 

Are you part of a network/service provider?

☐ No☐ Yes – please give us the network/service provider name Special instructions 

## Section 6 – Investor signature

\* Investor name \* Investor signature \* Date signed (dd/mm/yyyy)