

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 2015/2016 and 2016/2017**

21 December 2015

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 21 December 2015, 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 21 December 2015.

The Companies and the Directors, whose names appear on pages 38 to 39 of this document, accept responsibility for the information contained herein. To the best of the knowledge 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 from the date of issue, except any issued on an ex-dividend basis, which will therefore not qualify for the next dividend.

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 1 December 2016. There are no conditions attaching to this consent.</p> <p>Financial intermediaries must give investors information on the terms and conditions of the Offers at the time they introduce the Offers to investors.</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 and unaudited financial statements referenced in the following tables, is set out below.</p> <table><tr><th></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><th>Unaudited Financial Results for the 6 months Ended 31 August 2014</th><th>Audited Financial Results for the Year Ended 28 February 2015</th><th>Unaudited Financial Results for the 6 months Ended 31 August 2015</th></tr><tr><td>Net assets (£'000)</td><td>44,123</td><td>69,730</td><td>64,726</td><td>72,612</td><td>77,363</td></tr><tr><td>Net asset value per Share (p)</td><td>93.7</td><td>125.2</td><td>112.5</td><td>110.2</td><td>105.6</td></tr></table> | | Audited Financial Results for the Year Ended 28 February 2013 | Audited Financial Results for the Year Ended 28 February 2014 | Unaudited Financial Results for the 6 months Ended 31 August 2014 | Audited Financial Results for the Year Ended 28 February 2015 | Unaudited Financial Results for the 6 months Ended 31 August 2015 | Net assets (£'000) | 44,123 | 69,730 | 64,726 | 72,612 | 77,363 | Net asset value per Share (p) | 93.7 | 125.2 | 112.5 | 110.2 | 105.6 |
| | Audited Financial Results for the Year Ended 28 February 2013 | Audited Financial Results for the Year Ended 28 February 2014 | Unaudited Financial Results for the 6 months Ended 31 August 2014 | Audited Financial Results for the Year Ended 28 February 2015 | Unaudited Financial Results for the 6 months Ended 31 August 2015 | | | | | | | | | | | | | | | |
| Net assets (£'000) | 44,123 | 69,730 | 64,726 | 72,612 | 77,363 | | | | | | | | | | | | | | | |
| Net asset value per Share (p) | 93.7 | 125.2 | 112.5 | 110.2 | 105.6 | | | | | | | | | | | | | | | |

| | Audited Financial Results for the Year Ended 30 November 2012 | Audited Financial Results for the Year Ended 30 November 2013 | Unaudited Financial Results for the 6 months ended 31 May 2014 | Audited Financial Results for the Year Ended 30 November 2014 | Unaudited Financial Results for the 6 months ended 31 May 2015 |
|---|---|---|--|---|--|
| Net assets (£'000) | 28,712 | 39,818 | 46,454 | 45,016 | 49,478 |
| Net asset value per Share (p) | 66.3 | 84.4 | 89.3 | 80.3 | 80.0 |
| Revenue return after expenses and taxation (£'000) | 36 | 36 | (48) | (15) | (58) |
| Dividend per Share (p) | 3.2 | 3.5 | 2.0 | 4.0 | 2.0 |
| Expenses (£'000) | 739 | 857 | 553 | 1,102 | 602 |
| As a percentag e of sharehold ers' funds` | 2.6% | 2.5% | n/a | 2.3% | n/a |
| Net asset value return/ (loss) (p) | 6.6 | 22.3 | 6.3 | (1.1) | 4.0 |
| <p>Net proceeds of £5.6m and £11.3m were raised by Octopus AIM 2 under offers for subscription which opened on 1 February 2013 and 29 August 2014 respectively. Save in respect of these matters, 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> | | | | | |

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| 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% (at book cost) 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 (at book cost) 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.</p> |

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| | | 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 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 by the FCA as small registered UK 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 the Prospectus, 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</p> |

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| | | <p>February 2013, 29 August 2014 and 21 December 2015, 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 “Octopus AIM Fee”) calculated in accordance with Octopus AIM’s normal accounting policies. The Octopus AIM Fee shall be reduced by such amount so that the sum of the Octopus AIM 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 were launched in February 2013, the 2014 Offers 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, 29 August 2014 and 21 December 2015, 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 “Octopus AIM 2 Fee”) calculated in accordance with Octopus AIM 2’s normal accounting policies. The Octopus AIM 2 Fee shall be reduced by such amount so that the sum of the Octopus AIM 2 Fee, the ongoing financial intermediary charges payable 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, the 2014 Offers 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</p> |
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| | | <p>2014 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2014 Offers. Under the agreements the Manager was paid an initial fee of up to 5.5% of the funds received under the 2014 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 Shares under the 2014 Offers 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 Octopus AIM Fee and the Octopus AIM 2 Fee, and the Manager agreed to discharge all the external costs of advice and their own costs in respect of the 2014 Offers. Under these agreements certain warranties were given by the Companies, the Directors and the Manager to Howard Kennedy. The Companies also agreed to indemnify Howard Kennedy in respect of its role as sponsor to the 2014 Offers. 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 2014 Offers is untrue, any material omission from the prospectus relating to the 2014 Offers arises or any breach of warranty occurs.</p> <p>Agreements dated 21 December 2015 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 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 Octopus AIM Fee and the Octopus AIM 2 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 to the Offers. 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.</p> |
| 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 in accordance with each Company's accounting policy and published weekly through a Regulatory Information Service.</p> <p>The calculation of the Net Asset Value per Share would only be suspended in</p> |

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| | | 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. |
| 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 65 UK AIM-quoted companies, 4 non-AIM companies, 2 fully listed companies on the premium segment of the Official List, 1 listed company on NASDAQ and none traded on the ISDX Growth Market. As at 30 November 2015, Octopus AIM's portfolio of investments comprised, by value, £68.3m.</p> <p>Octopus AIM 2's investment portfolio is in a variety of sectors and comprises 63 UK AIM-quoted companies, 4 non-AIM companies, 2 fully listed companies on the premium segment of the Official List, 1 listed company on NASDAQ and none traded on the ISDX Growth Market. As at 30 November 2015, Octopus AIM 2's portfolio of investments comprised, by value, £41.7m.</p> |
| B.46 | Net Asset Value | The unaudited Net Asset Value per Share as at 14 December was 107.3p and 78.9p for Octopus AIM and Octopus AIM 2 respectively. |

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 | <p>As Regards Income:</p> <p>The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> |

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| | the securities | <p>As Regards Capital: 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>As Regards Voting and General Meetings: 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>As Regards Redemption: 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 | <p>Generally, a VCT must distribute by way of dividends, such amount as to ensure that it retains not more than 15% of its income from shares and securities.</p> <p>Octopus AIM VCT intends to pay dividends 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.</p> <p>Octopus AIM VCT 2 intends to pay dividends to Shareholders from income and realised gains and currently has a policy of paying a minimum dividend of 3.6p per year or a 5% yield based on share price, whichever is greater at the time.</p> <p>The payment of dividends will result in a reduction in the NAVs of the Companies.</p> |

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"> Shareholders may be adversely affected by the performance of the investments, which may restrict the ability of the Company to distribute any capital gains and revenue received on the investments. 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. 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. 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. 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, whether before or after the subscription, the investor also disposes of Shares in the same Company. The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. The Finance Act 2014 amended 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 capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks. During the July 2015 summer budget new conditions were announced that became effective in the Finance (No 2) Act 2015. This introduced a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12m, or |

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| | | <p>£20m for Knowledge Intensive Companies). Companies receiving VCT funds will not be permitted to use those funds to acquire shares, businesses or certain intangible assets. These changes may mean that there are fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. Violation of any of the new conditions could result in the loss of VCT status by the Companies.</p> |
| D.3 | Key information on the key risks specific to the securities | <ul style="list-style-type: none"> • The value of Shares can fluctuate and investors may not get back the amount they invested. 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 their 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 and Shareholders may find it difficult to realise their investment. |

Section E — Offers

| Element | Disclosure requirement | Disclosure |
|---------|---|---|
| E.1 | Net proceeds and expenses of the Issue | <p>The expenses (excluding VAT, if any) 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.</p> |
| 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"> • 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; • to provide existing investments with additional capital in pursuit of their growth objectives; • to provide additional funds for new investments into qualifying companies so that the portfolios can potentially be diversified; and |

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| | | <ul style="list-style-type: none"> 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. |
| 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"> the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945 <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 than the Offer Price of one New Share, in which case it will be donated to a charity approved by the Boards.</p> <p>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 1 December 2016 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. |

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| 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 82.1% of the enlarged ordinary share capital immediately following the Offers, assuming the Offers are fully subscribed in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM of 113.6p, and on that basis Octopus AIM Shareholders who do not subscribe under the Offers will, therefore, be diluted by 17.9%.</p> <p>The existing issued Octopus AIM 2 Shares will represent 81.9% of the enlarged ordinary share capital immediately following the Offers, assuming the Offers are fully subscribed in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM 2 of 83.5p, and on that basis Octopus AIM 2 Shareholders who do not subscribe under the Offers will, therefore, be diluted by 18.1%.</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>the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945.</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%. In consideration for promoting the Offers, 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>1) A direct investment</p> <p>Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies. In consideration for promoting the Offers, 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 to investors since Octopus will reduce its annual management fee accordingly.</p> |

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| | | <p>2) An advised investment where advice is received for an upfront fee with an ongoing adviser charge</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 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 to investors 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>3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge</p> <p>Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice with no ongoing adviser charge, including investors who are investing through intermediaries/advisers using financial platforms.</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</p> |
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| | | <p>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. Octopus will subsequently reduce its annual management charge by the amount of this notional ongoing adviser charge to ensure that the Companies are not financially disadvantaged.</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>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). Since Octopus pay the cost of this ongoing charge, this will not result in a higher fee to investors.</p> <p>These charges may, according to the proportion of advised investors where advice is received for an upfront fee only, create some limited reduction of the 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 and the subsequent reduction in the Octopus annual management fee to reflect this.</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 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 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.

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.

During the July 2015 summer budget new conditions were announced that became effective in the Finance (No 2) Act 2015. This introduced a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12m, or £20m for Knowledge Intensive Companies). Companies receiving VCT funds will not be permitted to use those funds to acquire shares, businesses or certain intangible assets. These changes may mean that there are fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. Violation of any of the new conditions could result in the loss of VCT status by the Companies.

Where the European Commission believes that Risk Finance State Aid has been provided which is not in accordance with The Risk Finance Guidelines, they may require the UK Government to recover that Risk Finance State Aid. There is currently no mechanism in place for this, but recovery may be from the investee companies, the Companies or the Companies' investors.

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.

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.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFERS

Expected Timetable

| | |
|--|---------------------------------|
| Launch date of the Offers | 21 December 2015 |
| First allotments under the Offers | 2 February 2016 |
| Subsequent allotments under the Offers | At regular intervals thereafter |
| Closing date of Offers | 12 noon on 1 December 2016 |

- Applications for the 2015/2016 tax year must be received by 12 noon on 5 April 2016.
- The Offers will close earlier if fully subscribed. The Boards reserve the right to close the Offers 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

| | |
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| 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
33 Holborn
London
EC1N 2HT

21 December 2015

Dear Investor,

Following the good long term performance of the investment portfolios, the success of the fundraisings earlier this year and the expected demand for new capital from small growing companies on AIM, we are delighted once again to offer you an opportunity to acquire new shares in the Companies.

The Offer

The companies are seeking to raise up to £20 million, with an over allotment facility of £10 million under the Offer. Both new and existing investors can apply for Offer Shares, which will rank equally with the existing Ordinary Shares. As such, all investors are accessing well-established portfolios of around 70 companies. The Offer Price will be based on the most recently published net asset value of an Ordinary Share in each Company at the date of allotment. Multiple applications are permitted.

The minimum investment is £5,000. There is no maximum investment. However, potential investors should be aware that tax relief is only available on a maximum investment of £200,000 in each tax year. A married couple can invest up to £200,000 each in any one tax year with both individuals benefiting from the tax reliefs.

Any allotment under the Offer is conditional upon the passing by the Shareholders of Resolutions 1 and 3 at the Companies' General Meetings on 28 January 2016 in respect of Octopus AIM and 27 January 2016 in respect of Octopus AIM 2.

Loyalty Discount

To thank our existing shareholders for their continued support, 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%.

Background to the Companies

Octopus AIM VCT and Octopus AIM VCT 2 invest predominantly in AIM companies in order to provide long-term capital growth and income on a tax-free basis and 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 £4.1 million each. That proved popular and both Companies raised the maximum amount. In August 2014, the Companies issued a prospectus in connection with a linked offer to raise up to £20 million in total with the scope, subject to Directors' approval, to increase the size of the offer by a further £10 million. That also proved popular and the Companies raised the sum of £29.7 million in aggregate. Given the success of those linked offers 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 £20 million 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 £10 million 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.

Investing together

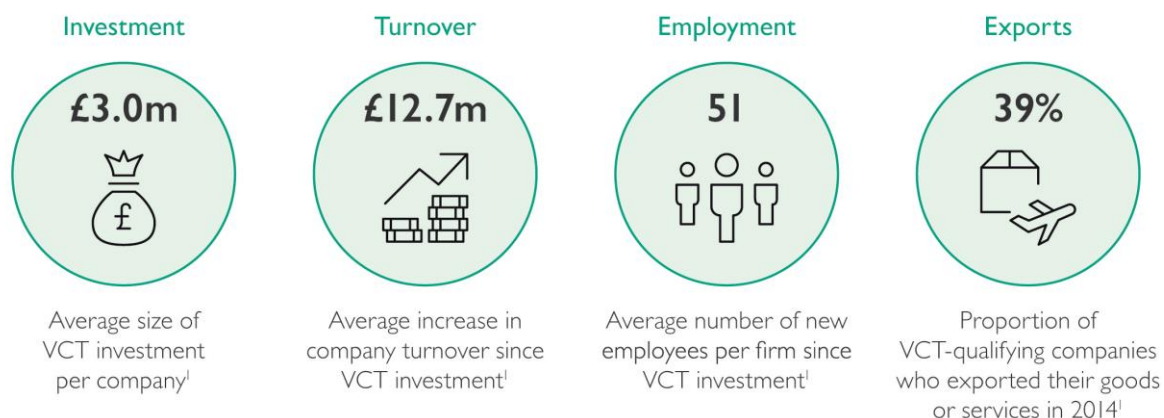
It is intended that the two Companies will invest in new qualifying investments, approximately in proportion to their relative size (on a net asset value basis), subject to any constraints such as the availability of cash. This has been the case in the majority of investments made since 2010 and accounts 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, if necessary.

VCTs – a home-grown success story

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 £430 million was invested in VCTs in the 2014/15 tax year, and the total amount invested in VCTs currently stands at an impressive £3.5 billion.

As well as producing investment returns, VCTs have also actively aided the growth of UK smaller companies as demonstrated by a recent AIC survey, the key results of which are summarised below – a key factor in the Government's continued support of the VCT industry.



¹Source: 'Nurturing success, delivering growth' VCT investment 1995 to 2014, Association of Investment Companies, October 2015.

Tax benefits

Subject to their personal tax circumstances, all participating investors in the Offers will benefit from the tax reliefs available on an issue of new VCT shares for the tax years 2015/2016 and 2016/2017, including the potential to receive regular tax free dividends. 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. 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.

Although investors should note that tax treatment depends on the individual circumstances of each investor and may be subject to change.

Why invest now?

Octopus believes that, over the past several decades, 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 resumption of UK economic growth from the aftermath of the recession, which followed the financial turmoil in 2008 and 2009, has resulted in the revival of the longer term trend of smaller company outperformance, with 2013 being one of the best years for the performance of smaller company shares since the Numis Smaller Companies Index started in 1987. Although 2014 was a less good year, 2015 has seen a better performance by smaller companies, compared to larger ones. Against this backdrop, while the new capital raised at flotation by new AIM companies has been subdued compared to the totals for 2013 and 2014, it is noticeable that additional new capital raised for existing companies has reached the highest level since 2010. AIM remains firmly open to supporting its existing companies with further growth capital. Octopus believes that the smaller companies market remains an extremely dynamic growth market. It is relatively under-researched and inefficient, making it possible for active managers less concerned about short-term swings in sentiment to discover value.

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. More than 1,000 companies are now listed on AIM with a combined market value exceeding £73 billion. Over two decades AIM has raised more than £94 billion demonstrating its value as a place

for small companies to access growth capital. In total there are around 40 different sectors on AIM providing a diverse range of companies to invest in (Source: London Stock Exchange, AIM Factsheet, November 2015).

Why invest in AIM?

High-quality smaller companies: While VCTs invest in smaller companies, you might be surprised at how large some of these companies can grow to. Although new investments remain small enough to qualify for VCT funding, the Octopus AIM VCTs now feature a large number of established, maturing, AIM-listed businesses, the majority of which are profitable.

Greater transparency: AIM-listed companies must meet certain regulatory and governance requirements, ensuring higher levels of transparency than companies that are not listed on any stock exchange.

Diversified portfolios: AIM features a number of younger, dynamic businesses that operate across a diverse range of sectors. Many of these companies are providing solutions to modern day problems in areas such as technology, healthcare and the environment. In total there are around 40 different sectors on AIM providing a wide range of companies to invest in.

Octopus believes that in the current environment smaller companies can continue to grow. Despite recent changes to legislation, Octopus expects to find good new investment opportunities as well as seeing further progress from existing companies in the portfolios over the next few years. The Octopus AIM venture capital trusts represent a highly tax-efficient means of accessing the potential growth of AIM traded companies, giving investors exposure to smaller companies in a diversified 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 around 70 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 30 November 2015 each Company had approximately 50% of its assets invested in its top 20 equity holdings, all but one 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 85% by value is invested in companies which are forecast to be profitable in the current year and approximately 65% 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. Over the last year Octopus AIM has seen its unaudited NAV total return rise by 8.4% in the 12 months to 30 November 2015 and Octopus AIM 2 has seen its unaudited NAV total return rise by 7.7% during the same period. Given the growth potential of many new investments recently added to the portfolios and an expectation of further economic growth, the Boards believe that this performance can continue.

Dividends and Dividend Reinvestment Scheme

Both Companies have an established track record of paying out dividends to their investors and strive to achieve a minimum annual tax free dividend payment equivalent to a yield of 5%. In the last year, having seen the largest holding in both portfolios taken over, both Boards have declared a special dividend to their Shareholders. Octopus AIM VCT paid its special dividend of 4p per Share on top of its ordinary dividend in August 2015 after approval at its annual general meeting. In October 2015 Octopus AIM VCT 2 paid its special dividend of 2p per Share to Shareholders, also in addition to its ordinary dividend of 2p, after the announcement of interim results.

These special dividends were paid as a consequence of a takeover of Advanced Computer Software Group in March 2015 which resulted in the realisation of a substantial profit over book cost in both cases.

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 someone investing in both Companies under the combined Offers will, therefore, receive a dividend approximately every three months, subject to available funds.

Dividends can be paid directly to investors' bank accounts or can be automatically reinvested into the Companies through the purchase of additional Shares. By reinvesting dividends, investors are able to increase the capital growth of their investment and receive additional 30% income tax relief on their reinvestment amount (provided that amount has been paid in tax), on total VCT investments of up to £200,000 per tax year.

Performance

Based on the latest published information, the returns generated by the Companies are detailed in the table below. The total return figures include both regular and special dividends. The table below shows the annual total returns and dividend yields of the Companies over the last five years.

Five year performance

| | 12-month performance for the period ended | | | | |
|--|---|------------|------------|------------|------------|
| | 30/11/2011 | 30/11/2012 | 30/11/2013 | 30/11/2014 | 30/11/2015 |
| Octopus AIM VCT annual total return ¹ | 0.0% | 11.1% | 34.8% | 0.2% | 8.4% |
| Octopus AIM VCT 2 annual total return ¹ | -3.3% | 11.4% | 32.6% | -0.1% | 7.7% |
| FTSE AIM annual total return ² | -17.6% | 0.3% | 20.4% | -11.3% | 3.0% |
| FTSE All Share annual total return ² | 2.6% | 12.1% | 19.8% | 4.7% | 0.6% |

| | | | | | |
|--|------|------|-------------------|------|-------------------|
| Octopus AIM VCT annual dividend yield ¹ | 9.4% | 6.6% | 3.2% ³ | 5.1% | 9.1% ⁴ |
| Octopus AIM VCT 2 annual dividend yield ¹ | 5.4% | 5.6% | 5.9% | 5.0% | 8.1% ⁴ |

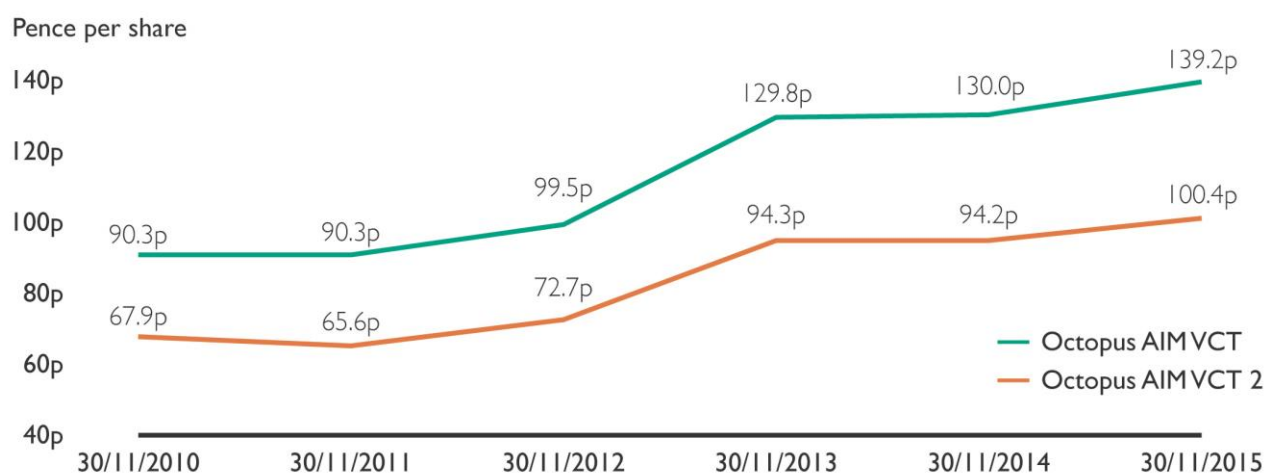
¹Source: Octopus Investments, 30 November 2015; ²Source: Lipper 30 November 2015; ³This figure is lower than the targeted 5% annual yield due to timing of the dividend payment which appears in prior years; ⁴Includes an additional special dividend of 4.0p per share for Octopus AIM VCT and 2.0p per share for Octopus AIM VCT 2 from the sale of Advanced Computer Software.

The total return shown above is calculated from the movement in NAV over the year to 30 November, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return. Performance shown is net of all fees and costs.

The annual dividend yield is calculated by dividing the dividends paid per annum by the share price at the start of the period.

Past performance is not a reliable indicator of future results and may not be repeated. Please note, the NAV per Share may be higher than the Share price, which is the price you may get for the Shares in the secondary market.

NAV per share plus cumulative dividends paid¹



¹Source: Octopus Investments, 30 November 2015. The chart shown above is calculated from the movement in NAV over the year to 30 November, with any dividends paid over that year then added back.

Exciting companies from a range of diverse sectors

One of the advantages of investing in the Octopus AIM VCTs is that you get to invest in established portfolios of around 70 companies. The tables below – featuring the top ten holdings of each AIM VCT – highlight some of these companies in much more detail.

Here you can determine:

- The size of the company – based on its ‘market capitalisation’, which is the total number of shares issued multiplied by the share price.
- The profit before tax published by the company in its most recent financial reports.
- The size of our holding, as a percentage of the total VCT portfolio.

Many of the holdings featured below have demonstrated strong growth and delivered a significant increase on the price initially paid for the shares. But most importantly, we continue to hold these great companies because we believe they have the potential to continue growing.

Listed below are the ten largest investments of Octopus AIM VCT as at 17 December 2015:

Octopus AIM VCT top ten holdings by value

| | Percentage of portfolio | Date of first investment | Market cap | Revenue | Profit before tax |
|-----------------------------|-------------------------|--------------------------|------------|-----------|-------------------|
| Staffline Recruitment Group | 6.8% | 12/04 | £402.3m | £503.2m | £10.5m |
| Breedon Aggregates | 5.8% | 08/10 | £722.7m | £269.7m | £21.4m |
| GB Group | 4.0% | 11/11 | £325.8m | £57.3m | £5.9m |
| Brooks Macdonald Group | 3.7% | 03/05 | £261.5m | £77.7m | £11.4m |
| Tasty plc | 3.4% | 05/07 | £104.2m | £29.7m | £2.6m |
| Mattioli Woods | 3.1% | 11/05 | £161.5m | £34.6m | £5.3m |
| Quixant | 3.1% | 05/13 | £105.0m | £31.9m | £4.3m |
| IDOX | 2.6% | 05/07 | £174.3m | £62.6m | £7.5m |
| Vertu Motors | 2.6% | 12/06 | £265.3m | £2,074.9m | £21.0m |
| Netcall | 2.3% | 06/06 | £72.8m | £17.2m | £2.4m |

¹Source: Octopus Investments, 30 November 2015; ²Source: Bloomberg, 17 December 2015.

Listed below are the ten largest investments of Octopus AIM VCT 2 as at 17 December 2015:

Octopus AIM VCT 2 top ten holdings by value

| | Percentage of portfolio | Date of first investment | Market cap | Revenue | Profit before tax |
|-----------------------------|-------------------------|--------------------------|------------|-----------|-------------------|
| Breedon Aggregates | 5.9% | 08/10 | £722.7m | £269.7m | £21.4m |
| GB Group | 4.1% | 11/11 | £325.8m | £57.3m | £5.9m |
| Animalcare Group | 3.9% | 12/07 | £47.6m | £13.5m | £3.0m |
| Tasty | 3.9% | 09/08 | £104.2m | £29.7m | £2.6m |
| Staffline Recruitment Group | 3.5% | 03/11 | £402.3m | £503.2m | £10.5m |
| IDOX | 3.2% | 05/07 | £174.3m | £62.6m | £7.5m |
| Quixant | 3.1% | 05/13 | £105.0m | £31.9m | £4.3m |
| Vertu Motors | 2.8% | 12/06 | £265.3m | £2,074.9m | £21.0m |
| Brooks Macdonald Group | 2.7% | 02/10 | £261.5m | £77.7m | £11.4m |
| Netcall | 2.5% | 06/06 | £72.8m | £17.2m | £2.4m |

¹Source: Octopus Investments, 30 November 2015; ²Source: Bloomberg, 17 December 2015.

The Companies have invested in a diverse range of sectors, from building materials and pharmaceuticals to recruitment and information technology. Here are examples of just some of the companies included in the Octopus AIM VCT portfolios:

Animalcare develops, markets and sells specialised products and medicines to vets.

Animalcare distributes its generic animal health products directly to vets in the UK and the Republic of Ireland. It also sells through distribution partners in key European markets. Generic medicine offers animal owners greater choice, without compromising quality, safety or effectiveness. By developing enhanced generic products Animalcare plans to accelerate its growth over the next five years.

Breedon Aggregates supplies a wide range of materials to the construction industry.

Breedon is the UK's largest independent aggregates (minerals and materials used in construction) business. It currently owns 41 quarries, 22 asphalt plants and 51 ready-mixed concrete and mortar plants. Breedon recently announced the purchase of Hope Construction Materials (subject to regulatory approval). This will add another 160 operational sites to the Group.

Brooks Macdonald is an award-winning wealth management group.

Founded in 1991 as a financial planning business, Brooks Macdonald listed on AIM in 2005 and now manages more than £7 billion of funds on behalf of its clients. It employs over 450 staff and has established offices across the UK and the Channel Islands. It continues to grow its assets, along with its list of clients and the range of funds it offers.

Ergomed conducts clinical drug trials and provides services to the pharmaceutical industry.

Founded in 1997, Ergomed operates in over 40 countries, providing high quality clinical development services. It is also building a portfolio of co-development partnerships with pharmaceutical and biotechnology firms. In these partnerships Ergomed conducts drugs trials in return for a share in the future income earned from those drugs after they are successfully launched into the market.

GB Group specialises in identity (ID) verification.

GB Group helps organisations to check the age and circumstances of both customers and employees for regulatory and commercial reasons. Its services have been increasingly in demand from organisations trying to prevent ID theft and fraud. It has grown rapidly in recent years and, thanks to the ever-expanding scope of internet-related transactions, its growth prospects look appealing.

Haydale specialises in the production of enhanced graphene and nanomaterials.

Graphene is a recently-discovered material that has phenomenal thermal, electrical and mechanical characteristics, yet is made from a carbon layer just one atom thick. Haydale has developed a unique process that disperses graphene onto materials such as inks, pastes and resins. In October 2015, Haydale's process was granted a European patent.

Staffline is a recruitment and training specialist, providing temporary and contract staff

Since it listed on AIM in 2004, Staffline has developed its own apprenticeship training and 'on-site' recruitment solution for large employers. The company has grown by making a number of acquisitions as well as adding new employment sectors, including driving and agriculture. It expects growth to be boosted by new 'welfare-to-work' programmes.

Tasty operates a chain of 'casual dining' restaurants.

Tasty listed on AIM in 2006 and its management team originally founded the ASK restaurant chain. It operates 42 restaurants under its two brands 'dim t' and 'Wildwood'. Tasty is growing revenue and profits as it continues to open new sites. Both Octopus AIM VCTs have been long-term investors in Tasty.

TLA is a leading global sports marketing agency.

TLA listed on AIM in 2011 and it has over 140 staff worldwide. Its growing revenues come from long-term agency relationships with international sports stars, broadcasters and media personalities. It is associated with sports including basketball, baseball, American football, golf, rugby, football and cricket. TLA is targeting high growth opportunities in Latin America and is expanding into the sports and talent marketing sectors.

Vertu Motors is the UK's sixth-largest motor retailer with 120 sales outlets nationwide.

Vertu trades under a number of brands including Bristol Street Motors, Macklin Motors, Vertu Honda, Vertu Volkswagen and Farnell. Both Octopus AIM VCTs invested when the company listed on AIM in 2006. Vertu continues to acquire franchised dealerships and has recently adding premium brands such as Land Rover.

Company examples are for illustrative purposes only. They should not be considered as an investment recommendation.

Next Steps

In launching the Offers, the Companies are seeking to raise a meaningful amount of new capital, which the Manager 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 1 December 2016. New Shares will be allocated on a first come, first served basis. It is intended that the first allotments of New Shares will be made on 2 February 2016 and at regular intervals 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 92 to 98. 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.

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

Conflicts of Interest

Tax Benefits for Investors

The Manager

Dividend Policy and Dividend Reinvestment Scheme

Buyback Policy

The Boards

The Smaller Companies 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. According to the Association of Investment Companies (AIC), almost £430 million was invested in VCTs in the 2014/2015 tax year, and the total amount invested in VCTs currently stands at an impressive £3.5 billion. In the 2014/15 tax year, according to the Association of Investment Companies, venture capital trusts paid £240 million in dividends to investors, the highest annual dividend pay-out since VCTs began. 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 1 December 2016 unless fully subscribed at an earlier date.

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 1 December 2016 unless fully subscribed at an earlier date. The Boards reserve the right to close the Offers earlier 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:

| | Unaudited NAV as at 14 December (p) | Offer Price (p) | Application (£) | Number of New Shares to be allotted |
|---------------|--|------------------------|------------------------|--|
| Octopus AIM | 107.3 | 113.6 | £10,000 | 5,281 |
| Octopus AIM 2 | 78.9 | 83.5 | £10,000 | 4,790 |

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 92 to 98.

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 promoting the Offers, 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 with no ongoing adviser charge including investors who are investing through intermediaries/advisers using financial platforms;
- 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 92 to 98. 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.

Conflicts of Interest

Sometimes the interests of one group of investors in an Octopus managed fund may conflict with those of another group of investors in another Octopus managed fund (or with the fund manager themselves). Where conflicts arise, controls are essential to ensure that customers are always treated fairly.

Investing alongside other Octopus funds

The Octopus investment team will usually invest funds from the Octopus AIM VCTs along with funds from other Octopus-managed products and sometimes even Octopus Investments itself. Through this co-investment, investors in the Octopus AIM VCTs can have access to deals that may not have been possible without being part of the larger deal with other Octopus investors.

When could conflicts of interest be harmful to investors?

Sometimes the Octopus AIM VCTs have what they believe to be a good investment opportunity, but unfortunately are unable to invest as much money as they'd like, due to restraints such as the size of a company or amount of investment available. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully too. The Manager has agreed policies and processes in place to make sure this is done fairly, but sometimes, investors may still be limited in the amounts they can invest.

Controlling conflicts of interest

The Manager's goal is to make sure that the interests of customers are always looked after fairly. So, they have a number of controls in place to manage conflicts of interest. In addition, it is the responsibility of the Boards of Directors for the Octopus AIM VCTs to act independently of Octopus and represent shareholders' best interests at all times.

Conflicts of interest are not a problem in themselves, but they do need to be managed carefully. Each potential conflict is treated on its own merits, but one thing is absolutely clear – the Manager will look after your interests and aim to treat you fairly every time.

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

Octopus is an award-winning investment manager that has over £5.5 billion of assets under management for tens of thousands of clients and has built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. It manages more money in VCTs than any other provider in the industry. Octopus is an expert investor in UK smaller companies and works in partnership with more than 3,000 financial advisers. Octopus has more than 400 employees, including over 80 investment professionals, and in 2014 was awarded a 5 Star rating for customer service in the Financial Adviser Service Awards.

The Companies are managed by the Smaller Companies team at Octopus which includes some of the most experienced AIM-focused fund managers in the market. All members of our team work extensively on AIM investments and have a great track record of uncovering value in AIM listed companies. All members of the team contribute to the investment process and every year they have over 500 face-to-face meetings with AIM companies to help to monitor existing investments as well as identifying attractive new investment opportunities. Responsibilities include interrogating the financial reports issued by companies, and the team also uses market forecasts to assess the growth potential of companies and their competitors. The Smaller Companies team currently looks after more than £830 million on behalf of over 7,000 Octopus investors.

Dividend Policy and Dividend Reinvestment Schemes

Octopus AIM intends to pay a minimum annual dividend of 5p per share or a 5% yield based on Octopus AIM's share price. Dividends will be paid semi-annually. 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 a minimum annual dividend of 3.6p per share or a 5% yield based on Octopus AIM 2's share price. Dividends will be paid semi-annually. It remains the intention of the Directors of Octopus AIM 2 to continue this policy, subject to available cash and distributable reserves.

Shareholders do not have to pay income tax on the potential dividends they receive from the Companies, so they could use their investment as a way to supplement their other income.

The Companies have each adopted a dividend reinvestment scheme (the "Dividend Reinvestment Schemes") under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares.

Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Schemes should obtain the usual VCT tax advantages as set out above.

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

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. He is a director of Webb Capital

Asset Management Limited and Puma 10 VCT plc. 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 Non-Executive director at Dunelm Group plc, Persimmon Plc and Fidelity European Values Plc and a trustee of the Persimmon Charitable Foundation. 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 Non-Executive director of F&C Private Equity Trust plc, Sofant Technologies Limited and Taragenyx Limited and a consultant with Kergan Stewart, Solicitors. 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 is the Chief Executive of Shakespeare Martineau LLP, an expanding Midlands and London law firm. Previously he has held a number of non-executive positions, predominantly in the professional services sector. He 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 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 71.

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 Smaller Companies 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 investment 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 Smaller Companies 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 Smaller Companies 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.

Dominic Weller

Dominic holds a degree in International Management from Deggendorf School of Management. He joined Octopus in 2015 as an analyst. He supports the team with data analytics and is studying towards the Chartered Financial Analyst designation.

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.

Since 31 December 2012, 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 the Offers, and the 2014 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.

The Companies have obtained approval as VCTs under Chapter 3 of Part 6 ITA 2007.

The Boards consider that the Companies have conducted their affairs and will continue to do so to enable them to qualify as VCTs.

Tax Position of Investors under the Offer

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

Tax Benefits for VCT investors

1. Income Tax

1.1 Initial Income Tax relief

An investor can acquire New Shares of up to a maximum of £200,000 under the Offers in each of the 2015/16 and 2016/17 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. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

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. Dividend relief is not available for dividends paid in an accounting period during which the VCT loses its approval.

2. Capital Gains Tax

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

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

3. Withdrawal of Approval

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

In addition, relief ceases to be available on any dividend paid in 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

4.1 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.

4.2 Shareholders not resident in the UK

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

5 Other 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.

5.1. 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 £5 million of Risk Finance State Aid investment in the 12 months ended on the date of the investment;
- (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;
- (x) no investment can be made by the Companies into a company which causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded;
- (xi) no investment can be made by the Companies in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid investment was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where a turnover test is satisfied; and
- (xii) no funds received from an investment into a company can be used to acquire another existing business or trade or provide a return of capital to one of its shareholders.

"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 Risk Finance State Aid investment sources during the 12 month period which ends on the date of the VCT's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The investee company must have fewer than 250 employees or 500 employees in the case of a Knowledge Intensive Company. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in eligible shares, as described above. The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid investment (including from VCTs) over the company's lifetime. The company's first commercial sale must be no more than 7 years before the VCT's investment (10 years for a Knowledge Intensive Company) prior to the date of investment, except where previous Risk Finance State Aid was received by the company within 7 years or where a turnover test is satisfied. Funds received from an investment by a VCT cannot be used to acquire shares, another existing business or trade, or intangible assets in use in a trade.

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

5.2 Taxation of a VCT

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

PART THREE: FINANCIAL INFORMATION ON THE COMPANIES

Audited financial information on Octopus AIM is published in the annual reports for the years ended 28 February 2013, 28 February 2014 and 28 February 2015 and unaudited information in the interim reports for the six month periods ended 31 August 2014 and 31 August 2015.

Audited financial information on Octopus AIM 2 is published in the annual reports for the years ended 30 November 2012, 30 November 2013 and 30 November 2014 and unaudited information in the interim reports for the six month periods ended 31 May 2014 and 31 May 2015.

The annual reports for the year ended 28 February 2013 in the case of Octopus AIM and for the year ended 30 November 2012 in the case of Octopus AIM 2 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and the annual reports for the years ended 28 February 2014 and 28 February 2015 in the case of Octopus AIM and for the years ended 30 November 2013 and 30 November 2014 in the case of Octopus AIM 2 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. 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' with the exception of the interim report for the 6 month period ended 31 August 2015 in the case of Octopus AIM and the interim report for the 6 month period ended 31 May 2015 in the case of Octopus AIM 2, which were prepared in accordance with Financial Reporting Standard 102. 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, together with the pages of the interim reports, referred to below are being incorporated by reference and can be accessed at the following website: www.octopusinvestments.com.

The Companies and the Directors confirm that the Companies' most recent two years' financial information (prepared under United Kingdom Generally Accepting Accounting Practice) have been presented and prepared in a form which is consistent with that which will be adopted in the Companies' next published annual financial statements (which will be prepared under Financial Reporting Standard 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks.

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 | 28 February 2013 <u>Annual Report</u> | 28 February 2014 <u>Annual Report</u> | 31 August 2014 <u>Half Year Report</u> | 28 February 2015 <u>Annual Report</u> | 31 August 2015 <u>Half Year Report</u> |
|--|--|--|---|--|---|
| Balance Sheet | Page 41 | Page 49 | Page 15 | Page 48 | Page 20 |
| Income Statement (or equivalent) | Page 40 | Page 48 | Page 13 | Page 46 | Page 18 |
| Statement showing all changes in equity (or equivalent note) | Page 42 | Page 50 | Page 14 | Page 47 | Page 19 |
| Cash Flow Statement | Page 43 | Page 51 | Page 16 | Page 49 | Page 21 |
| Accounting Policies and Notes | Page 45 | Page 53 | Page 18 | Page 51 | Page 23 |
| Auditor's Report | Page 38 | Page 44 | Page N/a | Page 42 | Page N/a |

OCTOPUS AIM 2

| Description | 30 November 2012 <u>Annual Report</u> | 30 November 2013 <u>Annual Report</u> | 31 May 2014 <u>Half Year Report</u> | 30 November 2014 <u>Annual Report</u> | 31 May 2015 <u>Half Year Report</u> |
|--|--|--|--|--|--|
| Balance Sheet | Page 38 | Page 47 | Page 16 | Page 46 | Page 16 |
| Income Statement (or equivalent) | Page 36 | Page 45 | Page 14 | Page 44 | Page 14 |
| Statement showing all changes in equity (or equivalent note) | Page 39 | Page 48 | Page 15 | Page 47 | Page 15 |
| Cash Flow Statement | Page 40 | Page 49 | Page 17 | Page 48 | Page 17 |
| Accounting Policies and Notes | Page 42 | Page 51 | Page 19 | Page 50 | Page 19 |
| Auditor's Report | Page 34 | Page 41 | n/a | Page 40 | n/a |

Such information also includes operating/financial reviews as follows:

OCTOPUS AIM

| Description | 28 February 2013 <u>Annual Report</u> | 28 February 2014 <u>Annual Report</u> | 31 August 2014 <u>Half Year Report</u> | 28 February 2015 <u>Annual Report</u> | 31 August 2015 <u>Half Year Report</u> |
|-----------------------|--|--|---|--|---|
| Performance Summary | Page 3 | Page 2 | Page 6 | Page 1 | Page 9 |
| Results and Dividends | Page 23 | Page 14 | Pages 7/8 | Page 20 | Page 10 |
| Investment Policy | Page 23 | Page 12 | Page IFC | Page 5 | Page 1 |
| Outlook | Page 10 | Page 10 | Page 8 | Page 4 | Page 11 |
| Manager's Review | Page 11 | Page 17 | Page n/a | Page 7 | Page N/a |
| Portfolio Summary | Page 14 | Page 20 | Page 9 | Page 11 | Page 13 |
| Business Review | Page 22 | Page 13 | Page n/a | Page 19 | Page N/a |
| Valuation Policy | Page 45 | Page 53 | Page n/a | Page 51 | Page N/a |

OCTOPUS AIM 2

| Description | 30 November 2012 <u>Annual Report</u> | 30 November 2013 <u>Annual Report</u> | 31 May 2014 <u>Half Year Report</u> | 30 November 2014 <u>Annual Report</u> | 31 May 2015 <u>Half Year Report</u> |
|-----------------------|--|--|--|--|--|
| Performance Summary | Page 1 | Page 1 | Page 3 | Page 2 | Page 7 |
| Results and Dividends | Page 18 | Page 11 | Pages 7/8 | Page 2 | Page 2 |
| Investment Policy | Page 19 | Page 9 | n/a | Page 5 | Page 5 |
| Outlook | Page 6 | Page 8 | Page 9 | Page 3 | Page 9 |
| Manager's Review | Page 7 | Page 14 | n/a | Page 7 | n/a |
| Portfolio Summary | Page 10 | Page 18 | Page 10 | Page 11 | Page 10 |
| Business Review | Page 18 | Page 10 | n/a | Page 17 | n/a |
| Valuation Policy | Page 42 | Page 51 | n/a | Page 50 | n/a |

The unaudited Net Asset Value per Share as at 14 December 2015 was 107.3p and 78.9p 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 30 November 2015 and representing more than 85% of the NAV of Octopus AIM). Revenue and Pre Tax Profit figures are historic annual figures as published by Bloomberg.

| 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 plc | Support Services | 334 | 5,099 | 5,433 | 6.8% | 1525% | 402.3 | 503.2 | 10.5 |
| Breedon Aggregates Limited | Construction & Building | 859 | 3,756 | 4,615 | 5.8% | 437% | 722.7 | 269.7 | 21.4 |
| GB Group plc | Support Services | 715 | 2,512 | 3,226 | 4.0% | 351% | 325.8 | 57.3 | 5.9 |
| Brooks MacDonald Group plc | Finance | 746 | 2,203 | 2,949 | 3.7% | 295% | 261.5 | 77.7 | 11.4 |
| Tasty plc | Leisure & Hotels | 622 | 2,102 | 2,724 | 3.4% | 338% | 104.2 | 29.7 | 2.6 |
| Mattioli Woods plc | Finance | 529 | 1,978 | 2,507 | 3.1% | 374% | 161.5 | 34.6 | 5.3 |
| Quixant plc | Technology Hardware | 697 | 1,755 | 2,452 | 3.1% | 252% | 105.0 | 31.9 | 4.3 |
| Idox plc | Software | 353 | 1,758 | 2,111 | 2.6% | 497% | 174.3 | 62.6 | 7.5 |
| Vertu Motors plc | General Retailers | 1,265 | 802 | 2,067 | 2.6% | 63% | 265.3 | 2,074.9 | 21.0 |
| Netcall plc | Telecommunications Services | 437 | 1,361 | 1,798 | 2.3% | 311% | 72.8 | 17.2 | 2.4 |
| TLA Worldwide plc | Media | 807 | 989 | 1,796 | 2.3% | 122% | 62.2 | 12.6 | 0.3 |
| Ergomed plc | Pharmaceuticals & Biotech | 1,440 | 30 | 1,470 | 1.8% | 2% | 48.6 | 21.2 | 0.8 |
| Nektan Limited | Software | 1,345 | 46 | 1,391 | 1.7% | 3% | 30.6 | 0.5 | (8.1) |
| Animalcare Group plc | Food Producers & Processors | 306 | 987 | 1,293 | 1.6% | 322% | 47.6 | 13.5 | 3.0 |
| Escher Group Holdings plc | Software | 1,003 | 235 | 1,237 | 1.6% | 23% | 35.5 | 12.8 | (0.3) |
| RWS Holdings plc | Support Services | 367 | 865 | 1,233 | 1.5% | 235% | 444.3 | 95.2 | 20.7 |
| Learning Technologies Group plc | Support Services | 1,319 | (152) | 1,168 | 1.5% | (11%) | 101.0 | 14.9 | (0.1) |
| Adept Telecom plc | Telecommunications Services | 601 | 557 | 1,158 | 1.5% | 93% | 64.7 | 22.1 | 2.1 |
| CityFibre Infrastructure Holdings Plc | Telecommunications Services | 1,025 | 128 | 1,153 | 1.4% | 12% | 60.2 | 3.8 | (7.1) |
| Brady plc | Software | 947 | 184 | 1,131 | 1.4% | 19% | 40.7 | 31.0 | 0.8 |
| Craneware plc | Software | 183 | 907 | 1,090 | 1.4% | 494% | 214.7 | 28.5 | 7.9 |
| Restore Group plc | Support Services | 467 | 612 | 1,079 | 1.4% | 131% | 279.7 | 67.5 | 6.1 |
| Gooch & Housego plc | Electronic & Electrical | 489 | 574 | 1,063 | 1.3% | 117% | 211.4 | 78.7 | 10.1 |
| Cello Group plc | Media | 895 | 158 | 1,054 | 1.3% | 18% | 74.6 | 169.9 | 3.8 |
| Clinigen Group plc | Pharmaceuticals & Biotech | 935 | 102 | 1,037 | 1.3% | 11% | 770.4 | 184.4 | 8.4 |
| Skyepharma plc | Pharmaceuticals & Biotech | 672 | 261 | 933 | 1.2% | 39% | 366.8 | 73.8 | (9.9) |
| DP Poland plc | Leisure & Hotels | 546 | 364 | 910 | 1.1% | 67% | 30.4 | 3.8 | (3.6) |
| Abcam Plc | Pharmaceuticals & Biotech | 895 | (35) | 860 | 1.1% | (4%) | 1,241.2 | 144.0 | 46.1 |

| | | | | | | | | | |
|--------------------------------|----------------------------|-------|---------|-----|------|-------|-------|-------|--------|
| Bond International plc | Software | 354 | 462 | 816 | 1.0% | 131% | 38.0 | 40.1 | 2.9 |
| SQS Software plc | Software | 291 | 509 | 801 | 1.0% | 175% | 188.5 | 216.5 | 8.2 |
| Advanced Medical Solutions | Pharmaceuticals & Biotech | 757 | 39 | 796 | 1.0% | 5% | 376.0 | 63.0 | 15.2 |
| Nasstar plc | Software | 481 | 312 | 793 | 1.0% | 65% | 32.2 | 11.2 | (1.9) |
| Next Fifteen plc | Media | 687 | 88 | 776 | 1.0% | 13% | 178.8 | 101.5 | (1.0) |
| Oxford Pharmascience Group plc | Pharmaceuticals & Biotech | 1,350 | (608) | 743 | 0.9% | (45%) | 58.8 | 0.7 | (3.5) |
| Cambridge Cognition Group plc | Health | 601 | 129 | 729 | 0.9% | 21% | 14.5 | 5.8 | (0.3) |
| Judges Scientific plc | Electronic & Electrical | 314 | 392 | 706 | 0.9% | 125% | 91.0 | 40.6 | 2.4 |
| Fusionex International plc | Software | 282 | 379 | 661 | 0.8% | 134% | 166.7 | 10.7 | 4.3 |
| Haydale Graphene Plc | Chemicals | 598 | 45 | 643 | 0.8% | 8% | 24.0 | 0.6 | (3.0) |
| EKF Diagnostics plc | Health | 931 | (294) | 637 | 0.8% | (32%) | 50.6 | 40.1 | (4.0) |
| Sinclair Pharma plc | Pharmaceuticals & Biotech | 765 | (143) | 622 | 0.8% | (19%) | 199.0 | 75.9 | (8.2) |
| Ideagen plc | Software | 419 | 181 | 600 | 0.8% | 43% | 100.2 | 14.4 | 0.6 |
| Gamma Communications Plc | Telecommunication Services | 488 | 97 | 585 | 0.7% | 20% | 379.3 | 173.2 | 11.5 |
| Midatech Pharma plc | Pharmaceuticals & Biotech | 600 | (16) | 584 | 0.7% | (3%) | 66.2 | 0.2 | (8.0) |
| Gear4Music Holdings plc | Media | 557 | 16 | 573 | 0.7% | 3% | 29.1 | 24.2 | (0.8) |
| Omega Diagnostics plc | Health | 465 | 90 | 555 | 0.7% | 19% | 17.9 | 12.1 | 0.7 |
| Mears Group plc | Support Services | 139 | 400 | 538 | 0.7% | 288% | 468.8 | 838.7 | 29.7 |
| Access Intelligence plc | Software | 495 | - | 495 | 0.6% | 0% | 13.5 | 8.5 | (0.9) |
| Tyratech inc | Chemicals | 600 | (150) | 450 | 0.6% | (25%) | 8.2 | 2.9 | (3.1) |
| Iomart Group plc | Software | 268 | 181 | 449 | 0.6% | 68% | 275.6 | 65.8 | 10.8 |
| Plastics Capital plc | Engineering & Machinery | 400 | 20 | 420 | 0.5% | 5% | 33.9 | 39.6 | (0.1) |
| Microsaic plc | Engineering & Machinery | 625 | (221) | 404 | 0.5% | (35%) | 18.0 | 1.2 | (3.2) |
| Sphere Medical | Health | 600 | (225) | 375 | 0.5% | (38%) | 14.9 | 0.0 | (5.9) |
| MyCelx Technologies plc | Oil Equipment | 1,470 | (1,146) | 324 | 0.4% | (78%) | 3.7 | 9.1 | (3.4) |
| Vianet Group plc | Support Services | 359 | (71) | 288 | 0.4% | (20%) | 29.2 | 18.5 | 1.7 |
| Futura Medical plc | Pharmaceuticals & Biotech | 613 | (360) | 252 | 0.3% | (59%) | 28.2 | 0.0 | (3.5) |
| Scientific Digital | Healthcare equipment | 179 | 56 | 234 | 0.3% | 31% | 7.2 | 7.0 | 0.0 |
| ReNeuron Group Plc | Pharmaceuticals & Biotech | 324 | (146) | 178 | 0.2% | (45%) | 86.9 | 0.0 | (10.3) |
| TP Group plc | Engineering & Machinery | 648 | (488) | 160 | 0.2% | (75%) | 12.7 | 21.7 | (3.9) |
| Altitude Group plc | Media | 600 | (442) | 158 | 0.2% | (74%) | 4.4 | 4.4 | (1.6) |
| Proxama plc | Software | 763 | (611) | 153 | 0.2% | (80%) | 8.4 | 0.7 | (5.9) |
| Hasgrove plc* | Media | 88 | 61 | 149 | 0.2% | 70% | 6.8 | 5.4 | (0.6) |
| WANdisco plc | Software | 241 | (112) | 129 | 0.2% | (46%) | 23.2 | 6.8 | (23.9) |
| Enteq Upstream plc | Oil Services | 1,032 | (908) | 124 | 0.2% | (88%) | 7.3 | 11.5 | (29.3) |
| Tangent | Support Services | 578 | (477) | 101 | 0.1% | (82%) | 4.2 | 26.2 | 0.5 |

| | | | | | | | | | |
|------------------------------------|-------------------------|-----|-------|----|------|--------|------|------|--------|
| Communications plc | | | | | | | | | |
| Dods Group plc | Media | 203 | (128) | 75 | 0.1% | (63%) | 32.7 | 18.3 | (5.0) |
| Lombard Medical Technologies plc** | Health | 408 | (354) | 54 | 0.1% | (87%) | 14.6 | 8.1 | (21.9) |
| Work Group plc | Support Services | 943 | (890) | 53 | 0.1% | (94%) | 0.8 | 7.6 | (3.4) |
| Tanfield Group plc | Engineering & Machinery | 226 | (177) | 50 | 0.1% | (78%) | 23.0 | 0.0 | 0.1 |
| 1Spatial plc | Software | 300 | (251) | 49 | 0.1% | (84%) | 36.5 | 19.6 | (1.5) |
| Rated People Limited | Software | 354 | (322) | 32 | 0.0% | (91%) | 6.2 | 13.3 | (6.3) |
| Clean Air Power Limited* | Industrial | 485 | (485) | - | 0.0% | (100%) | 0.0 | 6.8 | (6.3) |

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 except in the case of Nektan and Access Intelligence which include investment via loan stock; and
3. are in portfolio companies incorporated in the UK with the exception of:
 - Escher – Ireland
 - Mycelx – USA
 - SQS – Germany
 - Nektan - Gibraltar
 - Lombard Medical – Cayman Islands.

* Denotes private company.

** Denotes company quoted on Nasdaq.

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 30 November 2015 and representing more than 86.0% of the NAV of Octopus AIM 2). Revenue and Pre Tax Profit figures are historic annual figures as published by Bloomberg.

| 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) |
|---------------------------------------|---------------------------|------------------|------------------------------|-------------------|-----------------|------------------------------------|-----------------|--------------|---------------------|
| Breedon Aggregates Limited | Construction & Materials | 573 | 2,506 | 3,079 | 5.9% | 437% | 722.7 | 269.7 | 21.4 |
| GB Group plc | Software | 477 | 1,674 | 2,151 | 4.1% | 351% | 325.8 | 57.3 | 5.9 |
| Animalcare Group plc | Pharmaceuticals & Biotech | 824 | 1,232 | 2,056 | 3.9% | 149% | 47.6 | 13.5 | 3.0 |
| Tasty plc | Travel & Leisure | 336 | 1,706 | 2,042 | 3.9% | 507% | 104.2 | 29.7 | 2.6 |
| Staffline Recruitment plc | Support Services | 225 | 1,602 | 1,827 | 3.5% | 712% | 402.3 | 503.2 | 10.5 |
| Idox plc | Software | 356 | 1,330 | 1,686 | 3.2% | 374% | 174.3 | 62.6 | 7.5 |
| Quixant plc | Technology Hardware | 465 | 1,170 | 1,635 | 3.1% | 252% | 105.0 | 31.9 | 4.3 |
| Vertu Motors plc | Other | 777 | 675 | 1,452 | 2.8% | 87% | 265.3 | 2,074.9 | 21.0 |
| Brooks MacDonald Group plc | General Financial | 610 | 784 | 1,394 | 2.7% | 129% | 261.5 | 77.7 | 11.4 |
| Netcall plc | Software | 421 | 871 | 1,293 | 2.5% | 207% | 72.8 | 17.2 | 2.4 |
| Craneware plc | Software | 479 | 755 | 1,235 | 2.4% | 158% | 214.7 | 28.5 | 7.9 |
| TLA Worldwide plc | Media | 538 | 659 | 1,197 | 2.3% | 122% | 62.2 | 12.6 | 0.3 |
| Ergomed plc | Pharmaceuticals & Biotech | 960 | 20 | 980 | 1.9% | 2% | 48.6 | 21.2 | 0.8 |
| Adept Telecom plc | Other | 502 | 465 | 967 | 1.8% | 93% | 64.7 | 22.1 | 2.1 |
| Escher Group Holdings plc | Software | 753 | 176 | 929 | 1.8% | 23% | 35.5 | 12.8 | (0.3) |
| Nektan Limited | Travel & Leisure | 893 | 31 | 924 | 1.8% | 3% | 30.6 | 0.5 | (8.1) |
| RWS Holdings plc | Support Services | 249 | 590 | 838 | 1.6% | 237% | 444.3 | 95.2 | 20.7 |
| CityFibre Infrastructure Holdings plc | Other | 739 | 87 | 827 | 1.6% | 12% | 60.2 | 3.8 | (7.1) |
| Learning Technologies Group plc | Support Services | 880 | (101) | 778 | 1.5% | (11%) | 101.0 | 14.9 | (0.1) |
| Brady plc | Software | 647 | 127 | 774 | 1.5% | 20% | 40.7 | 31.0 | 0.8 |
| Plastics Capital plc | Other | 485 | 274 | 759 | 1.5% | 56% | 33.9 | 39.6 | (0.1) |
| Restore plc | Support Services | 311 | 408 | 719 | 1.4% | 131% | 279.7 | 67.5 | 6.1 |
| Gooch & Housego plc | Electronic & Electrical | 326 | 382 | 708 | 1.4% | 117% | 211.4 | 78.7 | 10.1 |
| Vianet Group plc | Support services | 867 | (171) | 696 | 1.3% | (20%) | 29.2 | 18.5 | 1.7 |
| Clinigen Group plc | Pharmaceuticals & Biotech | 625 | 68 | 694 | 1.3% | 11% | 770.4 | 184.4 | 8.4 |
| Skyepharma plc | Pharmaceuticals & Biotech | 448 | 174 | 622 | 1.2% | 39% | 366.8 | 73.8 | (9.9) |
| DP Poland plc | Travel & Leisure | 364 | 243 | 607 | 1.2% | 67% | 30.4 | 3.8 | (3.6) |
| Abcam plc | Pharmaceuticals & Biotech | 597 | (23) | 574 | 1.1% | (4%) | 1,241.2 | 144.0 | 46.1 |
| SQS Software plc | Software | 207 | 362 | 569 | 1.1% | 175% | 188.5 | 216.5 | 8.2 |
| Advanced Medical Solutions plc | Healthcare Equipment | 505 | 26 | 530 | 1.0% | 5% | 376.0 | 63.0 | 15.2 |

| | | | | | | | | | |
|----------------------------------|---------------------------|-----|-------|-----|------|-------|-------|-------|-------|
| Nasstar plc | Software | 320 | 208 | 528 | 1.0% | 65% | 32.2 | 11.2 | (1.9) |
| Next Fifteen Plc | Media | 458 | 59 | 517 | 1.0% | 13% | 178.8 | 101.5 | (1.0) |
| EKF Diagnostics plc | Healthcare Equipment | 864 | (355) | 509 | 1.0% | (41%) | 50.6 | 40.1 | (4.0) |
| Oxford Pharmascience Group plc | Pharmaceuticals & Biotech | 900 | (405) | 495 | 0.9% | (45%) | 58.8 | 0.7 | (3.5) |
| Cambridge Cognition Holdings plc | Healthcare Equipment | 400 | 86 | 486 | 0.9% | 21% | 14.5 | 5.8 | (0.3) |
| Judges Scientific plc | Electronic & Electrical | 209 | 261 | 470 | 0.9% | 125% | 91.0 | 40.6 | 2.4 |
| Access Intelligence plc | Software | 446 | - | 446 | 0.9% | 0% | 13.5 | 8.5 | (0.9) |
| Fusionex International plc | Software | 188 | 253 | 441 | 0.8% | 134% | 166.7 | 10.7 | 4.3 |
| Haydale Plc | Other | 399 | 30 | 429 | 0.8% | 8% | 24.0 | 0.6 | (3.0) |
| Sinclair Pharma plc | Pharmaceuticals & Biotech | 274 | 151 | 425 | 0.8% | 55% | 199.0 | 75.9 | (8.2) |
| Omega Diagnostics Group plc | Healthcare Equipment | 318 | 97 | 414 | 0.8% | 30% | 17.9 | 12.1 | 0.7 |
| Bond International Software plc | Software | 303 | 105 | 408 | 0.8% | 35% | 38.0 | 40.1 | 2.9 |
| Ideagen plc | Software | 280 | 120 | 400 | 0.8% | 43% | 100.2 | 14.4 | 0.6 |
| Gamma Communications plc | Other | 326 | 65 | 390 | 0.7% | 20% | 379.3 | 173.2 | 11.5 |
| Midatech plc | Pharmaceuticals & Biotech | 400 | (10) | 390 | 0.7% | (3%) | 66.2 | 0.2 | (8.0) |
| Cello Group plc | Media | 205 | 182 | 387 | 0.7% | 89% | 74.6 | 169.9 | 3.8 |
| Gear4Music plc | Other | 372 | 11 | 382 | 0.7% | 3% | 29.1 | 24.2 | (0.8) |
| Mattioli Woods plc | General Financial | 101 | 202 | 303 | 0.6% | 200% | 161.5 | 34.6 | 5.3 |

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 except in the case of Nektan and Access Intelligence which include investment via loan stock; and
3. are in portfolio companies incorporated in the UK with the exception of:
 - Escher – Ireland
 - Mycelx – USA
 - SQS – Germany
 - Nektan - Gibraltar
 - Lombard Medical – Cayman Islands.

* Denotes private company.

** Denotes company quoted on Nasdaq.

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 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.

2. REGISTERED OFFICE AND PRINCIPAL LEGISLATION

- 2.1 The registered office of Octopus AIM is at 33 Holborn, London EC1N 2HT 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 ordinary and special 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 £250,000, representing approximately 34.3% of the share capital in issue as at 21 December 2015, 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 2017 (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 £20,000, representing approximately 2.7% of the share capital in issue as at 21 December 2015, 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 2017 (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 2017 (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 £250,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 34.3% of the share capital in issue as at 21 December 2015.
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 2017 (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 £20,000, representing approximately 2.7% of the share capital in issue as at 21 December 2015.

- 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 | 728,716.65 | 72,871,665 |

- 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 with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively and (ii) that the Offer Price is 113.6p and 85.0p per Octopus AIM New Share) will be as follows:

| | | | |
|------------------------------|----------------------|----------------------------|----------------------|
| <i>Offer Price</i> 113.6p | | | |
| <i>Class of shares</i> | <i>Nominal value</i> | <i>Issued (fully paid)</i> | |
| | | <i>£</i> | <i>No. of Shares</i> |
| Ordinary Shares | 1p | 887,167.35 | 88,716,735 |

| | | | |
|-----------------------------|----------------------|----------------------------|----------------------|
| <i>Offer Price</i> 85.0p | | | |
| <i>Class of shares</i> | <i>Nominal value</i> | <i>Issued (fully paid)</i> | |
| | | <i>£</i> | <i>No. of Shares</i> |
| Ordinary Shares | 1p | 940,481.35 | 94,048,135 |

3.5 The following allotments and repurchases of Shares have taken place since 1 March 2012:

14,415,620 Shares at a weighted average price of 93.3p were bought back;
42,102,960 Shares at a weighted average price of 109.20p were allotted.

3.6 Other than the issue of New Shares under the Offers, and Shares under its dividend reinvestment scheme, 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 | 25,194 | 0.03 |
| Roger Smith | 20,000 | 0.03 |
| Stephen Hazell-Smith | 136,493 | 0.19 |
| Marion Sears | 9,572 | 0.01 |

- 4.2 Assuming that (i) the Offers are fully subscribed in both Companies and (ii) an Offer Price of 113.6p 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 | 25,194 | 0.03 |
| Roger Smith | 20,000 | 0.02 |
| Stephen Hazell-Smith | 136,493 | 0.15 |
| 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 113.6p 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 (dissolved) | N |
| | Director | Saddleback Corporation Limited (dissolved)* | N |
| | Director | Longhorn Mining Ltd | N |
| | Director | The Parachute Regiment Charity | N |
| | Director | Nettleton & Co Ltd | N |
| | Director | Saddleback Mining Limited | N |
| Roger Smith | Director | Saddleback Corporation Limited (dissolved)* | N |
| | Director | Epworth Investment Management Limited | N |
| | Director | Cotton Spring Farm Limited | Y |
| | Director | Herts County Showground Limited | Y |
| | Director | The Hertfordshire Agricultural Society | Y |
| | Director | The Lord's Taverners Limited | Y |

| | | | |
|----------------------|----------|--|---|
| | Director | Methodist International Centre Limited | N |
| | Director | Central Industrial Holdings Limited (dissolved)* | N |
| | Director | BB Realisations Limited (dissolved)* | 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 (dissolved)* | N |
| | Director | Octopus Phoenix VCT plc (dissolved)* | N |
| | Director | Kudosophion 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 | St George's Hill Residents Association Limited | Y |
| | Director | Zetar Limited (formerly Zetar plc) | N |

* in voluntary liquidation prior to being dissolved

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

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 to 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 2015, 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 21 December 2015 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 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 2014 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2014 Offers. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the 2014 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 Shares allotted to investors under the 2014 Offers 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 agreed to discharge all the external costs of advice and their own costs in respect of the Offers. Under this agreement certain warranties were given by Octopus AIM, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM 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.
- 8.3 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, 29 August 2014 and 21 December 2015, 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, the 2014 Offers 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, the promoters fees paid to Octopus of £808,000 (year ended 28 February 2013), £973,000 (year ended 28 February 2014), £1,208,000 (year ended 28 February 2015) and £1,057,000 (current year) 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 28 February 2013, 28 February 2014 and 28 February 2015 or since 28 February 2015 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 of Octopus AIM as at 31 October 2015 was as follows:

| <u>Capital and reserves</u> | £’000’s |
|------------------------------------|----------------|
| Called up Equity Share Capital | 730 |
| Share Premium | 17,675 |
| Special Distributable Reserve | 67,745 |
| Capital Redemption Reserve | 15 |
| Own Shares held in Treasury | - |

| | |
|----------------------------|----------|
| Capital Reserve Realised | (31,248) |
| Capital Reserve Unrealised | 23,449 |
| Revenue Reserve | 455 |

| | |
|----------------------------------|--------|
| Total Equity Shareholders' Funds | 78,821 |
|----------------------------------|--------|

- 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 80.

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 33 Holborn, London EC1N 2HT 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 ordinary and special 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 £2,500, representing approximately 38.5% of the share capital in issue as at 21 December 2015, 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 2017 (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 £200, representing approximately 3.1% of the share capital in issue as at 21 December 2015, 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 2017 (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 2017 (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 £2,500 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 38.5% of the share capital in issue as at 21 December 2015.
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 2017 (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 £200, representing approximately 3.1% of the share capital in issue as at 21 December 2015.

- 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 | 6,493 | 64,934,873 |

- 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 with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively and (ii) that the Offer Price is 83.5p and 60.0p per Octopus AIM 2 New Share) will be as follows:

| <i>Offer Price</i> 83.5p | | | |
|-----------------------------|----------------------|----------------------------|----------------------|
| <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 | 7,931 | 79,306,130 |

| <i>Offer Price</i> 60.0p | | | |
|-----------------------------|----------------------|----------------------------|----------------------|
| <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 | 8,493 | 84,934,873 |

- 3.5 The following allotments and repurchases of Shares have taken place since 1 December 2011:
- 15,639,565 Shares at a weighted average price of 70.6p were bought back;
38,241,584 Shares at a weighted average price of 82.7p were allotted.
- 3.6 Other than the issue of New Shares under the Offers, and Shares under its dividend reinvestment scheme, 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 | 0.31 |
| Andrew Raynor | 20,700 | 0.03 |
| Elizabeth Kennedy | 37,380 | 0.06 |
| Alastair Ritchie | 31,809 | 0.05 |

- 4.2 Assuming that (i) the Offers are fully subscribed in both Companies and (ii) an Offer Price of 83.5p 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 | 0.25 |
| Andrew Raynor | 20,700 | 0.03 |
| Elizabeth Kennedy | 37,380 | 0.05 |
| Alastair Ritchie | 31,809 | 0.04 |

- 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 83.5p 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:

| Name | Position | Name of company/partnership | Position still held (Y/N) |
|---------------|-----------------|---|----------------------------------|
| Keith Mullins | - | - | - |
| Andrew Raynor | Director | Miller's Court Tenants Limited | N |
| | Director | 21 st Century Law Limited | Y |
| | Director | Bande A Part Limited | Y |
| | Director | Star Trust (East Midlands) Limited | Y |
| | Director | Arrandco Business Services Limited (formerly Baker Tilly Business Services Limited) | N |
| | Director | RSM Tenon Group PLC | N |

| | | |
|----------|--|---|
| | (in administration) | |
| Director | Baker Tilly CF Limited (formerly RSM Tenon Corporate Finance Limited) | N |
| Director | Old Mill Consultancy Limited (dissolved) | 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 | The Wealth Experience Limited (dissolved) | N |
| Director | Advisers to Entrepreneurs Limited | N |

| | | | |
|-------------------|----------|---|---|
| | | (dissolved) | |
| | 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 (in voluntary liquidation) | N |
| | 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 | N |
| Alastair Ritchie | Director | John Swan & Sons Limited | N |
| | Director | John Swan Trustee Limited | N |
| | 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 | Camelon Realisations Limited (dissolved)* | N |

* in voluntary liquidation prior to being dissolved

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

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.

4.9 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 Accountancy 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 for the years ended 30 June 2010 and 2011, and the preparation, approval and review of financial information in connection with the admission of RSM Tenon Group Plc to the main market of the London Stock Exchange and the acquisition of RSM Bentley Jennison. The conclusion of the investigation and the publication, if any, of formal complaints in respect of any of the parties (including Mr Raynor) is expected during 2016.

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 6 August 2015, it states that there is expected to be a shortfall of approximately £58.2 million 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.

- 4.10 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.
- 4.11 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 to Octopus AIM 2.
- 4.12 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 2014, 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 December 2015 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 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 2014 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2014 Offers. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the 2014 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 Shares allotted to investors under the 2014 Offers 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 agreed to discharge all the external costs of advice and their own costs in respect of the 2014 Offers. 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 agreed to indemnify Howard Kennedy in respect of its role as sponsor to the 2014 Offers. 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 2014 Offers is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

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, 29 August 2014 and 21 December 2015, 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, the 2014 Offers 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 8.4 above, the promoters fees paid to Octopus of £550,000 (year ended 30 November 2012), £639,000 (year ended 30 November 2013), £812,000 (year ended 30 November 2014) and £919,000 (current year) 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 2012, 30 November 2013 and 30 November 2014 or since 30 November 2014 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 of Octopus AIM 2 as at 31 October 2015 was as follows:

| <u>Capital and reserves</u> | £000's |
|--------------------------------------|------------------------|
| Called up Equity Share Capital | 6 |
| Share Premium | 11,575 |
| Special Distributable Reserve | 37,344 |
| Capital Redemption Reserve | - |
| Own Shares held in Treasury | - |
| Capital Reserve Realised | (10,836) |
| Capital Reserve Unrealised | 13,530 |
| Revenue Reserve | (117) |
| Total Equity Shareholders' Funds | <hr/> 51,502 <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 80.

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 2001. 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 UK 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 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.

4. CORPORATE GOVERNANCE

- 4.1 The UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (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, all investors being Advised Investors, and all choosing to pay their advisers a 2.5% upfront fee, payable by the Company will be £1.65 million in aggregate (excluding VAT, if any). 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 28 February 2013, 28 February 2014 and 28 February 2015 and the statutory accounts of Octopus AIM 2 for the year ended 30 November 2012, 30 November 2013 and 30 November 2014 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 No. 1 London Bridge, London SE1 9BG. 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 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.
- 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 There has been no significant change in the financial or trading position of Octopus AIM since 31 August 2015, the date to which the latest unaudited financial information has been published, to the date of this document.

There has been no significant change in the financial or trading position of Octopus AIM 2 since 31 May 2015, 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 30 November 2015, Octopus AIM had £11.7 million of uninvested cash and as at 30 November 2015, Octopus AIM 2 had £7.4 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 21 to 22, 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 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.
- 7.20 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.
- 7.21 The existing issued Shares in Octopus AIM will represent 82.1% of the enlarged ordinary share capital of Octopus AIM immediately following the Offers, assuming the Offers are fully subscribed in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM of 113.6p, and on that basis

Octopus AIM Shareholders who do not participate in the Offers will, therefore, be diluted by 17.9%.

The existing issued Shares in Octopus AIM 2 will represent 81.9% of the enlarged ordinary share capital of Octopus AIM 2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM 2 of 83.5p, and on that basis Octopus AIM 2 Shareholders who do not participate in the Offers will, therefore, be diluted by 18.1%.

- 7.22 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 1 December 2016. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.
- 7.23 **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 7.22 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 offices of the Companies and Howard Kennedy whilst the Offers remain 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 28 February 2013, 28 February 2014 and 28 February 2015, the annual accounts of Octopus AIM 2 for the periods ended 30 November 2012, 30 November 2013 and 30 November 2014, the half year reports of Octopus AIM for the 6 month periods ended 31 August 2014 and 31 August 2015 and the half year reports of Octopus AIM 2 for the 6 month periods ended 31 May 2014 and 31 May 2015;
- 8.4 the Circular; and
- 8.5 this document.

21 December 2015

DEFINITIONS

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

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|-------------------------------|--|
| “2014 Offers” | the offer for subscription by the Companies for Shares in respect of the tax years 2014/15 and 2015/16 that was launched on 29 August 2014 |
| “Acts” | CA 1985 and CA 2006 |
| “Advised Investors” | Investors under the Offer who receive advice from their financial intermediaries |
| “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 21 December 2015 |
| “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 |
| “Knowledge Intensive Company” | a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007 |
| “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”) |

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| “Octopus”, the “Manager” or the “Receiving Agents” | Octopus Investments Limited |
| “Octopus AIM” | Octopus AIM VCT plc |
| “Octopus AIM GM” | the general meeting of Octopus AIM to be held on 28 January 2016 (or any adjournment thereof) |
| “Octopus AIM 2” | Octopus AIM VCT 2 plc |
| “Octopus AIM 2 GM” | the general meeting of Octopus AIM 2 to be held on 27 January 2016 (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 34 |
| “Offers” | the offer for subscription by the Companies for New Shares in respect of the tax years 2015/16 and 2016/17 contained in this document |
| “Official List” | the official list maintained by the UK Listing Authority |
| “Prospectus” | this document |
| “Prospectus Rules” | the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC |
| “Qualifying Company” | a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007 |
| “Qualifying Investments” | shares in, or securities of, a Qualifying Company held by 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 |
| “Risk Finance State Aid” | State aid received by a company as defined in Section 280B (4) of ITA 2007 |
| “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 92 to 98 |
| “The Risk Finance Guidelines” | guidelines on State aid to promote risk finance investments 2014/C 19/04 |
| “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 |

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| “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 |
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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 34.

10. Costs of the Offers

In consideration for promoting the Offers, 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 promoting the Offers, 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 to investors since Octopus will reduce its 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 34.

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 to investors 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 with no ongoing adviser charge, including investors who are investing through intermediaries/advisers using financial platforms.

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 34. 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. Octopus will subsequently reduce its annual management charge by the amount of this notional ongoing adviser charge to ensure that the Companies are not financially disadvantaged.

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). Since Octopus pay the cost of this ongoing charge, this will not result in a higher fee to investors.

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 and the subsequent reduction in the Octopus annual management fee to reflect this.

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 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.

ANNEX I

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

- (c) Fractional entitlements will not be allotted and any residual cash balance of less than the amount required to subscribe for a further new Ordinary Share, as set out in 3(b) above will be donated to a registered charity at the discretion of the Board.
 - (d) The Company shall not be obliged to allot Ordinary Shares under the Scheme to the extent that the total number of Ordinary Shares allotted by the Company pursuant to the Scheme in any financial year would exceed 10% of the aggregate number of Ordinary Shares on the first day of such financial year.
 - (e) The Company shall immediately after the subscription of Ordinary Shares in accordance with the condition at 3(a) above take all necessary steps to ensure that those Ordinary Shares shall be admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange, provided that at the time of such subscription the existing Ordinary Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.
4. The Scheme Administrator shall as soon as practicable after the allotment of Ordinary Shares in accordance with condition 3 procure (i) that the Participants are entered onto the Share Register of the Company as the registered holders of those Ordinary Shares (ii) that share certificates (unless such Ordinary Shares are to be uncertified) and, where applicable, income tax vouchers ("Tax Vouchers") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:
- (a) the total number of Ordinary Shares held at the record date for which a valid election was made;
 - (b) the number of Ordinary Shares allotted;
 - (c) the price per Ordinary Share allotted;
 - (d) the cash equivalent of the Ordinary Shares allotted; and
 - (e) the date of allotment of the Ordinary Shares;
5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
6. Each Participant warrants to the Scheme Administrator that all information set out in the application form (including any electronic election) on which the election to participate in the Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator and that during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the Scheme will not be available to any person who is a citizen, resident or national of, or who has a registered address in, any jurisdiction outside the UK unless such right could properly be made available to such person. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).

8. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
9. Participants may:
- (a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme and withdraw any funds held by the Company on their behalf; and
 - (b) in respect of Ordinary Shares they hold as nominee and subject to condition 2(e), give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive Ordinary Shares is only to apply to a specified amount due to the Participant as set out in such notice.

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

10. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
- (a) suspend the operation of the Scheme;
 - (b) terminate the Scheme without notice to the Participants; and/or
 - (c) resolve to pay dividends to Participants partly by way of cash and partly by way of new Ordinary Shares pursuant to the Scheme.
11. Participants who wish to participate in the Scheme in respect of new Ordinary Shares to be issued pursuant to a prospectus or top-up offer document may tick the relevant box on the applicable application form. 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 +44 (0) 371 664 0300 (Calls cost 10p per minute plus network extras. Lines are open 09:00am – 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 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

| | |
|---|--|
| Investment Manager, Administrator and Receiving Agents | Octopus Investments Limited 33 Holborn London EC1N 2HT |
| Company Secretary | Nicola Board, ACIS |
| Auditor | BDO LLP 55 Baker Street London W1U 7EU |
| Solicitor | Howard Kennedy LLP No. 1 London Bridge London SE1 9BG |
| Sponsor | Howard Kennedy Corporate Services LLP No. 1 London Bridge London SE1 9BG |
| Tax adviser to the Offers | Philip Hare & Associates LLP Suite C First Floor 4-6 Staple Inn London WC1V 7QH |
| VCT Tax status adviser | PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH |
| Registrars | Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU |

The form has seven sections:

1. About the Investor
2. About the Investment
3. Dividend reinvestment or payment
4. Adviser/intermediary details
(to be completed by your adviser/
intermediary)
5. Adviser/intermediary payment
6. Tax Residency Status
7. Investor Declaration

How to complete the form

- Any decision to invest should be made on the basis of the information contained in the prospectus, which can be found at octopusinvestments.com/aimvct. You can also request a copy by calling **0800 316 2295** or emailing us at info@octopusinvestments.com.
- Please make sure you answer all the questions marked with an '*'.
- Leave boxes blank where they don't apply to you.
- Once you have completed your application form please make sure you have sent us the funds, as described in the checklist below.

What happens next?

- We will send you an acknowledgement that we have received your application, and your funds will be invested as quickly as possible.
- Once your funds have been invested we will send you annual and interim accounts. Factsheets will be available on the website at octopusinvestments.com.

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

☐ Your decision to invest has been made on the basis of the information contained in the prospectus. The prospectus can be found at octopusinvestments.com/aimvct. You can also request a copy by calling **0800 316 2295** or emailing us at info@octopusinvestments.com.

☐ You've answered all the questions that apply to you.

☐ If you're paying by cheque, you've enclosed a cheque from your personal account made payable to 'Octopus AIM VCT – Applications'. We do not accept cheques from business accounts, third parties (including your spouse) or post-dated cheques. Banker's drafts or building society cheques must specifically mention the investor's name.

☐ Or, if you're 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 – 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 or third parties, including your spouse).

☐ You've signed and dated where indicated in **Section 7**.

Return your completed form and documents 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

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

Section 1 – About the Investor

| | | | |
|---|---|------------------|--|
| * Title (Mr/Mrs/Miss/Ms/Other) | | | |
| * First name(s) | | | |
| * Last name | | | |
| * Are you an existing investor in any Octopus products? | <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| * Country of birth | | | |
| * Country(ies) of citizenship | | | |
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| * Email address | | | |
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| * Town/City | | | |
| County | | | |
| * Country | | | |
| * Postcode | <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> | | |
| * Do you want to receive electronic or paper company reports? | <input type="checkbox"/> Email <input type="checkbox"/> Paper | | |
| * Information from Octopus | Octopus may occasionally send you information that we believe to be of interest to you, eg newsletters. If you would not like to receive such information, please tick the box. <input type="checkbox"/> | | |

Section 2 – About the Investment

- * **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. Please also note that if you have sold, or will sell, existing shares in these VCTs within the six months before or after this investment, you will not be able to claim any upfront tax relief on this investment.

2015/16 £

2016/17 £

Your investment will be split in a 60/40 ratio across Octopus AIM VCT and Octopus AIM VCT 2.

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 AIM VCT ☐

100% invested in Octopus AIM VCT 2 ☐

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 ☐ if you don't want this to be the case.

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

☐

Cheque/banker's draft

Please enclose a cheque from your personal account, made payable to '**Octopus AIM VCT – Applications**'. We do not accept cheques from business accounts, third parties (including your spouse) or post-dated cheques. Banker's 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 –
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 or third parties, including your spouse.)

Section 3 – Dividend reinvestment or payment

* Dividend reinvestment
or payment?

Any dividends paid by the VCTs 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.

(You must select one of
the two options)

☐

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 in Annex I of the prospectus or in the circular.

☐

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).

Sort code

Account number

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Account holder name

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Please note that if you are a current investor your instruction to reinvest or pay out dividends here overrides any previous instructions you have given us on your existing Octopus AIM VCT portfolios.

If you are a direct investor please go straight to **Section 5.I**.

Section 4 – Adviser/intermediary details (to be completed by your adviser/intermediary)

Company

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Title (Mr/Mrs/Miss/Ms/Other)

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Last name

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Telephone

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* Town/City

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* Postcode

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Email address

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FCA number

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Are you part of a
network/service provider?

☐

No

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Yes – please give us the network/service provider name

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Section 5 – Adviser/intermediary payment

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

All Octopus fees and charges are outlined in both the prospectus and brochure. The VCTs can also facilitate payments to your financial adviser/intermediary. Please complete either 5.1 or 5.2 or 5.3 or 5.4. 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.

5.1 ☐ This is a direct investment with no adviser or intermediary involved

Please go straight to **Section 6 – Tax Residency Status**.

5.2 ☐ This is an advised investment with an initial adviser charge and/or 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 with your adviser that you are not paying the maximum available adviser charge, the remaining amount will be rebated to you as additional shares.

To my adviser

Initial: % (maximum available charge of 2.5%)

Ongoing: % (maximum available charge of 0.5%)

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

Please indicate the level of initial adviser charge you have agreed with your adviser. If you have agreed with your adviser that you are not paying the maximum available adviser charge, the remaining amount will be rebated to you as additional shares.

To my adviser

Initial: % (maximum available charge of 4.5%)

5.4 ☐ This is a non-advised investment through an intermediary and you have not received financial advice

Initial Commission % Ongoing Commission %

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

Special instructions

Section 6 – Tax Residency Status

* 6.1 We are legally required to collect information about the tax residency and classifications of each investor which may be shared with HM Revenue & Customs. For further information please visit octopusinvestments.com/reportingforms

Are you tax resident, or do you complete tax returns, in any country other than the UK?

☐ No – please go straight to **Section 7**.

☐ Yes – please complete the table below.

6.2 Please list the country(ies), other than the UK, in which you are resident for tax purposes. Please provide the Taxpayer Identification Number (TIN) or functional equivalent for each country(ies), or tick the relevant box if the country does not provide a TIN.

| Country(ies) | Taxpayer Identification Number (TIN) | TIN not available |
|----------------------|--------------------------------------|--------------------------|
| <input type="text"/> | <input type="text"/> | <input type="checkbox"/> |
| <input type="text"/> | <input type="text"/> | <input type="checkbox"/> |
| <input type="text"/> | <input type="text"/> | <input type="checkbox"/> |

Section 7 – Investor Declaration

By signing this form I HEREBY DECLARE THAT:

1. My decision to invest has been made on the basis of the information contained in the prospectus.
2. I have provided accurate information, to the best of my knowledge.
3. I consent to Octopus facilitating my adviser's fees and charges as set out in **Section 5**.

* Investor name

* Investor signature

* Date signed

DD MM YYYY