

Octopus AIM VCTs Prospectus

Offers for Subscription by Octopus AIM VCT plc and Octopus AIM VCT 2 plc for the tax years 2017/2018 and 2018/2019 to raise up to £30 million by way of an issue of New Shares, with an over-allotment facility of a further £10 million.

16 June 2017



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 16 June 2017, 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 16 June 2017.

The Companies and the Directors, whose names appear on pages 32 to 33 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 £30 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	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 will close on or before 15 June 2018. There are no conditions attaching to this consent. Information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.

Schedule B – Issuer

Element	Disclosure requirement	Disclosure
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B.1	Legal and commercial name	Octopus AIM VCT plc and Octopus AIM VCT 2 plc												
B.2	Domicile and legal form	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. 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. The Companies operate under the CA 2006 and regulations made under the CA 2006.												
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	Octopus AIM 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. <table><tr><th></th><th>Audited Financial Results for the Year Ended 28 February 2015</th><th>Audited Financial Results for the Year Ended 29 February 2016</th><th>Audited Financial Results for the Year Ended 28 February 2017</th></tr><tr><td>Net assets (£'000)</td><td>72,612</td><td>77,224</td><td>99,915</td></tr><tr><td>Net asset value per Share (p)</td><td>110.2</td><td>101.6</td><td>114.4</td></tr></table>		Audited Financial Results for the Year Ended 28 February 2015	Audited Financial Results for the Year Ended 29 February 2016	Audited Financial Results for the Year Ended 28 February 2017	Net assets (£'000)	72,612	77,224	99,915	Net asset value per Share (p)	110.2	101.6	114.4
	Audited Financial Results for the Year Ended 28 February 2015	Audited Financial Results for the Year Ended 29 February 2016	Audited Financial Results for the Year Ended 28 February 2017											
Net assets (£'000)	72,612	77,224	99,915											
Net asset value per Share (p)	110.2	101.6	114.4											

		Revenue return after expenses and taxation (£'000)	(17)	20	78
		Dividend per Share (p)	5.5	9.3	5.0
		Expenses (£'000)	1,626	1,817	1,839
		As a percentage of average Shareholders' funds	2.3%	2.3%	2.0%
		Net asset value return/ (loss) (p)	(8.8)	1.0	17.8
	Net proceeds of £17.5 million, £18.0 million and £4.3 million were raised by Octopus AIM under offers for subscription which opened on 29 August 2014, 21 December 2015 and 6 February 2017 respectively. Save in respect of these matters, there has been no significant change in the financial condition or operating results of Octopus AIM during or subsequent to the period covered by the historical information set out above. Octopus AIM 2 Selected historical financial information relating to Octopus AIM 2 has been extracted from the audited and unaudited financial statements referenced in the following tables, is set out below.				
			Audited Financial Results for the Year Ended 30 November 2014	Audited Financial Results for the Year Ended 30 November 2015	Audited Financial Results for the Year Ended 30 November 2016
		Net assets (£'000)	45,016	52,317	63,005

		<table><tr><td>Net asset value per Share (p)</td><td>80.3</td><td>80.6</td><td>80.6</td></tr><tr><td>Revenue return after expenses and taxation (£'000)</td><td>(15)</td><td>9</td><td>(3)</td></tr><tr><td>Dividend per Share (p)</td><td>4.0</td><td>4.0</td><td>4.0</td></tr><tr><td>Expenses (£'000)</td><td>1,102</td><td>1,227</td><td>1,276</td></tr><tr><td>As a percentage of average shareholders' funds</td><td>2.3%</td><td>2.4%</td><td>2.1%</td></tr><tr><td>Net asset value return/ (loss) (p)</td><td>(1.1)</td><td>6.6</td><td>4.5</td></tr></table> Net proceeds of £11.3 million, £11.5 million and £4.3 million were raised by Octopus AIM 2 under offers for subscription which opened on 29 August 2014, 21 December 2015 and 6 February 2017 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.	Net asset value per Share (p)	80.3	80.6	80.6	Revenue return after expenses and taxation (£'000)	(15)	9	(3)	Dividend per Share (p)	4.0	4.0	4.0	Expenses (£'000)	1,102	1,227	1,276	As a percentage of average shareholders' funds	2.3%	2.4%	2.1%	Net asset value return/ (loss) (p)	(1.1)	6.6	4.5
Net asset value per Share (p)	80.3	80.6	80.6																							
Revenue return after expenses and taxation (£'000)	(15)	9	(3)																							
Dividend per Share (p)	4.0	4.0	4.0																							
Expenses (£'000)	1,102	1,227	1,276																							
As a percentage of average shareholders' funds	2.3%	2.4%	2.1%																							
Net asset value return/ (loss) (p)	(1.1)	6.6	4.5																							
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	The investment policy of Octopus AIM is as follows: The Company's investment policy has been designed and updated to ensure continued compliance 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, NEX Exchange traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 20% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or 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 balance could be invested in funds managed by Octopus or other direct equity investments. This provides 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. In order to qualify as an investment in a qualifying VCT holding, the Company's holdings in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. 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. 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 therefrom any balance to the credit or debit of the profit and loss account. However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on borrowings. The investment policy of Octopus AIM 2 is as follows: The Company's investment policy has been designed and updated to ensure continuing compliance 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, NEX Exchange traded or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 20% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides 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. In order to qualify as an investment in a qualifying VCT holding, the Company's holding in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. 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 long term borrowings. 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 therefrom any balance to the credit or debit of the profit and loss account.
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	Octopus AIM An investment management agreement dated 3 February 1998 between Octopus AIM (1) and Close Investment Limited (2), which was supplemented by a supplemental investment management agreement dated 19 September 2000, which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 1 July 2010, 1 February 2013, 29 August 2014, 21 December 2015 and 16 June 2017 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, the 2015 Offers, the 2017 Top Up 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. Octopus AIM 2 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, 21 December 2015 and 16 June 2017, 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, the 2015 Offers, the 2017 Top Up 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. The Companies Agreements dated 16 June 2017 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.
B.41	Regulatory status of the Manager	The Manager is authorised and regulated by the Financial Conduct Authority.
B.42	Calculation	The Net Asset Value of a Share is calculated in accordance with each

	of Net Asset Value	Company's accounting policy and published weekly through a Regulatory Information Service. 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.
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	Octopus AIM's investment portfolio is in a variety of sectors and comprises 71 UK AIM-quoted companies, 2 non-AIM companies, 4 fully listed companies on the premium segment of the Official List, none listed on NASDAQ and none traded on the NEX Exchange. As at 31 May 2017, Octopus AIM's portfolio of investments including current liquidity investments comprised, by value, £110.3 million and the net assets of the Company were £112.4 million. Octopus AIM 2's investment portfolio is in a variety of sectors and comprises 70 UK AIM-quoted companies, 2 non-AIM companies, 4 fully listed companies on the premium segment of the Official List, none listed on NASDAQ and none traded on the NEX Exchange. As at 31 May 2017, Octopus AIM 2's portfolio of investments including current liquidity investments comprised, by value, £74.3 million and the net assets of the Company were £75.6 million.
B.46	Net Asset Value	The unaudited Net Asset Value per Share as at 13 June 2017 was 120.0p and 88.7p 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	The Companies will issue New Shares under the Offers of up to £30 million in aggregate of funds raised, with an over-allotment facility of up to a

	be issued	further £10 million in aggregate.
C.4	Description of the rights attaching to the securities	As Regards Income: The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay. 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. 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. As Regards Redemption: The Shares are not redeemable.
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares.
C.6	Admission	Application has been made to the UK Listing Authority for the New Shares to be admitted to the premium segment of the Official List and an application will be made to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence, within 10 Business Days of their allotment.
C.7	Dividend policy	Generally, a VCT must distribute by way of dividends, such amount as to ensure that it retains not more than 15% of its income from shares and securities. Octopus AIM VCT intends to pay dividends to Shareholders and currently has a policy of paying a minimum dividend of 5p per year or a 5% yield based on share price, whichever is greater at the time. Octopus AIM VCT 2 intends to pay dividends to Shareholders 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. The payment of dividends will result in a reduction in the NAVs of the

		Companies.
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Section D — Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the issuer	- 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, NEX Exchange 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. - The Finance (No 2) Act 2015 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 (£12 million, or £20 million for Knowledge

		Intensive Companies). Companies receiving VCT funds are not 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 these conditions could result in the loss of VCT status by the Companies.
D.3	Key information on the key risks specific to the securities	• 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	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 £37.8 million.
E.2a	Reason for the Offers and use of proceeds	The raising of further funds by way of the Offers is intended to produce the following benefits: • 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 • 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	The Offer Price will be determined by the following formula: the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945 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. 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 £24 million. The maximum to be raised by Octopus AIM 2 is £16 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 or before 15 June 2018. The Boards reserve the right to close the offer 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.
E.4	Material interests	Not applicable. No interest is material to the Offers.
E.5	Name of person selling	Not applicable. No person or entity is offering to sell the security as part of the Offers and there are no lock-up agreements.

	securities	
E.6	Dilution	The existing issued Octopus AIM Shares will represent 82.7% 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 127.0p, and on that basis Octopus AIM Shareholders who do not subscribe under the Offers will, therefore, be diluted by 17.3%. The existing issued Octopus AIM 2 Shares will represent 82.9% 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 93.9p, and on that basis Octopus AIM 2 Shareholders who do not subscribe under the Offers will, therefore, be diluted by 17.1%.
E.7	Expenses charged to the investor	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: the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945. 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 above. 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. 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 above. In these circumstances the Companies will not facilitate ongoing annual payments. To ensure that the Companies are not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be deemed to have been paid by the Companies for a period of nine years. Octopus will subsequently reduce its annual management charge by the amount of this notional ongoing adviser charge to ensure
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		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 pays 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 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. 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. 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 1.0%. Applicants will receive these reductions in the form of additional New
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		Shares, which will be paid for by Octopus and issued at the most recently announced NAV per Share, divided by 0.945 as described above.
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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 Offers are conditional on the approval by Shareholders of Resolutions 1 and 3 to be proposed at the General Meetings. If these Resolutions are not approved, the Offers will be withdrawn and the expected benefits of the Offers will not be realised and the Companies will be responsible for the costs of the Offers.

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

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

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

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

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

The 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.

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

The Finance (No 2) Act 2015 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 (£12 million, or £20 million for Knowledge Intensive Companies). Companies receiving VCT funds are not 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 these conditions could result in the loss of VCT status by the Companies.

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 (or in a VCT which at any time merges with that VCT) within six 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 Offers at risk.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFERS

Expected Timetable

Launch date of the Offers	16 June 2017
First allotments under the Offers	4 August 2017
Subsequent allotments under the Offers	At regular intervals thereafter
Closing date of Offers	12 noon on 15 June 2018

- Applications for the 2017/2018 tax year must be received by 5p.m. on 4 April 2018.
- The Boards reserve the right to close the Offers and to accept Applications and issue New Shares at any time prior to the close of the Offers. The Offers will close earlier if fully subscribed.
- The results of the Offers will be announced to the London Stock Exchange through a Regulatory Information Service authorised by the Financial Conduct Authority.
- Dealing is expected to commence in New Shares within ten business days of allotments and share and tax certificates are expected to be dispatched within fourteen business days of allotments.

Statistics

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

* The costs of the Offers (including intermediary commission) are capped at 5.5% of gross proceeds. Octopus has agreed to indemnify the Companies against the costs of the Offers in excess of this amount. The costs of the Offers are subject to adjustment in relation to applications from investors who are existing, or who were previously, shareholders in any Octopus VCT, as referred to on page 20.

** 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.

LETTER FROM THE CHAIRMEN OF THE COMPANIES

Octopus AIM VCT plc
Octopus AIM VCT 2 plc
33 Holborn
London
EC1N 2HT

16 June 2017

Dear Investor,

Following the very rapid completion of the top-up offer for subscriptions which the Companies launched in February this year, we are delighted to inform you that the Boards have decided to offer both Shareholders and new investors a chance to invest further by acquiring new shares in the Companies. The combined Offers intend to raise initially up to £30 million in aggregate for both Companies in the tax years 2017/2018 and 2018/2019 with an over-allotment facility, in order to cater for demand, of up to a further £10 million. With the rate of companies seeking finance from investors on AIM rising after a slow start this year, the Manager believes that there will be attractive new investment opportunities in the future.

Background to the Companies

Octopus AIM and Octopus AIM 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 both been managed by the Octopus Smaller Companies Team since 1 August 2008 and previously by the same individuals at the predecessor management company. 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 and the application of VCT rules and of other relevant considerations. 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.

Why Invest in AIM?

AIM is one of the world's most successful markets for fast-growing, innovative and aspirational companies that require capital to reach their full potential. 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. Over 960 companies are now listed on AIM with a combined market value exceeding £95 billion (Source: London Stock Exchange, AIM Statistics, May 2017). As well as being a good place for smaller companies to gain access to funding to help them grow, AIM remains one of the best places for growing businesses to take their first steps to becoming listed public companies. It's also worth noting that over the years, AIM companies have made a significant contribution to the UK economy in terms of job creation, tax revenue and gross domestic product growth. What is often overlooked within AIM, however, is the diversity of companies and sectors that exist on the market, particularly its higher exposure to software, technology and healthcare. This means that having the ability to spot growth potential at an early stage can create the opportunity for significant returns.

Accessing AIM through a VCT

For those comfortable with the risks of investing in smaller companies, getting exposure to these companies through a VCT can prove attractive. As well as the long-term potential growth of smaller companies, the tax benefits associated with a VCT can enhance the position for investors further. In addition, a larger and more diversified portfolio of companies can provide a higher level of confidence that if one company fails, the performance of the other holdings will compensate.

Both Companies have a proven track record as investment vehicles in the AIM VCT sector. The portfolios are already established and comfortably meet VCT qualifying requirements. Each currently has a spread of around 75 holdings, ranging from established investments in profitable and dividend-paying companies, many of which have matured during the period of each Company's investment, to more recent, earlier stage investments, which are expected by Octopus to start to contribute to performance in the future. But most importantly, we continue to hold these companies because we believe they have the potential to continue growing.

As at 31 May 2017 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 all the total equity holdings, approximately 80% by value is invested in companies which are forecast to be profitable in the current year and approximately 60% 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. If dividends paid out in the period are added back, Octopus AIM has seen its unaudited NAV rise by 22.3% on a total return basis in the 12 months to 31 May 2017 and Octopus AIM 2 has seen its unaudited NAV rise by 22.0% on a total return basis during the same period. Please remember that past performance is not a reliable indicator of future results and the value of shares can fall as well as rise.

Why Invest now?

Octopus believes that, over the past several decades, UK smaller companies have enjoyed significantly higher earnings growth than their larger counterparts, with commensurately relatively better performance, over the same period, from smaller companies' indices. This relationship did not hold true in 2016 as a result of the EU referendum in the UK causing a fall in the value of sterling which produced a foreign earnings benefit for larger companies. However, with predictions of poor post-referendum UK economic performance continuing to be confounded, despite the further political uncertainty caused by the recent UK election result, the Manager believes that the right conditions exist for the normal relationship, of smaller company relative outperformance, to resume and smaller companies indices have indeed outperformed in the first five months of 2017. Having raised over £4.7 billion of additional new capital for growth companies in 2016, AIM remains firmly open to supporting companies with further capital for growth and development. Octopus believes that the smaller companies market remains an extremely dynamic growth market and one that is relatively under-researched and inefficient, making it possible for active managers, less concerned about short term swings in sentiment, to discover good value for the benefit of longer term investors.

Tax benefits

VCTs are Government-led investment vehicles designed to incentivise investors for supporting smaller, higher-risk companies. Qualifying investors are entitled to claim a number of tax incentives on investments up to £200,000 each year (as more fully set out in Part Two of this document). These include:

Income tax relief – investors can claim 30% upfront income tax relief on the amount invested, provided Shares are held for at least five years. For example, with an investment of £10,000, £3,000 can be taken off your income tax bill although the amount of income tax you claim cannot exceed the amount of income tax due.

Tax-free dividends and capital gains - meaning that any growth in the portfolio value is not subject to tax.

Investors should note that tax treatment depends on their individual circumstances and may be subject to change.

Next Steps

The Terms and Conditions of subscription for New Shares are set out on pages 90 to 96 and an application form can be found on the Companies' website: octopusinvestments.com/aimvct.

Finally, we would like to thank all of our existing Shareholders for their continued support of the UK's small businesses, and welcome new investors to the Companies.

Yours sincerely

Roger Smith
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

Intermediary charges

Investment policy

Conflicts of Interest

Performance History

Dividend Policy and Dividend Reinvestment Scheme

Buyback Policy

The Boards

The Investment Team

Management Remuneration

Example Investments

Introduction to the Offers

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £542 million was invested in VCTs in the 2016/2017 tax year, the largest amount for a decade.

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 £30 million under the Offers with an over-allotment facility of up to a further £10 million, in aggregate. New investors have the option of buying Shares in one or both of the Companies. They can split their investment 60%/40% between Octopus AIM and Octopus AIM 2, or place 100% of their investment into either Company.

As the Companies pay dividends at different times of the year, investing in both Companies offers the potential for investors to receive four dividend payments per year. 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. Multiple Applications are permitted.

The Offers are conditional upon Resolutions 1 and 3 being passed at the General Meetings. The Offers will remain open until 15 June 2018, unless fully subscribed at an earlier date or closed earlier at the discretion of the Boards.

Terms of the Offers

The full terms and conditions applicable to the Offers are set out on pages 90 to 96.

Use of funds

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.

Intermediary Charges

Details are set out in the Terms and Conditions of the Offers on pages 90 to 96.

Investment Policy

The investment policy of Octopus AIM is as follows:

The Company's investment policy has been designed and updated to ensure continued compliance 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, NEX Exchange traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 20% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or 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 balance could be invested in funds managed by Octopus or other direct equity investments. This provides 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. In order to qualify as an investment in a qualifying VCT holding, the Company's holdings in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. 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.

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 therefrom any balance to the credit or debit of the profit and loss account. However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on borrowings.

The investment policy of Octopus AIM 2 is as follows:

The Company's investment policy has been designed and updated to ensure continuing compliance 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, NEX Exchange traded or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 20% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides 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. In order to qualify as an investment in a qualifying VCT holding, the Company's holding in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. 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 long term borrowings.

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 therefrom any balance to the credit or debit of the profit and loss account.

Conflicts of Interest

Octopus has built strong relationships with many of the companies in which the VCTs it manages invest, and sometimes different sources of funding is used to invest in the same companies. This can present 'conflicts of interest', as explained below.

With these relationships, there's a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group, or with the interests of Octopus. Conflicts of interest are not necessarily a problem in themselves, but they need to be managed carefully to make sure investors are treated fairly at all times. For example:

Investing alongside other Octopus funds

The Octopus Smaller Companies team will often invest funds from the Companies along with funds from other Octopus-managed products and sometimes even Octopus itself. Through this co-investment, investors in the Companies 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 Companies have what they believe to be a good investment opportunity, but are unable to invest as much money as they would like due to restraints such as the size of a company or the number of shares available. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully. Similarly, when investments held by a number of different investors come to be sold, the interests of all parties may not be fully aligned. Octopus has agreed policies and processes in place to make sure this is done fairly, but sometimes, investors may still be limited in the amounts they can invest or restricted in the timing of an exit.

Managing conflicts

The goal of Octopus is to make sure the interests of its customers are always looked after. So they have a number of controls in place to manage conflicts of interest. Octopus' investment committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed. In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by the Octopus' conflicts committee, responsible for ensuring conflicts are handled appropriately. As publicly listed

companies, the Boards are required to act independently of the Manager and represent Shareholders' best interests at all times.

Performance History

Both Companies have a strong performance track record and a history of paying a steady stream of tax-free dividends to investors. The table below shows the annual total returns and dividend yields of the Companies over the last five years.

The AIM All-Share and FTSE All-Share total return indices are provided for comparison purposes although it should be remembered that venture capital trusts need to invest in newly issued shares, so comparisons with indices are of limited value, even historically.

Five-year performance

Year to 31 May 2017	2013	2014	2015	2016	2017
Octopus AIM VCT NAV Total Return ¹	23.0%	25.6%	-2.7%	1.8%	22.3%
Octopus AIM VCT 2 NAV Total Return ¹	22.0%	25.3%	-3.6%	3.0%	22.0%
FTSE AIM All-Share Return ²	6.4%	12.7%	-4.0%	-2.9%	36.3%
FTSE All-Share Total Return ²	30.1%	8.9%	7.5%	-6.3%	24.5%
Octopus AIM VCT Dividend Yield ³	5.3%	4.3%	5.1%	9.3% ⁴	4.3%
Octopus AIM VCT 2 Dividend Yield ³	6.9%	4.5%	2.6% ⁵	10.8% ⁴	4.6%

¹NAV total return: This shows the yearly performance, including the dividends paid out for the last five years to 31 May 2017 (the latest available data). This is calculated from the movement in the NAV over the year to 31 May with any dividends paid over that period added back. The revised figure is divided by the NAV at the start of that year to get the annual total return.

²FTSE AIM and All Share Total Return: Performance is shown alongside the total returns of the FTSE AIM and FTSE All Share indices. Investors should note that none of these indices are used as a benchmark for the Octopus AIM VCTs but are included as indicators of what the broader UK equity market was doing (source: Lipper, 31 May 2017).

Net asset value (NAV): this is the combined value of all the assets owned by the VCT after deducting the value of its liabilities (such as debts and financial obligations).

³Annual dividend yield is calculated by dividing the dividends paid per year by the share price on 31 May of the prior year.

⁴Includes an additional special dividend of 4p per share for Octopus AIM VCT and 2p per share for Octopus AIM VCT 2 from the sale of Advanced Computer Software.

⁵The second Octopus AIM VCT 2 dividend payment in 2015 was paid on 5 June 2015, whilst the reporting period used is until 31 May 2015. The value of this dividend therefore appears in 2016.

Performance shown is net of all ongoing fees and costs. Past performance is not a reliable indicator of future results and may not be repeated. Please note that 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.

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 at the previous financial year end. 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 at the previous financial year end. 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.

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 or by calling Octopus on **0800 316 2295**.

Buyback Policy

The Boards intend to buy back Shares at up to a 5% discount to the prevailing NAV. The Boards believe this makes an investment in the Companies attractive to both current and future Shareholders. All buybacks are subject to the Companies having sufficient funds available and are at the discretion of the Boards.

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 BOARD

Roger Smith MSc (Stanford Sloan Fellow) (Chairman)

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. He was previously the chairman of the Central Finance Board of the Methodist Church. Roger Smith became a director of Octopus AIM in 1998.

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 PfP Capital plc and Puma 10 VCT plc and chairman of Business Agent Limited. 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.

Joanne Parfrey

Joanne Parfrey has a degree in Chemistry from Oxford University and is an accountant by training. She has over ten years’ experience in private equity with LGV Capital, where she was a member of the investment committee and held a number of non-executive positions. She is a non-executive director and chair of the Audit Committee for Babraham Bioscience Technologies Ltd and is a mentor on the Accelerate Programme at the Cambridge Judge Business School, University of Cambridge. Joanne Parfrey became a director of Octopus AIM in 2016.

Neal Ransome

Neal Ransome is a chartered accountant and was a partner at PwC from 1996 to 2013. He was

Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal was formerly a director of Quercus (General Partner) Ltd, a unit trust invested in healthcare properties, and Parity Group Plc, an AIM listed professional services company. He is currently a Trustee and Council Member of the RSPB, the UK's largest nature conservation charity. Neal Ransome became a director of Octopus AIM in 2016.

OCTOPUS AIM 2 BOARD

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 AIM 2 on 12 August 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

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 69.

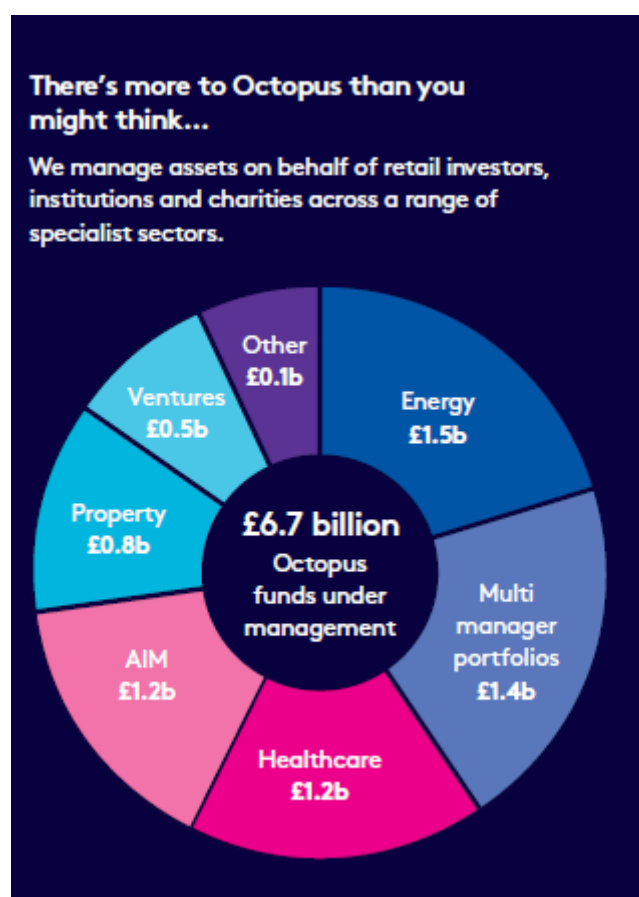
Alastair Ritchie BA (Econ)

Alastair Ritchie has considerable experience in smaller businesses, both private and public, and has served as chairman of several companies, including John Swan & Sons plc, which was quoted on AIM. 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. Alastair became a Director of Octopus AIM 2 on 12 August 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

The Investment Team

Octopus Investments Limited was launched in 2000 by three founders who wanted to create an investment company that put its customers first. Today it has more than 500 employees and over £6.7 billion in assets under management (Source: Octopus Investments Limited, 31 May 2017). Octopus has tens of thousands of clients and has built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. Octopus sees a strong business case for each of these sectors, whether that's providing for an ageing population in need of lifelong care, or the long-term trend towards renewable energy as a viable alternative to fossil fuels, or investing in dynamic, entrepreneurial companies that have a positive effect on the economy, and the people, around them.

Octopus has helped several start-ups grow to become household names, including Zoopla Property Group, graze.com and Secret Escapes. Octopus Healthcare's managed GP surgery investment fund currently invests in facilities which care for more than one million people.



Octopus launched its first VCT in 2002 and is now the UK's largest VCT provider, managing over £750 million of VCT money on behalf of over 26,000 investors (Source: Octopus Investments Limited, 31 May 2017).

The Octopus Smaller Companies team includes some of the most experienced AIM-focused fund managers in the market, totalling over 130 years of investment experience. Together, they look after more than £1 billion on behalf of over 7,000 Octopus investors. (Source: Octopus Investments Limited, 31 May 2017). The team makes investment decisions based on their considerable knowledge of the market and analysis of the companies themselves, including the company management track record, financial position, growth potential and long-term prospects.

Maintaining a portfolio of companies operating in diverse industries is fundamental to the team's approach to managing risk. They work extensively on AIM investments and have a strong track record of uncovering value in smaller companies. Every year, the team conducts on average 500 face-to-face meetings with AIM companies to help identify the best investment opportunities.

A straightforward investment approach

The Octopus Smaller Companies team looks to invest in small businesses with significant growth potential. In order to achieve this, the team applies the following investment process:

Research - Compared to larger companies, smaller companies are lesser known and under-researched. Undertaking extensive research helps the team to uncover hidden gems with the opportunity for significant long-term returns.

Eligibility - VCTs must invest at least 70% of their total assets in VCT-qualifying companies. However, the Boards have targeted a minimum of 80% to be held in VCT-qualifying investments. The remainder of any new money raised will be invested in money market funds, listed equities and other funds managed by Octopus.

Due diligence - Not all smaller companies will be successful. So, before making a decision to invest, the team investigates a broad range of factors including the company's business plan, its management, its growth rate, its profitability (and how quickly this is changing), its valuation relative to its peers and its overall financial strength.

Portfolio diversity - Investments are spread across a wide range of industries as diverse as building materials, pharmaceuticals and software development. New investors will be invested in existing portfolios of around 75 AIM-listed companies.

Knowing when to sell - After investment, the team continues to monitor the progress of the companies it chooses to invest in. Selling profitable investments can help the Companies achieve their aim of paying out regular tax-free dividends to investors.

The Smaller Companies 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.

Chris McVey

Chris joined the team in December 2016. He has been a specialist within the quoted UK Smaller Company market for over 16 years. He joined Octopus from Citigroup where he was most recently a UK Small and Mid-Cap Equity research analyst focussing across a variety of sectors. Prior to this he spent almost seven years on the Smaller Companies team at Gartmore as an investment manager and analyst. He joined the team as a fund manager to work across all the AIM portfolios.

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 joined the AIM team as an analyst in 2015. Before joining, he gained experience in management consulting with CLEVIS Research and Roland Berger Strategy Consultants. Furthermore he worked in Venture Capital with Rocket Internet as well as several start-up companies. He provides the team with analytical support and analyses prospective investee companies.

Management Remuneration

Full details of the Manager's remuneration are set out in Part Five.

Example Investments - Embracing growth in emerging UK companies

Octopus AIM was launched in 1997 and Octopus AIM 2 in 2005. Both Companies have been making investments alongside each other, in proportion to the size of each Company, since 2010. Each benefits from holding a broad spectrum of VCT-qualifying UK smaller companies.

Although new investments remain small enough to qualify for VCT funding, the Companies feature a large number of established, maturing AIM-listed businesses. This means investors benefit straight away from owning established portfolios of around 75 AIM-listed companies, many of which the Companies believe will continue to deliver sales growth and generate profits.

Listed below are the ten largest investments of Octopus AIM VCT as at 31 May 2017. The data for Market Capitalisation, Revenue and Profit have been sourced from Factset as at 31 May 2017.

Top ten holdings for Octopus AIM VCT

	Percentage of portfolio ¹	Date of first investment ¹	Market cap. ² (£m)	Annual revenue ² (£m)	Annual profit before tax ² (£m)
Breedon Group plc	5.6%	26/08/2010	1,247.8	674.9	70.3
Quixant plc	5.3%	15/05/2013	260.4	79.1	12.2
Staffline Recruitment Group plc	4.7%	08/12/2004	403.8	952.2	37.2
GB Group plc	4.1%	03/11/2011	607.3	116.2	21.5
Brooks Macdonald Group plc	3.4%	03/03/2005	346.6	91.6	18.7
IDOX plc	3.0%	08/05/2007	297.8	97.6	22.1
Gear4music Holdings plc	2.9%	28/05/2015	168.7	79.4	2.8
Mattioli Woods plc	2.9%	15/11/2005	211.3	48.9	9.9
Learning Technologies Group plc	2.5%	13/06/2011	270.7	50.0	10.0
RWS Holdings plc	2.1%	18/12/2009	884.4	161.1	39.7

¹Source: Octopus Investments, 31 May 2017.

²Source: Factset, 31 May 2017.

Listed below are the ten largest investments of Octopus AIM VCT 2 as at 31 May 2017. The data for Market Capitalisation, Revenue and Profit have been sourced from Factset as at 31 May 2017.

Top ten holdings for Octopus AIM VCT 2

	Percentage of portfolio ¹	Date of first investment ¹	Market cap. ² (£m)	Annual revenue ² (£m)	Annual profit before tax ² (£m)
Breedon Group plc	5.6%	26/08/2010	1,247.8	674.9	70.3
Quixant plc	5.2%	15/05/2013	260.4	79.1	12.2
Animalcare Group plc	4.5%	18/12/2007	84.0	15.9	3.6
GB Group plc	4.1%	03/11/2011	607.3	116.2	21.5
IDOX plc	3.6%	08/05/2007	297.8	97.6	22.1
Gear4music Holdings plc	2.8%	28/05/2015	168.7	79.4	2.8
Craneware plc	2.7%	11/09/2007	367.2	45.0	13.4
Learning Technologies Group plc	2.5%	13/06/2011	270.7	50.0	10.0
Brooks Macdonald Group plc	2.4%	01/03/2015	346.6	91.6	18.7
Staffline Recruitment Group plc	2.3%	24/03/2011	403.8	952.2	37.2

¹Source: Octopus Investments, 31 May 2017.

²Source: Factset, 31 May 2017.

The Companies have invested in a diverse range of sectors, from building materials and pharmaceuticals to software development and restaurants. Here are examples of just some of the companies included in their portfolios:

Breedon Group: supplying a wide range of materials to the construction industry.

Breedon is the UK's largest independent construction materials group, operating around 60 quarries, 26 asphalt plants and 200 ready-mix concrete and mortar plants. The company benefited from an acquisition in 2016 and now employs 2,300 people nationwide. Breedon's strategy is to continue growing through consolidation of the UK's building materials sector.

Craneware: Edinburgh-based information technology provider for the US healthcare sector

Craneware earns most of its revenue in the US, where it is the major software supplier to hospital networks. The company's software tracks the cost of operations for patients and insurance companies, enables payments to doctors and other suppliers, and provides a complete audit trail. Software is usually sold via five-year contracts, which gives Craneware predictable earnings.

DP Poland: bringing the success of the Domino's Pizza franchise to Poland

DP Poland has exclusive rights to develop, operate and sub-franchise Domino's Pizza stores in Poland. After initially struggling to adapt to Polish tastes, the company is now expanding and selling sub-franchises, often to returning Polish managers with UK experience. DP Poland operates 30 outlets, mostly in Warsaw. By the end of 2018, it expects to be operating 55 outlets nationwide.

Ergomed: helping the pharmaceutical industry conduct clinical drug trials

Ergomed manages drug trials for pharmaceutical companies. It also monitors and reports on the side effects of medicines already in public use. An important feature of Ergomed's business strategy that the Companies like is that some of its drug trials are conducted in return for a share of the future income earned from those drugs when they are successfully launched into the market.

GBG: leading specialists in identity (ID) verification

Recognised as a global leader, GBG helps check the identity of customers and employees for regulatory and commercial reasons. Its services have been increasingly in demand from organisations trying to prevent ID theft and fraud, particularly through the internet. GBG has made acquisitions to gain an international presence and client list, and the Companies expect this strategy to continue.

Gear4music: the largest UK-based online retailer of musical instruments and equipment

York-based Gear4music sells own-brand musical instruments and music equipment, alongside well-known premium brands including Fender, Yamaha and Roland, to customers ranging from beginners to professional musicians. Since floating on AIM in 2015, the company has expanded rapidly into Europe and operates 19 websites in 15 languages and eight currencies, with distribution centres in Sweden and Germany.

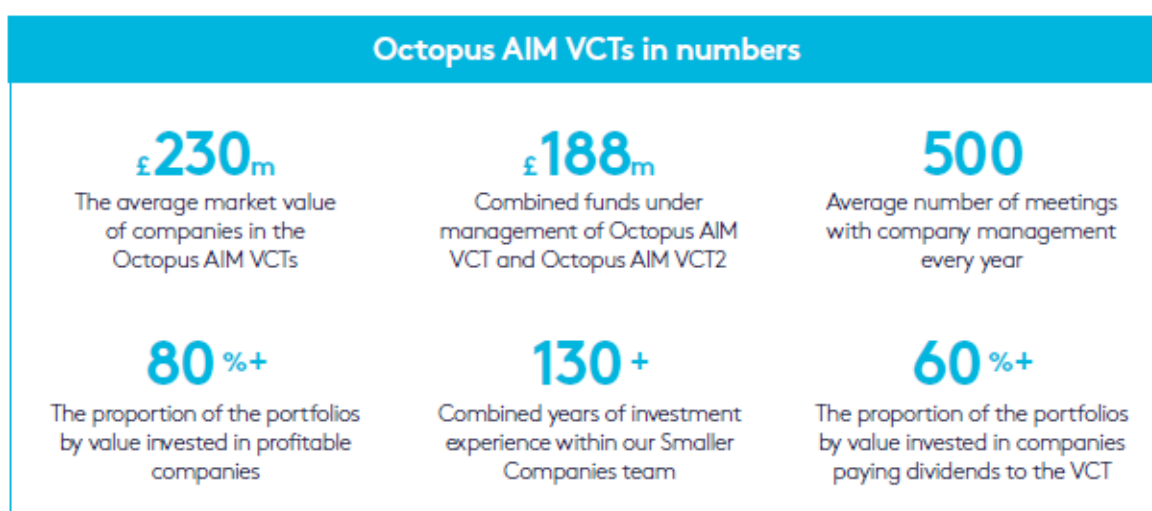
LoopUp: fast-growing software provider for conference calls and online meetings

LoopUp's software aims to make the conference call experience smooth and pain-free. Users can view presentations simultaneously, see who else is on the call and who is speaking in 'real time'. The company counts more than 2,000 businesses among its customers. LoopUp is a recent investment, having listed on AIM in August 2016.

Quixant: providing innovative technology to the computer games industry

Quixant designs and manufactures high-performance hardware and software systems specifically for the computer games industry. Since listing in 2013, Quixant's customer base has grown to include some of the world's premier gaming companies. The group has operations in Italy and Taiwan. Quixant has expanded its product range to customers following the acquisition of electronic display supplier Densitron.

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



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 2017/18 and 2018/19 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 (or in a VCT which at any time merges with the 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

Dividends paid by a VCT on its ordinary shares are free of income tax where investors acquired their shares within the annual £200,000 limit. 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) the VCT must not return capital to shareholders 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;
- (xii) no funds received from an investment into a company can be used to acquire another existing business or trade; and
- (xiii) the VCT must not make a non-Qualifying Investment other than those specified in section 274 ITA 2007.

"Qualifying Investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the

investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest at all times thereafter). A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production 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 another existing business or trade.

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

5.2 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 2015, 29 February 2016 and 28 February 2017.

Audited financial information on Octopus AIM 2 is published in the annual reports for the years ended 30 November 2014, 30 November 2015 and 30 November 2016.

The annual reports referred to above 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 for Octopus AIM for the year ended 28 February 2015 and for Octopus AIM 2 for the year ended 30 November 2014 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' and the remaining annual reports referred to above 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 (which have been prepared under Financial Reporting Standard 102) have been presented and prepared in a form which is consistent with that which will be adopted in the Companies' next published annual financial statements having regard to accounting standards, policies and legislation applicable to such annual financial statements.

Where these documents make reference to other documents, such other documents, together with those pages of the annual 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 2015 <u>Annual Report</u>	29 February 2016 <u>Annual Report</u>	28 February 2017 <u>Annual Report</u>
Balance Sheet	Page 48	Page 48	Page 40
Income Statement (or equivalent)	Page 46	Page 47	Page 39
Statement showing all changes in	Page 47	Page 49	Page 41

equity (or
equivalent
note)

Cash Flow Statement	Page 49	Page 50	Page 42
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Accounting Policies and Notes	Page 51	Page 51	Page 43
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Auditor's Report	Page 42	Page 43	Page 36
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OCTOPUS AIM 2

Description	30 November 2014 <u>Annual Report</u>	30 November 2015 <u>Annual Report</u>	30 November 2016 <u>Annual Report</u>
Balance Sheet	Page 46	Page 44	Page 40
Income Statement (or equivalent)	Page 44	Page 43	Page 39
Statement showing all changes in equity (or equivalent note)	Page 47	Page 45	Page 41
Cash Flow Statement	Page 48	Page 46	Page 42
Accounting Policies and Notes	Page 50	Page 47	Page 43
Auditor's Report	Page 40	Page 39	Page 36

Such information also includes operating/financial reviews as follows:

OCTOPUS AIM

Description	28 February 2015 <u>Annual Report</u>	29 February 2016 <u>Annual Report</u>	28 February 2017 <u>Annual Report</u>
Performance	Page 1	Page 1	Page 1

Summary			
Results and Dividends	Page 20	Page 20	Page 16
Investment Policy	Page 5	Page 2	Page 2
Outlook	Page 4	Page 6	Page 4
Manager's Review	Page 7	Page 7	Page 5
Portfolio	Page 11	Page 11	Page 8
Summary			
Business Review	Page 19	Page 19	Page 16
Valuation Policy	Page 51	Page 51	Page 43

OCTOPUS AIM 2

	30 November 2014	30 November 2015	30 November 2016
Description	<u>Annual Report</u>	<u>Annual Report</u>	<u>Annual Report</u>
Performance Summary	Page 1	Page 1	Page 1
Results and Dividends	Page 18	Page 18	Page 17
Investment Policy	Page 5	Page 2	Page 2
Outlook	Page 3	Page 6	Page 4
Manager's Review	Page 7	Page 7	Page 5
Portfolio	Page 11	Page 11	Page 8
Summary			
Business Review	Page 17	Page 17	Page 16
Valuation Policy	Page 50	Page 47	Page 43

The unaudited NAV per Share as at 13 June 2017 was 120.0p and 88.7p 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 31 May 2017 and representing more than 98.2% of the NAV of Octopus AIM). Revenue and Pre Tax Profit figures are consensus forecast annual figures as published by Factset.

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 Group plc	Construction & Building	859	5,437	6,296	5.6%	633%	1,247.8	674.9	70.3
Quixant plc	Technology Hardware	697	5,252	5,949	5.3%	754%	260.4	79.1	12.2
Staffline Recruitment Group plc	Support Services	334	4,915	5,249	4.7%	1472%	403.8	952.2	37.2
GB Group plc	Support Services	715	3,946	4,661	4.1%	552%	607.3	116.2	21.5
Brooks Macdonald Group plc	Finance	746	3,111	3,857	3.4%	417%	346.6	91.6	18.7
IDOX plc	Software	353	3,072	3,425	3.0%	870%	297.8	97.6	22.1
Gear4music Holdings plc	Media	557	2,671	3,228	2.9%	480%	168.7	79.4	2.8
Mattioli Woods plc	Finance	529	2,694	3,223	2.9%	509%	211.3	48.9	9.9
Learning Technologies Group plc	Support Services	1,319	1,512	2,831	2.5%	115%	270.7	50.0	10.0
RWS Holdings plc	Support Services	367	2,047	2,414	2.1%	558%	884.4	161.1	39.7
Animalcare Group plc	Pharmaceuticals & Biotech	306	1,851	2,157	1.9%	605%	84.0	15.9	3.6
Netcall plc	Telecommunications Services	308	1,661	1,969	1.8%	539%	94.3	17.4	3.9
Ergomed plc	Pharmaceuticals & Biotech	1,440	342	1,782	1.6%	24%	83.0	48.6	2.8
Craneware plc	Software	183	1,597	1,780	1.6%	873%	367.2	45.0	13.4
DP Poland plc	Leisure & Hotels	546	1,147	1,693	1.5%	210%	64.1	10.9	-1.9
Gooch & Housego plc	Electronic & Electrical	489	1,177	1,666	1.5%	241%	341.0	108.3	15.9
Cello Group plc	Media	895	727	1,622	1.4%	81%	139.4	173.1	11.4
Yu Group plc	Utilities	705	857	1,562	1.4%	122%	58.7	34.0	2.3
Restore plc	Support Services	467	1,054	1,521	1.4%	226%	487.1	169.2	29.9
Adept Telecom plc	Telecommunications Services	601	857	1,458	1.3%	143%	83.0	34.0	6.9
Clinigen Group plc	Pharmaceuticals & Biotech	935	440	1,375	1.2%	47%	1,024.3	302.2	57.2
Advanced Medical Solutions Group plc	Pharmaceuticals & Biotech	757	576	1,333	1.2%	76%	604.2	89.3	22.0

Next Fifteen Communication s Group plc	Media	687	625	1,312	1.2%	91%	299.3	193.3	28.8
Vertu Motors plc	General Retailers	1,265	(59)	1,206	1.1%	(5%)	180.8	2,880.5	32.5
EKF Diagnostics Holdings plc	Health	931	204	1,135	1.0%	22%	97.5	40.7	3.5
Brady plc	Software	947	184	1,131	1.0%	19%	64.2	29.5	1.9
Escher Group Holdings plc	Software	1,003	88	1,091	1.0%	9%	37.0	17.7	2.2
TLA Worldwide plc	Media	807	282	1,089	1.0%	35%	39.8	30.1	10.9
CityFibre plc	Telecommuni cation Services	1,025	62	1,087	1.0%	6%	179.3	23.4	-4.8
Ideagen plc	Software	419	650	1,069	1.0%	155%	179.4	26.7	6.9
Omega Diagnostics Group plc	Health	465	549	1,014	0.9%	118%	29.2	14.2	1.1
Escape Hunt plc	Leisure & Hotels	988	0	988	0.9%	0%	27.7	n/a	n/a
Futura Medical plc	Pharmaceutic als & Biotech	968	(34)	934	0.8%	(4%)	67.0	0.7	-7.8
Judges Scientific plc	Electronic & Electrical	314	571	885	0.8%	182%	108.1	60.2	8.6
Abcam plc	Pharmaceutic als & Biotech	537	344	881	0.8%	64%	1,998.9	217.6	63.7
Tasty plc	Leisure & Hotels	622	242	864	0.8%	39%	35.3	50.0	2.9
Cambridge Cognition Holdings plc	Health	601	257	858	0.8%	43%	21.2	8.2	0.5
Nasstar plc	Software	481	336	817	0.7%	70%	50.2	25.0	3.5
Velocity Composites plc	Industrial	799	0	799	0.7%	0%	31.7	n/a	n/a
Faron Pharmaceutical s Oy	Pharmaceutic als & Biotech	344	403	747	0.7%	117%	216.0	0.9	-12.8
LoopUp Group plc	Software	480	254	734	0.7%	53%	65.6	17.3	2.9
Gamma Communication s plc	Telecommuni cation Services	488	241	729	0.6%	49%	536.2	231.0	26.6
Vectura Group plc	Pharmaceutic als & Biotech	498	208	706	0.6%	42%	799.2	169.6	23.8
Haydale Graphene Industries plc	Chemicals	598	75	673	0.6%	13%	35.8	4.1	-4.4
Mears Group plc	Support Services	139	487	626	0.6%	350%	528.5	967.6	48.0
SQS Software Quality Systems AG	Software	291	283	574	0.5%	97%	137.3	289.8	21.4
Scientific Digital Imaging plc	Electronic & Electrical	179	368	547	0.5%	206%	22.9	10.7	1.4
Sinclair IS Pharma plc	Pharmaceutic als & Biotech	765	(256)	509	0.5%	(33%)	159.9	48.2	-4.4
Maxcyte Inc	Pharmaceutic als & Biotech	511	(28)	483	0.4%	(5%)	148.7	12.5	-7.8

Plastics Capital plc	Engineering & Machinery	400	60	460	0.4%	15%	45.8	65.6	4.3
Iomart Group plc	Software	268	184	452	0.4%	69%	323.8	89.2	22.5
MyCelx Technologies Corporation	Oil Equipment	1,470	(1,019)	451	0.4%	(69%)	13.3	n/a	n/a
Osirium Technologies plc	Electronic & Electrical	750	(312)	438	0.4%	(42%)	9.7	n/a	n/a
UP Global Sourcing Holdings plc	Household Goods & Textiles	273	158	431	0.4%	58%	167.6	107.2	10.1
WANDisco plc	Software	145	229	374	0.3%	158%	177.0	12.1	-7.6
FreeAgent Holdings plc	Media	277	69	346	0.3%	25%	44.0	10.3	-0.3
TP Group plc	Engineering & Machinery	648	(315)	333	0.3%	(49%)	27.5	28.8	1.1
Access Intelligence plc	Software	495	(75)	420	0.4%	(15%)	11.9	n/a	n/a
Microsaic Systems plc	Engineering & Machinery	1,084	(802)	282	0.3%	(74%)	5.0	n/a	n/a
Sphere Medical Holding plc	Health	600	(328)	272	0.2%	(55%)	10.6	0.4	-5.1
Enteq Upstream plc	Oil Services	1,032	(774)	258	0.2%	(75%)	15.5	2.5	-0.7
Midatech Pharma plc	Pharmaceuticals & Biotech	600	(364)	236	0.2%	(61%)	51.9	11.6	-14.5
Hasgrove plc*	Media	88	132	220	0.2%	150%	n/a	n/a	n/a
Nektan Limited	Software	1,345	(630)	715	0.6%	(47%)	13.3	n/a	n/a
Oxford Pharmascience Group plc	Pharmaceuticals & Biotech	1,350	(1,148)	202	0.2%	(85%)	19.0	0.8	-3.1
Tyratech Inc	Chemicals	600	(420)	180	0.2%	(70%)	5.2	6.1	-0.8
Medica Group plc	Health	95	61	156	0.1%	64%	247.2	35.6	9.5
ReNeuron Group plc	Pharmaceuticals & Biotech	324	(201)	123	0.1%	(62%)	61.7	0.0	-19.8
Genedrive Plc	Pharmaceuticals & Biotech	210	(105)	105	0.1%	(50%)	7.9	n/a	n/a
Dods Group plc	Media	203	(102)	101	0.1%	(50%)	44.3	21.4	2.6
Rated People Ltd*	Software	354	(267)	87	0.1%	(75%)	n/a	n/a	n/a
Fusionex International plc	Software	282	(199)	83	0.1%	(71%)	24.7	23.4	0.3
Proxama plc	Software	763	(705)	58	0.1%	(92%)	4.7	n/a	n/a
1Spatial plc	Software	300	(267)	33	0.0%	(89%)	27.6	23.4	-1.2
Work Group plc	Support Services	755	(727)	28	0.0%	(96%)	n/a	n/a	n/a
Bond International Software plc	Software	8	0	8	0.0%	0%	n/a	n/a	n/a

Current Liquidity Investments

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)
Octopus Portfolio Manager - Conservative Capital Growth	n/a	5,350	398	5,748	5.1%	7%	n/a	n/a	n/a
Octopus Portfolio Manager - Defensive Capital Growth	n/a	5,350	279	5,629	5.0%	5%	n/a	n/a	n/a
Money Market Funds	n/a	5,290	3	5,293	4.7%	0%	n/a	n/a	n/a
Octopus UK Micro Cap Growth Fund	n/a	1,650	444	2,094	1.9%	27%	n/a	n/a	n/a

Since 31 May 2017 there has been one follow on investment with a cost of £470,000.

Since 31 May 2017 there has been one disposal, the proceeds of which totalled £156,000 (cost £122,000).

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

Faron Pharmaceuticals Oy - Finland

Maxcyte Inc - USA

*Denotes private company

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 31 May 2017 and representing more than 98.2% of the NAV of Octopus AIM 2). Revenue and Pre Tax Profit figures are consensus forecast annual figures as published by Factset.

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 Group plc	Construction & Building	573	3,627	4,200	5.6%	633%	1,247.8	674.9	70.3
Quixant plc	Technology Hardware	465	3,501	3,966	5.2%	753%	260.4	79.1	12.2
Animalcare Group plc	Pharmaceuticals & Biotech	824	2,606	3,430	4.5%	316%	84.0	15.9	3.6
GB Group plc	Support Services	477	2,631	3,108	4.1%	552%	607.3	116.2	21.5
IDOX plc	Software	356	2,379	2,735	3.6%	668%	297.8	97.6	22.1
Gear4music Holdings plc	Media	372	1,780	2,152	2.8%	478%	168.7	79.4	2.8
Craneware plc	Software	479	1,537	2,016	2.7%	321%	367.2	45.0	13.4
Learning Technologies Group plc	Support Services	880	1,008	1,888	2.5%	115%	270.7	50.0	10.0
Brooks Macdonald Group plc	Finance	610	1,213	1,823	2.4%	199%	346.6	91.6	18.7
Staffline Recruitment Group plc	Support Services	225	1,540	1,765	2.3%	684%	403.8	952.2	37.2
RWS Holdings plc	Support Services	249	1,393	1,642	2.2%	559%	884.4	161.1	39.7
Netcall plc	Telecommunications Services	356	1,081	1,437	1.9%	304%	94.3	17.4	3.9
Adept Telecom plc	Telecommunications Services	502	716	1,218	1.6%	143%	83.0	34.0	6.9
Ergomed plc	Pharmaceuticals & Biotech	960	228	1,188	1.6%	24%	83.0	48.6	2.8
DP Poland plc	Leisure & Hotels	364	764	1,128	1.5%	210%	64.1	10.9	-1.9
Gooch & Housego plc	Electronic & Electrical	326	784	1,110	1.5%	240%	341.0	108.3	15.9
Yu Group plc	Utilities	470	572	1,042	1.4%	122%	58.7	34.0	2.3
Restore plc	Support Services	311	703	1,014	1.3%	226%	487.1	169.2	29.9
Clinigen Group plc	Pharmaceuticals & Biotech	625	295	920	1.2%	47%	1,024.3	302.2	57.2
EKF Diagnostics Holdings plc	Health	864	43	907	1.2%	5%	97.5	40.7	3.5
Advanced Medical Solutions Group plc	Pharmaceuticals & Biotech	505	384	889	1.2%	76%	604.2	89.3	22.0
Next Fifteen Communications Group plc	Media	458	417	875	1.2%	91%	299.3	193.3	28.8

Vertu Motors plc	General Retailers	777	71	848	1.1%	9%	180.8	2,880.5	32.5
Plastics Capital plc	Engineering & Machinery	485	346	831	1.1%	71%	45.8	65.6	4.3
Escher Group Holdings plc	Software	753	65	818	1.1%	9%	37.0	17.7	2.2
CityFibre plc	Telecommunication Services	739	40	779	1.0%	5%	179.3	23.4	-4.8
Brady plc	Software	647	127	774	1.0%	20%	64.2	29.5	1.9
Omega Diagnostics Group plc	Health	318	440	758	1.0%	138%	29.2	14.2	1.1
TLA Worldwide plc	Media	538	188	726	1.0%	35%	39.8	30.1	10.9
Ideagen plc	Software	280	433	713	0.9%	155%	179.4	26.7	6.9
Escape Hunt plc	Leisure & Hotels	659	0	659	0.9%	0%	27.7	n/a	n/a
Tasty plc	Leisure & Hotels	336	311	647	0.9%	93%	35.3	50.0	2.9
Futura Medical plc	Pharmaceuticals & Biotech	645	(23)	622	0.8%	(4%)	67.0	0.7	-7.8
Cello Group plc	Media	205	391	596	0.8%	191%	139.4	173.1	11.4
Judges Scientific plc	Electronic & Electrical	209	381	590	0.8%	182%	108.1	60.2	8.6
Abcam plc	Pharmaceuticals & Biotech	358	229	587	0.8%	64%	1,998.9	217.6	63.7
Cambridge Cognition Holdings plc	Health	400	171	571	0.8%	43%	21.2	8.2	0.5
Nasstar plc	Software	320	224	544	0.7%	70%	50.2	25.0	3.5
Velocity Composites plc	Industrial	533	0	533	0.7%	0%	31.7	n/a	n/a
Faron Pharmaceuticals Oy	Pharmaceuticals & Biotech	230	269	499	0.7%	117%	216.0	0.9	-12.8
LoopUp Group plc	Software	320	170	490	0.6%	53%	65.6	17.3	2.9
Gamma Communications plc	Telecommunication Services	326	161	487	0.6%	49%	536.2	231.0	26.6
Vectura Group plc	Pharmaceuticals & Biotech	332	138	470	0.6%	42%	799.2	169.6	23.8
Haydale Graphene Industries plc	Chemicals	399	50	449	0.6%	13%	35.8	4.1	-4.4
SQS Software Quality Systems AG	Software	207	201	408	0.5%	97%	137.3	289.8	21.4
Mattioli Woods plc	Finance	101	289	390	0.5%	286%	211.3	48.9	9.9
Scientific Digital Imaging plc	Electronic & Electrical	119	245	364	0.5%	206%	22.9	10.7	1.4
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	274	74	348	0.5%	27%	159.9	48.2	-4.4
Maxcyte Inc	Pharmaceuticals & Biotech	340	(19)	321	0.4%	(6%)	148.7	12.5	-7.8
Iomart Group plc	Software	178	123	301	0.4%	69%	323.8	89.2	22.5

Access Intelligence plc	Software	446	(72)	374	0.5%	(16%)	11.9	n/a	n/a
Osirium Technologies plc	Electronic & Electrical	500	(208)	292	0.4%	(42%)	9.7	n/a	n/a
UP Global Sourcing Holdings plc	Household Goods & Textiles	182	105	287	0.4%	58%	167.6	107.2	10.1
WANDisco plc	Software	96	152	248	0.3%	158%	177.0	12.1	-7.6
FreeAgent Holdings plc	Media	185	46	231	0.3%	25%	44.0	10.3	-0.3
TP Group plc	Engineering & Machinery	452	(222)	230	0.3%	(49%)	27.5	28.8	1.1
Hasgrove plc*	Media	153	59	212	0.3%	39%	n/a	n/a	n/a
MyCelx Technologies Corporation	Oil Equipment	980	(679)	301	0.4%	(69%)	13.3	n/a	n/a
Microsaic Systems plc	Engineering & Machinery	722	(534)	188	0.2%	(74%)	5.0	n/a	n/a
Sphere Medical Holding plc	Health	400	(219)	181	0.2%	(55%)	10.6	0.4	-5.1
Enteq Upstream plc	Oil Services	687	(516)	171	0.2%	(75%)	15.5	2.5	-0.7
Midatech Pharma plc	Pharmaceuticals & Biotech	400	(243)	157	0.2%	(61%)	51.9	11.6	-14.5
Nektan Limited	Software	893	(420)	473	0.6%	(47%)	13.3	n/a	n/a
Oxford Pharmascience Group plc	Pharmaceuticals & Biotech	900	(765)	135	0.2%	(85%)	19.0	0.8	-3.1
Tyrattech Inc	Chemicals	400	(280)	120	0.2%	(70%)	5.2	6.1	-0.8
Medica Group plc	Health	63	41	104	0.1%	65%	247.2	35.6	9.5
Mears Group plc	Support Services	51	44	95	0.1%	86%	528.5	967.6	48.0
ReNeuron Group plc	Pharmaceuticals & Biotech	216	(134)	82	0.1%	(62%)	61.7	0.0	-19.8
Genedrive Plc	Pharmaceuticals & Biotech	140	(70)	70	0.1%	(50%)	7.9	n/a	n/a
Rated People Ltd*	Software	236	(178)	58	0.1%	(75%)	n/a	n/a	n/a
Fusionex International plc	Software	188	(132)	56	0.1%	(70%)	24.7	23.4	0.3
Proxama plc	Software	509	(470)	39	0.1%	(92%)	4.7	n/a	n/a
1Spatial plc	Software	200	(178)	22	0.0%	(89%)	27.6	23.4	-1.2
Work Group plc	Support Services	379	(365)	14	0.0%	(96%)	n/a	n/a	n/a
Bond International Software plc	Software	4	0	4	0.0%	0%	n/a	n/a	n/a

Current Liquidity Investments

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)
Money Market Funds	n/a	4,420	6	4,426	5.9%	0%	n/a	n/a	n/a
Octopus Portfolio Manager - Conservative Capital Growth	n/a	3,600	267	3,867	5.1%	7%	n/a	n/a	n/a
Octopus Portfolio Manager - Defensive Capital Growth	n/a	3,600	187	3,787	5.0%	5%	n/a	n/a	n/a
Octopus UK Micro Cap Growth Fund	n/a	1,100	296	1,396	1.8%	27%	n/a	n/a	n/a

Since 31 May 2017 there has been one follow on investment with a cost of £313,000.

Since 31 May 2017 there has been one disposal, the proceeds of which totalled £104,000 (cost £81,000).

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

Faron Pharmaceuticals Oy - Finland

Maxcyte Inc - USA

*Denotes private company

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.

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 £300,000, representing approximately 33.2% of the share capital in issue as at 15 June 2017, provided that the authority conferred by this paragraph 1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in 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 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 2.2% of the share capital in issue as at 15 June 2017, provided that the authority conferred by this paragraph 2 shall expire on the date falling 18 months from the date of the passing of

this Resolution (unless renewed, varied or revoked by the Company in 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 date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares of up to an aggregate nominal value of £300,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 33.2% of the share capital in issue as at 15 June 2017.
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 date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £20,000, representing approximately 2.2% of the share capital in issue as at 15 June 2017.

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	903,503	90,350,274

- 3.4 The issued fully paid share capital of Octopus AIM immediately after the Offers have closed (assuming (i) the Offers are fully subscribed, including the over-allotment facility, 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 either 127.0p or 101.6p per Octopus AIM New Share) will be as follows:

*Offer
Price
127.0p*

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	1,092,479	109,247,911

*Offer
Price
101.6p*

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	1,139,723	113,972,321

- 3.5 The following allotments and repurchases of Shares have taken place since 1 March 2014:
- 5,050,531 Shares at a weighted average price of 103.05p were bought back;
40,605,262 Shares at a weighted average price of 114.6p 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 their admission to trading. 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
Roger Smith	20,000	Less than 0.1
Stephen Hazell-Smith	136,493	0.2
Joanne Parfrey	-	-
Neal Ransome	17,423	Less than 0.1

- 4.2 Assuming that (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies and (ii) an Offer Price of 127.0p 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
Roger Smith	20,000	Less than 0.1
Stephen Hazell-Smith	136,493	0.1
Joanne Parfrey	19,685	Less than 0.1
Neal Ransome	17,423	Less than 0.1

- 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 Guidance 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, including the over-allotment facility, in both Companies and (ii) an Offer Price of 127.0p per Octopus AIM New Share).
- 4.4 The persons, including the Directors of Octopus AIM, 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)
Roger Smith	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	N
	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	Peterhouse Capital Asset Management Limited	N
	Director	Webb Capital Advisory	N

		Limited	
	Director	Business Agent Limited	Y
	Director	PFP Capital Limited	Y
	Director	Puma VCT 13 PLC	Y
	Director	Puma VCT V PLC (dissolved)*	N
Joanne Parfrey	Director	Babraham Bioscience Technologies Limited	Y
Neal Ransome	Director	Quercus (General Partner) Limited	N
	Director	Parity Group PLC	N
	Partner	PricewaterhouseCoopers LLP	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 save as set out in paragraph 4.7 above, 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; 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 the 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

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. Joanne Parfrey and Neal Ransome were appointed as a Directors of Octopus AIM on 6 October 2016 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 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. Roger Smith, as Chairman of Octopus AIM, is entitled to annual remuneration of £25,000, Neal Ransome, as Audit Committee Chairman, is entitled to annual remuneration of £22,500, while the annual remuneration receivable by Stephen Hazell-Smith and Joanne Parfrey is £20,000. 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 2017, Roger Smith received £22,517, Stephen Hazell-Smith received £19,008, Joanne Parfrey received £8,051, Neal Ransome received £9,058 and Michael Reeve and Marion Sears, who resigned as directors during that year, received £8,620 and £10,980 respectively.

6. OCTOPUS AIM AND ITS SUBSIDIARIES

Octopus AIM does not have any subsidiaries.

7. OFFER AGREEMENT

An agreement dated 16 June 2017 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 21 December 2015 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) (the "2015 Offer Agreement") pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the 2015 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2015 Offers. Under the 2015 Offer Agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the 2015 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 2015 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 the 2015 Offer 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 2015 Offer Agreement can be terminated if any statement in the prospectus relating to the 2015 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 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, 21 December 2015 and 16 June 2017, 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 notional ongoing financial intermediary 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, the 2015 Offers, the 2017 Top Up 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 £1,208 (year ended 28 February 2015), £1,361 (year ended 29 February 2016), £1,412 (year ended 28 February 2017), there were no other related party transactions or fees paid by Octopus AIM during the years ended 28 February 2015, 29 February 2016 and 28 February 2017 or since 28 February 2017 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 May 2017 was as follows:

<u>Capital and reserves</u>	£'000's
Called up Equity Share Capital	903
Share Premium	39,543
Special Distributable Reserve	52,969
Capital Redemption Reserve	51
Own Shares held in Treasury	-
Capital Reserve Realised	(27,994)
Capital Reserve Unrealised	46,562
Revenue Reserve	346
 Total Equity Shareholders' Funds	 112,380

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 78.

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 £3,000, representing approximately 36.4% of the share capital in issue as at 15 June 2017, provided that the authority conferred by this paragraph 1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in 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 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 2.4% of the share capital in issue as at 15 June 2017, provided that the authority conferred by this paragraph 2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in 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 date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares of up to an aggregate nominal value of £3,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 36.4% of the share capital in issue as at 15 June 2017.
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 date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £200, representing approximately 2.4% of the share capital in issue as at 15 June 2017.

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	8,243	82,429,702

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, including the over-allotment facility, 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 either 93.9p or 75.1p per Octopus AIM 2 New Share) will be as follows:

<i>Offer Price</i> 93.9p			
	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
<i>Class of shares</i>			

		£	<i>No. of Shares</i>
Ordinary Shares	0.01p	9,947	99,469,105

*Offer
Price
75.1p*

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		£	<i>No. of Shares</i>
Ordinary Shares	0.01p	10,373	103,734,628

- 3.5 The following allotments and repurchases of Shares have taken place since 1 December 2013:
- 5,309,201 Shares at a weighted average price of 78.24p were bought back;
40,675,238 Shares at a weighted average price of 87.1p 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 their admission to trading. 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	204,195	0.2
Andrew Raynor	21,080	Less than 0.1
Elizabeth Kennedy	37,380	Less than 0.1
Alastair Ritchie	31,809	Less than 0.1

- 4.2 Assuming that (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies and (ii) an Offer Price of 93.9p 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	204,195	0.2
Andrew Raynor	21,080	Less than 0.1
Elizabeth Kennedy	37,380	Less than 0.1
Alastair Ritchie	31,809	Less than 0.1

- 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 DTR5), 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, including the over-allotment facility, in both Companies and (ii) an Offer Price of 93.9p 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	N
Elizabeth Kennedy	Director	F & C Private Equity Trust PLC	Y
	Director	Friends of the Beatson	Y
	Director	F & C Private Equity Zeros PLC (dissolved)*	N
	Director	Sofant Technologies Ltd	Y
	Director	Taragenyx Limited	Y
	Director	Beatson Cancer Charity	Y
	Director	Sunergos Innovations Limited	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 (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 save as set out in paragraph 4.9 below, 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 save as set out in paragraph 4.7 above, 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; 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. On 13 August 2012 the Accounting and Actuarial Disciplinary Board (AADB) part of the Financial Reporting Council (FRC) announced an investigation into the conduct of certain members of the Institute of Chartered Accountants in England and Wales (ICAEW) and of PricewaterhouseCoopers LLP as auditors of RSM Tenon Group plc in respect of the preparation, approval and audit of certain published financial information relating to RSM Tenon Group PLC in respect of the period to 30 June 2011. The FRC investigation resulted in Mr Raynor receiving a fine and reprimand, and being required to contribute to the FRC's costs. It was noted that the conduct in question was not dishonest, deliberate, lacking in integrity or reckless.

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 the 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 £25,000, Andrew Raynor, as Audit Committee Chairman, is entitled to annual remuneration of £22,500, while the annual remuneration receivable by Elizabeth Kennedy and Alastair Ritchie is £20,000. 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 2016, Keith Mullins received £23,333, Andrew Raynor received £20,667, Elizabeth Kennedy received £18,333 and Alastair Ritchie received £18,333.

6. OCTOPUS AIM 2 AND ITS SUBSIDIARIES

Octopus AIM 2 does not have any subsidiaries.

7. OFFER AGREEMENT

An agreement dated 16 June 2017 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 21 December 2015 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) (the "2015 Offer Agreement") pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the 2015 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2015 Offers. Under the 2015 Offer Agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the 2015 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 2015 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 2015 Offers. Under the 2015 Offer 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 2015 Offers. The warranties and indemnity are in usual form for a contract of this type. The 2015 Offer Agreement can be terminated if any statement in the prospectus relating to the 2015 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 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, 21 December 2015 and 16 June 2017, 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 notional ongoing financial intermediary 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, the 2015 Offers, the 2017 Top Up 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 £812,000 (year ended 30 November 2014), £919,000 (year ended 30 November 2015), £901,000 (year ended 30 November 2016), there were no other related party transactions or fees paid by Octopus AIM 2 during the years ended 30 November 2014, 30 November 2015 and 30 November 2016 or since 30 November 2016 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 May 2017 was as follows:

<u>Capital and reserves</u>	£000's
Called up Equity Share Capital	8
Share Premium	27,945
Special Distributable Reserve	28,097
Capital Redemption Reserve	-
Own Shares held in Treasury	-
Capital Reserve Realised	(9,947)
Capital Reserve Unrealised	29,828
Revenue Reserve	(277)
 Total Equity Shareholders' Funds	 75,654

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 78.

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) new directors have not received a full, formal and tailored induction on joining the Board, such matters being addressed on an individual basis as they arise, (iii) the Companies do not have a nomination committee, appointments being dealt with as they arise (iv) the Companies do not have a remuneration committee given the size of the Companies and as they do not have any executive directors, the Boards as a whole dealing 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 Boards, chaired, in the case of Octopus AIM, by Neal Ransome and, in the case of Octopus AIM 2, by Andrew Raynor, and meet twice a year. The committees have direct access to BDO LLP, the Companies’ external auditor. The duties of the Audit Committees are, inter alia:

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

4.3 Nomination and Remuneration Committee

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

5. TAKEOVERS AND MERGERS

5.1 Mandatory takeover bids

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

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

There are no current mandatory takeover bids in relation to the Companies.

5.2 Squeeze out

Section 979 of the CA 2006 provides that if, within certain time limits, an offer is made for the share capital of either Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90% in value of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90% of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the relevant company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the CA 2006 must, in general, be the same as the consideration available under the takeover offer.

5.3 Sell out

Section 983 of the CA 2006 permits a minority shareholder to require an offeror to acquire

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

6. NOTIFICATIONS OF SHAREHOLDINGS

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

7. GENERAL

- 7.1 The estimated costs and expenses relating to the Offers, assuming full subscription and including the over-allotment facility, all investors being Advised Investors and all choosing to pay their advisers a 2.5% upfront fee, payable by the Company will be £2.20 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 £37.80 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 2015 and the statutory accounts of Octopus AIM 2 for the year ended 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'. The statutory accounts of Octopus AIM for the year ended 29 February 2016 and 28 February 2017 and the statutory accounts of Octopus AIM 2 for the year ended 30 November 2015 and 30 November 2016 have been prepared in accordance with Financial Reporting Standard 102.
- 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 28 February 2017, the date to which the latest audited 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 30 November 2016, the date to which the latest audited financial information has been published, to the date of this document.

- 7.11 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Companies' prospects or which have materially affected the Companies' income from operations so far as the Manager and the Directors are aware.
- 7.12 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service if the investment restrictions which apply to the Companies as VCTs, as detailed in this document, are breached.
- 7.13 The Companies' capital resources are restricted insofar as they may be used only in putting into effect their respective investment policy as set out in this document. There are no firm commitments in respect of the Companies' principal future investments. As at 31 May 2017, Octopus AIM had £2.6 million of uninvested cash and as at 31 May 2017, Octopus AIM 2 had £1.7 million of uninvested cash, which in the case of both Companies has been retained for working capital and follow-on or new investments.
- 7.14 All Shareholders have the same voting rights in respect of the share capital of the Companies. The Companies are not aware of any person who, directly or indirectly,

exercises or could exercise control over the Companies, nor of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Companies.

- 7.15 The Companies have no employees or subsidiaries.
- 7.16 The typical investor for whom investment in the Companies is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out on pages 22 to 23, 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 82.7% of the enlarged ordinary share capital of Octopus AIM immediately following the Offers, assuming the Offers are fully subscribed, including the over-allotment facility, 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 127.0p, and on that basis Octopus AIM Shareholders who do not participate in the Offers will, therefore, be diluted by 17.3%.

The existing issued Shares in Octopus AIM 2 will represent 82.9% of the enlarged ordinary share capital of Octopus AIM 2 immediately following the Offers, assuming the Offers are fully subscribed, including the over-allotment facility, 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 93.9p, and on that basis Octopus AIM 2 Shareholders who do not participate in the Offers will, therefore, be diluted by 17.1%.

- 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 will close on or before 15 June 2018. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

- 7.23 In the event of an offer being made by a financial intermediary, the financial intermediary will provide information to investors on the terms and conditions of the offer at the time that the offer is made. Any financial intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto.**

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays 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 2015, 29 February 2016 and 28 February 2017 and the annual accounts of Octopus AIM 2 for the periods ended 30 November 2014, 30 November 2015 and 30 November 2016;
- 8.4 the Circular; and
- 8.5 this document.

16 June 2017

DEFINITIONS

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

"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
"2015 Offers"	the offer for subscription by the Companies for Shares in respect of the tax years 2015/16 and 2016/17 that was launched on 21 December 2015
"2017 Top Up Offers"	the offer for subscription by the Companies for Shares as set out in a top up offer document dated 6 February 2017
"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 relating to the Offers which can be found on the Companies' website
"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 16 June 2017
"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)
"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

“NEX Exchange”	Nex Exchange Limited, registered in England and Wales with company number 04309969 whose registered office is at 2 Broadgate, London EC2M 7UR
“New Shares”	Shares being offered by the Companies pursuant to the Offers (and each a “New Share”)
“Octopus”, the “Manager” or the “Receiving Agent”	Octopus Investments Limited
“Octopus AIM”	Octopus AIM VCT plc
“Octopus AIM GM”	the general meeting of Octopus AIM to be held on 20 July 2017 (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 July 2017 (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 94
“Offers”	the offer for subscription by the Companies for New Shares in respect of the tax years 2017/18 and 2018/19 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 90 to 96
“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
“VCT rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning venture capital trusts

TERMS AND CONDITIONS

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

1. The maximum amount to be raised by the Companies is £30 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 £24 million. The maximum that may be raised by Octopus AIM 2 is £16 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 or earlier, at the discretion of the Boards.
2. The minimum investment is £5,000. There is no maximum investment.
3. 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).
4. 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.
5. By completing and delivering an Application Form, you:
 1. 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.

6. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.
7. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the New Shares have not been and will not be registered under the United States Investment Company Act of 1940, as amended. Octopus will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
8. The basis of allocation will be determined by the 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.
9. Money Laundering Regulations

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

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over £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.

10. Costs of the Offers

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.**

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.

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

Shares and (iii) Ordinary Shares will not be allotted at less than their nominal value.

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

obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).

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

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

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

Participants who wish to participate in the Scheme and who already have Ordinary Shares issued to them held in certificated form, i.e. not in CREST, should complete and sign a Mandate Form and return it no later than 15 days prior to the dividend payment date to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Personalised Mandate Forms can be obtained from Computershare Investor Services plc at the address above or by telephoning +44 (0) 370 703 6325 in respect of

Octopus AIM and +44 (0) 370 703 6326 in respect of Octopus AIM 2. Calls to these numbers cost the same as a normal local or national landline call and may be included in your service providers tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services PLC cannot provide any financial, legal or tax advice and calls may be monitored for security and training purposes.

Participants who wish to participate in the Scheme and who already have Ordinary Shares issued to them held in uncertificated form in CREST (and was in uncertificated form as at the relevant record date), the Participants can only elect to receive a dividend in the form of new Ordinary Shares by means of the CREST procedure to effect such an election for the Company. No other method of election will be permitted under the Scheme and will be rejected. By doing so, such Shareholders confirm their election to participate in the Scheme and their acceptance of the Scheme terms and conditions. If a Participant is a CREST sponsored member, they should consult their CREST sponsor, who will be able to take appropriate action on their behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual. The Dividend Election Input Message submitted must contain the number of Ordinary Shares on which the election is being made. If the relevant field is left blank or completed with zero, the election will be rejected. If a Participant enters a number of Ordinary Shares greater than the holder in CREST on the relevant record date for dividend the system will automatically amend the number down to the record date holding. When inputting the election, a 'single drip' election should be selected (the Corporation Action Number for this can be found on the CREST GUI). Evergreen elections will not be permitted. Participants who wish to receive new Ordinary Shares instead of cash in respect of future dividends, must complete a Dividend Election Input Message on each occasion otherwise they will receive the dividend in cash. Elections via CREST should be received by CREST no later than 5.00 p.m. on such date that is at least 15 days before the dividend payment date for the relevant dividend in respect of which you wish to make an election. Once an election is made using the CREST Dividend Election Input Message it cannot be amended. Therefore, if a CREST Shareholder wishes to change their election, the previous election would have to be cancelled.

12. A written mandate form will remain valid for all dividends paid to the Participant by the Company until such time as the Participant gives notice in writing to the Scheme Administrator that he no longer wishes to participate in the Scheme.
13. The Company shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless in the Company's opinion the change materially affects the interests of the Participants. Amendments to the Scheme Terms and conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.
14. By ticking the relevant election box and completing and delivering the application form the Participant:
 - (a) agrees to provide the Company with any information which it may request in

connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and

- (b) declares that a loan has not been made to the Participant on whose behalf the Ordinary Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive new Ordinary Shares and that the Ordinary Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purposes of which is the avoidance of tax.
- 15. Elections by individuals for Ordinary Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of an individual) for the tax year in which the Ordinary Shares are allotted provided that the issue of Ordinary shares under the Scheme is within the investor's annual £200,000 limit. Participants and beneficial owners are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. The Tax Voucher can be used to claim any relevant income tax relief either by obtaining from the HM Revenue & Customs an adjustment to the Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self Assessment Tax Return.
- 16. The Company will, subject to conditions 9, 10 and 19, issue Ordinary Shares in respect of the whole of any dividend payable (for the avoidance of doubt, irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the Scheme Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.
- 17. Shareholders electing to receive Ordinary Shares rather than a cash dividend will be treated as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on shares allotted in respect of dividends from qualifying VCT shares.
- 18. For capital gains tax purposes, Shareholders who elect to receive Ordinary Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Ordinary Shares. The new Ordinary Shares will be treated as a separate asset for capital gains purposes.
- 19. The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the Scheme Administrator.
- 20. The amount of any claim or claims a Participant has against the Company or the Scheme Administrator shall not exceed the value of such Participant's Ordinary Shares in the Scheme. Nothing in these Scheme Terms and Conditions shall exclude the Company or the Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the Scheme Administrator will be responsible for:
 - (a) acting or failing to act in accordance with a court order of which the Scheme

Administrator has not been notified (whatever jurisdiction may govern the court order); or

- (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from a Shareholder (or, where relevant, a nominee) are genuine; or
- (c) losses, costs, damages or expenses sustained or incurred by a Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
- (d) any indirect or consequential loss.

- 21. These Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
- 22. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.
- 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 Agent	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	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ



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