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OCTOPUS AIM VCT PLC
(Incorporated in England and Wales with registered number 3477519)

OCTOPUS AIM VCT 2 PLC
(Incorporated in England and Wales with registered number 5528235)

Events arising since publishing the Prospectus

The publication of this Supplementary Prospectus is a regulatory requirement under the Prospectus Rules and Section 87G of FSMA following the proposed changes to the law relating to Venture Capital Trusts set out in the Chancellor of the Exchequer's budget statement on 22 November 2017, the publication of the draft Finance Bill on 1 December 2017 and of guidance notes issued by HMRC and HM Treasury on 4 December 2017. The Prospectus Rules and section 87G of FSMA require the issue of a supplementary prospectus if, in the relevant period (being, for these purposes, the later of the closure of the relevant Offers and the time when trading in the Offer Shares issued under the Offers on the London Stock Exchange begins), there exists or is noted a significant new factor, material mistake or inaccuracy relating to the information included in the prospectus relating to the relevant Offers. This Supplementary Prospectus has been approved for publication by the FCA.

Save as otherwise amended in this Supplementary Prospectus, the Offers are being made on the terms and subject to the conditions set out in full in the Prospectus. Investors who have already submitted applications for Offer Shares which have been received on behalf of the Companies and who have not yet received an allotment of Offer Shares with regard to such applications may withdraw such applications, with the Companies accepting withdrawals of such applications until 5pm on 22 December 2017. Investors should seek their own legal advice in regard to such withdrawal rights. Investors who wish to withdraw their applications under the Offers should contact Octopus Investments Limited on telephone number 0800 316 2295 (no investment advice can be given). Withdrawals of applications can be made by telephone.

Copies of this Supplementary Prospectus and the Prospectus may be viewed on the National Storage Mechanism (NSM) of the UKLA at http://www.morningstar.co.uk/uk/NSM and this Supplementary Prospectus and the Prospectus are available free of charge from the registered office of the Companies at 33 Holborn, London, EC1N 2HT.

1. **SIGNIFICANT NEW FACTOR**

In the Autumn Budget on 22 November 2017 the Chancellor of the Exchequer announced certain changes to the rules relating to VCTs. Draft legislation was set out in the Finance Bill (No. 2) 2017-19 which was published on 1 December 2017 and supporting Guidance Notes were issued on 4 December 2017. These proposals are not yet law and are subject to consultation in respect of the Guidance Notes, and parliamentary scrutiny, process and approval in respect of the Finance Bill (No. 2) 2017-19. The proposed changes are as follows:

(a) With effect from Royal Assent to the Finance Bill (No. 2) 2017-19, which is expected in Spring 2018, the question of whether a company's investments can be considered as Qualifying Investments so as to enable the company to qualify for VCT tax reliefs will be considered using a "principles based approach" known as the "risk-to-capital" condition. This condition has two parts, namely:

- whether the company has an objective to grow and develop over the long term; and
- whether there is a significant risk that there could be a loss of capital to the investor of an amount exceeding the net return.

(b) From 4 December 2017, applications for advance assurance will not be considered by HMRC unless the "risk-to-capital" condition is met.

(c) For investments from 6 April 2018 the annual limit for investment in Knowledge Intensive Companies will be increased from £5 million to £10 million.

(d) Previously, no investment could be made by a VCT in a company whose first commercial sale was more than 7 years prior to the date of investment (or 10 years in the case of a Knowledge Intensive Company). It has been proposed that from 6 April 2018 Knowledge Intensive Companies may elect for this period to commence from the point at which the company's annual turnover exceeds £200,000 rather than its first commercial sale.

(e) For accounting periods beginning on or after 6 April 2019, a VCT will be required to invest 80% of its total investments in Qualifying Investments (previously 70%).

(f) From 6 April 2018, Qualifying Investments made by VCTs from funds raised before 6 April 2011 will be included in the requirement that at least 70% of Qualifying Investments are in eligible shares.

(g) From 6 April 2018, the grandfathering of older VCT funds, permitting those funds to be invested in certain asset backed trades (such as hotels and nursing homes) will be removed.

(h) For new funds raised in accounting periods beginning after 5 April 2018, a VCT must invest at least 30% of the funds raised in Qualifying Investments within 12 months of the end of the accounting period in which the shares are issued.

2. **SUPPLEMENT TO THE PROSPECTUS**

2.1 As a result of the proposed changes to the law relating to VCTs set out in the Chancellor of the Exchequer's Autumn Budget on 22 November 2017, the publication of the draft Finance Bill on 1 December 2017 and guidance notes issued by HMRC and HM Treasury on 4 December 2017, the following further risk factor is added on page 16 at the end of Element D2 of the Summary:

"The Chancellor of the Exchequer, in his Autumn Budget on 22 November 2017, announced certain changes to the rules relating to VCT's, such as what constitutes a Qualifying Investment, the annual limits for investments into Knowledge Intensive Companies, the percentage of a VCT's total investments that must be in Qualifying Investments, the percentage of Qualifying Investments that must be in eligible shares, the trades into which older VCT funds can be invested and the time period in which Qualifying Investments must be made. These proposed legislative changes are not yet law and (subject to an immediate change relating to HMRC's approach in approving Qualifying Investments) are subject to consultation in respect of the Guidance Notes, and parliamentary scrutiny, process and approval in respect of the Finance Bill (No. 2) 2017-19 but could, if implemented, impact the level of demand and competition for investment in the target markets of the Companies.*"*

2.2 As a result of the proposed changes to the law relating to VCTs set out in the Chancellor of the Exchequer's Autumn Budget on 22 November 2017, the publication of the draft Finance Bill on 1 December 2017 and guidance notes issued by HMRC and HM Treasury on 4 December 2017, the following further risk factor is added on page 23 at the end of the risk factors under the heading "Risk factors relating to the Companies":

"Following publication in August 2017 by HM Treasury of "Financing Growth in Innovative Firms", the results of its "Patient Capital Review", which considered the effectiveness of schemes such as VCTs in relation to patient capital, the Chancellor of the Exchequer, in his Autumn Budget on 22 November 2017, announced certain changes to the rules relating to VCT's. The proposed legislation was set out in the Finance Bill (No. 2) 2017-19, published on 1 December 2017 and Guidance Notes were issued by HMRC and HM Treasury on 4 December 2017.

One of the changes is that the question of whether a company's investments can be considered as Qualifying Investments for VCT purposes will be considered by HMRC using a "principles based approach" known as the "risk-to-capital condition". Applications to HMRC for advance assurance in this regard ("Advance Assurance Applications") will, from 4 December 2017, be considered in the light of this new principles based approach. Changes are also proposed in respect of the annual limits for investments into Knowledge Intensive Companies, the percentage of a VCT's total investments that must be in Qualifying Investments, the percentage of Qualifying Investments that must be in eligible shares, the trades into which older VCT funds can be invested and the time period in which Qualifying Investments must be made.

The proposed legislative changes referred to above are not yet law and (subject to an immediate change of HMRC practice adopting the principles based approach to Advance Assurance Applications) are subject to consultation in respect of the Guidance Notes, and parliamentary scrutiny, process and approval in respect of the Finance Bill (No. 2) 2017-19 but could, if implemented, impact the level of demand and competition for investment in the target markets of the Companies.*"*

3. **NO SIGNIFICANT CHANGE**

Save for the changes to the law relating to VCTs set out in the Chancellor of the Exchequer's budget statement on 22 November 2017, the publication of the draft Finance Bill on 1 December 2017 and guidance notes issued by HMRC and HM Treasury on 4 December 2017, disclosed in this document, there has been no significant change and no significant new matter relating to the Companies since the publication of the Prospectus.

Dated: 20 December 2017