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If you are in any doubt about the action to be taken, you should immediately consult your independent financial adviser authorised pursuant to FSMA 2000.

This document, which constitutes a financial promotion for the purposes of Section 21 of FSMA 2000, has been approved, for the purposes of that Section only, by Octopus Investments Limited ("Octopus"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, pursuant to FSMA 2000. In approving this document, Octopus is acting solely for the Companies and no-one else and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of Octopus or for providing financial advice in relation to the subject matter of this document. This document contains details of the Octopus AIM VCTs' offers in the tax years 2016/2017 and 2017/2018 for New Shares in each or both of the Companies (each an "Offer" and together the "Offers").

There is no guarantee that either Company's investment objective will be attained. The levels and bases of reliefs from taxation described in this document are those currently available. These may change and their value depends on an investor's individual circumstances. No person, other than Octopus, has been authorised to issue any advertisements or give any information, or make any representations in connection with the Offers, other than those contained in this document and, if issued, given or made, such advertisements, information or representations must not be relied upon as having been authorised by the Companies. This document does not constitute either a prospectus or listing particulars.

Each Company accepts responsibility for the information contained in this document relating to it and the terms of its Offer, but accepts no responsibility for any information contained in this document specifically relating to the other Company or its Offer. The Boards have taken reasonable care to ensure that all applicable facts in this document in respect of its Company are true, fair and not misleading. The attention of prospective investors is drawn to the section of this document entitled Risk Factors.

Applications will be made to the UK Listing Authority for the New Shares issued by each Company to be admitted to the premium segment of the Official List and to the London Stock Exchange for the admission of such New Shares to trading on its main market for listed securities. It is expected that admission will become effective and that dealings in the New Shares will commence within ten business days of their allotment. The Companies' existing issued Shares are traded on the London Stock Exchange's main market for listed securities.

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, Japan or the Republic of South Africa.

AVAILABILITY OF THIS DOCUMENT

Copies of this document and the associated Application Form, are available from:

Octopus Investments Limited
33 Holborn
London
EC1N 2HT
Tel: 0800 316 2295
www.octopusinvestments.com

A copy of this document will also be available to the public for inspection at the National Storage Mechanism at www.morningstar.co.uk under the reference for each of the Companies.

Completed Application Forms must be posted to: Octopus Investments Limited, PO Box 10847, Chelmsford CM99 2BU. The Offers will close at 12 noon on 31 July 2017. The Offers will close earlier if they are fully subscribed.

CONTENTS

EXPECTED TIMETABLE	3
STATISTICS	3
RISK FACTORS	4
LETTER FROM THE CHAIRMEN OF BOTH OF THE OCTOPUS AIM VCTs	6
THE OFFERS	11
TAXATION	12
DEFINITIONS	16
TERMS AND CONDITIONS OF THE OFFERS	18
DIRECTORS AND ADVISERS OF THE COMPANIES	23
ANNEX I – TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEMES	24

EXPECTED TIMETABLE

Launch date of the Offers	6 February 2017
First allotment under the Offers	3 March 2017
Subsequent allotments under the Offers	At the Boards' discretion
Closing date of Offers	12 noon on 31 July 2017

- Applications for the 2016/2017 tax year must be received by 5 p.m. on 4 April 2017.
- The Offers will close earlier if fully subscribed. The Boards reserve the right to close the Offers earlier and to accept Applications and issue New Shares at any time prior to the close of the Offers.
- Dealings are expected to commence in New Shares within ten business days of allotment and share and tax certificates will be dispatched within 14 business days of allotments.

STATISTICS

Costs of the Offers*	Up to 5.5% of gross proceeds of the Offers
Initial adviser charge or intermediary commission**	Up to 4.5% of gross proceeds of 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 commissions) are capped at 5.5% of gross proceeds. Octopus has agreed to indemnify the Companies against the costs of the Offers in excess of this amount. **The costs of the Offers are subject to adjustment in relation to applications from investors who are existing, or who were previously, shareholders in any Octopus VCT, as referred to below.**

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

*** To be accompanied by an equivalent reduction in Octopus' annual management fee to offset this amount.

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%. This reduction will be met by Octopus through an equivalent reduction in the Costs of the Offers fee referred to above.

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 the Companies or their Shareholders will face. Any decision to invest under the Offers should be based on consideration of this document as a whole.

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.

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

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

The Finance Act 2014 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 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 Companies 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 will not be permitted to use those funds to acquire shares, businesses or certain intangible assets. These conditions 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.

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

Risk factors relating to the Shares

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

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

There is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buyback policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid. Therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to their NAV) and Shareholders may find it difficult to realise their investment. An investment in the Companies should, therefore, be considered as a long term investment.

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

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

Tax treatment depends on individual circumstances and may change in the future. Tax reliefs depend on the VCT maintaining its VCT-qualifying status.

LETTER FROM THE CHAIRMEN OF BOTH OF THE OCTOPUS AIM VCTs

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

6 February 2017

Dear Investor,

We are delighted to inform you that, due to the Manager's expectation of the continuing demand for new capital from small growing companies on AIM, we have decided again to offer you an opportunity to acquire new shares in the Companies in Offers to raise up to £4.3 million in each Company in the tax years 2016/2017 and 2017/2018.

Loyalty Discount

To thank our existing shareholders for their continued support, if you are an existing, or were previously a, shareholder of any Octopus VCT, you will benefit from the costs of the Offers being reduced by 1.0%.

Background to the Companies

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

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

Tax Benefits

Subject to their personal tax circumstances, all participating investors in the Offers will benefit from the tax reliefs available on an issue of new VCT shares for the tax years 2016/2017 and 2017/2018, and the potential to receive regular tax free dividends. Specifically, the tax benefits are:

- Up to 30% income tax relief on the investment, provided that the New Shares are held for at least five years. For example, an investor investing £10,000 would receive £3,000 in income tax relief. This tax relief can be claimed provided you have paid that amount in tax, up to a maximum relief of £60,000 per tax year (i.e. an investment of £200,000);
- Tax-free dividends; and
- No capital gains tax on disposal of the Shares at a profit.

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

Investing together

It is intended that the two Companies will continue to invest in new Qualifying Investments approximately in proportion to their relative size (on a net asset value basis), subject to any constraints such as the availability of funding and the application of VCT rules. As noted above this has been the case in the majority of investments made since 2010 and accounts for the high incidence of common holdings in the portfolios.

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

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, but the prospect of economic stimulus in America as a new President takes office, and the predictions of poor UK economic performance continuing to be confounded in the wake of the UK vote to leave the EU, suggest that the right conditions exist for the normal relationship, of smaller company relative outperformance, to resume. 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. It 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.

Why invest in AIM?

AIM leads the world as a market for helping exciting and innovative smaller companies grow. When the London Stock Exchange launched AIM in 1995 for the smaller companies market, it contained just 10 companies with a combined market value of £82.2 million. Over 980 (at 31 December 2016) companies are now listed on AIM with a combined market value exceeding £80 billion. Over two decades AIM has raised almost £100 billion, demonstrating its value as a place for small companies to access growth capital. In total there are around 40 different sectors on AIM providing a diverse range of companies to invest in (Source: London Stock Exchange, AIM Factsheet, December 2016).

Octopus believes that in the current environment smaller companies can continue to grow. Despite recent changes to legislation, Octopus expects to find good new investment opportunities as well as seeing further progress from existing companies in the portfolios over the next few years. The Octopus AIM venture capital trusts represent a highly tax-efficient means of accessing the potential growth of AIM traded companies, giving investors exposure to smaller companies in a diversified way in which growth is not taxed and risks are partially offset by the valuable upfront income tax relief which the government offers.

Each of the Companies has a proven track record as investment vehicles in the AIM VCT sector. The portfolios are already established and comfortably meet VCT qualifying requirements. Each currently has a spread of around 70 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 earlier stage investments, some of which have been made more recently and 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 December 2016 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 5.9% in the 12 months to 31 December 2016 and Octopus AIM 2 has seen its unaudited NAV rise by 7.9% 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. Further historic performance information can be found on the next page.

Dividend Policies, Dividends and Dividend Reinvestment Scheme

One of the main benefits of VCTs is their potential for paying tax-free dividends to investors. Both Companies have an established track record of paying out dividends to their investors and aim to pay tax-free dividends twice a year. Octopus AIM VCT targets a total annual dividend of 5p per share or 5% of the share price, whichever is greater. Octopus AIM VCT 2 targets a total annual dividend of 3.6p or 5% of the share price, whichever is greater. In addition, where exceptional profits are realised, both Boards have established the practice of paying a special dividend. As well as regular and special tax-free dividends, investors could also potentially benefit from their shares increasing in value over the years. There is also no capital gains tax to pay when investors eventually choose to sell their shares. Please

note that tax treatment depends on individual circumstances and may change in the future. Tax reliefs depend on the portfolio companies maintaining their qualifying status.

Following the closure of the Offers, it is the intention of both Boards that each Company will continue to pay two dividends per year, approximately six months apart. Since each Company has a different year end, the timing of dividend payments is also different. It is intended that someone investing in both Companies under the Offers will, therefore, receive a dividend approximately every three months, subject to available funds.

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

Five-year performance

Year to 31 December	2012	2013	2014	2015	2016
Octopus AIM VCT NAV Total Return ¹	16.1%	33.6%	-1.6%	8.3%	5.9%
Octopus AIM VCT 2 NAV Total Return ¹	17.6%	31.6%	-2.7%	7.5%	7.9%
FTSE AIM All-Share Return ²	2.9%	21.3%	-16.5%	6.6%	16.1%
FTSE All-Share Total Return ²	12.3%	20.8%	1.2%	1.0%	16.8%
Octopus AIM VCT annual dividend yield ³	6.2%	4.6%	5.5%	9.0% ⁴	4.8%
Octopus AIM VCT 2 annual dividend yield ³	5.2%	4.3%	5.4%	8.0% ⁴	5.3%

¹**NAV total return:** This shows the yearly performance, including the dividends paid out for the last five years to 31 December 2016 (the latest available data). This is calculated from the movement in the NAV over the year to 31 December 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. (Source: Octopus Investments, 31 December 2016)

²**FTSE 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 December 2016).

³**Annual dividend yield:** this is calculated by dividing the dividends paid per year by the share price at the start of the period.

⁴Includes an additional special dividend of 4.0p per share for Octopus AIM VCT and 2.0p per share for Octopus AIM VCT 2 from the sale of Advanced Computer Software.

Performance shown is net of all ongoing fees and costs.

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

Important information

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

Top ten holdings for Octopus AIM VCT

	Percentage of portfolio	Date of first investment	Market capitalisation £'m	Revenue £'m	Profit before tax £'m
Quixant PLC	5.5%	15/05/2013	225.5	27.4	11.3
Breedon Group PLC	5.4%	26/08/2010	1,029.9	318.5	53.6
GB Group PLC	3.3%	03/11/2011	394.6	73.4	15.9
Mattioli Woods PLC	3.3%	15/11/2005	201.9	43.0	9.8
Staffline Recruitment Group PLC	3.2%	08/12/2004	238.7	702.2	35.9
IDOX PLC	3.2%	08/05/2007	244.6	76.7	21.3
Brooks Macdonald Group plc	3.1%	03/03/2005	277.3	81.5	18.6
Netcall PLC	2.4%	27/07/2010	83.2	16.6	3.9
RWS Holdings PLC	2.3%	18/12/2009	751.9	122.0	34.8
Tasty PLC	2.2%	25/05/2007	83.5	35.8	4.7

Top ten holdings for Octopus AIM VCT 2

	Percentage of portfolio	Date of first investment	Market capitalisation £'m	Revenue £'m	Profit before tax £'m
Quixant PLC	5.4%	15/05/2013	225.5	27.4	11.3
Breedon Group PLC	5.3%	26/08/2010	1,029.9	318.5	53.6
Animalcare Group PLC	4.0%	18/12/2007	66.0	14.7	3.6
IDOX PLC	3.8%	08/05/2007	244.6	76.7	21.3
GB Group PLC	3.3%	03/11/2011	394.6	73.4	15.9
Craneware PLC	3.2%	11/09/2007	354.5	33.6	13.9
Netcall PLC	2.5%	27/07/2010	83.2	16.6	3.9
Tasty PLC	2.5%	30/09/2008	83.5	35.8	4.7
RWS Holdings PLC	2.3%	18/12/2009	751.9	122.0	34.8
Brooks Macdonald Group PLC	2.2%	01/03/2015	277.3	81.5	18.6

Source: Octopus Investments, 31 December 2016

Source: Bloomberg, 31 December 2016

Next Steps

The Companies are only able to raise £4.3 million each through the Offers. Octopus believes the Offers will close before the end of this tax year (5 April 2017), in which case New Shares will be allocated on a first come, first served basis.

The Application Form can be found on the Companies' website: octopusinvestments.com/aimvct. The Terms and Conditions for the subscription of New Shares are set out on pages 18 to 22. You can subscribe for New Shares in either of the Companies or elect for the New Shares to be split equally between each Company.

Investors who subscribe under the Offers and who have disposed of Shares in the same Company in the preceding six months should be aware that the tax relief that they are eligible for will be reduced by the value of the proceeds of the previous disposal. This would also apply to any investor disposing of their existing Shares in the subsequent six months from the date of allotment.

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

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

Yours sincerely

Roger Smith
Chairman
Octopus AIM VCT plc

Keith Mullins
Chairman
Octopus AIM VCT 2 plc

THE OFFERS

The Companies are seeking to raise up to £4.3 million each under the Offers, before expenses, in the tax years 2016/2017 and 2017/2018 which is the maximum permitted under the Prospectus Rules without the need to issue a full prospectus and avoids the associated costs.

TERMS OF THE OFFERS

The New Shares will be issued at an Offer Price determined by the following formula:

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

Where the Share price of a Company has been declared ex-dividend on the London Stock Exchange, the NAV per Share used for determining the Offer Price will be ex-dividend. For the purpose of determining the Offer Price the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number. Fractions of New Shares will not be allotted. Where there is a surplus of application funds, these will be returned to applicants without interest, except where the amount is less than the Offer Price of one New Share, in which case it will be donated to a charity approved by the Boards.

The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholders of any Octopus VCT, who will benefit from the costs of the Offers being reduced by 1.0%. This reduction will be met by Octopus through an equivalent reduction in the costs of the Offers fee referred to on page 3.

The Offers will remain open until 12 noon on 31 July 2017 unless fully subscribed at an earlier date. The Boards reserve the right to close the Offers earlier and to accept Applications and issue New Shares at any time prior to the close of the Offers following the receipt of valid applications. New Shares issued will rank equally 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.

You may indicate on the Application Form whether to automatically allocate your subscription to the other Company if your preferred choice is fully subscribed, and if the other Company is not fully subscribed. You can also choose to have your application not accepted in these same circumstances.

Based on the unaudited NAV per Octopus AIM Share as at 30 January 2017 of 111.9p, the Offer Price for Octopus AIM VCT plc would be 118.5p. For Octopus AIM VCT 2 plc, with an unaudited NAV per Octopus AIM 2 Share as at 30 January 2017 of 85.0p, the Offer Price would be 90.0p. The Offer Price may vary between allotments based on the announced movement of the Companies' NAVs.

The minimum aggregate investment for new investors under the Offers is £5,000.

The full terms and conditions of the Offers are set out on pages 18 to 22.

USE OF FUNDS

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

COSTS OF THE OFFERS

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

TAXATION

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 Taxes Act.

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 2016/17 and 2017/18 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 another VCT which at any time merges with that VCT) within 6 months (before or after) that subscription. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

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

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

1.2 Dividend relief

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

1.3 Withdrawal of relief

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

2. Capital Gains Tax

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

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

3. Withdrawal of Approval

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

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

4. Other Tax Considerations

4.1 Obtaining initial tax reliefs

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

4.2 Shareholders not resident in the UK

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

5 Tax Position of VCTs

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

5.1. Qualification as a VCT

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

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a venture capital trust) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;
- (iv) the VCT must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 70%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (vi) for funds raised before 6 April 2011, have at least 30%, by value, of its Qualifying Investments represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights;

- (vii) for funds raised after 5 April 2011, have at least 70% by value of the VCT's Qualifying Investments in "eligible shares", that is ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed, although they may have certain preferential rights to dividends so long as that right is non-cumulative and is not subject to discretion;
- (viii) not make an investment in a company which causes that company to receive more than £5 million of Risk Finance State Aid investment in the 12 months ended on the date of the investment;
- (ix) in relation to shares issued by a VCT on or after 6 April 2014, not return to shareholders any of the capital received by the VCT in relation to those shares issued before the third anniversary of the end of the accounting period during which the subscription for those shares occurs;
- (x) no investment can be made by the VCT into a company which causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of 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 VCT 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 or provide a return of capital to one of its shareholders; and
- (xiii) the VCT must not make a non-Qualifying Investment other than those specified in section 274 Taxes Act.

"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 or power or the production of fuel. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

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

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

5.2 Taxation of a VCT

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

DEFINITIONS

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

“AIM”	AIM, the Alternative Investment Market of that name operated by the London Stock Exchange
“Applicant”	a 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 available on the Companies’ website: octopusinvestments.com/aimvct
“Boards”	the board of Directors of the Companies (and each a Board)
“Companies” or the “Octopus AIM VCTs”	Octopus AIM VCT plc and Octopus AIM VCT 2 plc (and each a “Company”)
“Directors”	the directors of the Companies (and each a “Director”)
“FCA”	the Financial Conduct Authority
“FSMA 2000”	the Financial Services and Markets Act 2000, as amended
“HMRC”	HM Revenue and Customs
“Knowledge Intensive Company”	a company satisfying the conditions in Section 331(A) of Part 6 of the Taxes Act
“London Stock Exchange”	London Stock Exchange plc
“NAV”	net asset value
“New Shares”	Shares being offered by the Companies under the Offers (and each a “New Share”)
“Octopus”, the “Manager” or the “Receiving Agents”	Octopus Investments Limited
“Octopus AIM Shares”	Shares in Octopus AIM VCT plc (and each an “Octopus AIM Share”)
“Octopus AIM 2 Shares”	Shares in Octopus AIM VCT 2 plc (and each an “Octopus AIM 2 Share”)
“Octopus VCT”	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
“Offers”	the offers for subscription for New Shares contained in this document
“Offer Price”	the price per New Share, as set out on page 11
“Official List”	the official list maintained by the UK Listing Authority
“Prospectus Rules”	the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC
“Qualifying Company”	a company satisfying the requirements of Chapter 4 of Part 6 of the Taxes Act

"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 of the Taxes Act
"Risk Finance State Aid"	State aid received by a company as defined in Section 280B (4) of the Taxes Act
"Shareholders"	holders of Shares
"Shares"	ordinary shares of 1p each in the capital of Octopus AIM VCT plc and/or ordinary shares of 0.01p each in the capital of Octopus AIM VCT 2 plc (and each a "Share")
"Taxes Act"	the Income Tax Act 2007, as amended
"Terms and Conditions"	the terms and conditions of the Offers, contained in this document on pages 18 to 22
"The Risk Finance Guidelines"	guidelines on State aid to promote risk finance investments 2014/C 19/04
"UK Listing Authority"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Venture Capital Trust" or "VCT"	a company which is, for the time being, approved as a venture capital trust under Section 259 of the Taxes Act

TERMS AND CONDITIONS OF THE OFFERS

The following Terms and Conditions apply to the Offers.

1. The maximum amount to be raised by each Company is £4.3 million. The Offers in respect of either Company will close once that Company has reached their individual aggregate maximum number of New Shares which may be issued.
2. The contract created with the Companies by the acceptance of an Application (or any proportion of it) under the Offers will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Companies under the Offers to the Official List (save as otherwise resolved by the Boards). The Boards reserve the right to extend the closing date of the Offers at their absolute discretion. The Boards reserve the right to close the Offers earlier if fully subscribed or otherwise at their absolute discretion.
3. The right is reserved by the Companies to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. Each Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and it may, at its absolute discretion, accept an Application in respect of which payment is not received by that Company. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than the cost of a New Share, when it will be donated to a charity approved by the Boards of Directors) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
4. By completing and delivering an Application Form, you:
 - 4.1 irrevocably offer to subscribe the monetary amount for New Shares in the Companies under the Offers as 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 at the time of allotment by 0.945 to allow for the majority of the 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 has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. For the purpose of determining the Offer Price, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted);
 - 4.2 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;
 - 4.3 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 the Companies 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;

- 4.4 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;
- 4.5 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;
- 4.6 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;
- 4.7 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;
- 4.8 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);
- 4.9 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;
- 4.10 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;
- 4.11 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;
- 4.12 declare that you are an individual aged 18 or over;
- 4.13 agree that all documents and cheques sent by post to, by or on behalf of the Companies or the Receiving Agents, will be sent at the risk of the person entitled thereto;
- 4.14 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;
- 4.15 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 under the Offers or be responsible to you for providing the protections afforded to its customers;
- 4.16 where applicable, authorise each Company to make on your behalf any claim to relief from income tax in respect of any dividends paid by each Company;

- 4.17 declare that the Application Form has been completed to the best of your knowledge;
- 4.18 undertake that you will notify the Companies if you are not or cease to be either a VCT qualifying subscriber or beneficially entitled to the New Shares;
- 4.19 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
- 4.20 agree that information provided on the Application Form may be provided to the registrars and Receiving Agents to process shareholding details and send notifications to you.

5. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her 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 or herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.

6. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the New Shares have not been and will not be registered under the United States Investment Company Act of 1940, as amended. Octopus will not be registered under the United States Investment Advisers Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.

7. The basis of allocation will be determined by each Company (after consultation with Octopus) in its absolute discretion. The right is reserved by the Boards to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Companies or Octopus consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied. Dealings prior to the issue of certificates for New Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

8. Money Laundering Regulations

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

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over £10,000. 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 3.00pm 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 each Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit

Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for by members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation.

9. Offer Price

The Offer Price per New Share will be determined by a 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, divided by 0.945. A more detailed explanation is set out on page 11.

The application of the above formula will be adjusted for investors who are existing, or who were previously, shareholders of any Octopus VCT, who will benefit from the costs of the Offers being reduced by 1.0%. This reduction will be met by Octopus through an equivalent reduction in the costs of the Offers fee referred to on page 3.

10. Costs of the Offers

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, each Company will pay an initial charge of 3% of the gross sums 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 to the Companies and their own costs in respect of the Offers. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:

1) A direct investment

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

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, if an application is made directly (not through an intermediary) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment value of the latest NAV of gross sums invested in the Offers for up to nine years, provided the investor continues to hold the Shares. The cost of this ongoing charge will be offset by Octopus through an equivalent reduction in its annual management fee.

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

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

The Companies can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her intermediary/adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described on page 11.

The Companies can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment of the latest NAV of gross sums invested in the Offers for up to nine years, provided the investor continues to be the beneficial owner of the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share rounded down to the nearest whole share. Any residual amount that is 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 be offset by Octopus through an equivalent reduction in its annual management fee.

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 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, Octopus will reduce its annual management fee by the notional ongoing advisor charge, equivalent to 0.5% per annum of the investment amount's NAV, for a period of 9 years.

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 up to 2.5% of the investment will be paid by the Companies to the intermediary. An annual trail commission of 0.5% of the investment amount's NAV will be paid by Octopus to the intermediary for up to nine years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

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

The reinvestment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the New Shares. Any purchaser of the New Shares will not benefit from the reinvestment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of 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 Company does not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Company is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

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

DIRECTORS AND ADVISERS OF THE COMPANIES

Directors – Octopus AIM VCT plc	Roger Smith (Chairman) Stephen Hazell-Smith Joanne Parfrey Neal Ransome
Directors – Octopus AIM VCT 2 plc	Keith Mullins (Chairman) Elizabeth Kennedy Andrew Raynor Alastair Ritchie
Investment Manager. Administrator and Receiving Agents	Octopus Investments Limited 33 Holborn London EC1N 2HT
Company Secretary	Nicola Board ACIS
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Solicitor	Howard Kennedy LLP No. 1 London Bridge London SE1 9BG
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

ANNEX I

TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEMES ("DRIS") FOR EACH OF THE COMPANIES

1. Elections to participate in the DRIS should be addressed to the DRIS Scheme Administrator, Computershare Investor Services PLC ("DRIS 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 DRIS Scheme Administrator.
2.
 - (a) The Company, acting through the DRIS Scheme Administrator, shall have absolute discretion to accept or reject elections. An applicant shall become a member of the DRIS upon acceptance of his or her election by the DRIS Scheme Administrator on the Company's behalf ("Participants"). The DRIS Scheme Administrator will provide written notification if an election is rejected. Only registered shareholders of the Company ("Shareholders") may join the DRIS.
 - (b) The Company shall apply dividends to be paid to Participants on ordinary shares in the Company ("Shares") in respect of which an election has been made in the allotment of further Shares. The DRIS Scheme Administrator shall not have the discretion, and Participants may not instruct the DRIS Scheme Administrator, to apply those dividends ("funds") towards any investments other than investment in Shares as set out in this condition 2(b).
 - (c) Participants who are Shareholders may only participate in the DRIS if all Shares registered in their name are mandated to the DRIS.
 - (d) By joining the DRIS, Participants instruct the DRIS Scheme Administrator that the mandate will apply to the full number of 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 Shares to be allotted in relation to a dividend such Shares will only be allotted to the registered Shareholder and not any beneficial holder. Nominee Participants shall not be entitled to instruct the DRIS Scheme Administrator to allot 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 Shares, be applied on behalf of that Participant to subscribe for the maximum number of whole new Shares which can be allotted with the funds.
 - (b) The number of 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 Share and (ii) the mid market price per 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 Shares. 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 Share, as set out in 3(b) above will be donated to a registered charity at the discretion of the Company.
 - (d) The Company shall not be obliged to allot Shares under the DRIS to the extent that the total number of Shares allotted by the Company pursuant to the DRIS in any financial year would exceed 10% of the aggregate number of Shares on the first day of such financial year.
 - (e) The Company shall immediately after the subscription of Shares in accordance with the condition at 3(a) above take all necessary steps to ensure that those 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 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 DRIS Scheme Administrator shall as soon as practicable after the allotment of 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 Shares (ii) that share certificates (unless such Shares are to be uncertificated) and, where applicable, income tax certificates ("Tax Certificates") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:
 - (a) the total number of Shares held at the record date for which a valid election was made;
 - (b) the number of Shares allotted;
 - (c) the price per Share allotted;
 - (d) the cash equivalent of the Shares allotted; and
 - (e) the date of allotment of the Shares;
5. All costs and expenses incurred by the DRIS Scheme Administrator in administering the DRIS will be borne by the Company.
6. Each Participant warrants to the DRIS Scheme Administrator that all information set out in the application form (including any electronic election) on which the election to participate in the DRIS is contained is correct and to the extent any of the information changes he or she will notify the changes to the DRIS Scheme Administrator and that during the continuance of his or her participation in the DRIS he or she will comply with the provisions of condition 7 below.
7. The right to participate in the DRIS 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 DRIS 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 DRIS 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 DRIS Scheme Administrator is not providing a discretionary management service. Neither the DRIS Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the DRIS unless due to the negligence or wilful default of the DRIS Scheme Administrator or the Company or their respective employees and agents.
9. Participants may:
 - (a) at any time by notice to the DRIS Scheme Administrator terminate their participation in the DRIS and withdraw any funds held by the Company on their behalf; and
 - (b) in respect of Shares they hold as nominee and subject to condition 2(e), give notice to the DRIS Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive 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 DRIS 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 that they do not want the shares to be issued to them to be subject to the DRIS (upon which their existing participation in the DRIS 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 the 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 DRIS;
 - (b) terminate the DRIS 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 Shares pursuant to the DRIS.

11. Participants who wish to participate in the DRIS in respect of new Shares to be issued pursuant to a prospectus or top-up offer document may tick the relevant box on the applicable application form. If a Participant in the DRIS applies for further Ordinary Shares under such a prospectus or top-up offer document, and fails to tick the relevant box on such form for the further shares to be issued to them to be subject to the DRIS, then it shall be deemed that the Participant had requested the dividend to be paid to them in cash and, accordingly, their existing participation in the DRIS in relation to all their Ordinary Shares shall be deemed to terminate in accordance with paragraph 9 above.

Participants who wish to participate in the DRIS and who already have 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 6235 in respect of Octopus AIM VCT plc or +44 (0) 370 703 6236 in respect of Octopus AIM VCT 2 plc. 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 from 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 DRIS and who already have Shares issued to them held in uncertificated form in CREST (and which were in uncertificated form as at the relevant record date), can only elect to receive a dividend in the form of new Shares by means of the CREST procedure to effect such an election. No other method of election will be permitted under the DRIS and will be rejected. By doing so, such Shareholders confirm their election to participate in the DRIS and their acceptance of the DRIS 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 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 Shares greater than the holding in CREST on the relevant record date for the 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 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 Computershare Investor Services PLC that he no longer wishes to participate in the DRIS.
13. The Company shall be entitled to amend the DRIS 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 DRIS Terms and Conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.

14. By ticking the relevant election box and completing and delivering the application form or submitting the election electronically the Participant:
 - (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - (b) declares that a loan has not been made to the Participant on whose behalf the 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 Shares and that the 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 Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of a particular individual) for the tax year in which the Shares are allotted provided that the issue of Shares under the DRIS 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 DRIS Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. Beneficial owners of Shares held through nominees should obtain tax advice in relation to their own particular circumstances. The Tax Certificate can be used to claim any relevant income tax relief either by obtaining from 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 Shares in respect of the whole of any dividend payable (for the avoidance of doubt, irrespective of whether the amount of the 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 DRIS Scheme Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.
17. Shareholders electing to receive 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 Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Shares. The new 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 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 DRIS Scheme Administrator.
20. The amount of any claim or claims a Participant has against the Company or the DRIS Scheme Administrator shall not exceed the value of such Participant's Shares in the DRIS. Nothing in these DRIS Terms and Conditions shall exclude the Company or the DRIS Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the DRIS Scheme Administrator will be responsible for:
 - (a) acting or failing to act in accordance with a court order of which the DRIS 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 DRIS Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these DRIS 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 DRIS 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 the DRIS Scheme Administrator shall be in writing and delivered or posted to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.
23. These DRIS 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 DRIS in any other manner permitted by law or in any court of competent jurisdiction.

Application forms to participate in the DRIS can be downloaded from the Companies' website: octopusinvestments.com/aimvct.

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