

Octopus Titan VCT plc

# Annual report and accounts for the year ended 31 October 2016

Company number: 06397765

For UK investors only



Octopus Titan VCT plc ('Titan') is a venture capital trust ('VCT') which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominantly unquoted companies and is managed by Octopus Investments Limited ('Octopus').

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# Financial Summary

	As at 31 October 2016	As at 31 October 2015
Net assets (£'000s)	<b>315,976</b>	228,461
Profit after tax (£'000s)	<b>14,227</b>	15,196
Net asset value per share ('NAV')	<b>97.9p</b>	102.7p
Cumulative dividends paid since launch	<b>61.0p</b>	52.0p
NAV plus cumulative dividends paid ('Total Value')	<b>158.9p</b>	154.7p
Total Return*	<b>4.2p</b>	5.8p
Total Return %**	<b>4.1%</b>	5.7%
Dividends paid in the year	<b>9.0p</b>	4.5p
Final dividend proposed	<b>3.0p</b>	2.0p

\*Calculated as the change in NAV in the year plus dividends paid in the year.

\*\*Calculated as total return/opening NAV.

## Key Dates

Final dividend payment date*	28 April 2017
Annual General Meeting	23 March 2017 (2.30 p.m. at 33 Holborn, London EC1N 2HT)
Half-yearly results to 30 April 2017 published	June 2017
Annual results to 31 October 2017 announced	January 2018
Annual Report and accounts published	February 2018

\*Payable on 28 April 2017 to those shareholders on the share register on 7 April 2017.

# Strategic Report

## Our Strategy

The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to include a Strategic Report to shareholders.

## Investment Policy

Following changes to VCT legislation over recent years and with the continuing evolution of the early stage investment environment Titan's investment policy was amended during the year. The investment policy is not designed to deliver a return that is measured against a stock market index. Instead, the focus of Titan is on generating absolute returns over the medium-term.

The new investment policy, which was approved by Shareholders at the General Meeting held on 6 October 2016, is focused on providing early stage, development and expansion funding to unquoted companies. Titan typically makes an initial investment of £0.1 million to £5 million and will make further follow-on investments into existing portfolio companies. The intention is to hold a portfolio of largely unquoted technology companies.

The changes in the investment policy were threefold:

- There have been changes in the terminology Titan applied to the investment sectors, rather than a change to the investment strategy itself. Instead of defining separately: Technology, Media, Telecoms, Consumer Lifestyle and Well-being, and Environment, the policy has been simplified to "a range of technology sectors" which it believes is simpler to communicate and more reflective of the way Titan thinks about its investments, both historic and future. The underlying portfolio has not changed and the type of companies Titan will invest in will not change.
- Changes have also been made to the types of non-Qualifying Investments it will make, which is purely to align with recent VCT legislative changes. Titan has also increased the top range of the percentage of Qualifying Investments that it will aim to hold from 85% to 90%. This, again, is reflective of changes in legislation restricting non-Qualifying Investments, meaning that the balance may shift slightly towards holding more Qualifying Investments.
- The most significant change is the removal of the passage restricting the use of borrowing to make investments. Titan has no intention to make use of borrowing for this purpose in the immediate future; however it would like to align the investment policy with the Articles and remove any constraints placed upon it by this clause to provide more flexibility into the future should any such need or desire arise.

The Directors control the overall risk of the portfolio by ensuring that Titan has exposure to a diversified range of investee companies from a number of different technology sectors. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15% of Titan by value will be in any one investment. Any borrowing for the purposes of making investments will be in accordance with Titan's articles of association.

The investment profile is expected to be:

- 75-90% in VCT Qualifying Investments, primarily in unquoted companies
- 10-25% in non-VCT Qualifying Investments or cash.

## Non-VCT Qualifying Investments

An active approach is taken to manage any cash held, prior to investing in VCT qualifying companies. After Titan has ensured it satisfies all VCT investment qualification targets required by HMRC, the majority of the remaining cash will be invested in accordance with HMRC rules for non-Qualifying Investments. Currently this includes liquid AIFs (Alternative Investment Funds), UCITS (Undertakings for Collective Investments in Transferable Securities) or other money market funds, including those managed by Octopus.

## VCT Qualifying Investments

Investment decisions made must adhere to HMRC's VCT qualification rules. In considering a prospective investment in a company, particular regard is made to:

- the strength of the management team;
- large, typically global, addressable markets;
- the investee company's ability to sustain a competitive advantage;
- the existence of proprietary technology;
- visibility over future revenues and recurring income; and
- the company's prospects of being sold or floated in the future, at a significant multiple on the initial cost of investment.

No material changes may be made to the investment policy described above without the prior approval of shareholders by the passing of an Ordinary Resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

A review of the investment portfolio and of market conditions during the year is included in the Chairman's Statement and Investment Manager's Review which form part of the Strategic Report on pages 4 to 6 and 11 and 22 respectively. A Business Review also forms part of the Strategic Report on pages 7 to 10.

## Liquidity strategy

The Board's strategy is to maintain an appropriate level of liquidity in the balance sheet to continue to achieve five aims:

- to support further investment in existing portfolio companies if required;
- to take advantage of new investment opportunities as they arise;
- to cover the running costs of Titan as they fall due;
- to support a consistent dividend flow; and
- to assist liquidity in the shares through the buyback facility.

Liquidity in Titan is primarily driven by capital realisations and fundraising activities.

### **VCT Regulation**

Compliance with the required VCT rules and regulations is considered when all investment decisions are made. Titan is further monitored on a continual basis to ensure compliance. The investment policy is designed to ensure that Titan continues to qualify and is approved as a VCT by HMRC. The main criteria to which Titan must adhere is detailed on page 61.

Titan will continue to ensure its compliance with the qualification requirements.

### **Future prospects**

Titan's performance record reflects the success of the strategy set out above and has allowed Titan to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 5. The Board believes this business model will continue to meet the investment approach above and enable Titan to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. The Outlook statements in both the Chairman's Statement and the Investment Manager's Review on pages 4 to 6 and 11 to 22 respectively provide further details on the future prospects of Titan.

# Chairman's Statement

I am pleased to present the annual results for Octopus Titan VCT plc for the year ended 31 October 2016.

We were delighted with the response to our 2015/2016 fundraising which raised a total of over £102 million before the expenses of the Offer. Since this Offer opened in September 2015, and up to the end of our financial year, we have deployed £55 million in new and follow-on investments, £22 million in dividends to shareholders (£9 million within FY 2015), £7 million in buybacks and £11 million in running costs. In view of the strong opportunity for follow-on investment into our existing portfolio and the significant pipeline of new investment opportunities, your Board announced a further fundraising in August 2016 and we are delighted with the response to date from both existing and new shareholders. We have currently raised £60 million under this offer and Titan now has net assets of £372 million. Further details are given under the Fundraise section.

We are particularly pleased that the performance of the fund has been recognised through winning the 2016 awards of 'VCT of the year' and 'Best Exit' (Magic Pony) at the Investor AllStars in November and the 'Growth Investor of the year' at the 2016 Growth Investor Awards. Furthermore Swiftkey won the 'UKBAA Exit of the Year Award' at the UK Business Angels Association Awards 2016. These are prestigious awards and acknowledge the notable success of our Investment Manager in choosing and developing young technology companies and for which I would like to thank them on the Shareholders' behalf.

## Performance

The Net Asset Value ('NAV') per share at 31 October 2016 was 97.9p (2015: 102.7p) representing a total return for the year of 4.2p per share after taking account of dividends paid of 9.0p per share in the year. We are pleased with this total return of 4.1%, which brings the total return for Titan to 63.9p since our original fund raising completed in 2008, summarised in the table on page 62. The underlying performance of the portfolio, calculated as the profit in the year attributable to the aggregate of the revaluation gains and disposal losses, divided by the value of the portfolio at the start of the year, was 10.8%. The table below reconciles the NAV at the start of the year to the NAV at the year end.

	Pence per ordinary share
NAV at 31 October 2015	102.7
Valuation uplift	7.8*
Fund running expenses	(2.5)
Performance fee	(1.1)
<b>NAV at 31 October 2016 before dividends</b>	<b>106.9</b>
Final dividend paid on 29 April 2016	(2.0)
Special dividend paid on 29 April 2016	(5.0)
Interim dividend paid on 2 September 2016	(2.0)
<b>NAV at 31 October 2016</b>	<b>97.9</b>

\*This corresponds to an increase in the value of £25.8 million (2015: £23.5 million).

## Investment Portfolio

Titan made three extremely successful disposals in the year - SwiftKey, Magic Pony Technology and Vision Direct Group, which, in total, yielded proceeds of over £48 million for Titan and produced realised gains on the invested capital totalling over £38 million. Additionally a further 2 million shares in Zoopla Property Group were sold on behalf of Zenith LP, in which Titan has a stake, through Zenith Holding Company, generating proceeds of £4.4 million. These disposals are discussed further in the Investment Manager's Review.

Titan made six new investments and 24 follow-on investments in the year, together totalling £46 million. The number of portfolio companies increased slightly to 52 as at 31 October 2016 (excluding three companies in liquidation and one company in administration, but including the underlying companies held by Zenith LP). I believe that this investment profile firmly demonstrates the strong pipeline of deals generated by our Manager and supports our philosophy of continuing to support investee companies as they achieve milestones.

The acquisitions and disposals, combined with an overall uplift in valuation of £25 million took the total portfolio value to £226 million at 31 October 2016 and total net assets to £316 million.

The investment portfolio has also continued to mature and has had another strong year of performance. Shareholders will recall that Titan 1-3's holdings in Calastone, Nature Delivered (Graze), Secret Escapes and Zoopla Property Group were transferred into a separate fund, with Titan continuing to hold an interest in them via its holding in Zenith Holding Company Limited ("Zenith"). Titan

also maintains a direct holding in Secret Escapes. This transaction allowed Titan to realise value for further investment in new and existing portfolio companies at earlier stages of development as well as ensuring that we did not breach VCT qualifying conditions in relation to these holdings. Our holding in Zenith has continued to show a strong uplift in value in the year, driven predominantly by meaningful gains in Calastone and Secret Escapes. In addition to the success shown by Zenith and Titan's direct holding in Secret Escapes, we are also delighted with the performances of Titan's holdings in Amplience and Semafone, which have shown significant uplifts in value in the year.

Unfortunately, but not unexpectedly when investing in early stage technology companies, there are a few investments that have fallen short of expectations and where we have taken valuation write downs in the year, with our investment in Aframe Media Group unfortunately placed into administration in April 2016, although a small holding in Excession Technologies Limited was gained as a result. Our Investment Manager is working hard alongside the companies that are underperforming to assist them to realise their potential or limit investment losses.

Further information can be seen in the Investment Manager's Review on pages 11 to 22, including the pie charts demonstrating that Titan has a well-diversified portfolio.

### Performance Incentive fees

I am pleased to say that Titan's performance in the year has meant that the Investment Manager has earned a performance fee of £3.4 million. Now that the hurdle has been achieved in respect of shares relating to Titans 1-4 and shares issued since the merger, the performance fee in respect of those shares is 20% on all gains above a total value of 148.9p, subject to a High Water Mark. The performance fee accrual in respect of the shares relating to Titan 5 is detailed in Note 19.

### Dividend and Dividend Policy

It remains your Board's policy to strive to maintain a regular dividend, whilst retaining the appropriate level of liquidity in Titan. Titan is targeting regular tax-free annual dividends of 5.0p per share for the year ended 31 October 2017. As shareholders will be aware, Titan has paid an interim dividend of 2.0p in respect of 2016 (on 2 September 2016) in addition to a final dividend of 2.0p in respect of the 2015 financial year and a special dividend of 5.0p in respect of the successful exit of Swiftkey, both paid on 29 April 2016. This takes the total dividends paid in the year to 9.0p per share (2015: 4.5p per share). A final dividend of 3.0p per share is proposed in respect of the 2016 financial year, payable on 28 April 2017 to those shareholders on the share register on 7 April 2017.

### Fundraise and Buybacks

Titan successfully raised £102.3 million (£98.7 million net of costs) during the year. The majority of the funds raised are being used to make new investments and to support existing portfolio companies, where the Investment Manager sees the opportunity for further growth.

The Board announced a further opportunity to invest in Titan to raise up to £70 million (with an over allotment facility to raise a further £50 million) on 23 August 2016. On 16 December and 21 December, £60 million in total (£57 million net of costs) was allotted. I would like to thank all shareholders who have supported the fundraising and welcome new shareholders. Given the allotments made to date, your Board is confident that we will achieve at least our fundraising target of £70 million and has also announced that the over allotment facility may be used. We are confident that this fundraising will provide significant funds to invest in the strong pipeline of new and follow-on investments which our Investment Manager is seeing.

During the year, Titan repurchased 4.3 million shares. Further details can be found in Note 14 of the accounts. The Board continues to buy back shares from shareholders at no greater than a 5% discount to NAV. The Board will continue to monitor the volume of shares bought back and at present intends to maintain the existing limit of the share capital that it buys back and cancels each year at 5%. I am pleased to see that the current demand from shareholders to buy back shares is well below this level. This policy will, of course, continue to operate at the Board's discretion. However, it is the Board's intention that shareholders should be able to sell their shares back to Titan in the absence of an active secondary market, since we believe that this share buyback policy enhances Titan's attractiveness as an investment for both existing and new shareholders.

### VCT Qualifying Status

PricewaterhouseCoopers LLP provides both the Board and the Investment Manager with advice concerning ongoing compliance with HMRC rules and regulations concerning VCTs. The Board has been advised that Titan is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement is for 70% of the portfolio to remain continually invested in qualifying investments. As at 31 October 2016, over 90% of Titan (as measured by HMRC rules) was invested in VCT qualifying investments across a variety of industries.

The government continues to adjust the legislation surrounding VCTs to ensure that money remains directed at the companies and sectors that need it the most. The most recent changes, which came into effect on 6 April 2016, have tightened the conditions under which a VCT can make non-qualifying investments, typically made with assets over and above the 70% VCT qualifying threshold. Historically VCTs could invest up to 30% of their eligible assets into a wide range of non-qualifying investments. In future, non-qualifying investments can only be made into highly liquid investments such as main market listed securities, Alternative Investment Funds (AIFs) or Open-Ended Investment Companies (OEICs). We do not believe these changes will have a significant impact on Titan.

As the largest provider of VCTs in the market, Octopus continues to work closely with the UK Government to help achieve the best possible outcome for the VCT industry and for the UK's smaller companies. We welcome continued Government support for the VCT industry.

### Annual General Meeting ("AGM")

Titan's Annual General Meeting will take place on 23 March 2017 at 2:30pm and will be held at the offices of Octopus Investments Limited, 33 Holborn, London, EC1N 2HT. I hope to meet as many shareholders as possible at this event, which provides an opportunity for them to meet the Board and our Managers and to hear an update on Titan's activities and future plans.

### Outlook

2017 promises to be a year of change but it is often during periods of change that entrepreneurial businesses are best placed to thrive. Despite the uncertainties which the current state of the Brexit negotiations brings, we have a well-diversified portfolio of exciting young and emerging technology businesses. These are run by energetic and intelligent entrepreneurs who view the opportunities with excitement and have the ambition to create businesses that will be world class in both size and impact. Our Investment Manager's recently opened office in New York is ideally timed to help our investee companies take advantage of the impending changes in the USA following President Trump's election and their presence in the USA goes to the heart of our Manager's view that Venture Capital is most effective when it is combined with practical, and effective value adding support.

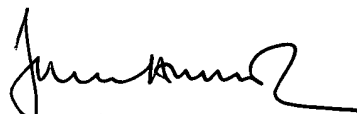
Our current fundraise, having already achieved half of the overall total Offer, looks set to take Titan's total assets to over £400 million. The funds raised will be available to ensure we can continue to support our cash hungry portfolio of just over 50 companies. We believe that our Investment Manager's team is very capable of supporting this portfolio but we recognise that

the total number of portfolio companies under management cannot increase dramatically as each business requires significant hands on support. Our aim therefore is to maintain a flow of investments both into and out of the portfolio and the events of 2016 amply justify our confidence.

We are by some measure the largest single VCT and our merger has contributed to the economies of scale, particularly with regard to administration. Many other VCTs have had to change their strategy following the changes to the VCT legislation; we are far less implicated than most of the other VCTs since we are firmly in the space for which HM Government designed the scheme.

We believe that our strategy, which can be found in the Strategic Report on page 2, will allow us to achieve significant capital growth and, as already mentioned, it is our aim to distribute this by way of an annual dividend supplemented by special distributions as and when realisations allow.

If you are unable to attend the AGM on 23 March 2017, I would urge you to complete the proxy form, either on the form enclosed or via the Computershare web portal. If you have any questions regarding Titan, please do not hesitate to write to me or Octopus Ventures, our Investment Manager.



John Hustler  
Chairman  
30 January 2017

# Business Review

## Titan Performance

The Board is responsible for Titan's investment strategy and performance, although the management of Titan's investment portfolio is delegated to Octopus through the Investment Management Agreement, as referred to in the Directors' Report on page 24.

The graph below compares the NAV total return and Share Price total return (gross dividends re-invested) of Titan over the period from October 2007 to October 2016 with the total return from a notional investment in the FTSE Small-Cap index over the same period (all rebased to 100p). This index is considered to be the most appropriate broad equity market index for comparative purposes. The Board wishes to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the HMRC rules.

It is agreed by the Board that it would be unwise to present a comparison of Titan's NAV with that of other VCTs as the year ends are not aligned and thus there would be timing differences in comparisons. The Board also believes that the International Private Equity and Venture Capital (IPEVC) valuation guidelines require an element of judgement. Without a full analysis of the guidelines as applied by other fund managers there is a risk these valuations would not be directly comparable.

### Net asset value and share price total return since launch against the FTSE Small-Cap Index total return

The Earnings per Share of Titan is 4.9p per share (2015: 7.7p per share). Further details can be found in Note 8 on page 49.

The total remuneration of the Directors for the year was:

	Year ended 31 October 2016 £'000	Year ended 31 October 2015 £'000
<b>Total</b>	<b>90</b>	<b>85</b>

Further details can be found in the Directors' Remuneration Report on pages 33 to 35.

## Results and dividend

	Year ended 31 October 2016 £'000	Year ended 31 October 2015 £'000
Net return attributable to shareholders	<b>14,227</b>	15,196
Appropriations:		
Previous year final dividend	<b>6,369</b>	-
Interim dividends	<b>6,448</b>	5,306
Special dividend	<b>15,920</b>	-
<b>Total</b>	<b>28,737</b>	5,306

In addition to the 2p per share interim dividend paid on 2 September 2016, a final dividend of 3.0p per share will be paid on 28 April 2017 to shareholders on the register on 7 April 2017. Payment of the final dividend is subject to Shareholder approval at the forthcoming AGM.

## Key Performance Indicators (KPIs)

As a VCT, Titan's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of smaller unquoted UK companies which meet the relevant criteria for VCTs.

The Board expects Octopus to deliver a performance which meets the twin objectives of providing investors with attractive returns from a portfolio of investments, and maximising tax-free income for shareholders. The KPIs in meeting these objectives are:

- net asset value plus dividends paid;
- the discount of the share price relative to the NAV;
- the total expense as a proportion of shareholders' funds; and
- improvement of the investment performance.

A record of some of the indicators is detailed on page 1 entitled Financial Summary. Additional comments are provided in the Chairman's Statement regarding the performance of Titan over the current year. The Board regularly assesses the performance of Octopus in meeting Titan's objectives against the KPIs highlighted above.

As previously discussed, the performance has been strong with an overall Total Return of 4.1% and 4.2p per share which includes a capital return (portfolio and OEICs) of 7.6% equating to 7.8p per share, as mentioned in the Chairman's Statement. The total running costs in the period, as defined in the Prospectus, were 2.5% of Titan's net assets, within the annual limit of 3.2%.

Clearly, when making investments in unquoted companies at an early stage of their development, some are likely to disappoint, but investing the funds raised in high growth companies with the potential to become market leaders creates an environment of improved returns for shareholders. The growth of these companies is largely dependent on continuing the existing levels of corporate spending. A volatile economic environment could adversely affect corporate spending patterns, which would in turn have a negative impact on the development of the investee companies.

Performance, measured by the change in NAV and Total Value per share, and compared to the FTSE Small-Cap index is shown in the graph on page 7.

The Chairman's Statement, on pages 4 to 6, includes a review of Titan's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 11 to 22.

### Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of Titan over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that Titan had raised funds under an offer for subscription which closed on 5 April 2016, a further fundraising was launched on 23 August 2016 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers Titan's strategy, including investor demand for Titan's shares, and a five year period is considered to be a reasonable time horizon for this.

The Board carried out a robust assessment of the principal risks facing Titan and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. Particular consideration was given to Titan's reliance on, and close working relationship with, the Investment Manager. The principal risks faced by Titan and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered Titan's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that Titan will be able to continue in operation and meet its liabilities as they fall due over the five year period to 31 October 2021.

### Principal risks, risk management and regulatory environment

#### Tax, legislation and compliance

**VCT qualifying status risk:** Titan is required at all times to observe the conditions laid down in the Income Tax Act 2007 and, subsequent to Royal Assent, the Finance Act 2015, for the maintenance of approved VCT status. The loss of such approval could lead to Titan losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from Titan and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

The Investment Manager keeps Titan's VCT qualifying status under continual review and reports to the Board regularly throughout

the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

**Regulatory risk:** Titan is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Titan is also a small registered AIFM and has to comply with the requirements of the AIFM Directive. Breach of any of these might lead to suspension of Titan's Stock Exchange listing, financial penalties or a qualified audit report.

#### Fund Performance

**Investment risk:** the majority of Titan's investments will be in small and medium-sized companies which are VCT qualifying holdings and which, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies.

The Directors and the Investment Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the Investment Manager on a regular basis.

#### Performance of the Fund Manager

**Competitive Risk:** retention of key personnel within Octopus is vital to the success of Titan.

Incentives to the Investment Manager's key staff are monitored.

#### Financial Control

**Financial risk:** as most of Titan's investments involve medium to long-term commitment and are relatively illiquid, the Directors consider that it is inappropriate to finance Titan's activities through borrowing. Accordingly, they seek to maintain a proportion of Titan's assets in cash or cash equivalents in order to be in a position to take advantage of new investment opportunities.

Titan has very little exposure to foreign currency risk and does not enter into derivative transactions. Titan has cash deposits which are held on the balance sheet of HSBC Bank plc and in cash funds managed by BlackRock, Fidelity and HSBC. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Standard & Poor's rating of A for HSBC, AA- for BlackRock and A for Fidelity. Inadequate controls might lead to misappropriation of assets.

**Internal control risk:** the Board reviews annually the system of risk management and internal controls, financial and non-financial, operated by Titan and Octopus. These include controls designed to ensure that Titan's assets are safeguarded and that proper accounting records are maintained.

**Operational risk:** the Board reviews the system of internal controls, both financial and non-financial, operated by Titan

and the Investment Manager. These include controls designed to ensure that Titan's assets are safeguarded and that proper accounting records are maintained.

**Economic risk:** the risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.

Events such as an economic recession and movement in interest rates could affect smaller companies' valuations.

**Price risk:** the risk that the value of a security or portfolio of securities will decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.

**Cash flow risk:** the risk that Titan's available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

**Market risk:** investment in unquoted companies involves a higher degree of risk than investment in companies listed on the Official List, which could result in the value of such investment, and interest income and dividends therefrom, reducing. In particular, small companies often have limited product lines, markets or financial resources, 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 and therefore, may not produce the hoped for returns. In addition, the market for securities in smaller companies is less regulated and is usually less liquid than that of securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities.

**Liquidity risk:** Titan's investments may be difficult to realise. The spread between the bid and offer prices of shares in Titan's AIM-traded companies may be wide and thus the price used for their valuations may not be achievable.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of Titan's internal controls are contained in the Corporate Governance report on page 29.

Further details of Titan's financial risk management objectives and policies are provided in Note 16 to the financial statements.

### Gender and Diversity

The Board of Directors comprises one female and three male Non-Executive Directors with considerable experience of the VCT industry and investment in early stage growth companies. The gender and diversity of the constitution of the Board is reviewed on an annual basis.

### Human Rights Issues

Due to the structure of Titan, which has no employees and only four Non-Executive Directors, there are no Human Rights Issues to report.

The Strategic Report was approved by the Board and signed on its behalf by:



John Hustler  
Chairman  
30 January 2017

# Investment Manager's Review

## Personal Service

At Octopus, we focus on both managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment.

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. At the time of writing we manage six VCTs, including this VCT, and manage over £600 million in the VCT sector. Octopus has over 460 employees.

## Investment Strategy Implementation

Titan invests in companies that we believe have great potential, but which need financial support in order to realise their potential. Each company that we target has the opportunity to create a large business by taking a relatively modest market share, given the size of the markets that they address. We are particularly interested in businesses that are led by excellent management teams and which focus on innovation through technology. Based on this investment strategy we have created a balanced portfolio spanning multiple industries and business sectors.

Having reached the level of invested funds required by HMRC, our focus has now shifted to managing the portfolio and optimising growth in the investee companies whilst also seeking to add new investments where appropriate. The current portfolio of holdings encompasses investments in 52 companies (49 unquoted and three quoted, excluding three companies in liquidation and one in administration but including the underlying companies in Zenith). Over the last year, the companies in the portfolio have generated more than £147 million in additional revenue and employed approximately 800 additional people, with over a third of the companies growing revenue at over 50% per annum.

As Investment Manager, we typically invest in significant minority equity stakes in these qualifying companies. These investments provide the financial capital for the businesses to build and grow

their operations with the objective being either to float or to sell these businesses at some point in the future. These entrepreneurial early stage businesses, often developing innovative new products and services, frequently face challenges as they seek to establish themselves in their market. The amount of capital we initially deploy is typically intended to be only the first investment that we will make into a business, prior to seeing if the company meets or exceeds its initial milestones.

If the business is unsuccessful in meeting these initial milestones, we strive to minimise the financial exposure of Titan to the business, to mitigate the risk of what is commonly referred to as "good money after bad".

Other businesses which meet some, but not necessarily all, of their milestones will require more time to prove their concept. As such these businesses may be reduced in value prior to our making a further investment. This is intended to give them an opportunity to progress further and prove more convincingly their business models.

Finally, there are those that meet and exceed the expectations initially set. It is these businesses in which we actively seek to increase our investment exposure as they prove their ability to create significant and valuable businesses.

Our investment approach requires us to maintain liquidity in Titan in order to ensure adequate resources are available to support further portfolio funding needs as they arise. This liquidity should be further enhanced following the current Prospectus offer for new shares as described in the Chairman's Statement, and it is an important feature of our investment strategy, with the primary objective being to deliver sustainable returns to shareholders.

## Performance

The following graph represents the performance of Titan over the last five years since 31 October 2012 in NAV, dividends paid and NAV plus cumulative dividends paid (total value):

The Total Value has seen a significant increase since 31 October 2012 as shown on the graph, from 127.9p to 158.9p. This represents an increase of 24% in value in the last four years. Additionally the dividends paid between 31 October 2012 and 2016 were 55.0p per share representing a significant cash return to investors.

The performance over the last five years is represented below:

	31/10/2012	31/10/2013	31/10/2014	31/10/2015	<b>31/10/2016</b>
NAV, p	121.9	95.2	101.4	102.7	<b>97.9</b>
Dividends paid, p	6.0	42.5	47.5	52.0	<b>61.0</b>
Total value, p	127.9	137.7	148.9	154.7	<b>158.9</b>
Total return %*	36.0%	8.0%	11.8%	5.7%	<b>4.1%</b>

\*The figures for 2012-2015 have been recalculated using a different method to the prior year Accounts, as detailed on the Financial Summary on page 1.

The following graph shows the cumulative total value since 30 April 2008.

#### Cumulative Total Value by date

### Portfolio Review

As at 31 October 2016 the NAV was 97.9p per share, compared to 102.7p per share as at 31 October 2015 which represents an increase in NAV of 4.2p per share after adding back dividends paid during the year of 9.0p (2015: 4.5p) per share. This represents a considerable increase of 4.1% (2015: 5.7%). The performance of the portfolio continued to be strong this year with a number of portfolio companies having uplifts in fair value which totalled over £37 million. Downward revaluations in the period totalled £12 million.

In particular Zenith Holding Company, which owns a stake in Calastone, Zoopla Property Group, Nature Delivered (Graze) and Secret Escapes, through its interest in the Zenith fund, performed very well with the individual investment holdings delivering significant growth. As previously reported, these holdings were sold to Zenith in order to maintain the qualifying status of the VCT, deliver cash back to Titan and ensure that a stake could be held by Titan so that it may continue to share in the growth of the underlying assets. At the year end, Zenith comprised 13% of the total net assets of Titan.

As expected with the nature of the businesses we invest in, some of the portfolio companies have fallen behind expectations and budgets resulting in reductions in fair value of the companies. We work closely with the management teams of these companies to realise their potential or limit investment losses.

Titan now holds over 90% of its assets in qualifying holdings from an HMRC perspective and we continue to work with each portfolio business as they develop in their respective markets.

### Disposals

Titan made three extremely successful disposals in the year – SwiftKey, Magic Pony Technology and Vision Direct Group, which, in total, yielded proceeds of over £48 million for Titan and produced realised gains on the invested capital totalling over £38 million.

### New and follow-on investments

Your Investment Manager is always looking for opportunities to invest in new companies where capital growth can be achieved. Titan made six new investments in the year totalling £8 million taking the total number of portfolio companies to 52 as at 31 October 2016 (49 unquoted and three quoted, excluding three companies in liquidation and one in administration but including the underlying companies in Zenith). These investments are in a variety of different sectors, further diversifying the portfolio.

We have built a strong portfolio but it is important to support the companies where appropriate to allow them to invest for growth and alleviate working capital pressure. During the year, 24 follow-on investments totalling over £38 million were made.

The six new investments comprised:

- **Big Health Limited** – a digital medicine company that creates mobile apps to deliver cognitive behavioural therapy (CBT) to sufferers of mental health disorders
- **Bought By Many Limited** – an online insurance intermediary which enables existing insurers to provide insurance policies to very specific customer segments
- **Chronext AG** – an online market place for purchasing authenticated new and second-hand luxury watches
- **Segura Systems Limited** – offers a Software-as-a-Service (SaaS) solution, Segura Order Manager, which aims to solve the problem of supply chain visibility
- **Streetbees.com Limited** – a network of on-demand, mobile participants that can be recruited and mobilised to provide consumer insights, market research, and a broad range of deep market intelligence solutions to principally consumer-facing businesses
- **Wave Optics Limited** – a business that designs a critical component, known as a waveguide, for use in Augmented Reality (AR) glasses

Subsequent to the year end two follow-on investments completed which were committed at 31 October and eight separate follow-on investments and two new investments were made, totalling £13.5 million. Further details can be seen in Note 17.

## Outlook

The entrepreneurial ecosystem in the UK and across Europe is coming of age. Despite an uncertain time in the wider markets the businesses we are seeing continue to raise their ambitions and the endless power of technology to disrupt, replace and reinvent whole industries makes the next decade extremely exciting for our investee companies.

Our primary focus is to build on the success of our established portfolio whilst actively seeking new opportunities. We are confident that due to our sectoral diversity, ability to recognise world class innovation and our reputation for supporting exceptional management teams, that we are well positioned to continue to attract, grow and exit from industry defining businesses. All of these factors combine to make us optimistic about our clear intention to generate further increases in the Total Value of Titan, which will be distributed to shareholders through regular and special tax-free dividends.

## Valuation Methodology

### Initial valuation

Financial assets are measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

### Subsequent valuation

Further funding rounds are a good indicator of subsequent fair value and this measure is used where appropriate. Subsequent adjustment to the fair value of unquoted investments can be made using sector multiples based on information as at 31 October 2016, where applicable. In some cases the multiples can be compared to specific companies, especially where a particular sector multiple does not appear appropriate.

In accordance with the IPEVC valuation guidelines, investments made within 12 months are usually kept at cost unless performance indicates that fair value has changed.

Quoted investments are valued at market bid price. No discounts are applied.

If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: [www.privateequityvaluation.com](http://www.privateequityvaluation.com).

## Investment Portfolio

Fixed asset investments	Sector	Investment cost as at 31 October 2016 (£'000)*	Amount invested in the year ending 31 October 2016 (£'000)
Zenith Holding Company Limited**	Other	14,701	-
UltraSoC Technologies Limited	Hardware	7,754	667
Sofar Sounds Limited	Travel & Leisure	7,705	4,949
MIRACL Limited	Security	7,320	2,722
Sourceable Limited	Ecommerce	6,957	2,928
Amplience Limited	Business Software	5,986	-
Zynstra Limited	Business Software	5,840	1,475
Oxcis Aviation Limited	Travel & Leisure	5,614	3,968
CurrencyFair Limited	Financial Services	5,547	2,731
London House Exchange Limited	Property	5,175	4,320
Artesian Solutions Limited	Business Software	4,838	637
Adbrain Limited	Advertising	4,663	1,603
Uniplaces Limited	Property	4,657	2,125
Michelson Diagnostics Limited	Health and Medicinal	4,542	73
Secret Escapes Limited	Travel & Leisure	4,256	-
Conversocial Limited	Business Software	4,165	916
Semafone Limited	Business Software	3,594	-
Big Health Limited	Health and Medicinal	3,276	3,276
Mi-Pay Group plc	Business Software	3,011	-
lovox Limited	Business Software	2,889	1,150
Bought By Many Limited	Financial Services	2,780	2,780
Smartkem Limited	Hardware	2,714	932
Metrasens Limited	Hardware	2,688	-
Affectv Limited	Advertising	2,627	-
The Faction Collective SA	Travel & Leisure	2,429	147
e-Therapeutics plc	Health and Medicinal	2,415	-
Eve Sleep Limited	Ecommerce	2,394	1,804
Bowman Power Limited	Hardware	2,305	-
Ecrebo Limited	Business Software	2,151	-
Origami Energy Limited	Hardware	2,033	1,283
Kabbee Exchange Limited	Travel & Leisure	2,000	-
Surrey NanoSystems Limited	Hardware	1,993	-
Elliptic Enterprise Limited	Business Software	1,662	677
Tailsco Limited	Food	1,506	1,314
TrialReach Limited	Health and Medicinal	1,438	376
Hubbub Deliveries Limited	Food	1,133	-
Segura Systems Limited	Business Software	1,085	1,085

BridgeU Inc.	Business Software	979	-
Streethub Limited	Ecommerce	851	-
Trafi Limited	Travel & Leisure	800	-
Chronext AG	Ecommerce	797	797
Time Out Group PLC	Travel & Leisure	555	-
Behaviometrics AB	Security	502	-
Permutive Inc.	Business Software	391	-
Wave Optics Limited	Hardware	362	362
Mailcloud Limited	Business Software	327	-
Phasor Inc.	Hardware	250	-
Excession Technologies Limited	Business Software	208	108
Streetbees.com Limited	Business Software	140	140
Seedcamp III LP	Other	110	37
Magic Pony Technology Limited	Hardware	-	544
<b>Total fixed asset investments</b>		<b>154,115</b>	<b>45,926</b>

\*Investment cost reflects the amount invested into each investee company from Titan's 1 - 5 before the 2014 merger and from Titan after the merger. This is different to the book cost (as per note 10) which includes the holding gains/(losses) on assets which transferred from Titan's 1, 3, 4 & 5 to Titan 2 (now Titan) during the 2014 merger, as Titan purchased these assets at fair value.

\*\*Owns stakes in Nature Delivered Limited (trades as graze), Secret Escapes Limited, Calastone Limited and Zoopla Property Group plc.

The top 10 investments detailed in the table represent 63% by value of the investment portfolio and account for an uplift in valuation of £28 million for the year.

The table above excludes three companies in liquidation (Shopa Limited, Phase Vision Limited and Applied Superconductor Limited) and one in administration (Aframe Media Group Limited).

## Sector Analysis

### Total Investments by Cost

### Total Investments by Value

## Review of Investments

During the year 24 follow-on investments were made, amounting to over £38 million and six new investments amounting to £8 million.

Quoted and unquoted investments are valued in accordance with the accounting policy set out in accounting Note 1 which takes account of current industry guidelines for the valuation of venture capital portfolios and is compliant with IPEVC Valuation guidelines and current financial reporting standards.

Listed below are details of Titan's ten largest investments by value.

### Zenith Holding Company Limited

Zenith Holding Company has a holding in Octopus Zenith LP, an Octopus managed fund, which holds stakes in Secret Escapes, Zoopla Property Group, Nature Delivered (Graze) and Calastone, which were formerly held by Titan 1-3 prior to the merger of the five Titan VCTs in November 2014. Following the merger, Zenith became a 100% owned investment of Titan.

Founded in April 2007, Graze is the UK's first company to deliver healthy and nutritionally balanced food by post, straight to the home or office. Graze promotes a varied and balanced diet through facilitating the intake of a wide variety of smaller portions of natural, high energy foods throughout the day, allowing for a healthier approach to eating delicious foods. Customers can select Graze boxes created by the company's team of nutrition specialists to place orders for personalised assortments of foods to match their specific tastes and needs including health, diet and indulgent treats. The company has offices in the UK and the US.

Calastone is a financial technology company. Its mission is to make markets friction-free by connecting trading partners through its global fund transaction network. More than 910 customers in 27 domiciles are now processing domestic and cross border transactions via Calastone, benefitting from the cost and risk reduction opportunities transaction automation can offer. Its purpose is to use smart technology solutions and industry collaboration to enable global distribution, reduce operational risk, and enhance client profitability. Calastone is part of Fintech50, ranked in The Sunday Times Hiscox Tech Track 100 and is one of the UK Government Tech City's Future Fifty companies, recognised for high growth and transforming industries. Calastone has offices in London, Luxembourg, Hong Kong and Sydney.

Zoopla Property Group Plc (LSE:ZPLA) is a digital media business that owns and operates some of the UK's most widely recognised and trusted online brands including Zoopla, PrimeLocation, SmartNewHomes and uSwitch. Its websites and mobile apps attract over 40 million visits per month, generating over 2 million leads per month for our partners. Zoopla Property Group Plc was founded in 2007, listed on the London Stock Exchange in 2014, and has a highly-experienced management team, led by Founder & CEO, Alex Chesterman.

Launched in 2011, Secret Escapes is an online travel club. Members of Secret Escapes may purchase luxury holidays at significant discounts. Members have the opportunity to purchase for a limited period of time (less than seven days) but can choose when to stay at a particular hotel over an extended period of time. The business has offices in London, Sweden, Spain, Poland, Germany, Singapore and the US.

<b>Country of incorporation:</b>	The Cayman Islands
<b>Initial investment date:</b>	June 2013
<b>Investment cost:</b>	£14,701,000
<b>Valuation including impending distributions:</b>	£40,192,000*
<b>Last accounts:</b>	31 October 2015
<b>Profit before tax:</b>	£3,551,048
<b>Net assets:</b>	£3,546,933

\*£6,432,000 is owing to Titan arising from historic partnership distributions. The remaining £33,759,000 relates to Titan's remaining value in Zenith.

**Secret Escapes Limited**

Launched in 2011, Secret Escapes is an online travel club. Members of Secret Escapes may purchase luxury holidays at significant discounts. Members have the opportunity to purchase for a limited period of time (less than seven days) but can choose when to stay at a particular hotel over an extended period of time. The business has offices in London, Sweden, Spain, Poland, Germany, Singapore and the US.

<b>Initial investment date:</b>	April 2011
<b>Investment cost:</b>	£4,256,000
<b>Valuation:</b>	£23,389,000
<b>Last submitted group accounts:</b>	31 December 2015
<b>Turnover:</b>	£30,888,000
<b>Profit before tax:</b>	£(21,467,000)
<b>Net assets:</b>	£10,729,000

**Amplience Limited**

Amplience helps retailers deliver profitable growth through improved online shopping experiences across desktop computers, tablets and smartphones. Amplience continues to make good progress with recent customer wins including Furniture Village, Sears and Playmobile. Future growth will be underpinned by the recent launch of its new content authoring product (a next generation content management system) which is attracting significant interest from new and existing customers.

<b>Initial investment date:</b>	December 2010
<b>Investment cost:</b>	£5,986,000
<b>Valuation:</b>	£14,847,000
<b>Last submitted group accounts:</b>	30 June 2015 (abbreviated)
<b>Turnover:</b>	not disclosed
<b>Profit before tax:</b>	not disclosed
<b>Net assets:</b>	£2,611,000

**Sourceable Limited (trades as Swoon Editions)**

Swoon Editions (Sourceable) sells high-quality furniture at insider prices. Sourcing direct from factories in India, China and Vietnam, it buys in container quantities and sells direct to consumers and through media partnerships. The volume purchasing and direct sales allow Swoon Editions to sell more efficiently than other retailers and to sell at approximately 50 per cent off retail prices, while maintaining a 40 to 50 per cent gross margin.

<b>Initial investment date:</b>	March 2013
<b>Investment cost:</b>	£6,957,000
<b>Valuation:</b>	£11,897,000
<b>Last submitted group accounts:</b>	31 July 2015 (abbreviated)
<b>Turnover:</b>	not disclosed
<b>Profit before tax:</b>	not disclosed
<b>Net assets:</b>	£4,329,038

**Uniplaces Limited**

Uniplaces is the international online marketplace for student accommodation. Uniplaces solves a problem for both the demand (students looking for accommodation) and supply side (landlords) of the market. Uniplaces brings both sides of the market together to create an interactive marketplace, which allows the parties to transact online in a far more efficient and streamlined manner. The verification and production of quality listings is what sets Uniplaces apart from its competitors.

<b>Initial investment date:</b>	October 2013
<b>Investment cost:</b>	£4,657,000
<b>Valuation:</b>	£10,629,000
<b>Last submitted group accounts:</b>	31 December 2014 (abbreviated)
<b>Turnover:</b>	not disclosed
<b>Profit before tax:</b>	not disclosed
<b>Net assets:</b>	£2,108,000

**Semafone Limited**

Semafone allows consumers to give their credit card details to call centre operators securely via the telephone keypad while still engaged in a conversation with the agent. The core value proposition is based on the prevention of card-not-present fraud, together with the avoidance of any associated loss of reputation. Their product enables the call centres to become 'PCI DSS compliant' as no card data is seen, heard or recorded anywhere in the call centre.

<b>Initial investment date:</b>	June 2010
<b>Investment cost:</b>	£3,594,000
<b>Valuation:</b>	£9,220,000
<b>Last submitted group accounts:</b>	31 December 2015
<b>Turnover:</b>	£5,046,245
<b>Profit before tax:</b>	£(1,837,231)
<b>Net assets:</b>	£2,554,196

**Sofar Sounds Limited**

Sofar Sounds organises small, intimate music performances in unique spaces across the globe. Each event is filmed and can be watched free online via their dedicated YouTube multi-channel network. This broadcasting capability has created a community of music lovers from across the world, online and in person. The business is supported by a volunteer network of scouts and event producers, helping Sofar recruit hand-picked artists to play at the gigs.

<b>Initial investment date:</b>	March 2014
<b>Investment cost:</b>	£7,705,000
<b>Valuation:</b>	£8,928,000
<b>Last submitted group accounts:</b>	31 December 2015 (abbreviated)
<b>Turnover:</b>	not disclosed
<b>Profit before tax:</b>	not disclosed
<b>Net assets:</b>	£2,015,00

**London House Exchange Limited (trades as Property Partner)**

Property Partner (London House Exchange Ltd) uniquely combines residential crowdfunding with a secondary exchange upon which investors can trade their holdings. The company allows anyone to invest in an individual property of their choice, with as little or as much as they wish, so they can own a share of the property, receive rental income and access capital growth. Property Partner carries out the letting and management of the properties on behalf of investors.

Property Partner brings accessibility, simplicity and transparency to a residential property market that has traditionally had high barriers to entry.

<b>Initial investment date:</b>	September 2014
<b>Investment cost:</b>	£5,175,000
<b>Valuation:</b>	£8,098,000
<b>Last submitted group accounts:</b>	31 December 2015
<b>Turnover:</b>	£379,055
<b>Profit before tax:</b>	£(4,247,024)
<b>Net assets:</b>	£2,160,394

**Conversocial Limited**

Conversocial is a cloud solution that enables businesses to manage digital media as a large-scale customer service channel. The company's software is used in the contact centres of major retailers, travel companies, banks and telecommunications companies to help them deal with questions and complaints through channels like Facebook and Twitter. Conversocial has over 200 clients, including Google, Tesco, Sainsbury's, Waitrose, Marks & Spencer, Barclaycard, Hertz and Coach. It is headquartered in London and New York.

<b>Initial investment date:</b>	May 2013
<b>Investment cost:</b>	£4,165,000
<b>Valuation:</b>	£7,683,000
<b>Last submitted group accounts:</b>	31 December 2015 (abbreviated)
<b>Turnover:</b>	not disclosed
<b>Loss before tax:</b>	not disclosed
<b>Net assets:</b>	£14,885,319

**CurrencyFair Limited**

CurrencyFair is an online currency exchange and money transfer service. CurrencyFair allows its customers to transact in two ways. First, it can make instant currency transactions at a set rate (with the liquidity provided by CurrencyFair). Second, through the peer-to-peer marketplace, where a user can set their own target exchange rates and then wait to see if this is matched by other peers in the market. The marketplace model gives the customer control and transparency over their transfers, and a choice between cost and speed of transaction, at a significantly better price than traditional exchange services, such as banks and foreign exchange brokers. CurrencyFair's headquarters are in Dublin, Ireland.

<b>Initial investment date:</b>	March 2015
<b>Investment cost:</b>	£5,547,000
<b>Valuation:</b>	£7,212,000
<b>Last submitted group accounts:</b>	30 June 2015 (abridged)
<b>Turnover:</b>	not disclosed
<b>Profit before tax:</b>	£(3,270,408)
<b>Net assets:</b>	£5,412,472

### How Octopus creates and delivers value for the shareholders of Titan

Titan focuses on providing early stage, development and expansion funding to predominantly unquoted companies. The focus has been to establish a portfolio of qualifying investments in companies that have the potential to achieve a high level of profitability through the combination of:

- **Scalability:** The potential to deliver services to significant numbers of new customers at very low incremental cost and to generate repeat sales from customers.
- **Scope:** The ability to expand into complementary areas by leveraging customer and/or distributor relationships, new product development or brand positioning.
- **Pricing power:** An ability to charge high and defensible prices for its products or services as a result of having intellectual property rights, a strong brand and/or a dominant position in a market niche.

The Investment Manager looks to identify opportunities where the people involved – the entrepreneur, management team, investors, advisers and any other significant stakeholders – have a record of success. In accordance with its investment policy Titan will invest across a range of technology sectors.

A key part of our ability to attract and support the UK's most promising businesses is our demonstrable track record of providing value adding hands-on support and advice to our portfolio. One example of this is the 2016 opening of an Octopus Ventures office in New York that was set up with the sole purpose of helping the businesses that we have backed to successfully scale in the US. Currently just over half of the companies in the Titan portfolio are now operational in the US and with our support we expect this number to grow as an increasing number of the companies start to realise their global ambitions.

#### Investment Process

The Investment Manager follows a multi-stage process prior to making qualifying investments in unquoted companies.

#### Initial Screening

If the initial review of the business plan is positive, a meeting is held with the management team of the business in order to assess the team in terms of its ability to achieve the objectives set out in the business plan. The proposition is then discussed and reviewed with the other members of the Octopus team and a decision is taken as to whether to continue discussions with the company with a view to making an investment.

#### Due Diligence

Prior to making an investment, due diligence is carried out on the potential investment company. The due diligence process includes a review of the investee company's technology, discussions with customers and suppliers, competitive analysis, assessment of the capabilities of the management team and financial analysis.

In addition, the Octopus investment team is supported by the Octopus Venture Partners – a group of around 90 entrepreneurs and business experts including a number of ex-FTSE chairmen and chief executives. The Octopus Venture Partners may be involved at an early stage in the investment decision making process, involving members with relevant industry experience as part of the initial due diligence and they may go on to invest alongside Octopus in investee companies.

Additionally, Octopus also draws on professional input from lawyers, accountants and other specialists as required in order to conduct the due diligence and draw up the required legal documentation in order to complete an investment.

#### Post-Investment Monitoring

Octopus will usually appoint at least one representative to the board of each investee company. The majority of the investments are expected to be held for approximately five years. There may, however, be opportunities to exit profitably on shorter timescales. The Investment Manager will conduct a regular review of the portfolio, during which each investment company will be assessed in terms of its commercial and financial progress, its strategic positioning, requirement for further capital, progress towards an eventual exit and its current and prospective valuation. As each company matures, the exit considerations become more specific, with a view to establishing a definitive action plan in order to achieve a successful sale of the investment. Throughout the cycle of an investment the Investment Manager will remain proactive in determining the appropriate time and route to exit. It is expected that the majority of exits will be by means of a trade sale or by a float/IPO.

If you have any questions on any aspect of your investment, please call one of the Octopus Ventures team on **0800 316 2295**.

Octopus Ventures Team  
Octopus Investments Limited  
30 January 2017

# Details of Directors

## **John Hustler (Non-Executive Chairman)**

John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Hygea VCT plc. He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000 and was a member of the Council of the British Venture Capital Association from 1989-1991.

## **Matt Cooper (Non-Executive Director)**

Matt currently works as a non-executive chairman and/or director with a range of public and private companies. These include Octopus Capital Limited, Imaginatik Plc, ClearlySo Ltd, VouchedFor Ltd, Tandem Bank Limited, and the National Centre for Circus Arts. Matt's areas of expertise include corporate strategy formulation, brand and marketing and implementation, organisational culture and design, and executive coaching and leadership. Previously, Matt was Principal Managing Director of Capital One Bank Europe plc until leaving the company in 2001. Originally from New Jersey, Matt graduated first in his class in Chemistry from Princeton University in 1988.

## **Mark Hawkesworth (Non-Executive Director)**

Mark was appointed a director on 27 November 2014. He retired as an investment partner at Nova Capital Management Limited in January 2010, having spent more than 25 years in the private equity industry. Prior to joining Nova, he was a senior partner at Baring Private Equity Partners and also spent 12 years at Lazard. Mark originally trained as an electrical engineer and spent his early career working for international engineering companies such as Taylor Woodrow, Trafalgar House and BICC/Balfour Beatty. Mark is Treasurer of The Gordon Foundation, and has recently retired from being a Member of Council of the University of Bath. He was a director and Chairman of Octopus Titan VCT 3 plc from 17 March 2008 to 27 November 2014.

## **Jane O'Riordan (Non-Executive Director)**

Jane is the Managing Director of Yellowwoods (previously Capricorn) Associates UK Limited, a private equity and venture capital advisory firm where she has been involved in the strategic development of companies such as Nando's, Gourmet Burger Kitchen, Pizza Express/Gondola and Broker Network as well as many others. Prior to joining Capricorn in 1997, Jane was a director with Braxton Associates, the then strategic consulting division of Deloitte & Touche. In addition to over 20 years of private equity, venture capital and management consulting experience, Jane worked for three years with British Aerospace as a spacecraft systems engineer. Jane has a first class BSc in mechanical engineering and an MBA from Harvard Business School. Jane was a director and Chairman of Octopus Titan VCT 5 plc from 17 November 2010 to 27 November 2014.

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 October 2016.

The Directors consider that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess Titan's performance, business model and strategy.

## Directors

Brief biographical notes on the Directors are given on page 23.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Hawkesworth offers himself for re-election and the Board recommends his re-election at the forthcoming Annual General Meeting. The Board has considered provision B.7.2 of the The UK Corporate Governance Code and following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 28, believes that Mr Hawkesworth continues to be effective and demonstrate commitment to his role, the Board and Titan. The Board therefore has no hesitation in recommending him for re-election at the forthcoming Annual General Meeting.

Mr Cooper is not considered to be independent due to his role as Chairman of Octopus Investments Limited, Titan's Investment Manager. As a non-independent Director, Mr Cooper will stand for re-election at the 2017 Annual General Meeting of Titan as required by Listing Rule 15.2.13A. The Board has also considered provision B.7.2 of The UK Corporate Governance Code and believes that he continues to be effective and to demonstrate commitment to his role, the Board and Titan. The Board therefore has no hesitation in recommending him for re-election at the forthcoming Annual General Meeting.

Further details can be found in the Corporate Governance report on pages 27 to 30.

## Directors' and Officers' Liability Insurance

Titan has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to Titan.

## Going Concern

Titan's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, on pages 2 to 22. Further details on the management of financial risk may be found in Note 16 to the financial statements.

The Board receives regular reports from Octopus and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, taking into account all available information about Titan relating to the 12 months from the date the financial statements were authorised

for issue, it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

The assets of Titan include securities which are readily realisable (12.0% of net assets) and, accordingly, Titan has adequate financial resources to meet its expenses and commitments made under share buybacks and to continue in operational existence for the foreseeable future.

## Management

Titan has in place an agreement with Octopus to act as Investment Manager which is central to the ability of Titan to continue in business. The principal terms of Titan's management agreement with Octopus are set out in Notes 3 and 19 to the financial statements. Octopus also provides secretarial, administrative and custodian services to Titan.

There are no other contracts which are deemed to be essential to the business of Titan.

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Investment Manager is in the best interests of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of Octopus to produce satisfactory investment performance in the future. It also considered the length of the notice period of the management agreement and fees payable to Octopus, together with the standard of other services provided, as set out above. Details of the fees paid to Octopus in respect of services provided are detailed in Note 19 to the financial statements.

With the exception of Mr Cooper, no Director has an interest in any contract to which Titan is a party. Mr Cooper is the Chairman of Octopus.

Titan has established a performance incentive scheme whereby Octopus is entitled to an annual performance-related incentive fee in the event that certain performance criteria are met. The criteria were met in 2016 resulting in a performance fee payable to Octopus. Further details of this scheme are disclosed within Note 19 to the financial statements.

The Board has delegated the routine management decisions such as the payment of standard running costs to Octopus. However, investment decisions are discussed and agreed with the Board.

## Whistleblowing

The Board has considered the arrangements implemented by Octopus in accordance with The UK Corporate Governance Code's recommendations, to encourage staff of the Investment Manager or the Company Secretary to raise concerns, in confidence, within their organisation about possible improprieties in matters of financial reporting or other matters. It is satisfied that adequate arrangements are in place to allow an independent investigation, and follow on action where necessary, to take place within the organisation.

### Bribery Act

Octopus has an Anti-Bribery Policy which introduced robust procedures to ensure full compliance with the Bribery Act 2010 and to ensure that the highest standards of professional ethical conduct are maintained. All employees and those working for, or on behalf of, the firm are aware of their legal obligations when conducting company business.

### VCT Regulation

Compliance with required rules and regulations is considered when all investment decisions are made. Titan is further monitored on a continual basis to ensure compliance. The main criteria to which Titan must adhere is detailed on page 61.

The Finance Act 2014 amended the rules relating to 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 that date, a dividend is paid (or other forms of distributions or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may affect the amount of distributable reserves to allow dividends to continue to be paid in line with the current dividend policy.

The Finance (No 2) Act 2015 received Royal Assent in November 2015 and introduced a number of changes to VCT rules to bring the legislation into line with EU State Aid Risk Finance Guidelines. The legislation introduced new criteria which stipulates a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised.

Titan will continue to ensure its compliance with the qualification requirements.

### Environment Policy and Greenhouse Gas Emissions

The Board has no specific environmental policy; however, Titan recognises the need to conduct its business, including investment decisions, in a manner that is responsible to the environment wherever possible.

Titan does not produce any reportable emissions as the fund management is outsourced to Octopus, with no physical assets or property held by Titan. As Titan has no employees or operations, it is not responsible for any direct emissions.

### Share Capital

Titan's ordinary share capital as at 31 October 2016 comprised 322,617,156 (2015: 222,460,762) Ordinary shares of 10p each (as at that date none of the shares were held by Titan as Treasury shares).

### Share Issues and Open Offers

On 8 September 2015, Titan launched an offer for subscription for Ordinary shares of 10p to raise up to £50 million in aggregate with an over-allotment of £30 million plus two further top up offers

totalling £25 million. In total 104,412,563 shares were issued during the year (inclusive of DRIS) raising approximately £109.5 million net of costs.

On 23 August 2016 Titan launched an offer for subscription for Ordinary shares of 10p to raise up to £70 million in aggregate with an over-allotment facility of £50 million. On 16 December 2016, 21 December 2016 and 26 January 2017, 56,927,819 shares, 1,393,259 shares and 9,311,815 shares respectively were issued under this offer at an issue price of 103.6p per share, equivalent to the current NAV of 97.9p grossed up by 5.5% (as set out in the Prospectus dated 23 August 2016).

### Share Buybacks

During the year Titan purchased 4,255,643 shares, with a nominal value of £425,564 for cancellation at a weighted average price of 92.2p per share for a total consideration of approximately £3.9 million, which represents 1.9% of the shares at the prior year end (2015: 6,225,734 shares, with a nominal value of £622,573 for cancellation at a weighted average price of 92.0p per share for a total consideration of £5,727,000). These were repurchased in accordance with Titan's share buyback facility in order to assist the marketability of the shares and to prevent the shares trading at a wide discount to the NAV.

### Cancellation of Share Premium Account and Capital Redemption Reserve

On 8 June 2016 the High Court of Justice, Chancery Division approved the cancellation of Titan's share premium account. As a result of this cancellation approximately £93.9 million was transferred to the special distributable reserve.

### Rights Attaching to the Shares and Restrictions on Voting and Transfer

Subject to any suspension or abrogation of rights pursuant to relevant law or Titan's Articles of Association, the shares confer on their holders the following principal rights:

- (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by Titan;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of Titan remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of Titan. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which

that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in Titan's Articles of Association with a notice pursuant to s793 of the Companies Act 2006 (notice by Titan requiring information about interests in its shares), Titan can, until the default ceases, suspend the right to attend and speak and vote at a general meeting. If the shares represent at least 0.25% of their class Titan can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in Titan's Articles of Association and in company law (principally the Companies Act 2006).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in Titan's Articles of Association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The Directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The Directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which Titan has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the Directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in Titan's Articles of Association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

### **Directors' Authority to Allot Shares, to disapply Pre-emption Rights**

The authority proposed under Resolution 8 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer potential shareholders an opportunity to invest in Titan in a tax-efficient manner without Titan having to incur substantial costs. Any consequent modest increase in the size of Titan will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with Titan's investment policy and may be used, in part, to purchase Ordinary shares in the market.

Resolution 8 renews the Directors' authority to allot Ordinary shares. Such authority would expire at the later of the conclusion of Titan's next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of the Resolution, giving the Directors authority to allot up to 10% of Titan's issued share capital as at the date of the notice of AGM. This authority is in addition to existing authorities.

Resolution 9 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This Resolution would authorise the Directors, until at the conclusion of the next Annual General Meeting of Titan following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution, to issue Ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issue shares out of Treasury up to 10% of Titan's issued share capital. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole. This authority is in addition to existing authorities.

### **Directors' Authority to Make Market Purchase of its Own Shares**

The authority proposed under Resolution 10 is required so that the Directors may make purchases of up to 19,512,528 Ordinary shares, representing approximately 5% of Titan's issued share capital as at the date of the notice of AGM. Any shares bought back under this authority will be at a price determined by the Board, (subject to a minimum price of 10p (being the nominal value of such shares) and a maximum price of 5% above the average mid-market quotation for such shares on the London Stock Exchange and the applicable regulations thereunder) and may be cancelled or held in Treasury as may be determined by the Board. The authority conferred by Resolution 10 will expire 18 months from the date of the passing of the Resolution unless renewed, varied or revoked by Titan in a general meeting and will be in addition to existing authorities. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole.

### Substantial Shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to Titan under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

### Independent Auditor

James Cowper Kreston offer themselves for re-appointment as auditor. A Resolution to re-appoint James Cowper Kreston will be proposed at the forthcoming AGM.

### Information given in the strategic report

Information on dividends and likely future development has not been given in the Directors' Report as equivalent disclosure has been given in the Strategic Report.

### Corporate Governance

The Board of Titan has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide).

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in The UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Titan. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates The UK Corporate Governance Code), will provide better information to shareholders.

Titan is committed to maintaining high standards in Corporate Governance. The Directors consider that Titan has, throughout the period under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 30.

### Board of Directors

Titan has a Board of four Non-Executive Directors, three of whom are considered to be independent. Mr Cooper is not considered to be independent due to his role as Chairman of Octopus. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board as set out in the Strategic Report on page 2.

Subject to the provisions of the Companies Act 2006, the Articles of Association of Titan and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of Titan is to be managed by the Directors, who may exercise all the powers of Titan, whether relating to the management of the business or not. In particular, the Directors may exercise on behalf of Titan its powers to purchase its own shares to the extent permitted by shareholders.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of Octopus;
- the performance of Titan, including monitoring of the discount of the net asset value to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day-to-day business of Titan. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its committees. Directors may also take independent professional advice at Titan's expense where necessary in the performance of their duties. The Board does not consider it necessary for the size of the Board or Titan to identify a member of the Board as the senior Non-Executive Director.

Titan's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the year the following meetings were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings Attended
John Hustler	4	4	2	2
Matt Cooper	4	3	2	n/a
Mark Hawkesworth	4	4	2	2
Jane O'Riordan	4	4	2	1

Additional meetings were held as required to address specific issues including considering investment recommendations from Octopus, allotments and purchases of its own shares.

Titan's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting, and that Directors appointed by the Board should seek re-appointment at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least every three years with the exception of Mr Cooper who is not considered to be independent as he is the Chairman of Octopus, the Investment Manager of Titan and therefore is required to stand for re-election each year.

This practice was followed during the year under review.

	Date of Original Appointment	Due date for Re-election
John Hustler	29/10/2007	AGM 2019
Matt Cooper	29/10/2007	AGM 2017
Mark Hawkesworth	27/11/2014	AGM 2017
Jane O'Riordan	27/11/2014	AGM 2018

### Performance Evaluation

In accordance with The UK Corporate Governance Code, each year a formal performance evaluation is undertaken of the Board as a whole, its Committees and the directors in the form of one-to-one meetings between the Chairman and each director. The directors were made aware of the annual performance evaluation on their appointment. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed. There were no issues requiring action in the year; however, individual directors undertook to review certain of the Investment Manager's processes to gain a deeper understanding of the investment process. The performance of the Chairman was evaluated by the other Directors.

The Board also conducts an evaluation of Octopus, as the Investment Manager, and feedback of the results of the evaluation is provided to Octopus.

### Appointment and Replacement of Directors

A person may be appointed as a Director of Titan by the shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the Directors. No person, other than a Director retiring by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to Titan of the intention to propose that person for appointment or re-appointment in the form and manner set out in Titan's Articles of Association. Each Director who is appointed by the Directors (and who has not been elected as a Director of Titan by the members at a general meeting held in the interval since his appointment as a Director of Titan) is to be subject to election as a Director of Titan by the members at the first Annual General Meeting of Titan following his or her appointment. At each Annual General Meeting of Titan one third of the Directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which the Director may have for breach of any contract of service between him or her and Titan. A person also ceases to be a Director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, becomes prohibited by law from being a Director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes

of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in Titan's Articles of Association.

### **Powers of the Directors**

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of Titan and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of Titan is to be managed by the Directors, who may exercise all the powers of Titan, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of Titan its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at Titan's 2016 AGM to make market purchases of up to 5 per cent of the issued ordinary share capital at any time up to the 2017 AGM and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2017 AGM as set out in the notice of meeting.

### **Board Committees**

It should be noted that there is no formal Management Engagement Committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as Titan has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 33 to 35.

The Board has appointed two committees to make recommendations to the Board in specific areas:

#### **Audit Committee:**

Mark Hawkesworth  
John Hustler  
Jane O'Riordan

The Audit Committee consists of three independent Directors. The Audit Committee believes that Mark Hawkesworth possesses appropriate and relevant financial experience as per the requirements of The UK Corporate Governance Code. The Board considers that the members of the Committee are independent and have collectively the skills and experience required to discharge their duties effectively.

The Audit Committee Report is given on pages 31 and 32.

#### **Nomination Committee:**

John Hustler (Chairman)  
Matt Cooper  
Mark Hawkesworth  
Jane O'Riordan

The Nomination Committee considers the selection and appointment of Directors considering the composition and selection of the Board, appointing members on merit, measured against objective criteria with due regard for the benefits of

gender and diversity. It also makes recommendations to the Board as to the level of Directors' fees if appropriate.

### **Internal Controls**

The Directors have overall responsibility for keeping under review the effectiveness of Titan's systems of risk management and internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, Titan's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with Octopus.

Octopus identifies the investment opportunities for the consideration of the Board which ultimately makes the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by Titan and have reviewed the effectiveness of the risk management and internal control systems. As part of this process an annual review of the risk management and internal control systems is carried out in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board does not consider it appropriate to have an internal audit function due to the nature of Titan's transactions as this would not be an appropriate control for a VCT.

The risk management and internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from Titan's accounts require the authority of two approved signatories from Octopus. Titan is subject to a full annual audit whereby the auditor is the same auditor as for some of the other VCTs managed by Octopus. Further to this, the Audit Partner has open access to the Directors of Titan and Octopus is subject to regular review by the Octopus Compliance Department.

### **Financial Risk Management**

Titan is exposed to the risks arising from its operational and investment activities. Further details can be found in Note 16 to the Financial Statements.

### Relations with Shareholders

Shareholders have the opportunity to meet the Board and the Investment Managers at the Annual General Meeting and at any General Meetings held during the year. In addition to the formal business of the Annual General Meeting, the Board is available to answer any questions a shareholder may have for the Board and the Investment Managers on any matters relating to the operation and performance of Titan. The proxy figures for each meeting are announced at the meeting and are available on the Octopus website following the meeting.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 33 Holborn, London, EC1N 2HT. Alternatively, the team at Octopus will be pleased to answer any questions you may have and can be contacted on **0800 316 2295**.

### Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, Titan has complied throughout the accounting year to 31 October 2016 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. Titan does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary as it does not have any executive directors. [A.4.1]

2. New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. Titan conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a VCT. [C.3.6]
4. Titan does not have a Remuneration Committee as it does not have any executive directors. [D.1.1 – 2.4]
5. Titan has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than at the Annual or General Meetings. [E.1.1 & E.1.2]

By order of the Board

*Nicola Board*

Nicola Board (ACIS)  
Company Secretary  
30 January 2017

# Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 31 October 2016 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of Titan's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 29.

The Audit Committee's terms of reference include the following responsibilities:

- reviewing and making recommendations to the Board in relation to Titan's published financial statements and other formal announcements relating to Titan's financial performance;
- advising the Board on whether the annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- advising the Board on whether the annual Report and Accounts provides necessary information for shareholders to assess performance, business model and strategy;
- reviewing and making recommendations to the Board in relation to Titan's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that Octopus has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

As part of the process of working with the Board to maximise effectiveness, meetings of the Committee usually take place immediately prior to the Board meeting and a report is provided on relevant matters to enable the Board to carry out their duties.

The Committee reviews its terms of reference and its effectiveness periodically and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and on an ad hoc basis as necessary and has direct access to James Cowper Kreston, Titan's external auditor. The external auditor has also been appointed to provide the non-audit service of corporation tax compliance. The Committee does not believe this is sufficient to influence the independence or objectivity of the external auditor due to the fee being an

immaterial expense. When considering whether to recommend the appointment or reappointment of the external auditor the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms.

A review of the audit services was undertaken in 2013. No review was undertaken in the current year.

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenges the Auditor when present at a Committee meeting if appropriate.

Titan does not have an independent internal audit function as it is not deemed appropriate given the size of Titan and the nature of Titan's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. Octopus has appointed an internal auditor, the function of which has been outsourced to Ernst & Young. The Octopus Compliance Department regularly reports to the Board on the outcome of the internal audits that have taken place. Any significant issues arising from the Octopus internal audit that affect Titan would be raised to the Committee immediately.

The Committee will monitor the significant risks at each meeting and Octopus will work closely with the Auditor to mitigate the risks and the resultant impact.

During the year ended 31 October 2016, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of Titan's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing the Octopus statement of internal controls in relation to Titan's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of the Octopus compliance procedures;
- reviewing the appropriateness of Titan's accounting policies;
- reviewing Titan's draft annual financial and interim results statements prior to Board approval; and
- reviewing the external auditor's Audit Findings Report to the Committee on the annual financial statements;
- reviewing Titan's going concern as referred to on page 24.

The Committee has considered the whole Report and Accounts for the year ended 31 October 2016 and has reported to the Board that it considers them to be fair, balanced and understandable, providing the information necessary for shareholders to assess Titan's performance, business model and strategy.

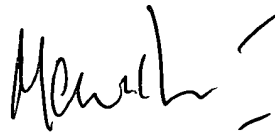
### Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks for Titan as:

- **Valuation of investment portfolio:** The Committee gives special audit consideration to the valuation of investments and supporting data provided by Octopus. The impact of this risk would be a large gain or loss in Titan's results. The valuations are supported by investment company audited accounts and third party evidence. These give comfort to the Audit Committee.
- **Management override of financial controls:** The Committee reviews all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.
- **Recognition of revenue from investments:** Investment income is Titan's source of revenue. Revenue is recognised when Titan's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

These issues were discussed with Octopus and the Auditor at the conclusion of the audit of the financial statements.

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 31 October 2016.



Mark Hawkesworth  
Audit Committee Chairman  
30 January 2017

# Directors' Remuneration Report

## Introduction

This report is submitted in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, in respect of the year ended 31 October 2016. The reporting requirements entail two sections be included, a Policy Report and an Annual Remuneration Report, which are presented below.

Titan's auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section and share information below. Their report on these and other matters is set out on pages 37 to 39.

## Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. During the year the Board undertook a review of the level of Director's remuneration, including a comparison with the fees paid to directors of other generalist VCTs. As a result of this review and with effect from 1 May 2016 the Directors' remuneration was increased as follows:

	Remuneration per annum from 1 May 2016 (£)	Remuneration per annum to 30 April 2016 (£)
Chairman	35,000	25,000
Audit Committee Chairman	30,000	22,000
Non-Executive Directors	27,500	20,000

With effect from 1 May 2016 Mr Cooper's remuneration has been paid by Octopus Investments Limited. The Board has not sought advice or services from any external person in respect of its consideration of Directors' remuneration during the year. Titan does not have a Chief Executive Officer, Senior Management or any employees.

## Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of Titan's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors retire at the first general meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but is dependent upon a shareholder vote.

Each Director received a letter of appointment which is subject to termination by the Director or Titan on three months' notice in writing. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

Titan's policy is that the fees payable to the Directors should reflect the time spent by the Board on Titan's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee, to be paid higher fees than the other Directors in recognition of their more onerous roles. The policy is to review these rates from time to time. Due to the nature of Titan, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

The maximum level of Directors' remuneration is fixed by Titan's Articles of Association, not to exceed £150,000 in aggregate; any amendment to this is by way of an ordinary resolution subject to the approval of shareholders in a general meeting.

Titan's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. The Articles of Association also entitle the Directors to be repaid all reasonable travelling, subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors; however no other remuneration or compensation was paid or payable by Titan during the year to any of the current Directors.

In accordance with the reporting requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, as a result of the change to the Remuneration Policy set out above an Ordinary resolution for its approval, to remain in force for a three year period, will be put to the members at the AGM and will become effective from that date. Subject to its approval at the AGM the Remuneration Policy will be presented to shareholders for approval again in 2020.

### Annual Remuneration Report

This Remuneration Report is subject to approval by a simple majority of shareholders at the AGM in March 2017, as in previous years.

### Statement of Voting at the Annual General Meeting

The 2015 Director's Remuneration Report was presented to the AGM in March 2016 and received shareholder approval following a vote on a show of hands. Of the 2,616,873 votes received, those for the resolution totalled 94.6%, 0.8% of votes were at the discretion of the Chairman and 4.6% of the votes cast were against, with 44,444 votes withheld. The proxy forms returned to the Registrars contained no explanation for the three votes against the resolution.

Shareholders' views are always welcome and considered by the Board. The methods of contacting the Board are set out in the Directors' Report on page 30.

### Titan Performance

The Board is responsible for Titan's investment strategy and performance, although the management of Titan's investment portfolio is delegated to the Investment Manager through the Investment Management Agreement, as referred to in the Directors' Report.

The performance graph on page 7 also shows the performance of the NAV and Total Value of Titan. Further details of Titan's performance are shown in the graphs on pages 12 and 13 in the Investment Manager's Review.

### Directors' Emoluments (Audited)

The amount of each Director's fees for the year were:

	Year ended 31 October 2016 £'000	Year ended 31 October 2015 £'000
John Hustler (Chairman)	30	25
Mark Hawkesworth (Appointed 27/11/2014)	26	19
Jane O'Riordan (Appointed 27/11/2014)	24	19
Matt Cooper*	10	19
<b>Total</b>	<b>90</b>	<b>82</b>

\*Matt Cooper's fees have been paid by Octopus Investments Limited since 1 May 2016.

The above are time apportioned for the different remuneration levels before and after the increase in the Directors' remuneration on 1 May 2016.

The Directors do not receive any other form of emoluments in addition to the Directors' fees; their total remuneration is not linked to the performance of Titan and no bonuses were or will be paid to the Directors.

The Chairman of Titan and the Chairman of the Audit Committee, receive additional remuneration over the basic Directors fee in recognition of the additional responsibilities and time commitment required of their roles.

Dividends paid to directors in the year as a result of their shareholdings in Titan are shown in Note 20.

**Relative Importance of Spend on Pay**

The actual expenditure in the current year is as follows:

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
Total Dividends paid	28,737	5,306
Total Buybacks	3,922	5,729
Total Directors Fees	90	85
Total Expenses	7,842	5,704

There were no other significant payments during the year relevant to understanding the relative importance of spend on pay.

**Statement of Directors' Shareholdings**

There are no guidelines or requirements for Directors to own shares in Titan. The interests of the Directors of Titan during the year (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 10p each are shown in the table below:

	Year to 31 October 2016	Year to 31 October 2015
John Hustler (Chairman)	71,803	68,811
Matt Cooper	750,812	395,612
Mark Hawkesworth (Appointed 27/11/2014)	65,310	54,259
Jane O'Riordan (Appointed 27/11/2014)	45,037	14,489

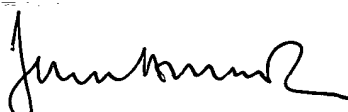
There have been the following changes in the Directors' share interests between 31 October 2016 and the date of this report:

	Shares Purchased
John Hustler	10,375
Mark Hawkesworth	10,375
Jane O'Riordan	10,375

All of the Directors' shares were held beneficially except for Jane O'Riordan who holds 38,816 Ordinary shares in a nominee account.

Any information required by legislation in relation to executive directors (including a Chief Executive Officer) or employees has been omitted because Titan has neither and therefore it is not relevant.

By Order of the Board



John Hustler  
Chairman  
30 January 2017

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland ("FRS 102"), (United Kingdom accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of Titan for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Titan will continue in business; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain Titan's transactions and disclose with reasonable accuracy at any time the financial position of Titan and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of Titan and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which Titan's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

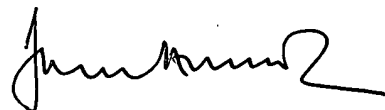
The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and the financial statements, taken as a whole, provide the information necessary to assess Titan's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Titan's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of Titan; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of Titan, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board



John Hustler  
Chairman  
30 January 2017

# Report of the Independent Auditor to the Members of Octopus Titan VCT Plc

## Independent auditor's report to the members of Octopus VCT Titan Plc

We have audited the financial statements of Octopus Titan VCT plc for the year ended 31 October 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, The Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to Titan's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Titan's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Titan and Titan's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Auditor commentary

### An overview of the scope of our audit

Our audit approach was based on a thorough understanding of Titan's business and is risk-based. The day-to-day management of Titan's investment portfolio, the custody of its investments and the maintenance of Titan's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at Titan and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant

transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

### Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £3.2 million, which is 1% of the value of Titan's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £399,000.

Performance materiality was set at £2.2 million of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as statement of total comprehensive income, directors' remuneration and related party transactions.

We determined the threshold at which will communicate misstatements to be £159,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent to Titan and we have fulfilled our ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

### Valuation of unquoted investments

Unquoted investments are the largest asset in the financial statements, and they are designated as being at fair value through profit or loss in accordance with FRS 102 and the 2014 Statement of Investment Trust Companies and Venture Capital Trusts. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as a risk that has the greatest effect on the overall audit strategy.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with Octopus, and reviewing and challenging the basis and reasonableness of the assumptions made by Octopus in conjunction with available supporting information. Titan's accounting policy on the valuation of unquoted investments is included in note 1, and its disclosures about unquoted investments held at the year end are included in note 10.

### Revenue recognition

Investment income is Titan's main source of revenue and is recognised when Titan's right to the return is established in accordance with the Statement of Recommended Practice.

Our audit work included, but was not restricted to a detailed review of those sources of income recorded in the financial statements and further consideration of other potential sources of income. Titan's accounting policy on income is included in note 1 and its disclosures about income are included in note 2.

### Management override of financial controls

Titan operates a system of financial controls to mitigate its vulnerability to fraud and its financial statements to material error and is reliant upon the efficacy of these controls to ensure that its financial statements present a true and fair view.

The financial statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the completion of the financial statements. We also reviewed material journal entries processed by management during

the period. Titan's principal accounting policies are included in note 1.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Titan's affairs as at 31 October 2016 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Other reporting responsibilities

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

#### Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of Titan acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess Titan's performance, business model and strategy; or
- the section of the Statement of Corporate Governance describing the work of the Audit Committee does not appropriately address matters communicated to us by the audit committee.

**Under the Companies Act 2006 we are required to report to you if, in our opinion:**

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by Titan

**Under the Listing Rules we are required to review:**

- the directors' statement, set out on page 24, in relation to going concern; and
- the part of the Corporate Governance Statement relating to Titan's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Robert Holland BSc FCA (Senior Statutory Auditor)  
For and on behalf of **James Cowper Kreston**  
Chartered Accountants and Statutory Auditors  
Reading  
30 January 2017

# Income Statement

	Notes	Year to 31 October 2016			Year to 31 October 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/Gains on disposal of portfolio investments	10	-	(3,122)	(3,122)	-	9	9
Gain on disposal of OEIC investments		-	-	-	-	178	178
Portfolio investment holding gains	10	-	25,245	25,245	-	23,154	23,154
OEIC investment holding gains		-	2,896	2,896	-	194	194
Investment income	2	(299)	-	(299)	734	-	734
Investment management fees	3	(1,383)	(4,149)	(5,532)	(913)	(2,738)	(3,651)
Performance fee	3	-	(3,388)	(3,388)	-	(3,369)	(3,369)
Other expenses	4	(2,310)	-	(2,310)	(2,053)	-	(2,053)
FX translation		-	737	737	-	-	-
<b>Profit/(Loss) before tax</b>		<b>(3,992)</b>	<b>18,219</b>	<b>14,227</b>	<b>(2,232)</b>	<b>17,428</b>	<b>15,196</b>
Taxation	6	-	-	-	-	-	-
<b>Profit/(Loss) after tax</b>		<b>(3,992)</b>	<b>18,219</b>	<b>14,227</b>	<b>(2,232)</b>	<b>17,428</b>	<b>15,196</b>
<b>Earnings per share – basic and diluted</b>	8	<b>(1.4)p</b>	<b>6.3p</b>	<b>4.9p</b>	<b>(1.1)p</b>	<b>8.8p</b>	<b>7.7p</b>

- The 'Total' column of this statement is the profit and loss account of Titan; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- Titan has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Titan has no other comprehensive income for the period.

The accompanying notes form an integral part of the financial statements.

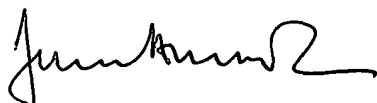
# Balance Sheet

	Notes	Year to 31 October 2016		Year to 31 October 2015	
		£'000	£'000	£'000	£'000
Fixed asset investments*	10		225,536		211,581
Current assets:					
OEICs*	12	62,795		6,899	
Cash at bank**		30,355		10,630	
Debtors	11	12,637		1,790	
Money market funds	12	7,494		9,462	
		113,281		28,781	
Current liabilities	13	(22,841)		(11,901)	
Net current assets			90,440		16,880
<b>Net assets</b>			<b>315,976</b>		<b>228,461</b>
Called up share capital	14		32,262		22,246
Share premium	15		1,619		-
Special distributable reserve	15		240,172		182,331
Capital redemption reserve	15		749		325
Capital reserve – gains/(losses) on disposals	15		1,777		(4,279)
– holding gains	15		46,035		31,221
Revenue reserve	15		(7,375)		(3,383)
Translation reserve	15		737		-
<b>Total equity shareholders' funds</b>			<b>315,976</b>		<b>228,461</b>
<b>Net asset value per share</b>	9		<b>97.9p</b>		<b>102.7p</b>

\*Held at fair value through profit or loss.

\*\*Includes cash held but not yet allotted.

The statements were approved by the Directors and authorised for issue on 30 January 2017 and are signed on their behalf by:



John Hustler  
Chairman

Company No: 6397765

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

	Year ended 31 October 2016 £'000	Year ended 31 October 2015 £'000
Shareholders' funds at start of year	228,461	32,876
Profit after tax	14,227	15,196
Issue of equity (net of expenses)	105,947	53,897
Merger share issues	-	137,417
Titan's 1, 3, 4 & 5 fee write offs	-	110
Purchase of own shares	(3,922)	(5,729)
Dividends paid	(28,737)	(5,306)
<b>Shareholders' funds at end of year</b>	<b>315,976</b>	<b>228,461</b>

The accompanying notes form an integral part of the financial statements.

Please see note 15 for a full reconciliation of both the current year and prior year equity reserves.

# Cash Flow Statement

	Notes	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
<b>Reconciliation of profit to cash flows from operating activities</b>			
Profit before tax		14,227	15,196
Increase in debtors		(10,847)	(1,550)
Debtors obtained from the 2014 merger		-	6,123
Increase in creditors		10,940	10,941
Creditors obtained from the 2014 merger		-	(14,223)
Gains/(losses) on disposal of fixed assets		3,122	(9)
Gains on valuation of fixed asset investments		(25,245)	(23,154)
Other		(25)	-
<b>Outflow from operating activities (a)</b>		<b>(7,828)</b>	<b>(6,676)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments	10	(45,926)	(161,125)
Non cash merger additions		-	125,998
Sale of fixed asset investments	10	54,119	159
<b>Inflow/(Outflow) from investing activities (b)</b>		<b>8,193</b>	<b>(34,968)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	7	(28,737)	(5,306)
Purchase of own shares	14	(3,922)	(5,729)
Net proceeds from share issues		105,947	191,424
Merger share issues		-	(137,417)
<b>Inflow from financing activities (c)</b>		<b>73,288</b>	<b>42,972</b>
<b>Cash and cash equivalents acquired in merger</b>			
Cash acquired in merger		-	8,237
OEICs acquired in merger		-	11,282
<b>Acquired from merger (d)</b>		<b>-</b>	<b>19,519</b>
<b>Increase in cash and cash equivalents (a + b + c + d)</b>		<b>73,653</b>	<b>20,847</b>
Opening cash and cash equivalents		26,991	6,144
<b>Closing cash and cash equivalents</b>		<b>100,644</b>	<b>26,991</b>

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. Principal Accounting Policies

Titan is a Public Limited Company (Plc) incorporated in England and Wales and its registered office is 33 Holborn, London, EC1N 2HT.

The principal activity of Titan is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream.

The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

### Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2014).'

The principal accounting policies have remained unchanged from those set out in Titan's 2015 Annual Report and financial statements. A summary of the principal accounting policies is set out in the notes.

Titan presents its income statement in a tri-columnar format to give shareholders additional detail of the performance of Titan, split between items of a revenue or capital nature.

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Capital valuation policies are those that are most important to the manifestation of Titan's financial position and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that are declared will not necessarily result in material changes to the financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by Titan are disclosed in the notes below. Whilst not all of the significant accounting policies require subjective or complex judgements, Titan considers that the following accounting policies should be considered critical.

Titan has designated all fixed asset investments as being held at fair value through profit or loss; therefore all gains and losses arising from investments held are taken to the income statement in the period in which they occur. Accordingly, all interest income, fee income, expenses and investment gains and losses are attributable to assets designated as being at fair value through profit or loss. OEICs (part of current asset investments) are held at fair value through profit or loss.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Quoted investments are valued in accordance with the bid-price on the relevant date, unquoted investments are valued in accordance with current IPEVC valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of subsidiary companies and liquidity or marketability of the investments held.

Although Titan believes that the assumptions concerning the business environment and estimates of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future.

### Revenue and capital

The revenue column of the income statement includes all income and revenue expenses of Titan. The capital column includes gains and losses on the disposal of investments and gains and losses arising from changes in the fair value of investments at the period end.

**Cash and cash equivalents**

Cash, for the purposes of the cash flow statement, comprises cash at bank. Cash equivalents are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. This comprises investments in money market funds and OEICs.

**Financing strategy and capital structure**

Capital management is monitored and controlled by forecasting income and expenditure over both the short and medium terms to enable investments to be made at the same time as controlling short term liquidity. The investments being managed include equity and fixed-interest investments, and short term liquidity comprises cash and cash equivalents including debtors and creditors.

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. Titan currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

Titan does not have any externally imposed capital requirements.

The value of the managed capital is indicated in note 15. The Board considers the distributable reserves and the total return for the period when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 5% of the issued Ordinary share capital of Titan in accordance with Special Resolution 10 in order to maintain sufficient liquidity in the VCT.

**Financial instruments**

Titan's principal financial assets are its investments and the policies in relation to those assets are set out in note 10. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

**Judgments in applying accounting policies and key sources of estimation uncertainty**

This is addressed in note 10.

**Reserves**

**Called up share capital** – represents the nominal value of shares that have been issued.

**Share premium** – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

**Special distributable reserve** – includes realised profits and cancelled share premium available for distribution.

**Capital redemption reserve** – represents the nominal value of shares bought back from shareholders.

**Capital reserve – gains/(losses) on disposals** – arises when an investment is sold any balance held on the Capital reserve – holding gains/(losses) is transferred to the Capital reserve – gains/(losses) on disposal, as a movement in reserves.

**Capital reserve – holding gains/(losses)** – arises when Titan re-values the investments still held during the period, any gains or losses arising are credited/charged to the Capital reserve – holding gains/(losses).

**Revenue reserve** – revenue profits and losses are credited and charged to this account.

**Translation reserve** – gains or losses arise when assets other than portfolio assets, and not denominated in sterling, are revalued to the year-end sterling exchange rate.

## 2. Investment income

### Accounting Policy

Investment income includes interest earned on money market funds and includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account when Titan's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on debt and money market funds are recognised so as to reflect the effective interest rate; provided there is no reasonable doubt that payment will be received in due course.

### Disclosure

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
Money market funds	32	92
Dividends received	115	76
Loan note interest receivable*	(446)	566
<b>Total income</b>	<b>(299)</b>	<b>734</b>

\*Due to loan investments converting to equity instruments in the period, in addition to write-offs of interest on certain loan investments, the net loan interest income figure is a negative amount.

## 3. Investment Management Fees

### Accounting Policy

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long-term return in the form of income and capital gains respectively from Titan's investment portfolio.

### Disclosure

	Year to 31 October 2016			Year to 31 October 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,383	4,149	5,532	913	2,738	3,651
Performance fee – payable	–	3,080	3,080	–	2,841	2,841
Performance fee – accrued	–	308	308	–	528	528
<b>Total</b>	<b>1,383</b>	<b>7,537</b>	<b>8,920</b>	<b>913</b>	<b>6,107</b>	<b>7,020</b>

The performance fee has been wholly attributed to capital. For more details please refer to Note 19.

Octopus provides investment management and accounting and administration services to Titan under a management agreement. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within Note 19 to the financial statements.

## 4. Other Expenses

### Accounting Policy

Other expenses are accounted for on an accruals basis and are charged wholly to revenue.

The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the period that they occur.

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
Ongoing advisor charges	963	630
Accounting and administration services	830	551
Registrar's fees	193	184
Listing fees	114	88
Directors' remuneration*	97	84
Legal fees	52	16
Audit fees	23	12
Tax compliance fees	21	16
Monitoring fees	19	28
Printing fees	16	35
Other expenses	103	121
Merger costs**	(121)	288
<b>Total</b>	<b>2,310</b>	<b>2,053</b>

\*Includes employers' NI.

\*\*Negative balance in FY16 relates to a rebate of stamp duty from HMRC in respect of incorrect stock transfers in relation to Amplience UK Limited, Phasor Solutions Limited and Zenith Holding Company: stamp duty was originally overpaid following the transfer of these portfolio company shares from Titan's 1, 3, 4 & 5 to Titan 2 (now Titan) after the 2014 merger.

Other expenses include Company Secretarial fees, FCA fees, AIC fees, broker advisory fees, other accountancy fees and general expenses.

Total annual running costs are capped at 3.2% of net assets. For the year to 31 October 2016 the running costs were 2.5% of net assets (2015: 2.8%). This is calculated excluding irrecoverable VAT, IFA commission and non-recurring expenses.

## 5. Directors' Remuneration

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
John Hustler (Chairman)	30	25
Mark Hawkesworth	26	20
Jane O'Riordan	24	20
Matt Cooper	10	20
<b>Total directors' remuneration</b>	<b>90</b>	<b>85</b>

None of the Directors received any other remuneration from Titan during the year. Titan has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2015: four).

## 6. Tax on Ordinary Activities

### Accounting Policy

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the 'marginal' basis as recommended in the SORP.

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

### Disclosure

The corporation tax charge for the period was £nil (2015: £nil). The current tax charge % for the period is the same as the standard rate of corporation tax in the UK of 20% (2015: 20%).

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
Profit before tax	14,227	15,196
Non-taxable capital gains	(25,019)	(23,535)
<b>Profits chargeable to corporation tax</b>	<b>(10,792)</b>	<b>(8,339)</b>
Current tax at 20% (2015: 20.42%)	(2,158)	(1,668)
Unrelieved tax losses	2,158	1,668
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>

Unrelieved tax losses of £24,835,000 (2015: £13,944,000) have been carried forward at 31 October 2016 and are available for offset against future taxable income, subject to agreement with HMRC. Titan has not recognised the deferred tax asset of £4,967,000 (2015: £2,789,000) in respect of these excess management charges because there has been no taxable income.

Approved VCTs are exempt from tax on capital gains within Titan. Since the Directors intend that Titan will continue to conduct its affairs so as to maintain its approval as a VCT, no current deferred tax has been recognised in respect of any capital gains or losses arising on the revaluation or disposal of investments.

## 7. Dividends

### Accounting Policy

Dividends payable are recognised as distributions in the financial statements when Titan's liability to make the payment has been established. This liability is established on the record date, the date on which those shareholders on the share register are entitled to the dividend.

### Disclosure

	Year to 31 October 2016 £'000	Year to 31 October 2015 £'000
<b>Recognised as distributions in the financial statements for the period</b>		
Previous year's final dividend	6,369	–
Previous year's interim dividend	–	811
Current year special dividend	15,920	–
Current period's interim dividend	6,448	4,495
	<b>28,737</b>	<b>5,306</b>
<b>Paid and proposed in respect of the period</b>		
Interim dividend paid – 2.0p per share (2015: 2.0p per share)	6,448	4,495
Special dividend paid – 5.0p per share (2015: nil)	15,920	–
Final dividend proposed – 3.0p per share (2015: 2.0p)	11,428	4,449
	<b>33,796</b>	<b>8,944</b>

The figures above include dividends elected to be reinvested through DRIS.

The final dividend of 3.0p for the year ending 31 October 2016 will be paid on 28 April 2017 to shareholders on the register on 7 April 2017, subject to approval at the AGM.

## 8. Earnings per Share

The total earnings per share is based on the profit after tax of £14,227,000 (2015: £15,196,000) and 290,513,432 (2015: 197,925,300) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is 4.9p per share (2015: 7.7p per share)

The revenue loss per share is based on revenue loss of £3,992,000 (2015: £2,232,000) and 290,513,432 (2015: 197,925,300) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is (1.4)p per share (2015: (1.1)p per share)

The capital earnings per share is based on a capital profit of £18,219,000 (2015: £17,428,000) and 290,513,432 (2015: 197,925,300) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is 6.3p per share (2015: 8.8p per share)

There are no potentially dilutive capital instruments in issue and, therefore no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

## 9. Net Asset Value per Share

The calculation of NAV per share as at 31 October 2016 is based on net assets of £315,976,000 (2015: £228,461,000) and 322,617,156 (2015: 222,460,762) Ordinary shares in issue at that date, and is 97.9 pence per share (2015: 102.7 pence per share)

## 10. Fixed Asset Investments

### Accounting Policy

Titan's principal financial assets are its investments and the policies in relation to those assets are set out below. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them is provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being at fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. Titan's investments are measured at subsequent reporting dates at fair value.

In the case of unquoted investments, fair value is established by using measures of value such as price of recent transaction, earnings multiples, discounted cash flows and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and allocated to the capital reserve – holding gains/(losses). Fixed returns on non-equity shares and debt securities which are held at fair value are computed using the effective interest rate, to distinguish between the interest income receivable (which is disclosed as interest income within the revenue column of the Income Statement) and other fair value movements arising on these instruments (which are disclosed as holding gains within the capital column of the Income Statement).

Investments deemed to be associates due to the shareholding and level of influence exerted over the investee company are measured at fair value using a consistent methodology to the rest of Titan's portfolio as permitted by the SORP (para 32).

In preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

### Fair value hierarchy

Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level a: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price. These instruments are included in level a and comprise money market funds classified as held at fair value through profit or loss. See note 12.

Level b: where quoted prices are not available, the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place. Titan holds no such investments in the current or prior year.

Level c (i): the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level c (i). Titan holds no such investments in the current or prior year.

Level c (ii): the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level c (ii).

There have been no transfers between these classifications in the period (2015: none). The change in fair value for the current and previous year is recognised through the income statement.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the period to 31 October 2016 are summarised below and in Note 12.

## Disclosure

	Level a: AIM-quoted investments £'000	Level c (ii): Unquoted investments £'000	Total £'000
Valuation and net book amount:			
Book cost	4,497	176,056	180,553
Cumulative revaluation	(467)	31,495	31,028
<b>Valuation at 1 November 2015</b>	<b>4,030</b>	<b>207,551</b>	<b>211,581</b>
<b>Movement in the period:</b>			
Purchases at cost	554	45,372	45,926
Disposal proceeds	–	(54,119)	(54,119)
Loss on realisation of investments	–	(3,122)	(3,122)
Revaluation in period	(1,971)	27,216	25,245
Other*	–	25	25
<b>Valuation at 31 October 2016</b>	<b>2,613</b>	<b>222,923</b>	<b>225,536</b>
Book cost at 31 October 2016:	5,052	177,538	182,590
Revaluation to 31 October 2016:	(2,439)	45,385	42,946
<b>Valuation at 31 October 2016</b>	<b>2,613</b>	<b>222,923</b>	<b>225,536</b>

\*Relates to the write off of disposal proceeds relating to disposals which occurred before the 2014 merger.

The investment portfolio is managed with capital growth as the primary focus. The loan and equity investments are considered to be one instrument due to the legal binding stated within the investment agreement and therefore they are combined in the table shown above.

Level c (ii) valuations include assumptions based on non-observable market data, such as discounts applied either to reflect fair value of financial assets held at the price of recent investment, or, in the case of unquoted investments, to adjust earnings multiples. Further details in respect of the methods and assumptions applied in determining the fair value of the investments are disclosed in the Investment Manager's Review. The sensitivity of these valuations to a reasonable possible change in such assumptions is given in Note 16.

At 31 October 2016 there were commitments of £6,599,000 in respect of four investments not yet completed, and at 31 October 2015 there was one commitment of £140,000 in respect of investments not yet completed.

The unquoted disposals in the year are tabulated below:

#### Disposals of unquoted investments

	Net disposal proceeds including retentions £'000	Investment Cost* £'000	Carry value on 1 November 2015 £'000
TouchType Limited (Swiftkey)	30,742	6,598	27,651
Vision Direct Group Limited	10,476	2,473	10,168
Magic Pony Technology Limited	6,843	807	262
Terido LLP**	6,000	6,000	6,000
Rangespan (retention proceeds)	58	0	-
Leanworks Limited (Y Plan)***	-	5,346	7,225
<b>Total</b>	<b>54,119</b>	<b>21,224</b>	<b>51,306</b>

\*This represents the cost of investment in Titan's 1-5 before the 2014 merger plus the cost to Titan 2 (now "Titan") after the merger.

\*\*The investment into Terido LLP was originally made in line with Titan's cash allocation policy, not as part of the Investment Manager's long term investment mandate.

\*\*\*Share exchange with Time Out Group plc).

## 11. Debtors

	31 October 2016 £'000	31 October 2015 £'000
Other debtors*	6,624	146
Disposal proceeds	5,125	831
Accrued income	851	781
Prepayments	37	32
<b>Total</b>	<b>12,637</b>	<b>1,790</b>

\*Includes four investments not completed at year end, plus an immaterial debtor.

## 12. Current Asset Investments

### Accounting Policy

Current asset investments comprise money market funds and OEICs, the latter which are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – holding gains/(losses).

The current asset investments are readily convertible into cash at the option of Titan. The current asset investments are held for trading, are actively managed and the performance is evaluated in accordance with a documented investment strategy. Information about them is provided internally on that basis to the Board.

### Disclosure

	31 October 2016 £'000	31 October 2015 £'000
OEICs	62,795	6,899
Money Market funds	7,494	9,462
<b>Total</b>	<b>70,289</b>	<b>16,361</b>

All current asset investments held at the period end sit within the level 'a' hierarchy for the purposes of FRS 102, as set out in note 10.

At 31 October 2016 and 31 October 2015 there were no commitments in respect of current asset investments approved by the Manager but not yet completed.

### 13. Current liabilities

	31 October 2016 £'000	31 October 2015 £'000
Unallotted cash*	17,960	6,839
Trade creditors	3,533	4,210
Accruals**	1,348	852
<b>Total</b>	<b>22,841</b>	<b>11,901</b>

\*Unallotted cash is cash received from investors to the fund but not yet allotted and so is included within cash on the balance sheet.

\*\*Includes the Titan 5 performance fee cumulative accrual.

Included within trade creditors is an amount of £3,080,000 (2015: £2,841,000) relating to a performance fee payable to the investment manager. Within accruals there is an amount of £836,000 accrued in respect of the Titan 5 shares which were not through the hurdles at the time of the merger. For more details please refer to Note 19.

### 14. Share Capital

	31 October 2016 £'000	31 October 2015 £'000
Allotted and fully paid up:		
322,617,156 (2015: 222,460,762) Ordinary shares of 10p	32,262	22,246

The capital of Titan is managed in accordance with its investment policy with a view to the achievement of its investment objective as set out on page 8. Titan is not subject to any externally imposed capital requirements.

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. Titan currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

The Board considers the distributable reserves and the total return for the year when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 5% of the issued ordinary share capital of Titan as at the date of the AGM for the period to the next AGM in accordance with Special Resolution 10 in order to maintain sufficient liquidity in Titan.

Capital management is monitored and controlled using the internal control procedures set out on page 29 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

	2016 – 10p Ordinary Shares/000's	2015 – 10p Ordinary Shares/000's
Brought forward	222,461	32,437
Shares issued – fundraise and DRIS†	104,412	55,652
Shares issued – merger	–	140,598
Shares repurchased for cancellation	(4,256)	(6,226)
<b>Carried forward</b>	<b>322,617</b>	<b>222,461</b>

†The Dividend Reinvestment Scheme ("DRIS") allows shareholders to elect to receive Ordinary shares instead of a dividend. This is explained further in the Shareholder Information and Contact Details at the back of this Report.

Each share has full voting, dividend and capital distribution rights.

During the year 104,412,037 shares were issued at an average price of 107.7 p per share (2015: 55,651,648 shares were issued at a price of 103.2 p). The total consideration received for these shares was £110 million.

Titan repurchased 4,255,643 Ordinary shares for cancellation at a weighted average price of 92.2p (2015: 6,225,734 shares at a price of 92.0p) at a cost of £3,922,000.

The total nominal value of the shares repurchased during the financial year was £425,564 (2015: £622,573) representing 1.3% (2015: 2.8%) of the issued share capital at the year end.

## 15. Reserves

The following two tables show a reconciliation of the prior year Equity Reserves followed by the current year reconciliation of the same.

	Called up Share capital £'000	Share Premium £'000	Special distributable reserve* £'000	Capital redemption reserve £'000	Capital reserve – gains/ (losses) on disposals* £'000	Capital reserve – holding gains/ (losses) £'000	Revenue reserve* £'000	Total £'000
As at 1 November 2014	3,244	9,284	15,173	181	(358)	6,503	(1,151)	<b>32,876</b>
Share issue (includes DRIS)	5,565	48,332	-	-	-	-	-	<b>53,897</b>
Share issue on merger	14,060	123,357	-	-	-	-	-	<b>137,417</b>
Merger fees write offs	-	110	-	-	-	-	-	<b>110</b>
Repurchase of own shares	(623)	-	(5,729)	623	-	-	-	<b>(5,729)</b>
Profit after tax	-	-	-	-	-	-	(2,232)	<b>(2,232)</b>
Share premium cancellation	-	(181,083)	181,562	( 479)	-	-	-	<b>-</b>
Management fees allocated as capital expenditure	-	-	-	-	(2,738)	-	-	<b>(2,738)</b>
Current year gains on disposal of OEICs and fixed asset investments	-	-	-	-	187	-	-	<b>187</b>
Prior period holding gains/ (losses) relating to current year disposals	-	-	-	-	(1,370)	1,370	-	<b>-</b>
Current period gains on fair value of investments	-	-	-	-	-	23,348	-	<b>23,348</b>
Performance fee	-	-	(3,369)	-	-	-	-	<b>(3,369)</b>
Dividends paid (includes DRIS)	-	-	(5,306)	-	-	-	-	<b>(5,306)</b>
<b>Reserves as at 31 October 2015</b>	<b>22,246</b>	<b>-</b>	<b>182,331</b>	<b>325</b>	<b>(4,279)</b>	<b>31,221</b>	<b>(3,583)</b>	<b>228,461</b>

\*Reserve is available for distribution

	Called up Share capital £'000	Share Premium £'000	Special distributable reserve* £'000	Capital redemption reserve £'000	Capital reserve – gains/ (losses) on disposal* £'000	Capital reserve – holding gains/ (losses) £'000	Revenue reserve* £'000	Translation reserve £'000	Total £'000
As at 1 November 2015	22,246	-	182,331	325	(4,279)	31,221	(3,383)	-	228,461
Share issue (includes DRIS)	10,440	95,507	-	-	-	-	-	-	105,947
Repurchase of own shares	(424)	-	(3,922)	424	-	-	-	-	(3,922)
Share premium cancellation	-	(93,888)	93,888	-	-	-	-	-	-
Revenue loss after tax	-	-	-	-	-	-	(3,992)	-	(3,992)
Management fees allocated as capital expenditure	-	-	-	-	(4,149)	-	-	-	(4,149)
Current year losses on disposal of fixed asset investments	-	-	-	-	(3,122)	-	-	-	(3,122)
Prior year holding gain relating to current year disposals	-	-	-	-	13,327	(13,327)	-	-	-
Gains on fair value of investments	-	-	-	-	-	28,141	-	-	28,141
Dividends paid (includes DRIS)	-	-	(28,737)	-	-	-	-	-	(28,737)
Performance fee	-	-	(3,388)	-	-	-	-	-	(3,388)
FX translation	-	-	-	-	-	-	-	737	737
<b>Balance as at 31 October 2016</b>	<b>32,262</b>	<b>1,619</b>	<b>240,172</b>	<b>749</b>	<b>1,777</b>	<b>46,035</b>	<b>(7,375)</b>	<b>737</b>	<b>315,976</b>

\*Reserve is available for distribution.

When Titan re-values its investments during the year, any gains or losses arising are credited or charged to the income statement. Unrealised gains/losses are then transferred to the 'Capital reserve – holding gains/(losses)'. When an investment is sold, any balance held on the 'Capital reserve – holding gains/(losses)' is transferred to the 'Capital reserve – gains/(losses) on disposal' as a movement in reserves.

Reserves available for potential distribution by way of a dividend are:

	2016 £'000	2015 £'000
Brought forward	174,669	13,664
Movement in year	59,905	161,005
<b>Carried forward</b>	<b>234,574</b>	<b>174,669</b>

This is the maximum value of reserves available for potential distribution (subject to the old/new capital rules explained in the next sentence) which will be impacted by the future convertibility, into cash, of gains and losses included in the Capital Unrealised Reserve. £83,488,000 of the £234,574,000 relates to new capital which cannot be distributed until 1 November 2017.

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by Titan to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount to net asset value at which Titan's Ordinary shares trade. In the event that the Revenue reserve and Capital reserve – gains/(losses) on disposal do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

## 16. Financial Instruments and Risk Management

Titan's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. Titan holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

### Classification of financial instruments

Titan held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 October 2016.

	31 October 2016 £'000	31 October 2015 £'000
<b>Financial assets held at fair value through profit or loss</b>		
Investments	225,536	211,581
Current asset investments	62,795	6,899
<b>Total</b>	<b>288,331</b>	<b>218,480</b>
<b>Financial assets at amortised cost</b>		
Cash at bank	30,355	10,630
Money market funds	7,494	9,462
Debtors	6,624	146
Disposal proceeds	5,125	831
Accrued income	851	781
<b>Total</b>	<b>50,449</b>	<b>21,850</b>
<b>Financial liabilities at amortised cost</b>		
Trade creditors	3,533	4,210
Unallotted cash**	17,960	6,839
<b>Total</b>	<b>21,493</b>	<b>11,049</b>

\*\*Unallotted cash is cash received from investors to the fund but not yet allotted and is included within cash on the balance sheet.

Fixed asset investments (see Note 10) are valued at fair value. Unquoted investments are carried at fair value as determined by the Directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

In carrying on its investment activities, Titan is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing Titan are market risk, interest rate risk, credit risk and liquidity risk. Titan's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

### Market risk

Titan's strategy for managing investment risk is determined with regard to Titan's investment objective, as outlined on page 8. The management of market risk is part of the investment management process and is a central feature of venture capital investment. Titan's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 27 to 30, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of Titan's assets is regularly monitored by the Board.

Details of Titan's investment portfolio at the balance sheet date are set out on pages 15 and 16.

70.6% (2015: 90.8%) by value of Titan's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by Titan include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 31 October 2016 would have increased net assets for the year by £11,146,000 (2015: £10,378,000) and an equivalent change in the opposite direction would have reduced net assets for the year by the same amount.

2.4% (2015: 4.1%) by value of Titan's net assets comprises of money market funds held at fair value. A 5% overall increase in the valuation of the money market funds at 31 October 2016 would have increased net assets for the year by £375,000 (2015: £473,000) and an equivalent change in the opposite direction would have reduced net assets for the year by the same amount.

The Investment Manager considers that the majority of the investment valuations are based on earnings multiples which are ascertained with reference to the individual sector multiple or similarly listed entities. It is considered that due to the diversity of the sectors, the 5% sensitivity discussed above provides the most meaningful potential impact of average multiple changes across the portfolio.

#### Interest rate risk

Some of Titan's financial assets are interest-bearing, of which some are at fixed rates and some variable. As a result, Titan is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### Fixed rate

The table below summarises weighted average effective interest rates for the fixed interest-bearing financial instruments:

	As at 31 October 2016			As at 31 October 2015		
	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years
Fixed-rate investments in unquoted companies	2,722	0.0%	1.5	8,203	6.9%	1.5

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 1% in the base rate as at the reporting date would not have had a significant effect on Titan's net assets for the year.

#### Floating rate

Titan's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market funds. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.25% at 31 October 2016. The amounts held in floating rate investments at the balance sheet date were as follows:

	31 October 2016 £'000	31 October 2015 £'000
Cash on deposit and money market funds	37,849	20,092
<b>Total</b>	<b>37,849</b>	<b>20,092</b>

A 1% increase in the base rate would increase income receivable from these investments and the net assets for the year by £378,000 (2015: £201,000).

#### Credit risk

There were no significant concentrations of credit risk to counterparties at 31 October 2016. By cost, no individual investment exceeded 7.9% (2015: 10.9%) of Titan's net assets at 31 October 2016.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with Titan. The Investment Manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 October 2016 Titan's financial assets exposed to credit risk comprised the following:

	31 October 2016 £'000	31 October 2015 £'000
Cash on deposit & money market funds	37,849	20,092
Fixed rate investments in unquoted companies	2,722	8,203
<b>Total</b>	<b>40,571</b>	<b>28,295</b>

Credit risk relating to listed money market funds is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by major UK companies and institutions. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

The investments in money market funds and OEICs are uncertified.

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

Titan's interest-bearing deposit and current accounts are maintained with HSBC Bank plc. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC deteriorate significantly, the Investment Manager will move the cash holdings to another bank.

#### Liquidity risk

Titan's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. They also include investments in AIM-quoted companies, which, by their nature, involve a higher degree of risk than investments on the main market. As a result, Titan may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

Titan's listed money market funds are considered to be readily realisable as they are of high credit quality as outlined above.

Titan's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. Titan's overall liquidity risks are monitored on a quarterly basis by the Board.

Titan maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 October 2016 these investments were valued at £37,849,000 (2015: £20,092,000).

## 17. Post Balance Sheet Events

The following events occurred between the balance sheet date and the signing of these financial statements:

- 56.9 million shares were issued on 16 December 2016 at an allotment price of 103.6p under the current Offer.
- 1.4 million shares were issued on 21 December 2016 at an allotment price of 103.6p under the current Offer.
- 9.3 million shares were issued on 26 January 2017 at an allotment price of 103.6p under the current Offer.
- Two new investments totalling £4.9 million completed in Chiaro Technology Limited and Impatients N.V. (trading name myTomorrows)
- 10 follow-on investments completed totalling £8.7 million.
- Titan's stake in Seedcamp III LP was sold to Octopus Administrative Services Limited.
- Titan's stake in Kabbee Exchange Limited was sold to Octopus Investments Nominees Limited.

## 18. Contingencies, Guarantees and Financial Commitments

Provided that an intermediary continues to act for a shareholder and the shareholder continues to be the beneficial owner of the shares, intermediaries will be paid an annual IFA commission of 0.5% of the initial gross net asset value. IFA commission of £963,000 was paid in cash during the year (2015: £630,000) and there was £nil (2015: £nil) outstanding at the year end.

There were no other contingencies, guarantees or financial commitments as at 31 October 2016.

## 19. Transactions with Manager

Titan has employed Octopus Investments Limited throughout the year as the Investment Manager.

Titan paid Octopus £5,532,000 (2015: £3,651,000) in the year as a management fee. The management fee is payable quarterly in advance and is based on 2.0% of the net asset value calculated at quarterly intervals from 31 October.

Octopus also provides accounting and administrative services to Titan, payable quarterly in advance for a fee of 0.3% of the net asset value calculated at quarterly intervals from 31 October. During the year £830,000 (2015: £551,000) was paid to Octopus for the accounting and administrative services. In addition, Octopus also provided company secretarial services for a fee of £20,000 per annum.

In addition, Octopus is entitled to performance related incentive fees. The incentive fees are designed to ensure that there are significant tax-free dividend payments made to Shareholders as well as strong performance in terms of capital and income growth, before any performance related fee payment is made.

At the time of the merger, all the Titan funds – except for Titan 5 – had met their performance fee hurdles. The remaining hurdles to be achieved in respect of the previous Titan 5 shares are a total value (defined as NAV plus cumulative dividends paid) of 169.3p and further dividends paid of 3.3p per share, above which performance fees will be payable to Octopus on all gains above a total value of 147.2p (equivalent to 100p in previous Titan 5 share price terms). On the remainder of the fund, a Performance Fee of 20% of all future gains above a NAV plus cumulative dividends paid of 148.9p, subject to a High Water Mark, will be payable to Octopus.

Included within creditors is £3,080,000 (2015: £2,841,000) relating to the performance fee payable to the Investment Manager, and in accrued expenses is £836,000 accrued in respect of the shares in Titan 5 which had not met the hurdles at 31 October 2016. The Board has decided to recognise the accrual for the performance fee to reflect the cost of the fee in the period in which the fees were earned.

If, on a subsequent financial year end, the Performance Value of Titan falls short of the Performance Value on the previous financial year end, no incentive fee will arise. If, on a subsequent financial year end, the performance exceeds the previous best Performance Value of Titan, the Investment Manager will be entitled to 20% of such excess in aggregate.

## 20. Related Party Transactions

Titan owns Zenith Holding Company Limited, which owns a share in Zenith LP, a fund managed by Octopus.

Several members of Octopus' investment team hold non-executive directorships as part of their monitoring roles in Titan's investee companies, but they have no controlling interests in those companies.

Mr Cooper, a Non-Executive Director of Titan, is also Chairman of Octopus.

The Directors received the following dividends from Titan:

	31 October 2016 £	31 October 2015 £
John Hustler (Chairman)	6,253	1,830
Matt Cooper	42,528	9,359
Jane O'Riordan	1,915	290
Mark Hawkesworth	5,796	1,248

## 21. Voting Rights and Equity Management

The following table shows the % voting rights held by Titan and the % equity managed by Octopus Investments for each of the top 10 investments held in Titan.

<b>Investments</b>	<b>% equity held by Titan</b>	<b>% equity managed by Octopus</b>
Zenith Holding Company Limited	100.0%	100.0%
Secret Escapes Limited	7.91%*	27.43%
Amplience Limited	29.79%	49.79%
Sourceable Limited	25.58%	36.63%
Uniplaces Limited	22.63%	25.64%
Semafone Limited	26.35%	37.68%
Sofar Sounds Limited	31.93%	32.65%
London House Exchange Limited	10.79%	14.48%
Conversocial Limited	17.54%	28.11%
CurrencyFair Limited	14.94%	19.81%

\*This is 11.3% when the Zenith Holding Company stake in Secret Escapes is included

Zenith is a subsidiary of Titan, but owing to the exemption permitted under FRS 102 to not have to consolidate investment companies held as part of an investment portfolio (Section 9 of FRS 102, paragraphs 9.9(b) and 9.9B), Titan has not consolidated the assets and liabilities of Zenith Holding Company. Details of the country of incorporation and latest financial information can be found in the Investment Manager's Review.

# Shareholder Information and Contact Details

Octopus Titan VCT 2 plc was renamed Octopus Titan VCT plc on 27 November 2014 following the merger with Octopus Titan VCT 1 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc on the same date.

Titan was incorporated on 12 October 2007. In collaboration with Octopus Titan VCT 1 plc, over £30.8 million in aggregate (£29.5 million net of expenses) was raised through an Offer for Subscription during the year to 31 October 2008. Since then, further funds have been raised through fund raises as follows:

- £1.37 million (£1.29 million net of expenses) during the year to 31 October 2010
- £1.40 million (£1.32 million net of expenses) during the year to 31 October 2012
- £4.82 million (£4.58 million net of expenses) during the year to 31 October 2013
- £10.78 million (£10.41 million net of expenses) during the year to 31 October 2014
- £54.69 million (£52.56 million net of expenses) during the year to 31 October 2015
- £99.81 million (£96.30 million net of expenses) during the year to 31 October 2016

There is currently an open Offer for Subscription for Ordinary Shares, as detailed in the Prospectus issued on 23 August 2016, to raise up to £70 million in aggregate with an over-allotment facility of a further £50 million. On 16 December 2016, £57.0 million (£55.4 million net of expenses) was allotted at a price of 103.6p per share, equivalent to the current NAV at the time of 97.9p grossed up by 5.5% as set out in the Prospectus. The £57.0 million is exclusive of some shares allotted through the re-investment of financial advisor charges. A further allotment of £1.4 million (£1.4 million net of expenses) was allotted on 21 December 2016. The offer will close on 22 August 2017 or earlier at the behest of the Board.

Further details of the VCT's progress are discussed in the Chairman's Statement and Investment Manager's Review on pages 4 to 6 and 11 to 22 respectively.

## Venture Capital Trusts ("VCTs")

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unquoted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- up to 30% up-front income tax relief;
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

The principal activity of Titan is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. Titan has been granted full approval as a VCT by HM Revenue & Customs ("HMRC").

In order to maintain its approval Titan must comply with certain requirements on a continuing basis including the provisions of chapter 3 of the Income Tax Act 2007, in particular s280A:

- at least 70% of Titan's investments must comprise 'qualifying holdings' (as defined in the legislation); at least 70% of the 70% of qualifying holdings must be invested in Ordinary shares with no preferential rights (for money allotted pre April 2011 the limit is 30% for new investments);
- no single investment made can exceed 15% of the total Titan value; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

\*A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in an unquoted company (or companies quoted on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing.

The 2015 Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State Aid rules. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. The Board, in conjunction with the Manager, has reviewed the impact of the new legislation on Titan's investment strategy and has concluded that it expects there to be sufficient investment opportunities to enable the Manager to comply with the new rules and to continue to generate attractive returns for shareholders.

## Dividends

Dividends are paid by Computershare Investor Services PLC ("Computershare") on behalf of Titan. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose or complete an instruction electronically by visiting the Computershare Investor Centre at: [www-uk.computershare.com/investor/](http://www-uk.computershare.com/investor/).

Queries relating to dividends, shareholdings or requests for mandate forms should be directed to Computershare by calling **0370 703 6324**. Calls to this number cost the same as a normal local or national landline call and may be included in your service providers tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor

Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.) Computershare can be contacted in writing at:

The Registrar  
Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

The table below shows the NAV per share and lists the dividends that have been paid since the launch of Titan:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends (Total Value)
30 April 2008	95.00p	-	95.00p
31 October 2008	89.90p	-	89.90p
30 April 2009	91.50p	0.50p	92.00p
31 October 2009	96.10p	0.50p	97.10p
30 April 2010	92.00p	0.50p	93.50p
31 October 2010	94.90p	0.50p	96.90p
30 April 2011	92.10p	0.75p	94.85p
31 October 2011	91.50p	0.75p	95.00p
30 April 2012	92.80p	1.00p	97.30p
31 October 2012	121.90p	1.50p	127.90p
30 April 2013	88.70p	34.00p	128.70p
31 October 2013	95.20p	2.50p	137.70p
30 April 2014	92.20p	2.50p	137.20p
31 October 2014	101.40p	2.50p	148.90p
30 April 2015	97.70p	2.50p	147.70p
31 October 2015	102.70p	2.00p	154.70p
30 April 2016	95.70p	7.00p	154.70p
31 October 2016	97.90p	2.00p	158.90p

A final dividend of 3.0p per share will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

This takes the total dividends paid in respect of the year to 31 October 2016 to 10.0p per share.

At the General Meeting held in October 2013, shareholders approved a Dividend Reinvestment Scheme ("DRIS") and gave the Directors' authority to offer shareholders the right to elect to receive Ordinary shares instead of a dividend. Any shareholder wishing to reinvest their dividends, who has not already elected to do so, can request a DRIS instruction form by calling Computershare on **0370 703 6324**. The application form can also be found on the Octopus Investments Limited website: [www.octopusinvestments.com](http://www.octopusinvestments.com). If you are uncertain about your current DRIS position, please call Computershare on the number above or complete a new form.

### Share Price

Titan's share price can be found on various financial websites including [www.londonstockexchange.com](http://www.londonstockexchange.com), with the following TIDM/EPIC code:

Ordinary shares	
TIDM/EPIC code	OTV2
Latest share price (27 January 2017)	93.75 pence per share

### Buying and Selling Shares

Titan's Ordinary shares can be bought and sold via a stockbroker in the same way as any other company quoted on the London Stock Exchange. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

### Buyback of Shares

Titan operates a policy of buying its own shares for cancellation as they become available, and envisages that purchases will be made at no greater than a 5% discount to the prevailing NAV. Titan is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact Titan's Corporate Broker, Panmure Gordon (UK) Limited ('Panmure').

Panmure is able to provide details of close periods (when Titan is prohibited from buying shares) and details of the price at which Titan has bought shares. Panmure can be contacted as follows:

Chris Lloyd	020 7886 2716	chris.lloyd@panmure.com
Paul Nolan	020 7886 2717	paul.nolan@panmure.com

### Secondary market

UK income tax payers, aged 18 or over, can purchase shares in the secondary market and benefit from:

- Tax free dividends
- Realised gains not being subject to capital gains tax (although any realised losses are not allowable)
- No minimum holding period
- No need to include VCT dividends in annual tax returns

The UK tax treatment of VCTs is on a first in and first out basis and therefore tax advice should be obtained before shareholders dispose of their shares.

### Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment, this should be notified to Titan's registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: [www-uk.computershare.com/investor/](http://www-uk.computershare.com/investor/). Computershare's contact details are provided on page 64.

### Other Information for Shareholders

Shareholders can obtain a full copy of Titan's Annual Report as well as previously published Annual Reports and Half-yearly Reports on the Octopus website at [www.octopusinvestments.com/investors/shareholder-information/titan-vct](http://www.octopusinvestments.com/investors/shareholder-information/titan-vct).

All other statutory information can also be found here.

### Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of printing and reduces the impact on the environment. If, in future, you would prefer to receive an email telling you a report is available to view or to receive documents by e-mail, please complete the enclosed form or contact Octopus on **0800 316 2295** or Computershare on **0370 703 6324**. Alternatively you can sign up to receive e-communications via the Computershare Investor Centre at: [www-uk.computershare.com/investor/](http://www-uk.computershare.com/investor/).

### Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offer to buy shares at a discount, or offer for free company reports.

Please note that it is very unlikely that either Octopus or Titan's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment advice.

If you are in any doubt about the authenticity of an unsolicited phone call, please call Octopus on **0800 316 2295**.

The Financial Conduct Authority has also issued guidelines on how to avoid share fraud and further information can be found on their website: [www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams](http://www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams). You can report any share fraud to them by calling **0800 111 6768**.

# Directors and Advisers

## Board of Directors

John Hustler (Chairman)  
Mark Hawkesworth  
Jane O'Riordan  
Matt Cooper

## Company Number

Registered in England & Wales  
No. 06397765

## Secretary and Registered office

Nicola Board ACIS  
33 Holborn  
London  
EC1N 2HT

## Investment and Administration Manager

Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT  
Tel: 0800 316 2295  
[www.octopusinvestments.com](http://www.octopusinvestments.com)

## Corporate Broker

Panmure Gordon (UK) Limited  
One New Change  
London  
EC4M 9AF  
020 7886 2500

## Independent Auditor and Taxation Adviser

James Cowper Kreston  
Reading Bridge House  
George Street  
Reading  
Berkshire  
RG1 8LS

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Bankers

HSBC Bank plc  
31 Holborn  
London  
EC1N 2HR

## Registrars

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Tel: 0370 703 6324

(Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.)  
[www.computershare.com/uk](http://www.computershare.com/uk)  
[www-uk.computershare.com/investor/](http://www-uk.computershare.com/investor/)

- (d) the authority conferred by this resolution shall expire at the later of the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting); and
- (e) the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which will or may be completed wholly or partly after the expiry of this authority.

By Order of the Board

*Nicola Board*

Nicola Board (ACIS)  
Company Secretary  
30 January 2017

33 Holborn  
London  
EC1N 2HT

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus Titan VCT plc will be held at 33 Holborn, London, EC1N 2HT on Thursday, 23 March 2017 at 2.30 p.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions:

## Ordinary Business

1. To receive and adopt the financial statements for the year to 31 October 2016 and the Directors' and Auditor's Reports.
2. To approve a final dividend of 3.0p per share.
3. To approve the Directors' Remuneration Policy.
4. To approve the Directors' Remuneration Report.
5. To re-elect Mark Hawkesworth as a Director.
6. To re-elect Matt Cooper as a Director.
7. To re-appoint James Cowper Kreston as auditor of the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider and if thought fit, pass Resolution 8 as an Ordinary Resolution and Resolutions 9 and 10 as Special Resolutions:

### 8. Authority to allot relevant securities

THAT, in addition to existing authorities, the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £3,902,505 (representing approximately 10% of the ordinary share capital in issue as at the date of this notice) such authority to expire at the later of the conclusion of the Company's next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority). The authority being sought under this Resolution is in addition to that obtained at the General Meeting of the Company held on 6 October 2016.

### 9. Empowerment to make allotments of equity securities

TO empower the Directors pursuant to s571 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 8 as if s561 (1) of the said Act did not apply to any such allotments and so that:

- (a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the said Act; and
- (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

### 10. Authority to make market purchases

THAT the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of s693(4) of the Act) of Ordinary shares of 10p each in the Company ('Ordinary shares') provided that:

- (a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 19,512,528 Ordinary shares, representing approximately 5% of the present issued ordinary share capital of the Company as at the date of this notice;
- (b) the minimum price which may be paid for an Ordinary share shall be 10p;
- (c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotation for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

**Notes:**

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- (b) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (c) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY** or alternatively, you may register your proxy electronically at **[www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy)**, in each case, so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.

Appointment of a proxy, or any CREST proxy instruction (as described in paragraph (d) below) will not preclude a member from subsequently attending and voting at the meeting should he or she choose to do so. This is the only acceptable means by which proxy instructions may be submitted electronically.

- (d) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (e) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- (f) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
- (g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (h) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
- (i) To give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
  - (ii) To include in the business to be dealt with at the meeting any matters (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless:

- (i) (In the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
- (ii) It is defamatory of any person; or
- (iii) It is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

- (i) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies

Act 2006 is included on the Company's website, [www.octopusinvestments.com](http://www.octopusinvestments.com) under Venture Capital Trusts. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

- (j) As at 16 February 2017 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 389,680,434 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 February 2017 are 389,680,434.

