

## **Octopus Titan VCTs**

**The issue by Octopus Titan VCT 2 plc of Scheme Shares in connection with the acquisition of the assets and liabilities of Octopus Titan VCT 1 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc**

**Offer for Subscription by Octopus Titan VCT 1 plc, Octopus Titan VCT 2 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc for the tax years 2014/2015 and 2015/2016 to raise up to £50 million by way of an issue of Offer Shares with an over allotment facility of a further £20 million**

16 September 2014

## **PROSPECTUS**

### **And Application Form**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).**

This document, which comprises a prospectus relating to Octopus Titan VCT 1 plc, Octopus Titan VCT 2 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc (the “Companies”) dated 16 September 2014, has been prepared in accordance with the prospectus rules made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under the Prospectus Rules on 16 September 2014.

The Companies and the Directors, whose names appear on pages 46 to 49 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that Howard Kennedy, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor for the Companies and no-one else and will not, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with any matters referred to herein.

**Octopus Titan VCT 1 plc**

*(registered number 6397764)*

**Octopus Titan VCT 2 plc**

*(registered number 6397765)*

**Octopus Titan VCT 3 plc**

*(registered number 6523078)*

**Octopus Titan VCT 4 plc**

*(registered number 7035434)*

**Octopus Titan VCT 5 plc**

*(registered number 7406399)*

**Prospectus relating to:**

**the issue by Octopus Titan VCT 2 plc of Scheme Shares in connection with the acquisition of the assets and liabilities of Octopus Titan VCT 1 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc**

**offer for subscription by Octopus Titan VCT 1 plc, Octopus Titan VCT 2 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc of Offer Shares to raise up to a maximum of £50 million, with an over allotment facility of a further £20 million, payable in full in cash on application**

**Sponsor**  
**Howard Kennedy Corporate Services LLP**

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The ordinary shares of the Companies in issue at the date of this document are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within 10 business days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form and will rank pari passu in all respects. The participation of Titan 1, 3, 4 and 5 in any allotment under the Offer is conditional on (i) the Scheme not having taken place prior to the time of that allotment and (ii) the passing by the Titan 1, 3, 4 and 5 Shareholders of Resolutions 2 and 4 at the Titan 1, 3, 4 and 5 Second General Meetings. The participation by Titan 2 in the Offer is conditional upon the passing by the Titan 2 Shareholders of Resolutions 2, 4 and 7 at the Titan 2 General Meeting. .

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa.

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## SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. The Elements are numbered in Sections A—E.

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

### Section A - Introduction and Warnings

Element	Disclosure requirement	Disclosure
A. 1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent for Use of Prospectus by financial intermediaries	The Companies and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 1 September 2015. The Merger is expected to complete on 28 October 2014. There are no conditions attaching to this consent.  <b>Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.</b>

### Schedule B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Octopus Titan VCT 1 plc, Octopus Titan VCT 2 plc, Octopus Titan VCT 3 plc Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc.
B.2	Domicile and legal form	Octopus Titan VCT 1 plc was incorporated and registered in England and Wales on 12 October 2007 as a public company limited by shares under the Companies Act 1985 with registered number 6397764.  Octopus Titan VCT 2 plc was incorporated and registered in England and Wales on 12 October 2007 as a public company limited by shares under the Companies Act 1985 with registered number 6397765.  Octopus Titan VCT 3 plc was incorporated and registered in England and Wales on 4 March 2008 as a public company limited by shares under the Companies Act 1985 with registered number 6523078.

		<p>Octopus Titan VCT 4 plc was incorporated and registered in England and Wales on 30 September 2009 as a public company limited by shares under the Companies Act 1985 with registered number 7035434.</p> <p>Octopus Titan VCT 5 plc was incorporated and registered in England and Wales on 13 October 2010 as a public company limited by shares under the Companies Act 1985 with registered number 7406399.</p>																																										
B.5	Group description	The Companies are not presently part of a group. Upon completion of the Merger, Titan 2 will have one wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.																																										
B.6	Major shareholders	The Companies are not aware of any person or persons who have, or who following the Offer and the Merger will or could have, directly or indirectly voting rights representing 3% or more of the issued share capital of the Companies or who can, or could following the Offer and the Merger, directly or indirectly exercise control over the Companies. There are no different voting rights for any Shareholder.																																										
B. 7	Selected financial information	<p>Selected historical financial information relating to the Companies, which has been extracted from the audited and unaudited financial statements referenced in the following tables, is set out below.</p> <p>Octopus Titan VCT 1 plc</p> <table border="1"> <thead> <tr> <th></th> <th>Year Ended 31 October 2011 (audited)</th> <th>Year Ended 31 October 2012 (audited)</th> <th>Year Ended 31 October 2013 (audited)</th> <th>Six months ended 30 April 2013 (unaudit ed)</th> <th>Six months ended 30 April 2014 (un- audited)</th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td>14,842</td> <td>21,382</td> <td>20,865</td> <td>19,795</td> <td>29,313</td> </tr> <tr> <td>Net asset value per Share (p)</td> <td>91.5</td> <td>121.9</td> <td>95.2</td> <td>88.7</td> <td>92.2</td> </tr> <tr> <td>Revenue return after expenses and taxation (£'000)</td> <td>(241)</td> <td>(257)</td> <td>(167)</td> <td>(50)</td> <td>(248)</td> </tr> <tr> <td>Total Return (p)</td> <td>95.0</td> <td>97.3</td> <td>137.7</td> <td>128.7</td> <td>137.2</td> </tr> <tr> <td>Dividend paid per Share during the period (p)*</td> <td>1.25</td> <td>1.75</td> <td>2.5</td> <td>2.5</td> <td>2.5</td> </tr> <tr> <td><b>Total Expenses (£'000)</b></td> <td>539</td> <td>1,771**</td> <td>1,340**</td> <td>418</td> <td>414</td> </tr> </tbody> </table>		Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudit ed)	Six months ended 30 April 2014 (un- audited)	Net assets (£'000)	14,842	21,382	20,865	19,795	29,313	Net asset value per Share (p)	91.5	121.9	95.2	88.7	92.2	Revenue return after expenses and taxation (£'000)	(241)	(257)	(167)	(50)	(248)	Total Return (p)	95.0	97.3	137.7	128.7	137.2	Dividend paid per Share during the period (p)*	1.25	1.75	2.5	2.5	2.5	<b>Total Expenses (£'000)</b>	539	1,771**	1,340**	418	414
	Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudit ed)	Six months ended 30 April 2014 (un- audited)																																							
Net assets (£'000)	14,842	21,382	20,865	19,795	29,313																																							
Net asset value per Share (p)	91.5	121.9	95.2	88.7	92.2																																							
Revenue return after expenses and taxation (£'000)	(241)	(257)	(167)	(50)	(248)																																							
Total Return (p)	95.0	97.3	137.7	128.7	137.2																																							
Dividend paid per Share during the period (p)*	1.25	1.75	2.5	2.5	2.5																																							
<b>Total Expenses (£'000)</b>	539	1,771**	1,340**	418	414																																							

As a percentage of average Shareholders' funds	3.6%	8.3%	6.4%	2.1%	1.4%
<b>Net asset value return/ (loss) (p)</b>	(2.0)	33.8	10.4	0.7p	(0.1)

\*An interim dividend of 2.5p per share was declared for the period to 30 April 2013 and paid on 24 July 2014

\*\* Includes a performance fee payment

Octopus Titan VCT 2 plc

	Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudited)	Six months ended 30 April 2014 (unaudited)
Net assets (£'000)	14,833	21,361	20,924	19,775	29,296
Net asset value per Share (p)	91.5	121.9	95.2	88.7	92.2
Revenue return after expenses and taxation (£'000)	(241)	(260)	(168)	(51)	(250)
Total Return (p)	95.0	97.3	137.7	128.7	137.2
Dividend paid per Share during the period (p)*	1.5	2.5	36.5	34.0	2.5
<b>Total Expenses (£'000)</b>	539	1,771**	1,343**	418	419
As a percentage of average Shareholders' funds	3.6%	8.3%	6.4%	2.1%	1.4%
<b>Net asset value return/ (loss) (p)</b>	(2.0)	33.8	10.4	0.7	(0.1)

\*An interim dividend of 2.5p per share was declared for the period to 30 April 2013 and paid on 24 July 2014

\*\* Includes a performance fee payment

Octopus Titan VCT 3 plc

	Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudited)	Six months ended 30 April 2014 (un-audited)
Net assets (£'000)	18,811	25,034	23,135	25,083	32,752
Net asset value per Share (p)	92.9	116.4	91.5	95.5	92.8
Revenue return after expenses and taxation (£'000)	(260)	(286)	(283)	(146)	(273)
Total Return (p)	92.9	117.4	122.5	116.5	126.3
Dividend paid per Share during the period (p)*	-	1.0	30.0	20.0	2.5
<b>Total Expenses (£'000)</b>	655	1,604**	1,229**	576	790
As a percentage of average Shareholders' funds	3.5%	6.4%	5.9%	2.9%	2.7
<b>Net asset value return/ (loss) (p)</b>	(3.9)	25.1	5.2	(1.0)	4.4

\*An interim dividend of 2.5p per share was declared for the period to 30 April 2013 and paid on 24 July 2014

\*\* Includes a performance fee payment

Octopus Titan VCT 4 plc

	Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudited)	Six months ended 30 April 2014 (un-audited)
Net assets (£'000)	20,086	21,023	29,231	26,248	40,909
Net asset value per Share (p)	89.0	87.7	101.7	90.4	109.7



Revenue return after expenses and taxation (£'000)	(332)	(365)	(453)	(216)	(310)
Total Return (p)	89.0	87.7	101.7	90.4	109.7
Dividend paid per Share during the period (p)	-	-	1.0	-	2.0
<b>Total Expenses (£'000)</b>	710	708	783	385	535
As a percentage of average Shareholders' funds	3.5%	3.4%	3.7%	1.5%	1.8%
<b>Net asset value return/ (loss) (p)</b>	(4.8)	(1.3)	14.6	2.7	8.6

\*An interim dividend of 2.0p per share was declared for the period to 30 April 2013 and paid on 24 July 2014.

Octopus Titan VCT 5 plc

	Year Ended 31 October 2011 (audited)	Year Ended 31 October 2012 (audited)	Year Ended 31 October 2013 (audited)	Six months ended 30 April 2013 (unaudited)	Six months ended 30 April 2014 (unaudited)
Net assets (£'000)	12,660	13,142	17,697	17,943	28,507
Net asset value per Share (p)	92.6	88.2	88.5	89.7	93.5
Revenue return after expenses and taxation (£'000)	(177)	(266)	(331)	(169)	(225)
Total Return (p)	92.6	88.2	88.5	89.7	93.5
Dividend paid per Share during the period (p)	-	-	-	-	-
<b>Total Expenses (£'000)</b>	300	493	508	294	370

		<table border="1"> <tr> <td>As a percentage of average Shareholders' funds</td> <td>2.4%</td> <td>3.8%</td> <td>2.9%</td> <td>1.6%</td> <td>1.3%</td> </tr> <tr> <td><b>Net asset value return/ (loss) (p)</b></td> <td>(4.1)</td> <td>(4.5)</td> <td>(0.1)</td> <td>1.4</td> <td>5.6</td> </tr> </table> <p>Both during the financial periods referred to above and since 30 April 2014 there has been no significant change in the financial condition or operating results of the Companies.</p>	As a percentage of average Shareholders' funds	2.4%	3.8%	2.9%	1.6%	1.3%	<b>Net asset value return/ (loss) (p)</b>	(4.1)	(4.5)	(0.1)	1.4	5.6
As a percentage of average Shareholders' funds	2.4%	3.8%	2.9%	1.6%	1.3%									
<b>Net asset value return/ (loss) (p)</b>	(4.1)	(4.5)	(0.1)	1.4	5.6									
B.8	Key pro forma financial information	<p>The Enlarged Company is expected to have net assets of approximately £226 million (assuming the Scheme is completed based on the NAVs of the Companies as at 30 April 2014 and the Offer (together with its over allotment facility) is fully subscribed (after deducting expenses of the Scheme of £1 million and the expenses of the Offer of 5.5% of the amount subscribed).</p> <p>The Enlarged Company would have had a return on ordinary activities before tax for the six month period to 30 April 2014 of approximately £4,370,000 after deducting expenses of the Scheme of £1 million, assuming the Titan VCTs were one Enlarged Company.</p> <p>The pro forma statement of net assets is based on the assumption that the Merger and the Offer had taken place on 30 April 2014 and the pro forma statement of earnings is based on the assumption that the Merger and the Offer had taken place at the start of the period, 1 November 2013.</p> <p>The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.</p>												
B.9	Profit forecast	Not applicable. No profit forecast or estimate made.												
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained within the document are not qualified.												
B.11	Insufficient Working capital	Not applicable. Each of Titan 1, 3, 4 and 5 is of the opinion that the working capital available to that Company is sufficient for that Company's present requirements and Titan 2 is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements (that is, for at least the next twelve months from the date of this document).												
B.34	Investment objective and policy including investment restrictions	<p>The investment policy of each of the Companies is as follows:</p> <p>The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of companies from a number of different sectors. In order to limit the risk to the portfolio that is derived from any particular investment, no more than 15% of the amount invested by shareholders in the Company will be invested in any one unquoted company (including both Qualifying and Non-Qualifying Investments).</p> <p>Non-Qualifying Investments</p> <p>An active approach is taken to manage the cash prior to investing in qualifying companies. When the Company has reached its investment target for HMRC, the majority of the</p>												

		<p>remainder of funds will be invested in money market securities and other funds managed by Octopus. By investing a small proportion of its assets into these other funds, some exposure to a broad range of AIM quoted and main market listed smaller and medium sized companies is gained, whilst maintaining liquidity within the Company.</p> <p>The Company may also make Non-Qualifying Investments where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the Company, which may include, from time to time, making a small number of investments or further investments in companies which meet the profile of a Qualifying Investment but would otherwise not be a Qualifying Investment.</p> <p>Qualifying Investments</p> <p>The Company have or will have at the end of its Qualifying Investment period the following investment profile:</p> <ul style="list-style-type: none"> <li>• 75- 85% Qualifying Investments, primarily in unquoted companies</li> <li>• 15-25% in cash, money market securities and funds managed by Octopus and other Non-Qualifying Investments.</li> </ul> <p>The Company will not borrow money for the purposes of making investments. The investment decisions made must adhere to the HMRC qualification rules. The Directors will continually monitor the investment process and ensure compliance with the investment policy.</p> <p>In considering a prospective investment in a company, particular regard is made to:</p> <ul style="list-style-type: none"> <li>• the strength of the management team;</li> <li>• a large addressable market;</li> <li>• evidence of high margin products capable of addressing fast-growing markets;</li> <li>• the company's ability to sustain a competitive advantage;</li> <li>• the existence of proprietary technology; and</li> <li>• the company's prospects of being sold or floated, usually within three to seven years.</li> </ul>
B.35	Borrowing limits	<p>Each of the Companies, save for Titan 5, has the power in its articles of association to borrow up to 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.</p> <p>Titan 5 has the power in its articles of association to borrow up to 20% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of Titan 5 and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with Titan 5's articles of association.</p>
B.36	Regulatory status	The Companies are authorised and regulated by the FCA as self managed alternative investment funds.
B.37	Typical investor	A typical investor for whom the Offer is designed is a UK taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out in Section D of this Summary, considers the investment policy detailed above to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who already have a portfolio of non-VCT investments.
B.38	Investment of 20% or more in a single underlying asset or investment	Not applicable. The Companies will not invest more than 20% in a single underlying asset or investment company.

	company	
B.39	Investment of 40% or more in a single underlying asset or investment company	Not applicable. The Companies will not invest more than 40% in a single underlying asset or investment company.
B.40	Applicant's service providers	<p>Each of the Companies and its Directors entered into an agreement dated 16 September 2014 with Octopus and Howard Kennedy subject to which Howard Kennedy act as sponsor to the Companies in respect of the Offer and, in the case of Titan 2, the Scheme and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares. Under these agreements Octopus is paid, subject in the case of Titan 2 to the passing of Resolution 7 at the Titan 2 General Meeting, a fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into the Companies and not through a financial intermediary for up to nine years and has agreed to discharge all the external costs of advice and their own costs in respect of the Offer. Under each of the agreements certain warranties have been given by the Companies, the Directors and Octopus to Howard Kennedy. The Companies have also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for contracts of this type. The agreements can be terminated if any statement in the prospectus relating to the Offer or Scheme is untrue, any material omission from that prospectus arises or any breach of warranty occurs.</p> <p><b>Titan 1 and Titan 2</b></p> <p>A management agreement (the "Management Agreement") dated 2 November 2007 between Titan 1, Titan 2 and Octopus Ventures Limited (as novated to Octopus by a deed of novation dated 19 October 2009) and an administration agreement (the "Administration Agreement") dated 2 November 2007 between Titan 1, Titan 2 and Octopus, (both as varied by deeds of variation dated 7 February 2013) (together the "Management and Administration Agreements"). The Management Agreement provides that Octopus will provide investment management services to Titan 1 and Titan 2 in respect of their portfolio of qualifying investments in each case for an initial period of five years for a fee of 2% of the NAV on an annual basis. Pursuant to the Management and Administration Agreements, Octopus has a performance fee in respect of Titan 1 and Titan 2 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid. In respect of Titan 1 and Titan 2 the above hurdles have been met. The Management Agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The Management Agreement may also be terminated in circumstances of breach and certain other matters.</p> <p>Pursuant to the Administration Agreement, Octopus provides administration services to Titan 1 and Titan 2 for a fee of 0.3% of the NAV of those Companies on an annual basis. The Administration Agreement may also be terminated in circumstances of breach and certain other matters.</p> <p><b>Titan 3</b></p> <p>A management agreement dated 21 May 2008 between Titan 3 and Octopus Ventures Limited as novated to Octopus by a deed of novation dated 19 October 2009 and an administration agreement dated 21 May 2008 between Titan 3 and Octopus Investments Limited, both as varied by a deed of variation dated 7 February 2013 (the "Management and Administration Agreements"). The management agreement provides that Octopus will provide investment management services to Titan 3 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2% of the NAV on an annual basis. Pursuant to the Management and Administration Agreements, Octopus has a performance fee in respect of Titan 3 which is 20% of the total return above 100p once (i) a total return of £1.30</p>

per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 3 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 3 were adjusted in light of the 2012/13 Offer to a total return hurdle of £1.24 and a dividend hurdle of 32p and have subsequently been met. The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

Pursuant to the administration agreement, Octopus provides administration to Titan 3 for a fee of 0.3% of the NAV on an annual basis. The management agreement may also be terminated in circumstances of breach and certain other matters.

#### **Titan 4**

A management agreement dated 11 November 2009 between Titan 4 and Octopus. The management agreement provides that Octopus will provide investment management services to Titan 4 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2% of the NAV on an annual basis. Pursuant to the management agreement, Octopus has a performance fee in respect of Titan 4 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 4 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 4 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.26 and a dividend hurdle of 32p and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.22 and a dividend hurdle of 22p, with the Titan 4 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.18.

The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

An administration agreement entered into on 11 November 2009 between Titan 4 and Octopus subject to which Octopus provides administration to Titan 4 for a fee of 0.3% of the NAV on an annual basis. The management agreement may also be terminated in circumstances of breach and certain other matters.

#### **Titan 5**

A management agreement dated 30 November 2010 between Titan 5 and Octopus. The management agreement provides that Octopus will provide investment management services and administration services to Titan 5 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2.3% of the NAV on an annual basis. Octopus has a performance fee in respect of Titan 5 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 5 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 5 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.28 and a dividend hurdle of 32p and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.26 and a dividend hurdle of 22p, with the Titan 5 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.13 and the dividend hurdle to a minimum of 15p. The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management

		<p>agreement may also be terminated in circumstances of breach and certain other matters.</p> <p><b>IMA Deed of Variation</b></p> <p>The IMA Deed of Variation proposes to vary, in the event of the Merger taking place and subject to the approval of the Titan 2 Shareholders, the performance incentive arrangements so that they are just and fair to both the Shareholders and the Manager insofar as the hurdles have been met in the case of Titan 1, Titan 2 and Titan 3 and are still to be met in the case of Titan 4 and Titan 5. A performance incentive fee will be paid on the basis of the payments that would have been made by the Titan VCTs to Octopus prior to the Merger, with Octopus being paid a fee, in the event of an increase in the Enlarged Company's NAV, in respect of that part of the Enlarged Company's fund where the hurdles have been reached, with no fee being payable in respect of that part of the Enlarged Company's fund where the hurdles have not been met.</p> <p>Under the IMAAs Octopus is paid an investment management fee of an amount equal to 2% of the net assets of Titan 2 at the end of the preceding accounting period and an administration fee of an amount equal to 0.3% of the net assets of Titan 2 at the end of the preceding accounting period. The IMA Deed of Variation varies, subject to the approval of the Titan 2 Shareholders, the calculation of these fees so that they are calculated on a daily basis using the NAV per Share as at the previous quarter end, multiplied by the number of shares in issue at the close of each business day, which the Titan 2 Board and Octopus believe is a more appropriate way of calculating the fees.</p> <p>In view of the requirement for Shareholders to hold the Offer Shares for five years in order to retain the VCT income tax reliefs, the IMA Deed of Variation extends, subject to there being an Admission by Titan 2 under the Offer and the Merger proceeding and subject to the approval of the Titan 2 Shareholders, the term of the IMAAs for a further 5 years, subject to earlier termination in the event of the underperformance of the Manager, the departure of certain members of the Manager or as agreed by the Titan 2 Shareholders and the Manager, and thereafter the IMAAs will be terminable by either Titan 2 or the Manager on 12 months' written notice.</p>
B.41	Regulatory status of the Manager/ custodian	Octopus is authorised and regulated by the Financial Conduct Authority.
B.42	Calculation of Net Asset Value	<p>The NAV of a Share is calculated by each of the Companies in accordance with its accounting policies and is published quarterly through a Regulatory Information Service.</p> <p>The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Companies could not readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	Cross liability re umbrella collective investment undertaking	Not applicable. The Companies are not umbrella collective investment undertakings and as such there is no cross liability between classes of Shares or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable. The Companies have commenced operations and historical financial information is included within the document.
B.45	Portfolio	Each of the Companies' investment portfolio comprise predominantly UK unquoted companies in the environment, technology, media, telecoms, consumer lifestyle and wellbeing sectors. As at 30 April 2014 (the date to which the most recent unaudited financial information has been drawn up), the Companies' portfolio of investments comprised, by

		value, £18,212,000 (Titan 1) £18,212,000 (Titan 2) , £23,982,000 (Titan 3) , £30,863,000 (Titan 4) and £12,955,000 (Titan 5).
B.46	Most recent Net Asset Value	The unaudited NAV per Share as at 31 July 2014 was 91.6p (Titan 1), 91.6p (Titan 2) , 91.4p (Titan 3) , 102.8p (Titan 4) and 91.8p (Titan 5).

### Section C — Securities

Element	Disclosure requirement	Disclosure
C.1	Types and class of securities	Titan 2 will issue new ordinary shares of 10p each pursuant to the Scheme and the Companies will issue new ordinary shares of 10p each pursuant to the Offer. The ISIN and SEDOL of the Titan 1 Offer Shares are GB00B28V8Y81 and B28V8Y8 respectively, the ISIN and SEDOL of the Titan 2 New Shares are GB00B28V9347 and B28V934 respectively, the ISIN and SEDOL of the Titan 3 Offer Shares are GB00B2Q5VD26 and B2Q5VD2 respectively, the ISIN and SEDOL of the Titan 4 Offer Shares are GB00B5467F20 and B5467F2 respectively and the ISIN and SEDOL of the Titan 5 Offer Shares are GB00B67CCM69 and B67CCM6 respectively.
C.2	Currency	Sterling.
C.3	Number of securities to be issued	The maximum number of Offer Shares to be issued pursuant to the Offer is 70,599,729 Offer Shares assuming a full subscription, using the over allotment facility, split equally between all the Titan VCTs at the Offer Prices set out at Element E6 below and the number of Scheme Shares to be issued pursuant to the Scheme shall be determined at the Scheme Calculation Date by reference to the Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values.
C.4	Description of the rights attaching to the securities	<p><u>As Regards Income:</u> The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p><u>As Regards Capital:</u> On a return of capital on a winding up or any other return of capital (other than on a purchase by the Company of its shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p><u>As Regards Voting and General Meetings:</u> Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p><u>As Regards Redemption:</u> The Shares are not redeemable.</p>
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares.
C.6	Admission	Application has been made to the UK Listing Authority for the New Shares to be issued pursuant to the Scheme and the Offer to be admitted to the premium segment of the Official List and an application will be made to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence, within 10 business days of their allotment.
C.7	Dividend policy	Generally, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Directors aim to pay tax free

		distributions to Shareholders from income and realised gains.
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#### Section D — Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the issuer	<ul style="list-style-type: none"> <li>Shareholders may be adversely affected by the performance of the investments, which may restrict the ability of the Companies to distribute any capital gains and revenue received on the investments.</li> <li>The Companies' investments may be difficult, and take time, to realise.</li> <li>Investment in unquoted companies, which comprise most of the Companies' portfolios of companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.</li> <li>The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. The Finance Act 2014 amends the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buy backs.</li> <li>The Finance Act 2014 restricts income tax relief on subscription to a VCT after 5 April 2014 where, within 6 months, the investor had disposed of shares in that VCT.</li> </ul>
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> <li>The value of the Shares may go down as well as up. Shareholders may not receive back the full amount invested and could lose part or all of their investment.</li> <li>There is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.</li> <li>Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment.</li> </ul>

#### Section E — Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and expenses of the Issue	<p>The Merger will not result in any proceeds being raised by Titan 2. The aggregate anticipated costs of undertaking the Merger are approximately £1 million.</p> <p>The aggregate net proceeds of the Offer, assuming a £70 million subscription and the maximum initial charge, will be £64.75 million. The costs and expenses (excluding VAT but including intermediary commission) relating to the Offer for the Companies and the expenses charged to an investor, either directly or indirectly, will be up to 7.5% of the gross funds raised by the Companies.</p>
E.2a	Reason for the Offer, use of proceeds and estimated net amount of the proceeds	<p>The Companies' success to date has highlighted that the investment model used by the Manager is one that can lead to significant returns. The Boards believes that the portfolios are well positioned to continue this trend, delivering capital growth to those investors able to take a long term view to investing in well-run UK companies. New funds raised will be used for new investments and follow on investments to support the existing portfolio in accordance with the Companies' published investment policy. The aggregate net proceeds of the Offer, assuming a £70 million subscription and the maximum initial charge, will be £64.75 million.</p>



E.3	Terms and conditions of the Offer	<p>The Offer Price will be determined by the following formula:</p> <ul style="list-style-type: none"> <li>• <b>the most recently announced NAV per Share of the Company, divided by 0.945</b></li> </ul> <p>Each Company announces its NAV on a quarterly basis. Where the share price for any of the Companies has been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price for that Company will be ex-dividend. In respect of the Offer, the NAV per Offer Share will be rounded up to one decimal place and the number of Offer Shares to be issued will be rounded down to the nearest whole number (fractions of Offer Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants (except where the amount is less than the Offer Price of one Offer Share in which case it will be donated to charity), without interest.</p> <p>The Offer will be closed on full subscription, i.e. once the full £50 million plus the over allotment facility of £20 million have been raised. The Boards reserve the right to close the Offer earlier and to accept applications and issue Offer Shares at any time prior to the close of the Offer. Offer Shares issued will rank pari passu with the existing Shares and the Scheme Shares from the date of issue.</p> <p>Participation by Titan 1, 3, 4 and 5 in any allotment under the Offer is conditional upon (i) the Merger not having taken place prior to the time of that allotment and (ii) the passing by the Titan 1, 3, 4 and 5 Shareholders of Resolutions 2 and 4 at the Titan 1, 3, 4 and 5 Second General Meetings. Participation by Titan 2 in the Offer is conditional upon the passing by the Titan 2 Shareholders of Resolutions 2, 4 and 7 at the Titan 2 General Meeting.</p>
E.4	Material interests	Not applicable. No interest is material to the issue of the New Shares.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Offer and there are no lock-up agreements.
E.6	Amount and percentage of dilution	<p>The existing issued Shares in Titan 2 will represent 13.4% of the enlarged ordinary share capital of Titan 2 immediately following completion of the Scheme and the Offer, assuming (i) the Offer is fully subscribed in Titan 2 at an Offer Price of 97.0p and (ii) the Merger takes place on the basis of the NAV of the Titan VCTs as at 31 July 2014, and on that basis Titan 2's Shareholders who do not subscribe under the Offer and who do not receive Scheme Shares will, therefore, be diluted by 86.6%.</p> <p>The existing issued Shares in Titan 2 will represent 69.4% of the enlarged ordinary share capital of Titan 2 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 2 of 97.0p, and on that basis Titan 2 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 30.6%.</p> <p>The existing issued Shares in Titan 1 will represent 69.4% of the enlarged ordinary share capital of Titan 1 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 1 of 97.0p, and on that basis Titan 1 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 30.6%.</p> <p>The existing issued Shares in Titan 3 will represent 71.5% of the enlarged ordinary share capital of Titan 3 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 3 of 96.8p, and on that basis Titan 3 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 28.5%.</p> <p>The existing issued Shares in Titan 4 will represent 75.3% of the enlarged ordinary share capital of Titan 4 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 4 of 108.8p, and on that basis Titan 4 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 24.7%.</p>

		<p>The existing issued Shares in Titan 5 will represent 68.4% of the enlarged ordinary share capital of Titan 5 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 5 of 97.2p, and on that basis Titan 5 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 31.6%.</p>
E.7	Expenses charged to the investor	<p>The aggregate anticipated cost of undertaking the Merger is approximately £1 million, including VAT, legal and professional fees, stamp duty and the costs of winding up Titan 1, 3, 4 and 5. The costs of the Merger will be split proportionately between the Companies by reference to the Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values (ignoring merger costs).</p> <p>For all investors, the Offer Price per Share will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Share, divided by 0.945. A more detailed explanation is set out at E3 above.</p> <p>In consideration for the promotion and investment management that Octopus provides to the Companies, the Companies will pay an initial charge of 3% of the gross sums invested in the Offer to Octopus. This is payable in the same way on all subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:</p> <p><b>1) <u>A direct investment</u></b> Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies.</p> <p>In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, if an application is made directly (not through an intermediary) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to nine years, provided the investor continues to hold the Shares.</p> <p><b>2) <u>An advised investment where advice is received for an upfront fee with an ongoing adviser charge</u></b> Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice and will receive ongoing advice.</p> <p>The Companies can facilitate a payment on behalf of an investor to an intermediary/adviser (an 'initial adviser charge') of up to 2.5% of the investment amount. If the investor has agreed with his/her intermediary/adviser to pay a lower initial adviser charge, the balance (up to a maximum of 2.5%) will be used for the issue and allotment of Offer Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above.</p> <p>The Companies can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to nine years, whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional Offer Shares for the investor, at the most recently announced NAV per Share. Any residual amount less than the cost of an Offer Share will be donated to a charity approved by the Boards.</p> <p>If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Companies will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.</p>

		<p><b>3) <u>An advised investment where advice is received for an upfront fee with no ongoing adviser charge</u></b></p> <p>Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice, including investors who are investing through intermediaries/advisers using financial platforms.</p> <p>Where an investor agreed an up front fee only, the Companies can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional Offer Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Companies will not facilitate ongoing annual payments.</p> <p>In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.</p> <p><b>4) <u>A Non-advised investment using an intermediary</u></b></p> <p>Investors who have invested their money through a financial intermediary and have not received advice.</p> <p>An initial commission of 2.5% of the investment will be paid by the Companies to the intermediary. An annual ongoing adviser charge of 0.5% of the investment amount's latest NAV will be paid by the Companies to the intermediary. Such commission will be available for up to nine years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.</p> <p>These charges may, according to the proportion of Advised Investors where advice is received for an upfront fee only, create some limited reduction of the net asset value per Share immediately subsequent to subscriptions in the Offer being made. This effect will be mitigated and is ultimately expected to be more than compensated, for continuing investors, by the expected benefits derived from a larger pool of investable funds and the financial benefit in subsequent periods of the absence of ongoing adviser charges in respect of such investments.</p>
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## **RISK FACTORS**

Prospective investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Companies' business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks the Companies or their Shareholders will face. Any decision to invest under the Offer should be based on consideration of this document as a whole.

### Scheme related risk factors

Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders. If the Scheme is not approved and/or effected, the expected benefits of the Scheme will not be realised and Titan 2 will be responsible for the costs of the Proposals relating to the Scheme.

Shareholders may be adversely affected by the performance of the investments, whether acquired from Titan 1, 3, 4 and 5 or made by Titan 2. The performance of the investments acquired from Titan 1, 3, 4 and 5, as well as the investments of Titan 2, may restrict the ability of Titan 2 following the Merger to distribute any capital gains and revenue received on the investments transferred from Titan 1, 3, 4 and 5 to Titan 2 (as well as the investments of Titan 2). Any gains (or losses) made on the investments of Titan 2 will, following the Scheme, be shared pro rata amongst all Shareholders.

### Offer related risk factors

The Offer is conditional on the approval by Shareholders of Resolution 2, 4 and 7 to be proposed at the Titan 2 General Meeting and Resolutions 2 and 4 to be proposed at the Titan 1, 3, 4 and 5 Second General Meetings. If none of these Resolutions are approved, the Offer will be withdrawn and the expected benefits of the Offer will not be realised and the Companies will be responsible for the costs of the Proposals relating to the Offer.

The Finance Act 2014 restricts income tax relief on subscription to a VCT after 5 April 2014, where, within 6 months, the investor had disposed of shares in that VCT or a VCT which had merged with that VCT. A receipt of Scheme Shares pursuant to the Merger is not a subscription to Titan 2 for these purposes, but Shareholders who have subscribed for shares in any of the Titan VCTs since 5 April 2014 should note this.

### Risk factors relating to the Companies

The past performance of the Companies and/or Octopus is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and the interest income and dividends they generate, may fall and adversely affect the performance of the Companies.

The Companies' investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Companies. Both of these may adversely affect the performance of the Companies.

It can take a number of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Companies invest, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods. This may adversely affect the performance of the Companies.

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

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

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

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

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

The Companies will only pay dividends on Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income from the Companies' investments may adversely affect the dividends payable to Shareholders. Such a reduction could arise, for example, from lower dividends or lower rates of interest paid on the Companies' investments, or lower bank interest rates than are currently available.

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

#### Risk factors relating to the Shares

The value of the Shares may go down as well as up and Shareholders may not receive back the full amount invested.

The value of Shares can fluctuate and investors may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

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

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which has merged with that VCT. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

## EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS

### Expected Timetable for the Scheme

#### *Titan 2*

Latest time and date for receipt of Forms of Proxy for the Titan 2 General Meeting	11.00 am on 14 October 2014
Titan 2 General Meeting	11.15 am on 16 October 2014
Scheme Calculation Date	after 5.00 pm on 27 October 2014
Scheme Effective Date for the transfer of the assets and liabilities of Titan 1, 3, 4 and 5 to Titan 2 and the issue of Scheme Shares	28 October 2014
Announcement of the results of the Scheme	28 October 2014
Admission of, and dealings in, Scheme Shares issued to commence	29 October 2014
CREST accounts credited (if applicable)	29 October 2014
Certificates for Scheme Shares dispatched to Titan 1, 3, 4 and 5 Shareholders	Week commencing 19 November 2014

#### **Titan 1, 3, 4 and 5**

Latest time for receipt of forms of proxy for the Titan 1, 3, 4 and 5 First General Meetings	11.00 am on 14 October 2014
Titan 1 First General Meeting	11.30 am on 16 October 2014
Titan 3 First General Meeting	2.15 pm on 16 October 2014
Titan 4 First General Meeting	11.45 am on 16 October 2014
Titan 5 First General Meeting	2.30 pm on 16 October 2014
Latest time for receipt of forms of proxy for the Titan 1, 3, 4 and 5 Second General Meetings	10.45 am on 24 October 2014
Titan 1, 3, 4 and 5 register of members closed	27 October 2014
Final expected date of trading of the Titan 1, 3, 4 and 5 Shares	27 October 2014
Scheme Record Date for Titan 1, 3, 4 and 5 Shareholders' entitlements under the Scheme	5.00 pm on 27 October 2014
Scheme Calculation Date	after 5.00 pm on 27 October 2014
Dealings in Titan 1, 3, 4 and 5 Shares suspended	7.30 am on 28 October 2014
Titan 1 Second General Meeting	11.30 am on 28 October 2014
Titan 3 Second General Meeting	11.15 am on 28 October 2014
Titan 4 Second General Meeting	11.00 am on 28 October 2014
Titan 5 Second General Meeting	10.45 am on 28 October 2014
Scheme Effective Date for the transfer of the assets and liabilities of Titan 1, 3, 4 and 5 to the Company and the issue of Scheme Shares *	28 October 2014
Announcement of the results of the Scheme	28 October 2014
Cancellation of the Titan 1, 3, 4 and 5 Shares' listing	8.00 am on 29 October 2014

(\*The final expected date of trading of the Titan 1, 3, 4 and 5 Shares will be 27 October 2014. See the timetable for the Company with regard to admission, CREST accounts being credited and certificates being dispatched in respect of the Scheme Shares)

### Expected Timetable for the Offer

Launch date of the Offer	16 September 2014
Deadline for receipt of applications for final allotment in 2014/15 tax year	12 noon on 1 April 2015
Deadline for receipt of applications for final allotment in 2015/16 tax year	12 noon on 1 September 2015
First allotments under the Offer	17 November 2014
Closing date of the Offer	1 September 2015

- The Offer will close earlier if fully subscribed. The Boards reserve the right to close the Offer earlier and to accept Applications and issue Offer Shares at any time following the receipt of valid applications.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority.
- Dealing is expected to commence in Offer Shares within ten business days of allotments and share and tax certificates are expected to be dispatched within 14 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Companies, in which event details of the new dates will be notified through a Regulatory Information Service.

### Offer Statistics

Costs of Offer	Up to 7.5% of gross proceeds of Offer
Initial adviser charge or intermediary commission	Up to 4.5% of gross proceeds of Offer
Ongoing adviser charge or annual ongoing charge	Up to 0.5% per annum of the latest NAV of gross sums invested in the Offer for up to 9 years

- The cost of the Offer is capped at 7.5%. Octopus has agreed to indemnify the Companies against the costs of the Offer in excess of this amount.

### Loyalty Discount

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 0.5%. This reduction will be met by Octopus through an equivalent reduction in the costs of Offer fee referred to above.

## LETTER FROM THE CHAIRMEN

Octopus Titan VCT 1 plc  
Octopus Titan VCT 2 plc  
Octopus Titan VCT 3 plc  
Octopus Titan VCT 4 plc  
Octopus Titan VCT 5 plc

20 Old Bailey  
London  
EC4M 7AN

16 September 2014

Dear Investor,

With many of the companies in our portfolio continuing their impressive growth and with Octopus, the investment manager, developing a robust pipeline of new investment opportunities, we are delighted to offer you once again an opportunity to acquire new shares in the Octopus Titan Venture Capital Trusts.

### **The Offer**

The Companies are seeking to raise £50 million under the Offer, with an over allotment facility of a further £20 million. Both new and existing investors can apply for Offer Shares, which will rank equally with the existing Shares and, if applicable, the Scheme Shares from their date of allotment. As such, investors are accessing a well-established portfolio. The Offer Price will be based on the most recently published net asset value of a Share at the date of allotment, plus the costs of the Offer. Multiple applications are permitted.

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

Participation by Titan 1, 3, 4 and 5 in any allotment under the Offer is conditional upon (i) the proposed merger not having taken place prior to the time of that allotment and (ii) the passing by the Titan 1, 3, 4 and 5 Shareholders of Resolutions 2 and 4 at the Titan 1, 3, 4 and 5 Second General Meetings. Participation by Titan 2 in the Offer is conditional upon the passing by the Titan 2 Shareholders of Resolutions 2, 4 and 7 at the Titan 2 General Meeting.

### **The Merger**

On 25 June 2014, the Boards announced that they had entered into discussions to merge the Companies, each of which are managed by Octopus, and that it was also intended to raise further funds pursuant to an offer for subscription, at the same time. The Boards also announced on 3 September 2014, that the terms of a merger had been agreed in principle.

The Merger is expected to cost circa £1 million and deliver annual cost savings of circa £0.5 million and will bring a number of additional benefits to existing and future Shareholders including:

- amalgamation of the Companies' portfolio assets, many of which are commonly held, for efficient management and administration;
- participation in a larger VCT with a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments;
- efficiencies in annual running costs for the Enlarged Company compared to the separate companies;



- enhancing the ability of the Enlarged Company to raise new funds, as well as pay dividends and support buy backs in the future;
- the potential for greater liquidity in the secondary market;
- the removal of potential conflicts relating to the Titan VCTs' portfolio investments;
- streamlining communications with Shareholders; and
- improving risk management in respect of compliance with the VCT Rules.

The proposal is to merge the Companies using a scheme of reconstruction (the "Scheme") by which the assets and liabilities of Titan 1, 3, 4 and 5, will be transferred to Titan 2.

The Scheme will, if effected and assuming the Offer is fully subscribed, result in an Enlarged Company with net assets of over £210 million. Post-merger, the Enlarged Company is targeting regular tax-free annual dividends of 4p per Share, increasing to 5p per Share within two years. Tax free special dividends may also be payable when investments are sold for a profit from the portfolio, as has been the case in previous years for Titan 1, Titan 2 and Titan 3.

### Background

Titan 2 was launched in October 2007 and has been managed by the Octopus team since inception. Octopus was launched in March 2000.

The latest unaudited NAV of Titan 2, taken from its unaudited management accounts to 31 July 2014, was 91.6p per Share, and the latest unaudited NAVs of Titan 1, 3, 4 and 5, taken from their respective unaudited management accounts to 31 July 2014, was 91.6p per Share, 91.4p per Share, 102.8p per Share and 91.8p per Share respectively.

The table below sets out the unaudited NAVs of the Companies and provides further detail on the venture capital investments in their portfolios as at that date.

Company	Net Assets (unaudited) (£)	NAV per share (unaudited) (p)	Number of venture capital investments	Carrying value of the venture capital investments (£)	Total Return (p)
Titan 1	29,981,847	91.6	37	21,703,823	139.1
Titan 2	29,974,279	91.6	37	21,703,823	139.1
Titan 3	33,167,724	91.4	37	26,006,640	127.4
Titan 4	40,258,949	102.8	35	32,319,093	107.8
Titan 5	28,669,345	91.8	30	16,306,512	91.8

Further information relating to the portfolios of the Companies is set out in Part Six of this document.

The Titan VCTs have the same overall investment objective and policy of providing Shareholders with an attractive income and capital return by investing their funds in a broad spread of unquoted UK companies which meet the relevant criteria for VCTs.

VCTs are required to be traded on a European Union/European Economic Area regulated market. The Titan VCTs are listed on the premium segment of the Official List, which involves a significant level of listing costs, as well as related fees to ensure they comply with all relevant legislation. The Enlarged Company should be better placed to spread such running costs across a larger asset base and facilitate better liquidity management and, as a result, may be able to maximise investment opportunities and sustain a higher level of dividends to Shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of

VCTs have taken advantage of these regulations to create larger VCTs.

In addition, the changes announced to the VCT investment limits and size test, in particular the removal of the £1 million per annum investment limit per VCT in an investee company, will reduce the need for sister VCTs to co-invest in order to participate in larger investments (effective for investments made on or after 6 April 2012).

With the above in mind, the Boards entered into discussions with Octopus to consider a merger of the Companies to create a single, larger VCT, which was announced on 25 June 2014. The aim of the Boards is to improve Shareholder value. As a result, the Boards expect to achieve, among other things, strategic and scale benefits through the creation of an enlarged VCT.

## **The Scheme**

The mechanism by which the Merger will be completed is as follows:

- Titan 1, 3, 4 and 5 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of Titan 1, 3, 4 and 5 will be transferred to the Company in consideration for the issue of Scheme Shares (to be issued directly to Titan 1, 3, 4 and 5 Shareholders).

The Scheme will be completed on a relative unaudited NAV basis, adjusted for the anticipated costs of the Scheme. The calculation of the NAV of the Titan VCTs will take into account any subscription monies received by the Titan VCTs under the Offer prior to the Merger. The Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values will be based on the latest unaudited valuations of the Titan VCTs' investee companies. James Cowper LLP will review the latest unaudited NAVs of the Titan VCTs and valuations of the Titan VCTs' investee companies prior to the Scheme Effective Date and will confirm that they have been prepared in accordance with similar principles that would have been used in producing year end accounts. In addition, independent valuations will be carried out of those unquoted investee companies into which the Titan VCTs have not invested in the previous 12 month period alongside an independent investor and which are more than 5% of any of the value of any of the Titan VCTs. The effect of the Scheme will be that the Titan 1, 3, 4 and 5 Shareholders will receive Titan 2 Shares with the same total value as their Titan 1, 3, 4 and 5 Shares.

The Scheme is conditional upon the approval by the Titan 2 Shareholders and by the Titan 1, 3, 4 and 5 Shareholders, as well as the other conditions set out in Part One of this document.

As the Companies have the same investment objective and policy, the same investment manager and other common advisers, the proposed Merger should be achievable without major additional cost or disruption to the Companies and their combined portfolio of investments.

The aggregate anticipated cost of undertaking the Merger is approximately £1 million, including VAT, legal and professional fees, stamp duty and the costs of winding up Titan 1, 3, 4 and 5. The costs of the Merger will be split proportionately between the Companies by reference to the Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values (ignoring merger costs).

Shareholders and investors should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

As is required by CA 2006, prior to the allotment of the Scheme Shares, Titan 2 will be sending to Titan 2 Shareholders and Titan 1, 3, 4 and 5 Shareholders at their registered addresses and uploading on to Octopus' website a valuation report which will be prepared by BDO LLP. This report will indicate the method used by the Directors for the Merger calculations and give an opinion on the reasonableness of that method, describe any valuation difficulties and give an opinion on whether the Share exchange ratio is reasonable.

The portfolio of assets which will be transferred from Titan 1, 3, 4 and 5 to Titan 2 as part of the Scheme are all considered to be in keeping with Titan 2's investment policy, particularly as a number of these are common across the respective portfolios of the Companies. The extent of the liabilities (if any) which will be transferred from Titan 1, 3, 4 and 5 to Titan 2 as part of the Scheme will be those which are incurred in the ordinary course of business, and merger costs which remain unpaid at the time of

transfer. Any such liabilities are expected to be nominal in comparison to the value of the assets.

Titan 1, 3, 4 and 5 Shareholders who do not vote in favour of the resolution to be proposed at the Titan 1, 3, 4 and 5 First General Meetings are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Titan 1, 3, 4 and 5 Shareholders and the Liquidators (or by arbitration), which would be expected to be at a significant reduction to the net asset value of a Titan 1, 3, 4 and 5 Share (as appropriate). If the conditions of the Scheme are not satisfied, the Companies will continue in their current form and the Boards will continue to review all options available to them regarding the future of the Companies.

Had the Merger been effected on 31 July 2014 and in accordance with the formulae set out in Part One of this document (assuming no dissenting Titan 1, 3, 4 and 5 Shareholders), the following number of Scheme Shares would have been issued to Titan 1, 3, 4 and 5 Shareholders for every Titan 1, 3, 4 and 5 Share:

	Unaudited value/NAV*	Merger Values/ Titan 1, 3, 4 and 5 Roll-Over Values** (p)	Scheme Shares per Titan 1, 3, 4 and 5 Share
Titan 2 (p)	29,789,312	91.0*** (Merger Value)	–
Titan 1 (p)	29,796,833	91.0**** (Titan 1 Roll Over Value)	32,752,599 Scheme Shares
Titan 3 (p)	32,963,051	90.9**** (Titan 3 Roll Over Value)	36,232,867 Scheme Shares
Titan 4 (p)	40,010,517	102.2**** (Titan 4 Roll Over Value)	43,979,438 Scheme Shares
Titan 5 (p)	28,492,431	91.2**** (Titan 5 Roll Over Value)	31,318,804 Scheme Shares

\* Based on the unaudited NAVs of the Titan VCTs as at 31 July 2014, but adjusted for the irrecoverable costs of the merger.

\*\* Based on the issued share capital of the Titan VCTs as at 15 September 2014 (this being the latest practicable date prior to the publication of this document)

\*\*\* After anticipated merger costs and taking into account related anticipated costs.

\*\*\*\* These being the NAV attributable to each of Titan 1, 3, 4 and 5, after anticipated merger costs.

The number of Scheme Shares that would have been issued in aggregate would have been 144,283,708 Scheme Shares on this basis.

Clearance has been requested from HMRC that the Scheme meets the requirements of the Merger Regulations and, therefore, that the implementation of the Scheme should not affect the status of Titan 2 as a VCT. It is the intention of the Titan 2 Board to continue to comply with the requirements of ITA 2007 following the Merger so that Titan 2 continues to qualify as a VCT.

Further information regarding the terms of the Scheme is set out in Part One of this document. Details of the risks relating to the Scheme and those generally associated with investing in a VCT are set out on pages 20 to 21 of this document.

### **The Investment Opportunity**

The Offer is intended for investors looking for the potential to generate high levels of tax-free capital growth from a portfolio of early-stage UK companies, with the returns being distributed to shareholders through regular tax free dividends and special dividends.

New investors will benefit from immediate exposure to an existing portfolio of high-growth investments. These include more established companies such as **TouchType Limited (SwiftKey)**, and very early-stage businesses like **Yplan Limited**. Additionally, investors will also have exposure to already successful companies such as **Nature Delivered Limited (Graze)** and **Calastone** and **Secret Escapes**.

### **Tax benefits**

- As venture capital trusts are Government-led investment vehicles designed to incentivise investors for supporting smaller, higher-risk companies, qualifying investors will have access to the attractive tax benefits associated with an investment in a venture capital trust as more fully set out in Part Two of this document but including **Up to 30% income tax relief on the investment**. For example, an investor investing £20,000 would receive £6,000 in income tax relief. This tax relief can be claimed provided you have paid that amount in tax, up to a maximum relief of £60,000 per tax year (i.e. an investment of £200,000).
- **Tax-free dividends and capital gains**, meaning that any growth in the portfolio value is not subject to tax. For example, **Titan VCTs 1 and 2 paid a tax-free dividend of 34p for every £1 invested in 2013** – this is equivalent to over 50p for a 40% rate income taxpayer.

### **Proven portfolio returns**

Together, the five Titan VCTs have an established diversified portfolio of 45 investments across a range of sectors.

Titan 1 and Titan 2 began investing in 2008, meaning many of these investments have already proven their resilience and potential to grow despite the recent unfavourable economic environment. The Titan VCTs have also demonstrated that exiting or partially exiting successful investments can produce sizeable dividends for their investors.

Early-stage venture capital funds tend to follow a 'J-curve', whereby the value of the fund falls initially, before the cash is fully deployed, as running costs outweigh income. Once the investment portfolio has been built, the underlying value typically leads to an increase in total return, as has happened in Titan 1, Titan 2, Titan 3 and Titan 4. The Boards believe that Titan 5 is following the same pattern.

As well as producing investment returns, the portfolio is also actively aiding the growth of UK smaller companies – a key factor in the government's continued support of the venture capital trust industry. The 45 investments in the portfolio employed just under 500 people and had a turnover of approximately £22 million at the point of initial investment. In 2013, an average of 3 years after initial investment, they employed 1,100 people and had revenues of over £175 million. Now, they employ over 1,900 people and their turnover is anticipated to be £232 million in 2014.

### **New investment opportunities**

Many of the companies in the established Titan VCT's portfolio now require further funding, as their growth ambitions do not stop just because of their success so far. To build big and valuable businesses they need Octopus to support them at each stage of their development. The Octopus team follows a strategy of repeat (or 'follow-on') investment in the strongest performers in the portfolio, starting small then backing them with additional funding at each stage of their growth.

As well as follow-on investment in this established portfolio, the fund managers at Octopus have developed a very healthy pipeline of new investment opportunities. Success with companies like **Zoopla Property Group Limited, SwiftKey, Graze** and **Secret Escapes Limited** attracts more entrepreneurs and business owners who want to work with Octopus to help grow their companies. As a result, the Octopus fund managers can be very selective and pick what they believe to be the best opportunities for future investment.

The Boards believe that the portfolio is well positioned to continue delivering capital growth to those investors able to take a long-term view on investing in well-run UK companies.

### **Expert VCT management**

The Titan VCTs are managed by the Ventures team at Octopus, an award-winning investment manager that has **over £3.5 billion of funds under management for more than 50,000 UK investors**. It manages more money in venture capital trusts than any other provider in the industry, raised over £100 million in venture capital trusts last tax year, and is an expert investor in UK smaller companies with work in partnership with more than 3,000 financial advisers.

The Ventures team has an excellent track record of investing in early-stage high-growth companies such as **Zoopla Property Group, LOVEFiLM, Plum Baby, Graze, Secret Escapes and Calastone**.

**Zoopla Property Group** listed on the London Stock Exchange in June 2014 at a value of £919 million which has since increased to more than £1 billion. Octopus, has had a strong relationship with founders Alex Chesterman and Simon Kain having invested in their previous business LOVEFiLM.

1. 2007 Founders Alex Chesterman and Simon Kain launch Zoopla Limited
2. 2008: The website [zoopla.co.uk](http://zoopla.co.uk) goes live
3. 2009: The Titan VCTs invest £1.4m
4. 2010: The Titan VCTs invest a further £1.5m
5. 2014 Zoopla lists on the stock exchange (ZPLA). The company currently has a market capitalisation of more than £1 billion (at 12 September 2014)

The performance of the Ventures team is evidenced by the excellent track record of the Titan VCTs, including the substantial dividends the earlier venture capital trusts have already generated, described below. The team has established itself as one of the leading early stage venture capital teams in the UK, and proven its ability to find great companies, to back the winners both financially and non-financially, and to secure exits at good prices for investors.

### **Unique investment resource**

The Ventures team is supported by the Octopus Venture Partners. This is a group of over 100 entrepreneurs and business experts who have successfully grown and managed businesses, achieving significant returns for themselves and investors.

The Octopus Venture Partners introduce potential investments to Octopus, and then co-invest alongside the Titan VCTs. They also provide 'been there, done that' expertise and guidance to the companies in the portfolio on an ongoing basis. Together, the Octopus Venture Partners and Octopus fund managers are able to add real value to the small companies that they support – both financially and through sound business advice.

### **Performance**

Based on the latest published information, the returns generated by the Titan VCTs are detailed in the table below. The total return figures include both regular dividends, which Titan 1 to Titan 4 are already paying, and special dividends as recently delivered by Titan 1 to Titan 3.

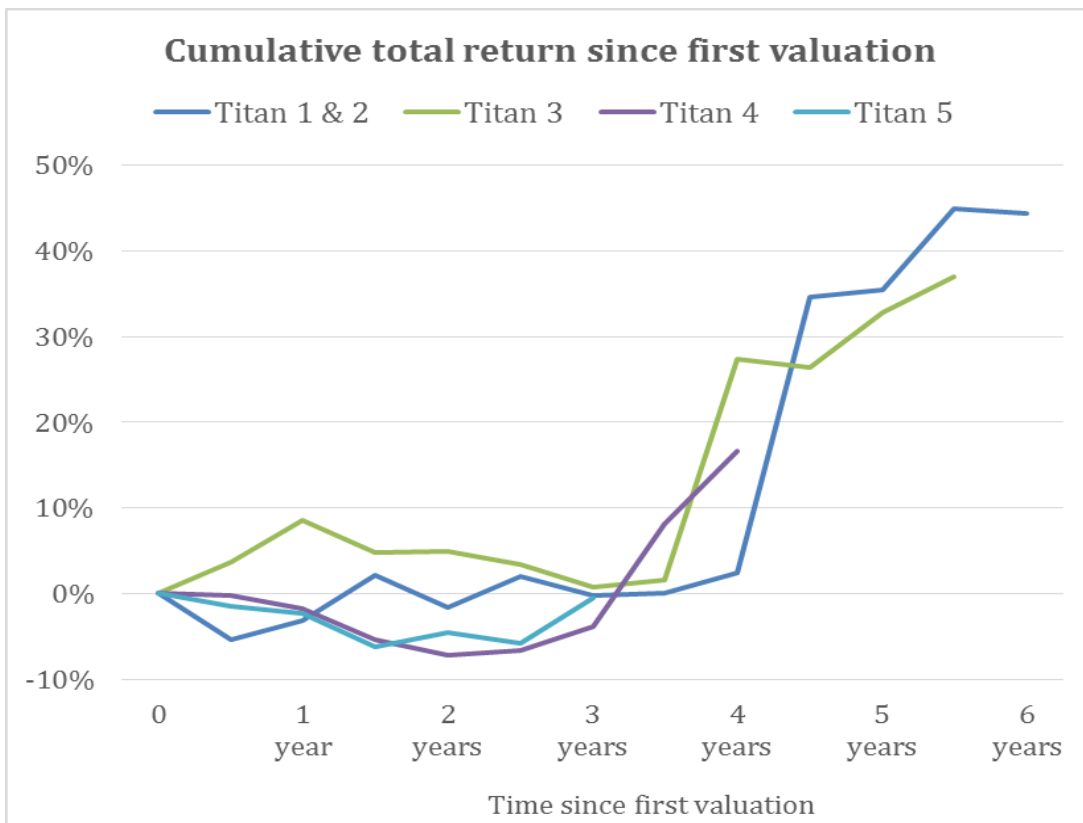
Titan VCT	Unaudited NAV as at 31 July 2014(p)	Cumulative dividends paid as at 31 July 2014 (p)	Total return as at 31 July 2014 (p) (unaudited)*
Titan 1	91.6	47.5	139.1
Titan 2	91.6	47.5	139.1
Titan 3	91.4	36.0	127.4
Titan 4	102.8	5.0	107.8
Titan 5	91.8	-	91.8

\* the sum of (i) the NAV per Share and (ii) all distributions per Share paid since the first admission of the Shares to the Official List

The tables below shows the annual total return of the Titan VCTs over the last five years (each year ending 30 June).

		Year to 30 June 2014	Year to 30 June 2013	Year to 30 June 2012	Year to 30 June 2011	Year to 30 June 2010
Performance - Total Return	Titan 1	6.60%	32.30%	2.60%	1.40%	1.60%
	Titan 2	6.60%	32.30%	2.60%	1.40%	1.60%
	Titan 3	8.40%	24.30%	-1.70%	-1.30%	1.00%
	Titan 4	21.30%	3.70%	-5.60%	-1.70%	0.00%
	Titan 5	4.20%	-2.30%	-2.30%	0.00%	N/a

Source: Octopus, Lipper at 30 June 2014. VCT total return shown is a simple return comparison between the Net Asset Value (NAV) at the beginning of the period, and the NAV, plus any dividends paid out, at the end of the period.



Source: Octopus at 30 June 2014. Titan VCT total return shown is a simple return comparison between the Net Asset Value (NAV) at the beginning of the period, and the NAV at the end of the period, plus any dividends paid out, at the end of the period. The first valuation is based on NAVs approved by the Boards within six months of the Titan VCT's launch.

The Companies were launched and paid their first dividends as follows:

	Launch Date:	Dividend Paid:
Titan 1	October 2007	April 2009
Titan 2	October 2007	April 2009
Titan 3	March 2008	July 2012
Titan 4	September 2009	July 2013
Titan 5	October 2010	N/A

The Titan VCTs each target a £2 total return over five years, including dividends, for each £1 invested.

#### **Dividends and Dividend Reinvestment Scheme**

Investors will be eligible for dividends paid by the Companies as long as they have been allotted Offer Shares by the record date (usually around four weeks before the dividend pay date).

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

The Enlarged Company will be targeting a total regular annual dividend of 4p initially, increasing to 5p over the next two years after the Merger.

#### **Next steps**

Application forms are attached at the end of this document. The Terms and Conditions of subscription for Offer Shares are set out on pages 153 to 158.

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

We look forward to welcoming you as a Shareholder and thank all existing Shareholders for their continued support.

Yours sincerely

**Lewis Jarrett**  
Chairman  
Octopus Titan VCT 1 plc

**John Hustler**  
Chairman  
Octopus Titan VCT 2 plc

**Mark Hawkesworth**  
**Chairman**  
**Octopus Titan VCT 3 plc**

**Gregor Michie**  
**Chairman**  
**Octopus Titan VCT 4 plc**

**Jane O’Riordan**  
**Chairman**  
**Octopus Titan VCT 5 plc**



## **PART ONE: THE SCHEME**

### **Introduction**

### **Background**

### **Merger with Titan 1, 3, 4 and 5**

### **The Scheme**

### **Terms of the Scheme**

### **Titan 1, 3, 4 and 5 Calculations**

### **Scheme Illustration**

### **Share Certificates, Mandates and Listing**

### **Taxation**

### **Introduction**

The Boards consider that the interests of the Shareholders will be better served by a single, larger VCT. The most cost-effective way to achieve this is for Titan 2 to complete a merger with Titan 1, 3, 4 and 5. It is proposed to implement this by placing Titan 1, 3, 4 and 5 into members' voluntary liquidation and for all of their assets and liabilities to be transferred to Titan 2 in exchange for the issue of Scheme Shares to the Titan 1, 3, 4 and 5 Shareholders.

### **Background**

VCTs are required to be traded on a European Union/European Economic Area regulated market. The Titan VCTs are listed on the premium segment of the Official List, which involves a significant level of listing costs, as well as related fees to ensure they comply with all relevant legislation. The Enlarged Company should be better placed to spread such running costs across a larger asset base and facilitate better liquidity management and, as a result, may be able to maximise investment opportunities and sustain a higher level of dividends to all Shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have taken advantage of these regulations to create larger VCTs. In addition, the changes announced to the VCT investment limits and size test, in particular the removal of the £1 million per annum investment limit per VCT in an investee company, will reduce the need for sister VCTs to co-invest in order to participate in larger investments (effective for investments made on or after 6 April 2012).

With the above in mind, the Boards and Octopus entered into discussions to consider a merger of the Companies to create a single, larger VCT with the aim of improving Shareholder value. As a result, the Boards expect to achieve, among other things, strategic and scale benefits through the creation of an enlarged VCT.

### **Merger with Titan 1, 3, 4 and 5**

The Board considers that the proposals will bring a number of benefits to the Shareholders and the Titan 1, 3, 4 and 5 Shareholders through:

- the amalgamation of the Company's portfolio assets and Titan 1, 3, 4 and 5's portfolio assets, many of which are commonly held, for efficient management and administration;
- participation in a larger VCT with the longer term potential for a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments;
- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs;
- efficiencies in annual running costs for the Enlarged Company compared to the separate companies;
- enhancing the ability of the Enlarged Company to raise new funds, as well as pay dividends and support buy backs;
- the potential for greater liquidity in the secondary market;
- the removal of potential conflicts relating to the Titan VCTs' portfolio investments;
- streamlining communications with Shareholders; and
- improving risk management in respect of compliance with the VCT Rules.

## **The Scheme**

The mechanism by which the Merger will be completed is as follows:

- Titan 1, 3, 4 and 5 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of Titan 1, 3, 4 and 5 will be transferred to Titan 2 in consideration for the issue of Scheme Shares (to be issued directly to Titan 1, 3, 4 and 5 Shareholders).

The Scheme will be completed on a relative unaudited NAV basis, adjusted for the anticipated costs of the Scheme, rolling into the Scheme Shares at the Titan 1, 3, 4 and 5 Roll-Over Values. The calculation of the NAV of the Titan VCTs will take into account any subscription monies received by the Titan VCTs under the Offer prior to the Merger. The Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values will be based on the latest unaudited valuations of the Titan VCTs' investee companies. James Cowper LLP will review the latest unaudited NAVs of the Titan VCTs and valuations of the Titan VCTs' investee companies prior to the Scheme Effective Date and will confirm that they have been prepared in accordance with similar principles that would have been used in producing year end accounts. In addition, independent valuations will be carried out of those unquoted investee companies into which the Titan VCTs have not invested in the previous 12 month period alongside an independent investor and which are more than 5% of the value of any of the Titan VCTs. The effect of the Scheme will be that the Titan 1, 3, 4 and 5 Shareholders will receive Titan 2 Shares with the same total value as their Titan 1, 3, 4 and 5 Shares.

The Scheme is conditional upon the approval by the Shareholders of Resolutions to be proposed at the Titan 2 General Meeting and at the Titan 1, 3, 4 and 5 Meetings, as well as the other conditions set out below.

As the Titan VCTs have the same investment objective and policy, the same investment manager and other common advisers, the Merger should be achievable without major additional cost or disruption to the Titan VCTs and their combined portfolio of investments.

The aggregate anticipated cost of undertaking the Merger is approximately £1 million, including VAT, legal and professional fees, stamp duty and the costs of winding up Titan 1, 3, 4 and 5. The Liquidators fees are expected to be up to £10,250 per Company. The costs of the Merger will be split proportionately between the Companies by reference to the Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values (ignoring merger costs).

Shareholders should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

As is required by CA 2006, prior to the allotment of the Scheme Shares, Titan 2 will be sending to Titan 2 Shareholders and Titan 1, 3, 4 and 5 Shareholders at their registered addresses and uploading on to Octopus' website a valuation report which will be prepared by BDO LLP. This report will indicate the method used by the Directors for the Merger calculations and give an opinion on the reasonableness of that method, describe any valuation difficulties and give an opinion on whether the Share exchange ratio is reasonable.

The portfolio of assets which will be transferred from Titan 1, 3, 4 and 5 to Titan 2 as part of the Scheme are all considered to be in keeping with Titan 2's investment policy, particularly as a number of these are common across the respective portfolios of the Companies. The extent of the liabilities (if any) which will be transferred from Titan 1, 3, 4 and 5 to Titan 2 as part of the Scheme will be those which are incurred in the ordinary course of business, and merger costs which remain unpaid at the time of transfer. Any such liabilities are expected to be nominal in comparison to the value of the assets.

Following the transfer of the assets and liabilities by Titan 1, 3, 4 and 5 to Titan 2, the listing of the Titan 1, 3, 4 and 5 Shares will be cancelled and Titan 1, 3, 4 and 5 will be wound up.

## **Conditions of the Scheme**

The Scheme is conditional upon:

- the passing of Resolutions 1 and 6 to be proposed at the Titan 2 General Meeting;

- notice of dissent not having been received from Titan 1, 3, 4 and 5 Shareholders holding more than 10% in nominal value of the entire issued share capital of any of Titan 1, 3, 4 and 5 under Section 111 of IA 1986
- the passing of the Resolutions to be proposed at the Titan 1, 3, 4 and 5 First General Meetings and Resolution 1 to be proposed at the Titan 1, 3, 4 and 5 Second General Meetings; and
- HMRC approval of the Merger on terms satisfactory to Titan 2.

Subject to the above, the Scheme will become effective immediately after the passing of the special Resolution for the winding up of Titan 1, 3, 4 and 5 to be proposed at the Titan 1, 3, 4 and 5 Second General Meetings. If it becomes effective, the Scheme will be binding on the Shareholders (including dissenting Titan 1, 3, 4 and 5 Shareholders) and all persons claiming through or under them.

### **Terms of the Scheme**

On or immediately prior to the Scheme Effective Date, Octopus (on the instruction of the Liquidators) shall calculate the Merger Value and the Titan 1, 3, 4 and 5 Roll-Over Values in accordance with the formulae set out below.

On the Scheme Effective Date, the Liquidators will receive all the cash, undertakings and other assets and liabilities of Titan 1, 3, 4 and 5 and will deliver to Titan 2:

- particulars of all of the assets and liabilities of Titan 1, 3, 4 and 5;
- a list certified by the registrars of the names and addresses of, and the number of Titan 1, 3, 4 and 5 Shares held by, each of the Titan 1, 3, 4 and 5 Shareholders on the register at 5.00 pm on the Scheme Record Date;
- an estimate of the winding-up costs of Titan 1, 3, 4 and 5; and
- the amount estimated to be required to purchase the holdings of any dissenting Titan 1, 3, 4 and 5 Shareholders.

On the Scheme Effective Date, Titan 2 and the Liquidators (on behalf of Titan 1, 3, 4 and 5) will enter into the Transfer Agreement pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of Titan 1, 3, 4 and 5 to Titan 2 in exchange for the issue of Scheme Shares (fully paid) to the Titan 1, 3, 4 and 5 Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of Titan 1, 3, 4 and 5 to Titan 2, Titan 2 will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of Titan 1, 3, 4 and 5 and the purchase for cash of any holdings of dissenting Titan 1, 3, 4 and 5 Shareholders.

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Merger Value, the Titan 1, 3, 4 and 5 Roll-Over Values, and the number of Scheme Shares to be issued, in order that the Titan 1, 3, 4 and 5 Shareholders will receive Titan 2 Shares with the same total value as their Titan 1, 3, 4 and 5 Shares, the following provisions will apply:

### **Titan 1, 3, 4 and 5 Calculations**

#### ***Titan 1 Roll-Over Value***

The Titan 1 Roll-Over Value will be calculated as:

$$\frac{A - (B + C)}{D}$$

where:

A = the unaudited net assets of Titan 1 as at the Scheme Calculation Date (taken from the Titan 1 unaudited management accounts to that date), plus any adjustment that both the Titan 2 Board and the Titan 1 Board consider appropriate to reflect any other actual or contingent benefit or liability of Titan 1;

B = the costs of the Scheme to be apportioned to Titan 1 (by reference to the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value, but ignoring merger costs), plus £5,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Titan 1 incurred by Titan 2, which will indemnify the Liquidators in respect of all costs of Titan 1 following the transfer on the Scheme Effective Date);

C = the amount estimated to be required to purchase the holdings of Titan 1 Shares from dissenting Titan 1 shareholders; and

D = the number of Titan 1 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 1 Shares held by dissenting Titan 1 shareholders).

***Titan 3 Roll-Over Value***

The Titan 3 Roll-Over Value will be calculated as:

$$\frac{E - (F + G)}{H}$$

where:

E = the unaudited net assets of Titan 3 as at the Scheme Calculation Date (taken from the Titan 3 unaudited management accounts to that date), plus any adjustment that both the Titan 2 Board and the Titan 3 Board consider appropriate to reflect any other actual or contingent benefit or liability of Titan 3;

F = the costs of the Scheme to be apportioned to Titan 3 (by reference to the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value, but ignoring merger costs), plus £5,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Titan 3 incurred by Titan 2, which will indemnify the Liquidators in respect of all costs of Titan 3 following the transfer on the Scheme Effective Date);

G = the amount estimated to be required to purchase the holdings of Titan 3 Shares from dissenting Titan 3 shareholders; and

H = the number of Titan 3 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 3 Shares held by dissenting Titan 3 shareholders).

***Titan 4 Roll-Over Value***

The Titan 4 Roll-Over Value will be calculated as:

$$\frac{I - (J + K)}{L}$$

where:

I = the unaudited net assets of Titan 4 as at the Scheme Calculation Date (taken from the Titan 4 unaudited management accounts to that date), plus any adjustment that both the Titan 2 Board and the Titan 4 Board consider appropriate to reflect any other actual or contingent benefit or liability of Titan 4;

J = the costs of the Scheme to be apportioned to Titan 4 (by reference to the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value, but ignoring merger costs), plus £5,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Titan 4 incurred by Titan 2, which will indemnify the Liquidators in respect of all costs of Titan 4 following the transfer on the Scheme Effective Date);

K = the amount estimated to be required to purchase the holdings of Titan 4 Shares from dissenting Titan 4 shareholders; and

L = the number of Titan 4 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 4 Shares held by dissenting Titan 4 shareholders).

**Titan 5 Roll-Over Value**

The Titan 5 Roll-Over Value will be calculated as:

$$\frac{M - (N + O)}{P}$$

where:

M = the unaudited net assets of Titan 5 as at the Scheme Calculation Date (taken from the Titan 5 unaudited management accounts to that date), plus any adjustment that both the Titan 2 Board and the Titan 5 Board consider appropriate to reflect any other actual or contingent benefit or liability of Titan 5;

N = the costs of the Scheme to be apportioned to Titan 5 (by reference to the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value, but ignoring merger costs), plus £5,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Titan 5 incurred by Titan 2, which will indemnify the Liquidators in respect of all costs of Titan 5 following the transfer on the Scheme Effective Date);

O = the amount estimated to be required to purchase the holdings of Titan 5 Shares from dissenting Titan 5 shareholders; and

P = the number of Titan 5 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 5 Shares held by dissenting Titan 5 shareholders).

**Merger Value**

The Merger Value will be calculated as:

$$\frac{Q - R}{S}$$

where:

Q = the unaudited net assets of Titan 2 as at the Scheme Calculation Date (taken from Titan 2's unaudited management accounts to that date), plus any adjustment that the Titan 2 Board and each of the Titan 1, 3, 4 and 5 Boards consider appropriate to reflect any other actual or contingent benefit or liability of Titan 2;

R = the costs of the Scheme to be apportioned to Titan 2 (by reference to the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value, but ignoring merger costs); and

S = the number of Titan 2 Shares in issue as at close of business on the Scheme Record Date.

**Scheme Shares to be issued to Titan 1 shareholders**

The number of Scheme Shares to be issued to Titan 1 shareholders (save for any dissenting Titan 1 shareholders) will be calculated as follows:

$$\frac{T}{U} \times V$$

where:

T = the Titan 1 Roll-Over Value;

U = the Merger Value; and

V = the number of Titan 1 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 1 Shares held by dissenting Titan 1 shareholders).

***Scheme Shares to be issued to Titan 3 shareholders***

The number of Scheme Shares to be issued to Titan 3 shareholders (save for any dissenting Titan 3 shareholders) will be calculated as follows:

$$\frac{W}{X} \times Y$$

where:

W = the Titan 3 Roll-Over Value;

X = the Merger Value; and

Y = the number of Titan 3 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 3 Shares held by dissenting Titan 3 shareholders).

***Scheme Shares to be issued to Titan 4 shareholders***

The number of Scheme Shares to be issued to Titan 4 shareholders (save for any dissenting Titan 4 shareholders) will be calculated as follows:

$$\frac{Z}{AA} \times BB$$

where:

Z = the Titan 4 Roll-Over Value;

AA = the Merger Value; and

BB = the number of Titan 4 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 4 Shares held by dissenting Titan 4 shareholders).

***Scheme Shares to be issued to Titan 5 shareholders***

The number of Scheme Shares to be issued to Titan 5 shareholders (save for any dissenting Titan 5 shareholders) will be calculated as follows:

$$\frac{CC}{DD} \times EE$$

where:

CC = the Titan 5 Roll-Over Value;

DD = the Merger Value; and

EE = the number of Titan 5 Shares in issue as at close of business on the Scheme Record Date (save for any Titan 5 Shares held by dissenting Titan 5 shareholders).

Titan 2 will not issue the Scheme Shares until the valuation report prepared by BDO LLP under CA 2006 in respect of the Scheme has been provided to Titan 2 and sent to the Titan 2 Shareholders and the Titan 1, 3, 4 and 5 Shareholders.

The Scheme Shares will be issued directly to Titan 1, 3, 4 and 5 Shareholders (disregarding Titan 1, 3, 4 and 5 Shares held by dissenting Titan 1, 3, 4 and 5 Shareholders), in each case pro rata to their existing holdings in Titan 1, 3, 4 and 5 on the instruction of the Liquidators.

The merger ratios used to allocate the Scheme Shares to each Titan 1, 3, 4 and 5 Shareholder will be rounded down to four decimal places and entitlements will be rounded down to the nearest whole number and any fractional entitlements per Titan 1, 3, 4 and 5 Shareholder (which will not exceed £2) will be aggregated and sold, with the proceeds retained for the benefit of the Enlarged Company.

### Scheme Illustration

Based on the formulae above, the following number of Scheme Shares would have been issued to Titan 1, 3, 4 and 5 Shareholders for every Titan 1, 3, 4 and 5 Share held (assuming no dissenting Titan 1, 3, 4 and 5 Shareholders) held had the Merger been completed on 31 July 2014:

	Unaudited value/NAV*	Merger Value/ Titan 1, 3, 4 and 5 Roll Over Values** (p)	Scheme Shares per Titan 1, 3, 4 and 5 Share
Titan 1 (p)	29,796,833	91.0*** (Merger Value)	32,752,599 Scheme Shares
Titan 2 (p)	29,789,312	91.0**** (Titan 1 Roll-Over Value)	-
Titan 3 (p)	32,963,051	90.9**** (Titan 3 Roll-Over Value)	36,232,867 Scheme Shares
Titan 4 (p)	40,010,517	102.2**** (Titan 4 Roll-Over Value)	43,979,438 Scheme Shares
Titan 5 (p)	28,492,431	91.2**** (Titan 5 Roll-Over Value)	31,318,804 Scheme Shares

\* Based on the unaudited NAVs of the Titan VCTs as at 31 July 2014, but adjusted for the irrecoverable costs of the merger.

\*\* Based on the issued share capital of the Titan VCTs as at 15 September 2014 (this being the latest practicable date prior to the publication of this document).

\*\*\* After anticipated merger costs and taking into account related anticipated costs.

\*\*\*\* These being the NAV attributable to each of Titan 1, 3, 4 and 5, after anticipated merger costs.

The number of Scheme Shares that would have been issued in aggregate would have been 144,283,708 Scheme Shares on this basis.

### Share Certificates, Mandates and Listing

Where Titan 1, 3, 4 and 5 Shareholders hold their Titan 1, 3, 4 and 5 Shares in certificated form, they will receive a new certificate for the Scheme Shares issued. Where Titan 1, 3, 4 and 5 Shareholders hold their Titan 1, 3, 4 and 5 Shares in uncertificated form, their CREST accounts will be credited with the holding in Scheme Shares.

Dividend payment mandates provided for Titan 1, 3, 4 and 5 Shares by Titan 1, 3, 4 and 5 Shareholders who also have provided a dividend payment mandate for Titan 2 Shares will automatically be transferred to the Scheme Shares, unless a Titan 1, 3, 4 and 5 Shareholder advises Capita Asset Services in writing that he wishes to cease participating in Titan 2's DRIS Scheme. Otherwise, dividend payment mandates provided for Titan 1, 3, 4 and 5 Shares will not automatically be transferred to the Scheme Shares, unless a Titan 1, 3, 4 and 5 Shareholder advises otherwise in writing to Capita Asset Services.

An application has been made to the UKLA for the Scheme Shares to be issued pursuant to the Scheme to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such Scheme Shares to be admitted to trading on its market for listed securities. From the date of issue, the Scheme Shares issued will rank *pari passu* with the existing issued Shares and the Offer Shares.

### **Taxation**

The following paragraphs apply to Titan 2 and to persons holding Shares as an investment in Titan 2 who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

#### ***Titan 2 and Titan 2 Shareholders***

The implementation of the Scheme should not affect the VCT reliefs obtained by Titan 2 Shareholders on subscription for existing Titan 2 Shares. The implementation of the Scheme should not affect the status of Titan 2 as a VCT. It is the intention of the Titan 2 Board to continue to comply with the requirements of ITA 2007 so as to continue to qualify as a VCT.

#### ***Titan 1, 3, 4 and 5 Shareholders***

The receipt by Titan 1, 3, 4 and 5 Shareholders of Scheme Shares should not constitute a disposal of their Titan 1, 3, 4 and 5 Shares for UK tax purposes. Titan 1, 3, 4 and 5 Shareholders should, for UK tax purposes, effectively be able to treat the Scheme Shares received as if they had been acquired at the same cost and on the same date as the original Titan 1, 3, 4 and 5 Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original Titan 1, 3, 4 and 5 Shares will not, therefore, be subject to clawback, but instead will then attach to the Scheme Shares. As Titan 2 is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying Shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Scheme Shares.

For Titan 1, 3, 4 and 5 Shareholders holding (together with their associates) more than 5% of the Titan 1, 3, 4 and 5 Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the Titan 1, 3, 4 and 5 Shares should also apply to them.

Titan 1, 3, 4 and 5 Shareholders who do not vote in favour of the Resolution to be proposed at the relevant Titan 1, 3, 4 and 5 First General Meetings are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Titan 1, 3, 4 and 5 Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of a Titan 1, 3, 4 and 5 Share (as appropriate). In addition, Shareholders should note that a purchase of Titan 1, 3, 4 and 5 Shares by the Liquidators from a dissenting Titan 1, 3, 4 and 5 Shareholder will be regarded as a disposal of such shares for tax purposes, thereby triggering the repayment of any income tax rebate on Titan 1, 3, 4 and 5 Shares subscribed for in the five years prior to purchase. The break value received may not be sufficient to cover the amount of payment due.

Although Titan 2 will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of Titan 1, 3, 4 and 5 (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Clearance has been requested from HMRC in respect of the Scheme under Section 701 ITA 2007 in order to confirm that the receipt of Scheme Shares should, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation. Clearance has been obtained from HMRC in respect of the Scheme under Section 138 TCGA 1992.

Clearance has also been requested from HMRC to confirm that the Scheme meets the requirements of the Merger Regulations and that as such the receipt by Titan 1, 3, 4 and 5 Shareholders of Scheme Shares should not



prejudice tax reliefs obtained by those Shareholders on existing Titan 1, 3, 4 and 5 Shares and should not be regarded as a disposal.

## **PART TWO: THE OFFER**

### **Introduction to the Offer**

### **Terms of the Offer**

### **Use of Funds**

### **Intermediary Charges**

### **Investment Policy**

### **Tax Benefits for Investors**

### **Octopus**

### **Dividend Policy and Dividend Reinvestment Schemes**

### **Buy-back Policy**

### **The Boards**

### **The Investment Team**

### **Management Remuneration**

### **Example Investments**

### **Introduction to the Offer**

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £436 million was invested in VCTs in the 2013/2014 tax year, and the total amount invested in VCTs currently stands at an impressive £3.2 billion.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of unquoted smaller companies with the aim of generating returns over the medium to long term. The net proceeds of the Offer will be invested in accordance with the Companies' investment policy, as set out below.

The Companies are seeking to raise £50 million under the Offer, with an over allotment facility of a further £20 million, split equally in respect of each allotment between those Companies participating in the Offer at the time of that allotment. Participation by Titan 1, 3, 4 and 5 in any allotment under the Offer is conditional upon (i) the Scheme not having taken place prior to the time of that allotment and (ii) the passing by the Titan 1, 3, 4 and 5 Shareholders of Resolutions 2 and 4 at the Titan 1, 3, 4 and 5 Second General Meetings. Participation by Titan 2 in the Offer is conditional upon the passing by the Titan 2 Shareholders of Resolutions 2, 4 and 7 at the Titan 2 General Meeting.

### **Terms of the Offer**

The Offer Price will be determined by the following formula:

$$\text{the most recently announced NAV per Share, divided by} \\ \mathbf{0.945}$$

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

The Offer will remain open until 1 September 2015 unless fully subscribed at an earlier date and the Boards reserve the right to close the Offer earlier and to accept applications and issue Offer Shares at any time following the receipt of valid applications. Offer Shares issued will rank pari passu with the existing Shares and, if applicable, Scheme Shares from the date of issue.

### Example

On the assumption that the Merger takes place prior to the first allotment under the Offer and that the Offer relates, therefore, only to Titan 2 and that an investor does not receive any advice in respect of their Application, an illustration of the pricing formula for an aggregate investment of £10,000 under the Offer (using the most recently published NAV of Titan 2 as at the date of this document) is set out below:

	Unaudited NAV as at 31 July 2014* (p)	Offer Price (p)	Application (£)	Number of Offer Shares to be allotted
	91.6	97.0	£10,000	10,309

\*NAV ex-dividend where applicable

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares.

The full terms and conditions applicable to the Offer are set out on pages 153 to 158.

### Use of funds

The success to date has highlighted that the model used by Octopus is one that can lead to significant returns. The Boards believe that the portfolios are well positioned to continue this trend, delivering capital growth to those investors able to take a long term view to investing in well-run UK companies. The Boards also believe that the funding gap created by the banks' reluctance to invest into smaller companies, means that there are plenty of strong investment opportunities that can be accessed.

The funds raised under the Offer will be invested in accordance with the Companies' investment policy. Some of the funds raised will be used to invest into new portfolio companies and some will be used to further support the Companies' existing portfolios.

The aggregate net proceeds of the Offer, assuming a £70 million subscription and the maximum initial charge, will be £64.75 million.

### Intermediary Charges

There are four options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. Investors are required to give explicit authority and direction for transparent methods of adviser remuneration. Investors will fall into one of four categories:

1. Investors who have not invested their money through a financial intermediary and have invested directly into the Companies (Direct investors)
2. Investors who have invested their money through a financial intermediary and have received advice for an upfront fee and will pay an ongoing annual charge (Advised investors)
3. Investors who have invested their money through a financial intermediary and have received advice for an upfront fee and will not pay an ongoing annual charge (Advised investors)
4. Investors who have invested their money through a financial intermediary and have not received advice (Non-advised investors)

Details of the adviser remuneration for each of the categories set out above is included in the Terms and Conditions of the Offer on pages 153 to 158. The category applicable to the investor will determine the options available to them to remunerate their financial intermediary. The Boards encourage investors to read carefully the Application Form and complete the sections that are relevant to their circumstances and choices. If anything is unclear, the investor should speak to a financial adviser or call Octopus on **0800 316 2295**. Please note that Octopus cannot advise in respect of of an investment under the Offer.

For all investors, the Offer Price per Share will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer. The formula is:

- **the most recently announced NAV per Share, divided by 0.945.**

As stated on page 23, the application of the above formula will be adjusted for those investors who are existing, or who were previously, shareholders of any Octopus VCT.

### **Investment Policy**

The investment policy of each of the Companies is as follows:

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of companies from a number of different sectors. In order to limit the risk to the portfolios that is derived from any particular investment, no more than 15% of the amount invested by shareholders in the Company will be invested in any one unquoted company (including both Qualifying and Non-Qualifying Investments).

### **Non-Qualifying Investments**

An active approach is taken to managing the cash prior to investing in qualifying companies. When the Company has reached its investment target for HMRC, the majority of the remainder of funds will be invested in money market securities and other funds managed by Octopus. By investing a small proportion of its assets into these other funds, some exposure to a broad range of AIM quoted and main market listed smaller and medium sized companies is gained, whilst maintaining liquidity within the Company.

The Company may also make Non-Qualifying Investments where the Investment Manager believes that the risk/return profile is consistent with the overall objective of the Company, which may include, from time to time, making a small number of investments or further investments in companies which meet the profile of a Qualifying Investment but would otherwise not be a Qualifying Investment.

### **Qualifying Investments**

The Company had at the end of its Qualifying Investment period the following investment profile:

- 75- 85% Qualifying Investments, primarily in unquoted companies
- 15-25% in cash, money market securities and funds managed by Octopus and other Non-Qualifying Investments.

The Company will not borrow money for the purposes of making investments. The investment decisions made must adhere to the HMRC qualification rules. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

In considering a prospective investment in a company, particular regard is made to:

- the strength of the management team;
- a large addressable market;
- evidence of high margin products capable of addressing fast-growing markets;
- the company's ability to sustain a competitive advantage;
- the existence of proprietary technology; and

the company's prospects of being sold or floated, usually within three to seven years.

### **Tax Benefits for Investors**

Qualifying investors into VCTs will benefit from the following tax advantages:

- Up to 30% of the amount invested deducted from their income tax liability
- Tax free dividends
- Tax free capital gains

### **Octopus**

The Titan VCTs are managed by the Ventures team at Octopus. Octopus is an award winning investment manager that has over £3.5 billion under management. It manages more VCT funds than any other provider in the industry, and is an expert in investing in UK smaller companies across a range of funds, tax structures and risk/return mandates.

Octopus has more than 300 staff, including over 70 investment professionals, and has twice been voted as one of the 'Top 100 Small and Medium-Sized Companies to Work For' in the Sunday Times survey. Financial advisers have voted Octopus Best VCT Provider of the Year at the Professional Adviser awards four years in a row. Octopus is one of only two investment managers to have ever received an AAA rating for customer service from Citywire, and currently holds a 5 Star rating for customer service from Financial Adviser magazine.

### **Dividend Policy and Dividend Reinvestment Scheme**

VCTs are able to distribute realised capital profits from the sale of underlying investments and income. These distributions are not subject to any further tax to Qualifying Subscribers. In order to qualify as a VCT, the Companies may not retain more than 15% of the income they receive from shares and securities.

I:20.7

The amount of these dividends depends, amongst other things, on the amount raised by the Offer, the performance of the non-Qualifying Investments and the level of income and capital returns generated by the Qualifying Investments. In the medium to long term the size of dividends paid to Shareholders will depend largely on the level of profits realised from the disposal of investments.

There are a number of ways Shareholders can make money from an investment in the Titan VCTs:

#### Regular dividends

Titan 1 to 4 are now paying regular dividends and target a 5p annual dividend, paid twice a year

Titan 5 is not quite mature enough to be targeting a regular dividend, but will be paying a special dividend.

#### Special dividends

In addition to these regular dividends, Shareholders could receive special dividends when Titan VCTs sells some or all of their stake in a successful company. To date, Titans 1 and 2 have paid 34p in special dividends, and Titan 3 has paid 30p.

#### Share value

The NAV of Shares may go up over the years, so Shareholders could make a profit when they eventually sell them – and Shareholders won't have any capital gains tax to pay.

### **Dividends for potential income or growth**

Shareholders don't have to pay income tax on the potential dividends they receive from the Titan VCTs, so they could use their investment as a way to supplement their other income.

The Companies have adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares.

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

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

### **Buy-back Policy**

The Boards intend to buy back shares at a 5% discount to the prevailing net asset value with the exception of Titan 5 that has zero discount. The Boards believe this makes investment in the Companies attractive to both current and future Shareholders. All buy-backs are subject to the full discretion of the Boards.

### **The Boards**

The Boards comprises three directors, the majority of whom are independent of Octopus. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Companies. The Boards have wide experience of investment in both smaller growing companies and larger quoted companies.

### **TITAN 2 BOARD**

#### **John Hustler (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 Northern Venture Trust plc, a Non-Executive director of Hygea VCT plc and chairman of RenaissanceRe Syndicate Management Limited. 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.

#### **Mark Faulkner**

Mark has worked in finance for more than twenty years. In 1991, Mark founded a financial firm producing investment advice to high net worth individuals. The firm merged with Roundhouse Financial Services LLP in 2000 and Mark is now a principal partner of the combined business. In 2003, he co-founded Hibridge Capital, a specialist investment firm that combines investment banking and private client financial advisory expertise in one entity.

#### **Matthew Cooper**

Matt is the chairman of Octopus. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One Bank (Europe) plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers,

generating revenues of over £275 million and employing over 2,000 people. Matt is also chairman of Imaginatik plc and a non-executive director of 10Duke Software Limited, MyDish Limited and three other Octopus VCTs.

Following completion of the Merger, the Titan 2 Board will consist of the following directors, three of whom are independent of Octopus:

**John Hustler (Chairman)**

See above

**Mark Hawkesworth**

Mark retired as an investment partner at Nova Capital Management Limited in January 2011, 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 currently a Member of Council of the University of Bath and Treasurer of The Gordon Foundation which supports a successful State boarding school.

**Jane O’Riordan**

Jane O’Riordan 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, Pizza Express/Gondola and Broker Network as well as many others. During this time she has led projects including the evaluation of investment opportunities, undertaken strategic due diligence, guided companies through key growth phases, managed disposals and performed board representation functions on behalf of the broader Capricorn investment group. Prior to joining Capricorn in 1997, Jane was a director with Braxton Associates, the then strategic consulting division of Deloitte & Touche, where she was responsible for a number of major corporate client relationships. Her main areas of specialisation at Deloitte included international expansion, market growth strategies and corporate restructuring. In addition to over sixteen 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.

**Matthew Cooper**

See above

**TITAN 1 BOARD**

**Lewis Jarrett (Chairman)**

Lewis has an honours degree in Applied Biology. He is the founder and owner of a firm of independent financial advisers that manages client portfolios on a discretionary basis. The firm has developed unique multi asset OEICS for its clients’ portfolios that benefit from constantly reviewed risk rating. He works with clients to fund new businesses of other clients and takes stakes in the ventures himself. **Andrew Boyle**

Andrew is a founder of Lesmoir-Gordon, Boyle & Co. Limited (formerly London Capital Finance Limited), which provides capital markets and advisory services to growth companies and their investors. After graduating from Oxford University in 1985 he began his career in the Capital Markets Division of Schroders. In 2000 Schroders sold its investment banking business to Citigroup and Andrew became a Managing Director of Citigroup’s Fixed Income (debt markets) Division. He was responsible for business with private banks and retail institutions until 2005 when he left to establish LGB.

## **Matthew Cooper**

See above

## **TITAN 3 BOARD**

### **Mark Hawkesworth (Chairman)**

See above

### **David Bundred**

David is a chartered engineer with experience at senior management levels in the UK, Germany and the US. Until 1999 he was at the Lucas Group including as General Manager of the Lucas Brake Controls and Lucas Truck Brake Divisions, his last appointment was that of Chief Operating Officer of the worldwide business of Lucas Aerospace. Between 2003 and 2005 David was CEO of TMD Friction Group, a private German industrial group which is one of the world's brake pad system suppliers for the automotive industry. Since 2005, David has invested in a portfolio of high technology, private companies, several of which he has provided an active role in guiding the business and mentoring the management team. He is currently chairman of Surface Transforms plc, Econotherm UK Limited and Metrasens Ltd.

### **Timothy Lebus**

Tim acts as an observer to an Octopus Ventures investee company. Tim is also a senior adviser to Duke Street, a leading private equity company which specialises in investing into established mid-market UK and French businesses, having been partner from 2001 to 2012. Prior to joining Duke Street in 2001, Tim worked for more than 20 years as an investment banker, most recently as Managing Director in the Financial Sponsor group at Deutsche Bank. Tim previously practised as a barrister in London and as a corporate lawyer in New York and holds a degree in Law from the University of Cambridge. He is a non-executive director of Bibby Line Group Limited and of Advanced Oncotherapy plc.

## **TITAN 4 BOARD**

### **Gregor Michie (Chairman)**

Gregor graduated with a law degree in 1968 and qualified as a chartered accountant in 1972. He joined Morgan Grenfell & Co Limited in 1972 and worked internationally and in the UK in banking, corporate finance and, latterly, in investment management until leaving the Deutsche Bank group in 1999. He is also chairman of Maven Income and Growth VCT 3 plc.

### **Lars McBride**

In 1995, Lars co-led an MBI of a group of engineering businesses and, following a successful series of exits, has been involved in several further MBIs, usually as chairman. He also sits on the boards of various other businesses. Prior to this, he was finance director of Portals Group plc, a paper and engineering group, which sold to De La Rue for £630m and had been a corporate financier with a number of leading City firms. He is a chartered accountant and has an MA in mathematics from the University of Cambridge and an MSc in oceanography from Southampton University.



## **Alexander Macpherson**

Alex is head of Ventures at Octopus. He specialises in identifying emerging businesses and has responsibility for evaluating the potential of companies for investment. Alex started his career with SG Warburg before co-founding Katalyst Ventures which he led before its sale to Octopus in 2007. Further information about Alex is given below under the heading “The Investment Team”.

## **TITAN 5 BOARD**

### **Jane O’Riordan (Chairman)**

See above

### **Stefan Cassar**

Stefan Cassar holds a number of non-executive roles and was previously a non-executive and chief financial officer of House of Fraser, playing an integral role in its £450 million public to private acquisition. A chartered accountant by background, Stefan has extensive operating and commercial experience, predominantly in the retail sector, gained through board responsibility for finance, legal, property, IT, logistics and HR. Since qualifying as an accountant with BDO Stoy Hayward in 1990, Stefan has founded his own company, and held a number of directorships, including currently holding the role of non-executive chairman at Amplience Limited, one of the companies which has received investment from Titan VCTs 1-5, where he also has a minority shareholding. This entrepreneurial experience has provided him with a comprehensive track record in operating businesses and a broad experience of corporate transactions including acquisitions, disposals, flotation and the associated banking and advisory aspects that accompany such transactions.

### **Jo Oliver**

Jo Oliver joined Octopus in May 2009 and has extensive experience as a founder, advisor and investor into both larger and smaller companies. Prior to joining Octopus, Jo founded several businesses, was an active investor into smaller companies and held senior roles in equity research at Merrill Lynch and Lehman Brothers, specialising in the mobile telecoms sector. Jo is a chartered accountant and worked at Arthur Andersen between 1991 and 1995. He has a degree in Natural Sciences from Durham University. Further information about Jo is given below under the heading “The Investment Team”.

## **The Investment Team**

The investment team of Octopus comprises:

### **Alex Macpherson**

Alex has been in the same position as many entrepreneurs having started, built and sold his own business. He founded Katalyst Ventures with his colleagues in 2000, creating the private angel network which would later be known as the Octopus Venture Partners. Over seven years, Alex led the business as CEO until its sale to Octopus in August 2007, providing succession plans for the executive team as the Titan series of VCTs were raised to invest into 42 companies alongside the newly branded Octopus Venture Partners. Since 2007, the amount of assets that the Ventures team manages has risen from approximately £20 million to in excess of [£200] million at a time when the economy has seen the worst financial crisis in a generation.

Alex is chairman of the Octopus Ventures Investment Committee, remaining actively involved in new deal transactions, portfolio management, exits and new fund creation. Under Alex’s leadership, the Ventures team at Octopus has established itself as one of the leading UK venture capital houses.

**Alan Wallace**

Alan brings over 30 years of experience in marketing, general management and strategic planning to the selection and development of management teams. Prior to founding Katalyst with his colleagues and its subsequent sale to Octopus Investments, he held senior marketing positions in fast moving consumer goods companies: Sara Lee, Rank Hovis McDougall, Cambridge Nutrition and Great Universal Stores. His experience as a general manager includes Managing Director of Cambridge Nutrition, Dairy Crest and Premier Brands. Alan has also been a Non-Executive Director of Lingarden.

Alan holds a B.A.(Hons) in Economics (Liverpool University) and a PhD in Business Administration (University of Manchester).

**Alliott Cole**

Alliott focuses on internet enabled services; enterprise software and consumer innovation. Alliott sits on the board of the UK Business Angel Association and listens and learns from brilliant entrepreneurs at SeedCamp, Techstars and the social enterprise venture UNLtd. Since joining Octopus in 2008, Alliott has led investments into and served on a number of the boards of a number of investee companies in the portfolio.

Before arriving at Octopus, Alliott previously worked as a lawyer at Ashurst, where he spent time working for IBM, Sporting Bet, UC Rusal and NM Rothschild. He holds a Masters in Classics from Oxford University.

**Frederic Lardieg**

Frederic joined the team in 2012. He is responsible for sourcing, executing and managing venture capital deals and focuses on investments in mobile, internet and digital technologies.

In 2000, Frederic was one of the early employees of Digital Rum, a start-up that raised more than \$20 million from leading European and US venture capital firms. The company sold mobile commerce solutions to the major telecommunication companies in Europe, expanded in three different countries and grew to more than 100 employees. Digital Rum was acquired by Velti, a mobile marketing company, in 2006.

Prior to joining Octopus, Frederic worked at Vodafone Ventures, the venture capital arm of Vodafone, where he led Vodafone's investment in Vouchercloud, the leading mobile couponing player in the UK. Previous experience also includes working in the corporate strategy team for Sony Ericsson, the mobile handset manufacturer now called Sony Mobile.

Frederic has an MSc in Industrial Engineering and an MBA from INSEAD.

**George Whitehead**

George has worked in the venture capital industry for ten years and has built up relationships with many of Europe's leading investors and entrepreneurs. At Octopus, he is focused on developing Octopus' network of entrepreneurs and the Octopus Venture Partners.

George joined Octopus in July 2011 from NESTA Investments' £50 million Venture Capital Fund where he held the position of Business Development Director and ran a portfolio of programmes aimed at supporting growth companies. He began his career as an investment manager at Oxford Innovations, where he managed the Oxford Investment Opportunity Network (OION), one of Europe's most successful private investment networks, before moving on to successfully turnaround and manage the incubations programme for the University of Toronto's Technology Transfer Office.

**Jane Vinson**

Jane is focused on working with the management teams of the investee companies to help them build great businesses and teams. She has been focusing on portfolio management since she joined Octopus eight years ago, and sits on the boards of a number of companies in the portfolio.

Prior to Octopus, Jane spent ten years at Bridgepoint where she was involved in managing over eighty investments.

**Jo Oliver**

Jo has been a Venture Partner since 2005 and joined the team in May 2009. Having run several businesses of his own, from publishing surf books to property development, and having made numerous angel investments, including many as an Octopus Venture Partner, Jo finally joined as a director in the Ventures team and is involved in the team's investment process, portfolio management and fundraising activity.

Jo currently sits on a number of the boards of our investee companies, is a Non-Executive Director on the Titan VCT 4 and 5 Board and a member of the Investment Committee of Octopus Investments' £1bn Specialist Finance business.

Jo qualified as a Chartered Accountant in 1995. He spent 7 years working as a research analyst at NatWest, Merrill Lynch and Lehman Brothers, where he led a top rated equity research team specialising in the European mobile telecoms sector.

**Luke Hakes**

A former scientist and technology consultant, Luke has a particular interest in deep technology opportunities, although he has experience of working with a number of early stage businesses across a range of different sectors. Luke plays an active part in all aspects of the Venture team's activity, from finding investment opportunities to working with the entrepreneurs in the team's portfolio to help grow their businesses.

Outside of Octopus Luke sits on the investment panel at the Qtech Software Accelerator and works closely with a number of the other accelerator and incubator programmes, including: Wayra; TechStars and Smarta.

Luke holds a degree in Biochemistry and Biotechnology, a Masters in Computational Biology and a PhD in Computational Genetics.

**Malcolm Ferguson**

Malcolm joined the Ventures team at the end of 2013, focused on the assessment of investment opportunities, deal origination and ongoing portfolio management. Having spent a number of years advising early stage European technology businesses with their fund raising efforts, his specialist interests are the digital media, eCommerce, mobile and software sectors.

Prior to joining Octopus, Malcolm spent 4 years in the investment banking industry, firstly within the TMT team of Bank America Merrill Lynch in London and then subsequently at GP Bullhound, a leading boutique investment bank, focussing exclusively on technology businesses.

Malcolm holds a first class degree in BBA Management from Lancaster University.

**Rebecca Marshall**

Rebecca joined the team in 2012 to assist with the management of the team's portfolio, as well as supporting the investment process for new investments.

Previously Rebecca spent four years working in the Corporate Finance department at Deloitte, firstly in the Transaction Services department and later in Corporate Finance Advisory division, where she was involved in a diverse range of M&A and capital market deals across a range of sectors.

Rebecca is a qualified chartered accountant, and has a first class honours degree in Accounting and Finance from the University of Southampton.

### **Samantha Ling**

Samantha joined the Ventures team at Octopus in 2008 while the first Titan VCTs were still being established. She focuses on managing the Octopus Venture Partners and their individual portfolios; managing the various stakeholders in the Funds managed by the team; and overseeing the investment and portfolio processes as a whole.

Prior to joining Octopus, Samantha spent a number of years supporting and working with international teams and clients in the oil and gas and software industries at PVM Oil and then Det Norske Veritas, implementing and leading international processes and projects, including leading the rollout of new global CRM system. She also spent time as a project coordinator at the Royal College of Nursing.

Samantha holds a CFA UK Level 3 Certificate in Investment Management.

### **Simon King**

Simon joined the team at the beginning of 2012 and focuses on early stage deal flow, screening investment opportunities and performing preliminary due diligence.

Before joining Octopus, Simon was a research scientist investigating novel materials for photovoltaic applications at Imperial College in London. Simon holds an MA and MSc in Physics and a Ph.D. in Molecular Electronics.

### **Simon Andrews**

Simon is responsible for the portfolio management of the team's early stage investments, and sits on the boards of a number of companies in the portfolio. He has a particular expertise in software and service companies having spent ten years covering the sector as a research analyst at Jefferies, Lehman Brothers, Merrill Lynch and BNP Paribas.

He joined Octopus in 2010 having spent four years working at Silicon Valley Bank where he worked with a number of venture backed companies across a wide range of sectors providing debt and equity funding solutions to them.

Simon graduated from the University of Southampton and Grenoble University and is a fluent French speaker.

### **Will Gibbs**

Will joined the team in 2013 and is part of the investment team analysing new business opportunities, deal execution and working with the portfolio.

Prior to joining Octopus Will built and ran a series of small businesses in diverse variety of sectors from alcoholic spirits to agriculture. Will holds a BA (Hons.) in Ancient History from Lincoln College Oxford and is also a keen yachtsman.

## Management Remuneration

The management agreements between the Titan VCTs and the Manager provide for a performance incentive fee to be paid to the Manager provided certain hurdles are met. The original performance fee in respect of all the Titan VCTs was 20% of the total return above 100p once:

- a total return of £1.30 per ordinary share (NAV plus dividends paid and any previously paid performance incentive fee) has been met, and
- 40p of dividends per ordinary share have been paid.

As the issue of further ordinary shares following a capital raising made it more difficult for the hurdles to be met and did not incentivise the Manager, the shareholders of the Titan VCTs approved, in February 2013, a variation to the performance fees, which left the 20% of the total return above 100p unchanged, but adjusted the two hurdles which need to be met before a payment became due. These hurdles would be reduced by the percentage increase in the enlarged share capital by reference to the capital raising in question, rounded up to the nearest 1p, or increased further at the discretion of the directors of the boards of the Titan VCTs, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p.

At the time of the above variation, the hurdles had been met in respect of Titan 1 and Titan 2 and, therefore, there has been no adjustment to the hurdles. The hurdles relating to Titan 3 were adjusted in light of the 2012/13 Offer and have subsequently been met.

The hurdles relating to Titan 4 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.26 and a dividend hurdle of 32p, and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.22 and a dividend hurdle of 22p, with the Titan 4 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.18.

The hurdles relating to Titan 5 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.28 and a dividend hurdle of 32p and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.26 and a dividend hurdle of 22p, with the Titan 5 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.13 and the dividend hurdle to a minimum of 15p.

The IMA Deed of Variation, which is subject to the approval of the Titan 2 Shareholders, proposes to vary, in the event of the Merger proceeding, the performance incentive arrangements so that they are just and fair to both the Shareholders and the Manager insofar as the hurdles have been met in the case of Titan 1, Titan 2 and Titan 3 and are still to be met in the case of Titan 4 and Titan 5. A performance incentive fee will be paid on the basis of the payments that would have been made by the Titan VCTs to Octopus prior to the Merger, with Octopus being paid a fee, in the event of an increase in the Enlarged Company's NAV, in respect of that part of the Enlarged Company's fund where the hurdles have been reached, with no fee being payable in respect of that part of the Enlarged Company's fund where the hurdles have not been met.

Under the IMAAs Octopus is paid an investment management fee of an amount equal to 2% of the net assets of Titan 2 at the end of the preceding accounting period and an administration fee of an amount equal to 0.3% of the net assets of Titan 2 at the end of the preceding accounting period. The IMA Deed of Variation varies, subject to the approval of the Titan 2 Shareholders, the calculation of these fees so that they are calculated on a daily basis using the NAV per Share as at the previous quarter end, multiplied by the number of shares in issue at the close of each business day, which the Titan 2 Board and Octopus believe is a more appropriate way of calculating the fees.

In view of the requirement for Titan 2 Shareholders to hold the Offer Shares for five years in order to retain the VCT income tax reliefs, the IMA Deed of Variation extends, subject to there being an Admission by Titan 2 under

the Offer and the Merger proceeding and subject to the approval of the Titan 2 Shareholders, the term of the IMAAs for a further 5 years, subject to earlier termination in the event of the underperformance of the Manager, the departure of certain members of the Manager or as agreed by the Titan 2 Shareholders and the Manager, and, thereafter, the IMAAs will be terminable by either Titan 2 or the Manager on 12 months' written notice.

### **Example Investments**

#### **Amplience**

Amplience helps retailers deliver profitable growth through rich online shopping experiences. The Amplience Media Platform (AMP) enables non-technical marketing, brand and sales teams to create campaign and product media that increases customer engagement, drives conversions and AOVs across all channels and devices, delivering a truly adaptive multi-channel experience from a single unified production platform. Unlike older rich-media platforms, all AMP produced interactive media and content can be localised to any market and language, enabling retailers to efficiently reach new markets with a synchronised brand experience. A range of AMP Apps provide additional capability around collaboration, user-generated content, share and syndicate media to wherever it is needed, in the right format, on-demand. AMP is rapidly becoming the standard media platform for retail with over 100 leading UK, European and US brands, including Tesco, Tom Ford, Superdry, Marc Jacobs, John Varvatos, Marks and Spencer, House of Fraser, Shop Direct Group, JD Sports and Charlotte Olympia produce their digital media using AMP. Across all categories, customers report clear business benefits delivered by the platform - campaign and product media production cost savings of up to 90% and conversion rate increases of up to 200%.

December 2010: Octopus' initial investment

December 2011: Follow on investment by Octopus

June 2014: Annualised recurring revenues of £3m announced

#### **Swiftkey (TouchType Ltd)**

Founded in London in 2008, Swiftkey's mission is to build technology that makes it easy for everyone to create and communicate on mobile. The company is best known for SwiftKey Keyboard, its 'mind-reading' touchscreen keyboard app, which was Google Play's number one best-seller list in 2012 and 2013. Its first iOS app, SwiftKey Note, launched in early 2014 and has been selected by Apple as Editors' Choice.

Aug 2008: Company founded

Jul 2010: Swiftkey app launched in beta, available in 7 languages

Aug 2010: Octopus' initial investment

July 2011: Swiftkey X launched

Aug 2011: Follow on investment led by Octopus

Sep 2011: Announced it has saved its customers 10bn keystrokes already

Oct 2012: Swiftkey Flow launched - a new typing approach that combines the prediction capabilities of SwiftKey's engine with the ability to glide your finger across a phone's screen to type words

Apr 2013: CEO named Young Tech Entrepreneur of the Year at the Europioneers

Sept 2013: Further follow on investment of \$17.5M (£11.3m) led by Index Ventures and including Octopus

Jan 2014: Swiftkey Note launched on iOS

Jun 2014: SwiftKey Keyboard goes free, launches theme store and rewards loyal users

#### **YPlan (Leanworks Ltd)**

YPlan (Leanworks Ltd) is a mobile ticketing application currently live on iPhone, iPad and Android that allows users to discover and purchase last-minute event tickets from their device. There is currently no convenient way of booking last-minute entertainment tickets, since traditional channels such as Ticketmaster or Lastminute.com usually stop selling tickets 24 to 48 hours prior to the event. Since launch in November 2012, the app has been downloaded over 1,000,000 times and has been used to distribute tickets to over 10,000 events across London, New York, San Francisco, Las Vegas and Edinburgh.

Jul 2012: Octopus' initial investment  
Nov 2012: App launch in London  
Jun 2013: Follow on investment led by General Catalyst and including Octopus, Ashton Kutcher and American Express  
Sep 2013: New York City launch  
Mar 2014: San Francisco launch  
May 2014 Las Vegas launch  
Aug 2014: Edinburgh launch

#### **Swoon Editions (Sourceable Ltd)**

Swoon Editions (Sourceable Limited) is a 'new design a day' online furniture business. Founded in March 2012, the company cuts through the traditional supply chain to connect consumers with quality furniture manufacturers and artisan makers around the world, cutting out costs and passing savings on to customers. Its quality control guardians check every single piece of furniture at the workshop before it is shipped direct to customers' homes.

Jul 2011: Swoon Company Founded  
Mar 2012: Launched by Brian and Debbie, first customers  
Jun 2013: Octopus' initial investment in a seed round,  
Jun 2013: Fifth employee joins  
May 2014: £4m Series A investment led by Octopus  
July 2014: £2.0m booked revenues for FY 2013/14 (ending July)  
Aug 2014: 35 employees in four countries  
Aug 2014: £4.5 annual revenue run rate  
Sept 2014: Passed 9,000 total customers since launch

#### **Conversocial**

Conversocial enables businesses to manage customer service on social media (i.e. Twitter, Facebook, Instagram, Google+ and YouTube) at a large scale. Hundreds of major brands use Conversocial to handle high-volume customer service through social media in the most efficient and secure way possible. The business helps its customers deliver a better customer experience by responding faster and better to service issues through its prioritisation and collaboration tools; increase operational efficiency through workflow and management tools designed for large teams of agents; decrease the risk of social with robust security and a granular permissioning system; and increase agent satisfaction with a design-led, intuitive SaaS interface. Unlike other social media management systems, Conversocial groups multiple messages between a customer and a brand into conversations—allowing the company to deliver advanced customer service workflow and metrics like Average Handling Time. Clients include Google, Hertz, Barclaycard and Tesco.

2011: Joshua March founds Conversocial Limited.  
2012 – Titan invests £1m  
2013 – Titan invests £1.57m

## **PART THREE: TAX POSITION OF SHAREHOLDERS, TITAN 1, 3, 4 AND 5 SHAREHOLDERS, AND INVESTORS UNDER THE OFFER**

### **General**

The following paragraphs apply to the Companies and to individuals holding Shares as an investment who are the absolute beneficial owners of such Shares, and who are resident in the UK. They may not apply to certain classes of individuals, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary, and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive New Shares under the Offer and where the New Shares acquired are within the investor's annual £200,000 limit. The reliefs are not available for investments in excess of £200,000 per tax year.

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

The Titan 2 Board considers that Titan 2 has conducted its affairs and will continue to do so to enable it to qualify as a VCT.

### ***The Scheme***

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of Scheme Shares should, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Titan 1, 3, 4 and 5 Shareholders of Scheme Shares should not prejudice tax reliefs obtained by the Titan 1, 3, 4 and 5 Shareholders on existing Titan 1, 3, 4 and 5 Shares and should not be regarded as a disposal.

The implementation of the Scheme should not affect the VCT reliefs obtained by Titan 2 Shareholders on subscription for existing Shares. The implementation of the Scheme should not affect the status of Titan 2 as a VCT. It is the intention of the Titan 2 Board to continue to comply with the requirements of ITA 2007 so as to continue to qualify as a VCT.

### ***Titan 2 Shareholders not resident in the UK***

Titan 2 Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in Titan 2, as they may be subject to tax in other jurisdictions as well as in the UK.

### **Tax Position of Titan 1, 3, 4 and 5 Shareholders**

The receipt by Titan 1, 3, 4 and 5 Shareholders of Scheme Shares should not constitute a disposal of their Titan 1, 3, 4 and 5 Shares for UK tax purposes. Titan 1, 3, 4 and 5 Shareholders should, for UK tax purposes, effectively be able to treat the Scheme Shares received pursuant to the Scheme as if they had been acquired at the same cost and on the same date as the original Titan 1, 3, 4 and 5 Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original Titan 1, 3, 4 and 5 Shares will not, therefore, be subject to clawback, but instead will then attach to the Scheme Shares. As Titan 2 is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying Shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Scheme Shares.



For Titan 1, 3, 4 and 5 Shareholders holding (together with their associates) more than 5% of the Titan 1, 3, 4 and 5 Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the Titan 1, 3, 4 and 5 Shares should also apply to them.

Titan 1, 3, 4 and 5 Shareholders who do not vote in favour of the Resolution to be proposed at the relevant Titan 1, 3, 4 and 5 First General Meetings are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting Titan 1, 3, 4 and 5 Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of a Titan 1, 3, 4 and 5 Share (as appropriate). In addition, Titan 1, 3, 4 and 5 Shareholders should note that a purchase of Titan 1, 3, 4 and 5 Shares by the Liquidators from dissenting Titan 1, 3, 4 and 5 Titan Shareholders will be regarded as a disposal of such Shares for tax purposes, thereby triggering the repayment of any income tax rebate on Titan 1, 3, 4 and 5 Shares subscribed for in the five years prior to purchase. The break value received may not be sufficient to cover the amount of payment due.

Although Titan 2 will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of Titan 1, 3, 4 and 5 (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

***Titan 1, 3, 4 and 5 Shareholders not resident in the UK***

Titan 1, 3, 4 and 5 Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in Titan 2, as they may be subject to tax in other jurisdictions as well as in the UK.

**Tax Position of Investors under the Offer**

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

***Tax Benefits for VCT investors***

***1. Income Tax***

***1.1 Initial Income Tax relief***

An investor can acquire Offer Shares of up to a maximum of £200,000 under the Offer in each of 2014/15 and 2015/16 tax years. The relief is subject to an amount which reduces the investor’s income tax liability for the tax year to nil. Each application creates an entitlement to income tax relief of 30% of the amount invested. To retain that relief the Offer Shares have to be held for 5 years.

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

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

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which has merged with that VCT. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

### **1.2 Dividend relief**

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

### **1.3 Withdrawal of relief**

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

## **2. Capital Gains Tax**

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

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

### **3. Withdrawal of approval**

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

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

## **4. Other tax considerations**

### **4.1 Obtaining initial tax reliefs**

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

### **4.2 Shareholders not resident in the UK**

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

## **5. Tax Position of the Companies**

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

### **5.1 Qualification as a VCT**

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

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;

- (iv) the VCT must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 70%, by value, of its investments is represented by shares or securities comprising Qualifying Investments;
- (vi) for funds raised before 6 April 2011, have at least 30%, by value, of its Qualifying Investments represented by holdings of ordinary shares which carry no present or future preferential rights to dividends, return of capital or any redemption rights;
- (vii) for funds raised after 5 April 2011, have at least 70%, by value, of the VCT's Qualifying Investments in "eligible shares", that is ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed although they may have certain preferential rights to dividends so long as that right is non cumulative and is not subject to discretion;
- (viii) not make an investment in a company which causes that company to receive more than £5 million of State Aid investment in the 12 months ended on the date of the investment;
- (ix) not return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for shares occurs.

"Qualifying investments" comprise shares or securities (including loans with a five year or greater maturity period but excluding guaranteed loans and securities) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The trade must be carried on by, or be intended to be carried on by, the investee company or a qualifying subsidiary at the time of the issue of the shares or securities to the VCT (and by such company or by any other subsidiary in which the investee company has not less than a 90% interest at all times thereafter). A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees in certain circumstances, leasing, the provision of legal and accounting services, farming and market gardening, forestry and timber production, property development, shipbuilding, coal and steel production and operating or managing hotels, guest houses, generation of electricity from solar or wind power from which feed-in tariffs are derived, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. Investee companies must have a permanent establishment in the UK. The investee company cannot receive more than £5 million from VCTs or other State Aid investment sources during the 12 month period which ends on the date of the VCT's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The investee company must have fewer than 250 employees. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in eligible shares, as described above.

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

### ***5.2 Taxation of a VCT***

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

**PART FOUR: PRO FORMA FINANCIAL INFORMATION**

**ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION**



BDO LLP  
55 Baker Street  
London  
W1U 7EU

The Directors  
Octopus Titan VCT 2 plc  
20 Old Bailey  
London  
EC4N 7AN

16 September 2014

Howard Kennedyfsi LLP  
19 Cavendish Square  
London  
W1A 2AW

Dear Sirs

**Octopus Titan VCT 2 plc (the "Company")**

**Pro forma financial information**

We report on the unaudited pro forma net assets and income statement (the "Pro Forma Financial Information") set out in Part Four of the prospectus dated 16 September 2014 (the "Prospectus") which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the Merger and the Offer might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the interim financial statements for the six months ended 30 April 2014.

This report is required for the purposes of item 20.2 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in

connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED COMPANY

### Part A – Unaudited pro forma statement of earnings

The following unaudited pro forma statement of earnings of the Enlarged Company has been prepared to illustrate the effect of the Merger and the Offer on the earnings of Titan 2 for the six months ended 30 April 2014 as if the Merger and the Offer had occurred at the start of the period, 1 November 2013.

The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Titan 2's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma statement of earnings is based on the earnings of Titan 2 for the six months ended 30 April 2014, as set out in the unaudited half-yearly report of the Company for the six months ended 30 April 2014 which is incorporated by reference in Part Five of this document and has been prepared in a manner consistent with the accounting policies adopted by Titan 2 in preparing such information and on the basis set out in the notes set out below.

#### Unaudited pro forma statement of earnings

	Adjustments					Fundraising costs (note 3)	Proforma total £'000
	Octopus Titan VCT 2 plc (note 1) £'000	Octopus Titan VCT 1 plc (note 2) £'000	Octopus Titan VCT 3 plc (note 2) £'000	Octopus Titan VCT 4 plc (note 2) £'000	Octopus Titan VCT 5 plc (note 2) £'000		
Realised gain on disposal of fixed asset investments	10	10	10	10	–	–	40
Fixed asset investment holdings gain	364	364	1,974	2,971	1,379	–	7,052
Current asset investment holding gains	–	–	69	364	326	–	759
Other income	10	10	9	6	12	–	47
Investment management fees	(211)	(208)	(233)	(292)	(177)	–	(1,121)
Performance fee incentive	–	–	(333)	–	–	–	(333)
Other expenses	(208)	(206)	(224)	(243)	(193)	(1,000)	(2,074)
<b>Return on ordinary activities before tax</b>	<b>(35)</b>	<b>(30)</b>	<b>1,272</b>	<b>2,816</b>	<b>1,347</b>	<b>(1,000)</b>	<b>4,370</b>
Taxation on return on ordinary activities	–	–	–	–	–	–	–
<b>Return on ordinary activities after tax</b>	<b>(35)</b>	<b>(30)</b>	<b>1,272</b>	<b>2,816</b>	<b>1,347</b>	<b>(1,000)</b>	<b>4,370</b>

#### Notes

1. The earnings of Titan 2 for the six months ended 30 April 2014 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 30 April 2014 which is incorporated by reference in Part Five of this document.

#### Adjustments

2. The earnings of each of Titan 1, Titan 3, Titan 4 and Titan 5 for the six months ended 30 April 2014 have been extracted without material adjustment from the unaudited half-yearly reports of the each of the Companies for the six months ended 30 April 2014 which are incorporated by reference in Part Five of this document. These adjustments are expected to have a continuing impact on the earnings of the Company.
3. An adjustment has been made to reflect the proportion of transaction costs relating to the Offer which are to be expensed. The balance of transaction costs, being commission on the gross proceeds of the Offer, will be set off against the share premium account within Shareholders' equity. No account has been taken of any potential irrecoverable VAT. This adjustment will not have a continuing impact on the earnings of the Company.

- No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Merger occurred on 1 November 2013 and that may subsequently have affected the results of the Company in the six months ended 30 April 2014.
- No account has been taken of the trading performance of the Companies since 30 April 2014 nor of any other event save as disclosed above.

## Part B – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of Titan 2 as if the Merger and the Offer had taken place on 30 April 2014.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Titan 2's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of Titan 2 as at 30 April 2014, as set out in the unaudited half-yearly report of the Company for the six months ended 30 April 2014 which is incorporated by reference in Part Five of this document and has been prepared in a manner consistent with the accounting policies adopted by Titan 2 in preparing such information and on the basis set out in the notes set out below.

### Unaudited pro forma statement of net assets

	Adjustments					Fundraising (note 3) £'000	Proforma total £'000
	Octopus Titan VCT 2 plc (note 1) £'000	Octopus Titan VCT 1 plc (note 2) £'000	Octopus Titan VCT 3 plc (note 2) £'000	Octopus Titan VCT 4 plc (note 2) £'000	Octopus Titan VCT 5 plc (note 2) £'000		
Fixed asset investments	18,212	18,212	23,982	30,863	12,955	–	104,224
Current assets:							
Money market securities and other deposits	7,288	7,413	5,629	8,850	13,147	–	42,327
Debtors	453	453	420	134	48	–	1,508
Cash at bank	3,446	3,350	3,293	1,123	6,194	65,150	82,556
	11,187	11,216	9,342	10,107	19,389	65,150	126,391
Creditors: amounts falling due within one year	(103)	(115)	(572)	(61)	(3,837)	–	(4,688)
Net current assets	11,084	11,101	8,770	10,046	15,552	65,150	121,703
<b>Net assets</b>	<b>29,296</b>	<b>29,313</b>	<b>32,752</b>	<b>40,909</b>	<b>28,507</b>	<b>65,150</b>	<b>225,927</b>

### Notes

- The net assets of Titan 2 as at 30 April 2014 have been extracted without material adjustment from the unaudited half-yearly report of the Company for the six months ended 30 April 2014 which is incorporated by reference in Part Five of this document.

### Adjustments

- The net assets of each of Titan 1, Titan 3, Titan 4 and Titan 5 as at 30 April 2014 have been extracted without material adjustment from the unaudited half-yearly reports of the each of the Companies for the six months ended 30 April 2014 which are incorporated by reference in Part Five of this document.
- The Offer is estimated to raise net proceeds of £65.15 million (£70.0 million gross proceeds less estimated expenses of £4.85 million).
- No account has been taken of the financial performance of the Companies since 30 April 2014 nor of any other event save as disclosed above.



## PART FIVE: FINANCIAL INFORMATION ON THE COMPANIES

Audited financial information on the Companies is published in the annual reports for the years ended 31 October 2011, 31 October 2012 and 31 October 2013 and unaudited information in the interim reports for the six month periods ended 30 April 2013 and 30 April 2014.

The annual reports referred to above for 2011 and 2012 were audited by Grant Thornton UK LLP of 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB and the 2013 annual reports were audited by James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire, RG1 4AP. All reports were without qualification and contained no statements under section 498(2) or (3) of the CA 2006. All reports were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the Companies' financial condition, changes in financial condition and results of operation for each relevant financial year and the pages of these referred to below, together with the interim report referred to above, are being incorporated by reference and can be accessed at the following website:

**[www.octopusinvestments.com](http://www.octopusinvestments.com)**

Where these documents make reference to other documents, such other documents, together with those pages of the annual and interim reports that are not referred to below, are not relevant to investors and are not incorporated into and do not form part of this document.

Such information includes the following:

### Titan 2

Description	31 October 2011	31 October 2012	31 October 2013	30 April 2013	30 April 2014
	<u>Annual Report</u>	<u>Annual Report</u>	<u>Annual Report</u>	<u>Half Year Report</u>	<u>Half Year Report</u>
Balance Sheet	Page 44	Page 44	Page 50	Page 12	Page 12
Income Statement (or equivalent)	Page 41	Page 41	Page 47	Page 10	Page 10
Statement showing all changes in equity (or equivalent note)	Page 43	Page 43	Page 49	Page 11	Page 11
Cash Flow Statement	Page 45	Page 45	Page 51	Page 13	Page 13
Accounting Policies and Notes	Page 47	Page 47	Page 53	Page 15	Page 15

Auditor's Report	Page 39	Page 39	Page 44	N/a	N/a
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This information in the annual reports has been prepared in a form consistent with that which will be adopted in Titan 2's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

Description	31 October 2011 <u>Annual Report</u>	31 October 2012 <u>Annual Report</u>	31 October 2013 <u>Annual Report</u>	30 April 2013 <u>Half Year Report</u>	30 April 2014 <u>Half Year Report</u>
Performance Summary	Page 2	Page 2	Page 1	Page 5	Page 5
Results and Dividends	Page 22	Page 22	Page 7	Page 5	Page 5
Investment Policy	Page 5	Page 5	Page 5	N/a	N/a
Outlook	Page 6	Page 6	Page 8	Page 6	Page 6
Manager's Review	Page 5	Page 5	Page 15	N/a	N/a
Portfolio Summary	Page 7	Page 7	Page 18	Page 7	Page 7
Business Review	Page 5	Page 5	Page 10	N/a	N/a
Valuation Policy	Page 8	Page 8	Page 18	N/a	N/a

As at 31 July 2014, the date to which the most recent unaudited financial information on Titan 2 has been drawn up, Titan 2 had unaudited net assets of £29.974 million.

#### Titan 1

Description	31 October 2011 <u>Annual Report</u>	31 October 2012 <u>Annual Report</u>	31 October 2013 <u>Annual Report</u>	30 April 2013 <u>Half Year Report</u>	30 April 2014 <u>Half Year Report</u>
Balance Sheet	Page 43	Page 44	Page 50	Page 12	Page 12
Income Statement (or equivalent)	Page 40	Page 41	Page 47	Page 10	Page 10
Statement showing all	Page 42	Page 43	Page 49	Page 11	Page 11

changes in equity (or equivalent note)

Cash Flow Statement	Page 44	Page 45	Page 51	Page 13	Page 13
Accounting Policies and Notes	Page 46	Page 47	Page 53	Page 15	Page 15
Auditor's Report	Page 38	Page 39	Page 44	N/a	N/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in Titan 1's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>31 October 2011 <u>Annual Report</u></b>	<b>31 October 2012 <u>Annual Report</u></b>	<b>31 October 2013 <u>Annual Report</u></b>	<b>30 April 2013 <u>Half Year Report</u></b>	<b>30 April 2014 <u>Half Year Report</u></b>
Performance Summary	Page 5	Page 2	Page 1	Page 5	Page 5
Results and Dividends	Page 22	Page 22	Page 7	Page 5	Page 5
Investment Policy	Page 8	Page 5	Page 5	N/a	N/a
Outlook	Page 9	Page 6	Page 8	Page 6	Page 6
Manager's Review	Page 8	Page 5	Page 14	N/a	N/a
Portfolio Summary	Page 10	Page 7	Page 17	Page 7	Page 7
Business Review	Page 8	Page 5	Page 9	N/a	N/a
Valuation Policy	Page 11	Page 8	Page 17	N/a	N/a

As at 31 July 2014, the date to which the most recent unaudited financial information on Titan 1 has been drawn up, Titan 1 had unaudited net assets of £29.982 million.

### Titan 3

Description	31 October	31 October	31 October	30 April 2013	30 April 2014
	2011 <u>Annual Report</u>	2012 <u>Annual Report</u>	2013 <u>Annual Report</u>	<u>Half Year Report</u>	<u>Half Year Report</u>
Balance Sheet	Page 43	Page 45	Page 52	Page 12	Page 12
Income Statement (or equivalent)	Page 40	Page 42	Page 49	Page 10	Page 10
Statement showing all changes in equity (or equivalent note)	Page 42	Page 44	Page 51	Page 11	Page 11
Cash Flow Statement	Page 44	Page 46	Page 53	Page 13	Page 13
Accounting Policies and Notes	Page 46	Page 48	Page 55	Page 15	Page 15
Auditor's Report	Page 38	Page 40	Page 45	N/a	N/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in Titan 3's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

Description	31 October	31 October	31 October	30 April 2013	30 April 2014
	2011 <u>Annual Report</u>	2012 <u>Annual Report</u>	2013 <u>Annual Report</u>	<u>Half Year Report</u>	<u>Half Year Report</u>
Performance Summary	Page 5	Page 2	Page 1	Page 5	Page 5
Results and Dividends	Page 22	Page 20	Page 7	Page 5	Page 5
Investment Policy	Page 7	Page 5	Page 5	N/a	N/a
Outlook	Page 8	Page 6	Page 8	Page 6	Page 6
Manager's Review	Page 7	Page 5	Page 15	N/a	N/a

Portfolio Summary	Page 9	Page 7	Page 18	Page 7	Page 7
Business Review	Page 7	Page 5	Page 10	N/a	N/a
Valuation Policy	Page 10	Page 8	Page 18	N/a	N/a

As at 31 July 2014, the date to which the most recent unaudited financial information on Titan 3 has been drawn up, Titan 3 had unaudited net assets of £33.168 million.

#### Titan 4

Description	<b>31 October 2011 <u>Annual Report</u></b>	<b>31 October 2012 <u>Annual Report</u></b>	<b>31 October 2013 <u>Annual Report</u></b>	<b>30 April 2013 <u>Half Year Report</u></b>	<b>30 April 2014 <u>Half Year Report</u></b>
Balance Sheet	Page 40	Page 42	Page 49	Page 12	Page 12
Income Statement (or equivalent)	Page 38	Page 39	Page 46	Page 10	Page 10
Statement showing all changes in equity (or equivalent note)	Page 39	Page 41	Page 48	Page 11	Page 11
Cash Flow Statement	Page 41	Page 43	Page 50	Page 13	Page 13
Accounting Policies and Notes	Page 43	Page 45	Page 52	Page 15	Page 15
Auditor's Report	Page 36	Page 37	Page 39	N/a	N/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in Titan 4's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>31 October 2011 <u>Annual Report</u></b>	<b>31 October 2012 <u>Annual Report</u></b>	<b>31 October 2013 <u>Annual Report</u></b>	<b>30 April 2013 <u>Half Year Report</u></b>	<b>30 April 2014 <u>Half Year Report</u></b>
Performance Summary	Page 15	Page 12	Page 1	Page 5	Page 5
Results and Dividends	Page 20	Page 20	Page 7	Page 5	Page 5
Investment Policy	Page 7	Page 5	Page 5	N/a	N/a
Outlook	Page 8	Page 6	Page 8	Page 6	Page 6
Manager's Review	Page 7	Page 5	Page 15	N/a	N/a
Portfolio Summary	Page 9	Page 7	Page 17	Page 7	Page 7
Business Review	Page 7	Page 5	Page 10	N/a	N/a
Valuation Policy	Page 10	Page 7	Page 17	N/a	N/a

As at 31 July 2014, the date to which the most recent unaudited financial information on Titan 4 has been drawn up, Titan 4 had unaudited net assets of £40.259 million.

#### **Titan 5**

<b>Description</b>	<b>31 October 2012 <u>Annual Report</u></b>	<b>31 October 2013 <u>Annual Report</u></b>	<b>30 April 2013 <u>Half year report</u></b>	<b>30 April 2014 <u>Half year report</u></b>
Balance Sheet	Page 35	Page 48	Page 13	Page 11
Income Statement (or equivalent)	Page 33	Page 45	Page 11	Page 9
Statement showing all changes in equity (or equivalent note)	Page 34	Page 47	Page 12	Page 10

Cash Flow Statement	Page 36	Page 49	Page 14	Page 12
Accounting Policies and Notes	Page 38	Page 51	Page 16	Page 14
Auditor's Report	Page 31	Page 41	N/a	N/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in Titan 5's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

	<b>31 October 2012</b>	<b>31 October 2013</b>	<b>30 April 2013</b>	<b>30 April 2014</b>
<b>Description</b>	<b><u>Annual Report</u></b>	<b><u>Annual Report</u></b>	<b><u>Half year report</u></b>	<b><u>Half year report</u></b>
Performance Summary	Page 2	Page 7	Page 5	Page 4
Results and Dividends	Page 14	Page 7	Page 5	Page 4
Investment Policy	Page 4	Page 5	N/a	N/a
Outlook	Page 5	Page 8	Page 7	Page 5
Manager's Review	Page 4	Page 13	N/a	N/a
Portfolio Summary	Page 6	Page 15	Page 8	Page 6
Business Review	Page 4	Page 9	N/a	N/a
Valuation Policy	Page 6	Page 15	N/a	N/a

As at 31 July 2014, the date to which the most recent unaudited financial information on Titan 5 has been drawn up, Titan 5 had unaudited net assets of £28.669 million.

## PART SIX: INVESTMENT PORTFOLIO AND PRINCIPAL INVESTMENTS OF THE COMPANIES

### Titan 2

The investment portfolio of Titan 2 as at the date of this document is as follows (the valuations being the unaudited valuations as at 31 July 2014 and representing UK companies and more than 50% of the NAV of Titan 2):

	Sector	Cost as at 31 July 2014, £	Movement in valuation, £	Valuation as at 31 July 2014, £
Zenith Holding company Limited	N/a	4,895,385	4,209,597	9,104,982
TouchType Limited	Telecommunications	1,225,701	1,007,107	2,232,808
Getlenses Limited	Consumer lifestyle and wellbeing	824,287	147,165	971,452
Zynstra Limited	Technology	872,815	50,000	922,815
UltraSoC Limited	Technology	824,695	44,698	869,393
Aframe Media Group Limited	Media	774,795	-	774,795
e-Therapeutics plc	Consumer lifestyle and wellbeing	631,766	74,834	706,600
Mi-Pay Group plc	Telecommunications	1,003,629	(346,632)	656,997
Metrasens Limited	Consumer lifestyle and wellbeing	489,542	81,068	570,610
Surrey NanoSystems Limited	Technology	484,640	43,141	527,781
Bowman Power Limited	Environmental	519,474	(54,331)	465,144
Semafone Limited	Telecommunications	495,536	(51,509)	444,027
Kabbee Limited	Consumer lifestyle and wellbeing	400,001	-	400,001
Michelson Diagnostics Limited	Consumer lifestyle and wellbeing	626,800	(265,960)	360,841
Leanworks Limited (Yplan)	Consumer lifestyle and wellbeing	348,461		348,461
Shopa Limited	Media	299,999		299,999
Adbrain Limited	Technology	299,998	-	299,998
Sourceable Limited (Swoon Editions)	Consumer lifestyle and wellbeing	274,521	-	274,521
Hubbubb Limited	Consumer lifestyle and wellbeing	206,433	-	206,433
Artesian Solutions Limited	Technology	185,500	-	185,500
Elliptic Enterprise Limited	Technology	179,961	-	179,961
Ampliance Limited	Technology	171,552	-	171,552
Origami Energy Limited	Technology	150,000	-	150,000
Certivox Limited	Technology	149,999	-	149,999
Smartkem Limited	Technology	131,000	-	131,000
Uniplaces Limited	Consumer lifestyle and wellbeing	106,196	-	106,196
Phasor Solutions Limited	Technology	99,992	(35,342)	64,650



Property Partner (London House Exchange Limited)	Consumer lifestyle and well being	41,452		41,452
Tailsco Limited	Consumer lifestyle and wellbeing	38,572	-	38,572
Streethub Limited	Consumer lifestyle and wellbeing	25,605	-	25,605
Sofar Sounds Limited	Consumer lifestyle and wellbeing	13,801	-	13,801
Seedcamp III LP	N/a	7,879	-	7,879
AQS Holdings Limited	Environmental	654,539	(654,539)	-
The Key Revolution Limited	Telecommunications	641,053	(641,053)	-
Phase Vision Limited	Technology	474,292	(474,292)	-
PrismaStar Inc.	Media	424,267	(424,267)	-
Elonics Limited	Technology	305,349	(305,349)	-
<b>Total fixed asset investments</b>		<b>19,299,487</b>	<b>2,404,336</b>	<b>21,703,823</b>
Current asset investments		391,724		391,724
Cash		7,878,732		7,878,732
<b>Total assets</b>				<b>29,974,279</b>

## Titan 1

The investment portfolio of Titan 1 as at the date this document is as follows (the valuations being the unaudited valuations as at 31 July 2014 and representing UK companies and more than 50% of the NAV of Titan 1):

	Sector	Cost as at 31 July 2014, £	Movement in valuation, £	Valuation as at 31 July 2014, £
Zenith Holding company Limited	N/a	4,895,385	4,209,597	9,104,982
TouchType Limited	Telecommunications	1,225,701	1,007,107	2,232,808
Getlenses Limited	Consumer lifestyle and wellbeing	824,287	147,165	971,452
Zynstra Limited	Technology	872,815	50,000	922,815
UltraSoC Limited	Technology	824,695	44,698	869,393
Aframe Media Group Limited	Media	774,795	-	774,795
e-Therapeutics plc	Consumer lifestyle and wellbeing	631,766	74,834	706,600
Mi-Pay Group plc	Telecommunications	1,003,629	(346,632)	656,997
Metrasens Limited	Consumer lifestyle and wellbeing	489,542	81,068	570,610
Surrey NanoSystems Limited	Technology	484,640	43,141	527,781
Bowman Power Limited	Environmental	519,474	(54,331)	465,144
Semafone Limited	Telecommunications	495,536	(51,509)	444,027
Kabbee Limited	Consumer lifestyle and wellbeing	400,001	-	400,001

Michelson Diagnostics Limited	Consumer lifestyle and wellbeing	626,800	(265,960)	360,841
Leanworks Limited (Yplan)	Consumer lifestyle and wellbeing	348,461		348,461
Shopa Limited	Media	299,999		299,999
Adbrain Limited	Technology	299,998	-	299,998
Sourceable Limited (Swoon Editions)	Consumer lifestyle and wellbeing	274,521	-	274,521
Hubbubb Limited	Consumer lifestyle and wellbeing	206,433	-	206,433
Artesian Solutions Limited	Technology	185,500	-	185,500
Elliptic Enterprise Limited	Technology	179,961	-	179,961
Ampliance Limited	Technology	171,552	-	171,552
Origami Energy Limited	Technology	150,000	-	150,000
Certivox Limited	Technology	149,999	-	149,999
Smartkem Limited	Technology	131,000	-	131,000
Uniplaces Limited	Consumer lifestyle and wellbeing	106,196	-	106,196
Phasor Solutions Limited	Technology	99,992	(35,342)	64,650
Property Partner (London House Exchange Limited)	Consumer lifestyle and well being	41,452		41,452
Tailsco Limited	Consumer lifestyle and wellbeing	38,572	-	38,572
Streethub Limited	Consumer lifestyle and wellbeing	25,605	-	25,605
Sofar Sounds Limited	Consumer lifestyle and wellbeing	13,801	-	13,801
Seedcamp III LP	N/a	7,879	-	7,879
AQS Holdings Limited	Environmental	654,539	(654,539)	-
The Key Revolution Limited	Telecommunications	641,053	(641,053)	-
Phase Vision Limited	Technology	474,292	(474,292)	-
PrismaStar Inc.	Media	424,267	(424,267)	-
Elonics Limited	Technology	305,349	(305,349)	-
<b>Total fixed asset investments</b>		<b>19,299,487</b>	<b>2,404,336</b>	<b>21,703,823</b>
Current asset investments		380,473		380,473
Cash		7,897,551		7,897,551
<b>Total assets</b>				<b>29,981,847</b>

### Titan 3

The investment portfolio of Titan 3 as at the date this document is as follows (the valuations being the unaudited valuations as at 31 July 2014 and representing UK companies and more than 50% of the NAV of Titan 3):

	Sector	Cost as at 31 July 2014, £	Movement in valuation, £	Valuation as at 31 July 2014, £
Zenith Holding company Limited	N/a	4,909,766	4,221,964	9,131,730
Certivox Limited	Technology	1,994,362	454,962	2,449,324
TouchType Limited	Telecommunications	1,225,704	1,007,104	2,232,808
e-Therapeutics Plc	Consumer lifestyle and wellbeing	1,151,531	(13,567)	1,137,964
UltraSoC Technologies Limited	Technology	986,179	44,704	1,030,883
Amplience Limited	Technology	1,049,994	(40,788)	1,009,206
Getlenses Limited	Consumer lifestyle and wellbeing	824,287	147,165	971,452
Zynstra Limited	Technology	872,830	50,000	922,830
Aframe Media Group Limited	Media	798,853	-	798,853
Metrasens Limited	Consumer lifestyle and wellbeing	667,862	93,831	761,693
Semafone Limited	Telecommunications	826,343	(123,511)	702,832
Surrey Nanosystems Limited	Technology	621,057	43,189	664,246
Mi-Pay Group plc	Telecommunications	1,003,625	(346,618)	657,007
Bowman Power Limited	Environmental	519,475	(54,331)	465,144
Kabbee Limited	Consumer lifestyle and well being	400,001	-	400,001
Leanworks Limited (Yplan)	Consumer lifestyle and wellbeing	389,324	-	389,324
Michelson Diagnostics Limited	Consumer lifestyle and well being	626,800	(265,960)	360,841
Shopa	Media	299,999	-	299,999
Adbrain Limited	Technology	299,998	-	299,998
Sourceable Limited (Swoon Editions)	Consumer lifestyle and well being	230,640	-	230,640
Elliptic Enterprise Limited	Technology	200,990	-	200,990
Hubbub Deliveries	Consumer lifestyle and well being	186,905	-	186,905
Artesian Solutions Limited	Technology	155,236	-	155,236
Origami Energy	Technology	150,000	-	150,000
Smartkem Limited	Technology	131,000	-	131,000
Uniplaces Limited	Consumer lifestyle and well being	106,196	-	106,196

Property Partner (London House Exchange Limited)	Consumer lifestyle and well being	41,449	-	41,449
Tailsco Limited	Consumer lifestyle and well being	38,572	-	38,572
Phasor Solutions Limited	Technology	49,996	(17,671)	32,325
Streethub Limited	Consumer lifestyle and well being	25,583	-	25,583
Sofar Sounds Limited	Consumer lifestyle and well being	13,731	-	13,731
Seedcamp III LP	N/a	7,878	-	7,878
Applied Superconductor Limited	Environmental	765,168	(765,168)	-
AQS Holdings Limited	Environmental	659,543	(659,543)	-
Phase Vision Limited	Technology	474,292	(474,292)	-
PrismaStar Inc.	Media	424,267	(424,267)	-
Elonics Limited	Technology	305,349	(305,349)	-
<b>Total fixed asset investments</b>		<b>23,434,784</b>	<b>2,571,855</b>	<b>26,006,640</b>
Current asset investments		391,724		391,724
Cash		6,769,360		6,769,360
<b>Total assets</b>				<b>33,167,724</b>

#### Titan 4

The investment portfolio of Titan 4 as at the date this document is as follows (the valuations being the unaudited valuations as at 31 July 2014 and representing UK companies and more than 50% of the NAV of Titan 4):

	Sector	Cost as at 31 July 2014, £	Movement in valuation, £	Valuation as at 31 July 2014, £
Secret Escapes Limited	Consumer lifestyle and well being	2,567,144	6,453,558	9,020,702
Leanworks Limited (Yplan)	Consumer lifestyle and well being	2,364,576	351,698	2,716,274
Certivox Limited	Technology	2,053,994	566,903	2,620,897
TouchType Limited	Telecommunications	1,225,712	1,007,096	2,232,808
Artesian Solutions Limited	Technology	1,229,179	544,591	1,773,770
UltraSoC Technologies Limited	Technology	1,276,785	86,718	1,363,503
Aframe Media Group Limited	Media	1,533,606	(185,942)	1,347,664
Conversocial Limited	Technology	1,288,031	(3,969)	1,284,062
The Faction Collective Limited	Consumer lifestyle and well being	1,170,775	93,979	1,264,754
Ampliance Limited	Technology	1,175,000	(15,786)	1,159,214
Iovox Limited	Telecommunications	1,042,950	-	1,042,950
Sourceable Limited (Swoon Editions)	Consumer lifestyle and well being	701,669	296,284	997,953
Zynstra Limited	Technology	872,830	50,000	922,830

Semafone Limited	Telecommunications	755,597	(59,823)	695,775
Michelson Diagnostics Limited	Consumer lifestyle and well being	921,457	(390,998)	530,459
Affectv Limited	Media	499,997	-	499,997
Shopa Limited	Media	474,999	-	474,999
Bowman Power Limited	Environmental	519,475	(54,331)	465,143
Kabbee Limited	Consumer lifestyle and well being	400,001	-	400,001
Adbrain Limited	Media	299,998	-	299,998
TrialReach Limited	Consumer lifestyle and well being	350,000	(87,893)	262,107
Elliptic Enterprises Ltd	Technology	251,912	-	251,912
Hubbub Deliveries	Consumer lifestyle and well being	176,911	-	176,911
Origami Energy	Technology	150,000	-	150,000
Smartkem Limited	Technology	131,000	-	131,000
Uniplaces Limited	Consumer lifestyle and well being	106,196	-	106,196
Property Partner (London House Exchange Limited)	Consumer lifestyle and well being	41,449	-	41,449
Tailsco Limited	Consumer lifestyle and well being	38,573	-	38,573
Streethub Limited	Consumer lifestyle and well being	25,583	-	25,583
Sofar Sounds Limited	Consumer lifestyle and well being	13,731	-	13,731
Seedcamp III LP	N/a	7,879	-	7,879
Applied Superconductor Limited	Environmental	765,162	(765,162)	-
Lifebook Limited	Consumer lifestyle and well being	555,700	(555,700)	-
PrismaStar Inc.	Media	424,267	(424,267)	-
Elonics Limited	Technology	305,349	(305,349)	-
<b>Total fixed asset investments</b>		<b>25,717,486</b>	<b>6,601,607</b>	<b>32,319,093</b>
Current asset investments		1,792,646		1,792,646
Cash		6,147,210		6,147,210
<b>Total assets</b>				<b>40,258,949</b>

## Titan 5

The investment portfolio of Titan 5 as at the date this document is as follows (the valuations being the unaudited valuations as at 31 July 2014 and representing UK companies and more than 50% of the NAV of Titan 5):

	<b>Sector</b>	<b>Cost as at 31 July 2014, £</b>	<b>Movement in valuation, £</b>	<b>Valuation as at 31 July 2014, £</b>
Leanworks Limited (Yplan)	Consumer lifestyle and well being	1,895,482	293,080	2,188,562
Conversocial Limited	Technology	1,288,031	(3,969)	1,284,062
Artesian Solutions Limited	Technology	860,426	381,214	1,241,640
The Faction Collective SA	Consumer lifestyle and well being	1,111,953	84,134	1,196,087

Aframe Media Group Limited	Media	1,226,869	(148,752)	1,078,118
Zynstra Limited	Technology	873,580	200,000	1,073,580
Ampliance Limited	Technology	807,802	191,402	999,204
Sourceable Limited (Swoon Editions)	Consumer lifestyle and well being	701,670	296,286	997,956
Shopa Limited	Media	774,999	-	774,999
Secret Escapes Limited	Consumer lifestyle and well being	741,701	-	741,701
Iovox Limited	Telecommunications	695,317	-	695,317
Affectv Limited	Media	650,001	-	650,001
Adbrain Limited	Media	599,999	-	599,999
Kabbee Limited	Consumer lifestyle and well being	400,001	-	400,001
Semafone Limited	Telecommunications	396,777	(47,857)	348,920
Metrasens Limited	Consumer lifestyle and well being	285,384	-	285,384
TrialReach Limited	Consumer lifestyle and well being	350,000	(87,893)	262,107
Hubbub Limited	Consumer lifestyle and well being	256,000	-	256,000
Certivox Limited	Technology	250,001	-	250,001
Michelson Diagnostics Limited	Consumer lifestyle and well being	433,060	(183,768)	249,292
Smartkem Limited	Technology	178,000	-	178,000
Elliptic Enterprise Limited	Technology	172,172	-	172,172
Origami Energy Limited	Technology	150,000	-	150,000
Uniplaces Limited	Consumer lifestyle and well being	106,194	-	106,194
Property Partner (London House Exchange Limited)	Consumer lifestyle and well being	41,452	-	41,452
Tailsco Limited	Consumer lifestyle and well being	38,572	-	38,572
Streethub Limited	Consumer lifestyle and well being	25,583	-	25,583
Sofar Sounds Limited	Consumer lifestyle and well being	13,731	-	13,731
Seedcamp III LP	N/a	7,878		7,878
Lifebook Limited	Consumer lifestyle and well being	370,465	(370,465)	-
<b>Total fixed asset investments</b>		<b>15,703,099</b>	<b>603,413</b>	<b>16,306,512</b>
Current asset investments		1,415,710		1,415,710
Cash		10,947,123		10,947,123
<b>Total assets</b>				<b>28,669,345</b>

## Enlarged Company

The investment portfolio of the Enlarged Company as at the date this document is as follows assuming Titan 2 acquired Titan 1, Titan 3, Titan 4 and Titan 5 as at 31 July 2014 (the valuations being the unaudited valuations as at 31 July 2014):

	Sector	Cost as at 31 July 2014, £	Movement in valuation, £	Valuation as at 31 July 2014, £
Zenith Holding company Limited	N/a	14,700,537	12,641,157	27,341,694
Secret Escapes Limited	Consumer lifestyle and well being	3,308,845	6,453,558	9,762,403
TouchType Limited	Telecommunications	4,902,819	4,028,413	8,931,232
Leanworks Limited (Yplan)	Consumer lifestyle and wellbeing	5,346,305	644,778	5,991,083
Certivox Limited	Technology	4,598,354	1,021,865	5,620,219
Aframe Media Group Limited	Media	5,108,919	(334,694)	4,774,225
Zynstra Limited	Technology	4,364,870	400,000	4,764,870
UltraSoC Limited	Technology	3,912,353	220,818	4,133,171
Artesian Solutions Limited	Technology	2,615,840	925,806	3,541,646
Amplience Limited	Technology	3,375,900	134,828	3,510,728
Getlenses Limited	Consumer lifestyle and wellbeing	2,472,860	441,494	2,914,355
Sourceable Limited (Swoon Editions)	Consumer lifestyle and wellbeing	2,183,020	592,571	2,775,591
Semafone Limited	Telecommunications	2,969,789	(334,207)	2,635,582
Conversocial Limited	Technology	2,576,062	(7,938)	2,568,124
e-Therapeutics plc	Consumer lifestyle and well being	2,415,063	136,101	2,551,164
The Faction Collective SA	Consumer lifestyle and wellbeing	2,282,729	178,113	2,460,842
Metrasens Limited	Consumer lifestyle and wellbeing	1,932,329	255,967	2,188,296
Shopa Limited	Media	2,149,995	-	2,149,995
Kabbee Limited	Consumer lifestyle and wellbeing	2,000,005	-	2,000,005
Mi-Pay Group plc	Telecommunications	3,010,883	(1,039,882)	1,971,001
Michelson Diagnostics Limited	Consumer lifestyle and wellbeing	3,234,918	(1,372,645)	1,862,273
Bowman Power Limited	Environmental	2,077,897	(217,323)	1,860,574
Adbrain Limited	Technology	1,799,989	-	1,799,989
Iovox Limited	Telecommunications	1,738,267	-	1,738,267
Surrey NanoSystems Limited	Technology	1,590,337	129,471	1,719,808
Affectv Limited	Media	1,149,999	-	1,149,999
Hubbubb Limited	Consumer lifestyle and wellbeing	1,032,682	-	1,032,682
Elliptic Enterprise Limited	Technology	984,995	-	984,995
Origami Energy Limited	Technology	750,000	-	750,000
Smartkem Limited	Technology	702,000	-	702,000
Uniplaces Limited	Consumer lifestyle and wellbeing	530,979	-	530,979
TrialReach Limited	Consumer lifestyle and well being	700,000	(175,786)	524,214
Property Partner (London House Exchange Limited)	Consumer lifestyle and wellbeing	207,254	-	207,254

Tailsco Limited	Consumer lifestyle and wellbeing	192,862	-	192,862
Phasor Solutions Limited	Technology	249,980	(88,355)	161,625
Streethub Limited	Consumer lifestyle and wellbeing	127,958	-	127,958
Sofar Sounds Limited	Consumer lifestyle and wellbeing	68,794	-	68,794
Seedcamp III LP	N/a	39,393	-	39,393
Applied Superconductor Limited	Environmental	1,530,330	(1,530,330)	-
AQS Holdings Limited	Environmental	1,968,621	(1,968,621)	-
Elonics Limited	Technology	1,221,395	(1,221,395)	-
Lifebook Limited	Consumer lifestyle and well being	926,164	(926,164)	-
Phase Vision Limited	Technology	1,422,877	(1,422,877)	-
PrismaStar Inc.	Media	1,697,068	(1,697,068)	-
The Key Revolution Limited	Telecommunications	1,282,106	(1,282,106)	-
<b>Total fixed asset investments</b>		103,454,343	14,585,547	118,039,890
Current asset investments		3,980,553	-	3,980,553
Cash		39,639,977		39,639,977
<b>Total assets</b>				161,660,420



## **PART SEVEN: ADDITIONAL INFORMATION ON THE COMPANIES**

### **SECTION A: ADDITIONAL INFORMATION ON TITAN 2**

#### **1) INCORPORATION**

- a) Titan 2 was incorporated and registered in England and Wales on 12 October 2007 under the CA 1985 with registered number 6397765 as a public company limited by shares.
- b) On 22 October 2007, the Registrar of Companies issued Titan 2 with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- c) Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

#### **2) REGISTERED OFFICES AND PRINCIPAL LEGISLATION**

- 2.1 The registered office of Titan 2 is at 20 Old Bailey, London EC4M 7AN and its telephone number is 0800 316 2295.
- 2.2 The principal legislation under which Titan 2 operates and which governs its shares is the Acts and regulations made thereunder.

#### **3 SHARE AND LOAN CAPITAL**

- 3.1 On the incorporation of Titan 2, two ordinary shares were issued nil paid to the subscribers to the memorandum of Titan 2, Octopus Investments Nominees Limited and OCS Services Limited.
- 3.2 By ordinary and special resolutions passed by Titan 2 on 17 October 2013, Titan 2 authorised the Titan 2 Directors in accordance with Section 551 CA 2006 to allot Titan 2 Shares up to an aggregate nominal amount of £1,500,000 (representing approximately 67.6% of the Titan 2 Shares then in issue) and disapplied the pre-emption provisions of Section 561 of the CA 2006 in respect of any such allotment, in each case for a period expiring at the conclusion of Titan 2 's next annual general meeting to be held in 2015 (unless previously revoked, varied or extended by Titan 2 in general meeting).
- 3.3 The following special resolutions will be proposed at the Titan 2 General Meeting:
  1. THAT, subject to the Scheme (as defined in the circular issued to Titan 2's shareholders dated 16 September 2014 (the "Circular")) becoming unconditional:
    - 1.1 the acquisition of the assets and liabilities of Titan 1, 3, 4 and 5 (as defined in the Circular) on the terms set out in the Circular be and hereby is approved; and
    - 1.2 the directors of Titan 2 be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of Titan 2 to allot Shares in the Company up to an aggregate nominal amount of £30,000,000 in connection with the Scheme (representing approximately 916% of the Shares then in issue), provided that the authority conferred by this paragraph 1.2 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by Titan 2 in general meeting);
  2. THAT, in addition to (i) existing authorities and (ii) the authorities conferred by Resolution 1 set out in this notice:

- 2.1 the directors of Titan 2 be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of Titan 2 to allot Shares in the Company and to grant rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £35 million (representing approximately 1069% of the Shares then in issue), provided that the authority conferred by this paragraph 2.1 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by Titan 2 in general meeting) but so that this authority shall allow Titan 2 to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;
- 2.2 the directors of Titan 2 be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2.1 of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 2.2 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by Titan 2 in general meeting) and provided further that this power shall be limited to:
- (a) the allotment and issue of Shares up to an aggregate nominal value of £35 million pursuant to offer(s) for subscription; and
  - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time
- where the proceeds may in whole or part be used to purchase Shares in Titan 2; and
- 2.3 Titan 2 be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
- (a) the aggregate number of Shares which may be purchased shall not exceed 3.5 million Shares;
  - (b) the minimum price which may be paid per Share is the nominal value thereof;
  - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such share is to be purchased; and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
  - (d) the authority conferred by this resolution shall expire on the conclusion of the annual general meeting of Titan 2 to be held in 2016 (unless renewed, varied or revoked by Titan 2 in general meeting); and
  - (e) Titan 2 may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;
3. THAT, subject to the sanction of the High Court the amount standing to the credit of the share premium account of Titan 2, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled;
4. THAT, Article 164.1 of Titan 2's Articles be amended to delete the words "10th Annual General Meeting of the Company in 2020" in line 1 and substitute "later of (i) the 10th Annual General Meeting of the Company in 2020 and (ii) the Annual General Meeting of the Company held after the fifth anniversary of the last allotment of shares (from time to time) in the Company" therefor; and
5. THAT, subject to the Scheme becoming unconditional, the name of Titan 2 be changed to Octopus Titan VCT plc.

For the purposes of these resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

3.4 At the date of this document the issued fully paid share capital of Titan 2 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	3,274,432	32,744,318

3.5 The issued fully paid share capital of Titan 2 immediately after the Offer has closed (assuming (i) the Scheme proceeds, (i) the Offer is fully subscribed and (ii) that the Offer Price is 97.0p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	23,425,262	234,252,617

3.6 The issued fully paid share capital of Titan 2 immediately after the Offer has closed (assuming (i) the Scheme does not proceed (ii) the Offer is fully subscribed in all the Titan VCTs and (iii) that the Offer Price for Titan 2 is 97.0p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	4,717,730	47,177,308

3.7 The following allotments and repurchases of Titan 2 Shares have taken place since 1 November 2010:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
5 April 2012	1,249,588	97.8
5 April 2012	90,489	97.8
30 April 2012	38,897	97.8
30 April 2012	49,621	97.8
28 March 2013	2,788,640	88.4
4 April 2013	1,019,437	88.4
5 April 2013	910,778	88.4
8 April 2013	363,863	88.4
15 April 2013	104,316	88.4
12 December 2013	3,193,090	100.8

28 March 2014	3,120,572	97.0
4 April 2014	2,686,161	97.0
4 April 2014	64,801	93.6
5 April 2014	151,706	97.0
17 June 2014	775,365	97.6
17 June 2014	6,504	93.6
24 July 2014	181,324	92.2
27 August 2014	2,946	92.2

<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
21 February 2011	118,285	86.27
21 June 2011	15,758	83.0
2 March 2012	49,909	82.2
30 March 2012	13,000	82.2
30 April 2012	25,175	83.2
6 July 2012	42,926	82.2
17 April 2013	353,679	84.25
30 April 2013	57,053	84.25
21 June 2013	57,000	84.25
27 June 2013	56,663	81.75
4 September 2013	155,521	82.0
25 October 2013	38,185	82.0
10 February 2014	157,801	90.25
8 April 2014	298,558	87.0
30 April 2014	69,190	87.0

3.8 Other than the issue of Offer Shares, Scheme Shares and Shares under its Dividend Reinvestment Scheme, Titan 2 has no present intention to issue any Shares.

3.9 Titan 2 does not have in issue any securities not representing share capital.

3.10 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Titan 2, except to the extent disapplied by Titan 2 in general meeting. Subject to certain limited exceptions, unless the approval of Titan 2's Shareholders in a general meeting is obtained, Titan 2 must normally offer shares to be issued for cash to holders on a pro rata basis.

3.10 No shares of Titan 2 are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.11 No share or loan capital of Titan 2 is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 3.12 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by Titan 2 in connection with the issue or sale of any share or loan capital of Titan 2 since 1 November 2010.
- 3.13 Other than pursuant to the Offer and the Scheme, none of the New Shares has been sold or is available in whole or in part to the public in conjunction with the application for the New Shares to be admitted to the Official List.
- 3.14 The New Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the New Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. New Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of Titan 2 permit the holding of shares in CREST.
- 3.15 The ISIN and SEDOL Codes of the Titan 1 Shares are GB00B28V9347 and B28V934 respectively.

#### 4 DIRECTORS' INTERESTS

- 4.1 As at the date of this document the Titan 2 Directors and their immediate families have the following interests in the issued share capital of Titan 2:

Director	No. of Shares	% of Issued Share Capital
John Hustler	18,166	0.06
Mark Faulkner	15,000	0.05
Matt Cooper	57,888	0.18

- 4.2 Assuming that (i) the Offer is fully subscribed at an Offer Price of 97.0p and (ii) the Merger takes place on the basis of the NAV of the Titan VCTs as at 31 July 2014, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer and the Merger will be:

Director	No. of Shares	% of Issued Share Capital
John Hustler	69,488	0.03
Matt Cooper	188,596	0.08
Mark Hawkesworth	43,792	0.02
Jane O'Riordan	15,644	0.01

- 4.3 Assuming that (i) the Scheme does not proceed (ii) the Offer is fully subscribed in all the Titan VCTs and (iii) an Offer Price for Titan 2 of 97.0p, the interests of the Directors and their immediate families in the issued share capital of Titan 2 immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
John Hustler	18,166	0.04
Mark Faulkner	15,000	0.03
Matt Cooper	57,888	0.12

- 4.4 At the date of this document and after the Scheme has completed and/or the Offer has closed, Titan 2 is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 2 to which voting rights are attached (assuming that (i) the Offer is fully subscribed at an Offer Price for Titan 2 of 97.0p and (ii) the Merger takes place on the basis of the NAV of the Titan VCTs as at 31 July 2014).

- 4.5 Assuming that (i) the Scheme completes on the basis of the NAV of the Titan VCTs as at 31 July 2014 and (ii) the Offer is fully subscribed at an Offer Price for Titan 2 of 97.0p, Titan 2 is not aware of any person who will, immediately following Admission of the New Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules (“DTR 5”)), directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 2 to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over Titan 2.
- 4.6 The persons, including the Titan 2 Directors, referred to in paragraphs 4.1 to 4.2 above, do not have voting rights in respect of the share capital of Titan 2 (issued or to be issued) which differ from any other shareholder of Titan 2.
- 4.7 Titan 2 and the Titan 2 Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Titan 2.
- 4.8 No Titan 2 Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Titan 2 and which were effected by Titan 2 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 4.9 In addition to their directorships of Titan 2, the Titan 2 Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<b>Name</b>	<b>Position</b>	<b>Name of company/partnership</b>	<b>Position still held (Y/N)</b>
John Hustler	Director	Hustler Venture Partners Limited	Y
	Director	Hygea VCT plc	Y
	Director	Northern Venture Trust plc	Y
	Director	RenaissanceRe Syndicate Management Limited	Y
	Director	Northern 3 VCT plc	N
Mark Faulkner	Director	Affordable Houses Company Limited	Y
	Director	Expat Financial Limited	Y
	Director	Hibridge Capital UK Ltd	Y
	Director	Compound Photonics Group Limited	Y
	Director	BradInvest Ltd	Y
	Director	Clatfielding Limited	Y
	Director	Compound Photonics UK Limited	Y
	Director	Panmure (London) Limited	Y

	Director	Roundhouse Financial Services LLP	N
	Director	Panmuir Limited (dissolved)	N
	Director	Create Partners Limited	N
Matthew Cooper	Director	Imaginatik plc	Y
	Director	Imaginatik (Goswell) Limited	Y
	Director	Which? Financial Services Limited	Y
	Director	Accesso Technology Group Plc (formerly LO-Q plc)	Y
	Director	Clearly So Limited	Y
	Director	Vouchedfor Ltd	Y
	Director	RNM Financial Ltd	Y
	Director	Ultimate Finance Group plc	Y
	Director	Inspired Capital PLC (formerly Renovo Group plc)	Y
	Director	My Dish Limited	N
	Director	10Duke Software Ltd	N
	Director	The Mental Health Foundation	N
	Director	Knowledge & Merchandising Inc. Limited	N
	Member	Carbon Leadership LLP	Y
	Director	PPL Realisations 2011 Limited (formerly Perfect Pizza Limited) (In Liquidation)	N
	Director	Tern plc (formerly Silvermere Energy plc)	N
	Director	Activ8 Intelligence Limited	N
	Director	Octopus Investments Limited	Y
	Director	Octopus Capital Limited	Y
	Director	Octopus Eclipse VCT plc	Y
	Director	Octopus Apollo VCT plc	Y

Director	Octopus Eclipse VCT 2 plc (Dissolved)	N
Director	Octopus Eclipse VCT 3 plc (Dissolved)	N
Director	Octopus Eclipse VCT 4 plc (Dissolved)	N
Director	Octopus Apollo VCT 1 plc (Dissolved)	N
Director	Octopus Apollo VCT 2 plc (Dissolved)	N
Limited Partner	Octopus Zenith Founder Partner LP	Y
Director	Carbon Search Limited	N
Director	Sadler's Wells Limited	N
Director	Octopus Phoenix VCT plc (dissolved)	N

The business address of all the Titan 2 Directors is 20 Old Bailey, London EC4M 7AN.

4.10 Save as set out below, none of the Titan 2 Directors has at any time within the last five years:

- 4.10.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- 4.10.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- 4.10.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.9 above; or
- 4.10.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Tern plc (formerly Silvermere Energy Plc) has been in a company voluntary arrangement and prior to being dissolved, Inventive Capital Advisors LLP and Octopus Phoenix VCT plc were in liquidation. Octopus Eclipse VCT 2 plc, Octopus Eclipse VCT 3 plc, Octopus Eclipse VCT 4 plc, Octopus Apollo VCT 1 plc, Octopus Apollo VCT 2 plc and Octopus Apollo VCT 4 plc, were all in voluntary liquidation prior to being dissolved.

4.11 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Titan 2 Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.

4.12 There are no outstanding loans or guarantees provided by Titan 2 for the benefit of any of the Titan 2 Directors nor are there any loans or any guarantees provided by any of the Titan 2 Directors for Titan 2.



4.13 The Titan 2 Directors and directors of Octopus do not have any conflicts of interest between their duties to Titan 2 and their private interests or other duties except for Matt Cooper who is the chairman of Octopus which is a party to the agreements referred to in paragraphs 7 and 8 below.

## **5 DIRECTORS' LETTERS OF APPOINTMENT**

John Hustler, Mark Faulkner and Matt Cooper were appointed as Titan 2 Directors on 2 November 2007 subject to appointment letters of the same date. The Titan 2 Directors' appointments are terminable on [three] months' notice and no arrangements have been entered into by Titan 2 entitling the Titan 2 Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. John Hustler, as chairman of Titan 2, is entitled to annual remuneration of £20,000, while the annual remuneration receivable by Mark Faulkner is £15,000 and Matt Cooper is £7,500. None of the Titan 2 Directors has a service contract with Titan 2 and no such contract is proposed. In respect of the year ended 31 October 2013, John Hustler received £20,000, Mark Faulkner received £15,000 and Matt Cooper received £7,500.

In the event that the Merger proceeds, Mark Faulkner will stand down from the Titan 2 Board and Mark Hawkesworth, who is presently the Chairman of Titan 3, and Jane O'Riordan, who is presently the Chairman of Titan 5, will join the Titan 2 Board. With effect from the Scheme Effective Date the annual remuneration of John Hustler will be £25,000 and Matt Cooper, Mark Hawkesworth and Jane O'Riordan will receive £20,000, each.

## **6 TITAN 2 AND ITS SUBSIDIARIES**

Titan 2 does not have any subsidiaries. Upon completion of the Merger, Titan 2 will have one wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.

## **7 OFFER AGREEMENT**

An agreement dated 16 September 2014, between Titan 2 (1), the Directors of Titan 2 (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Titan 2 in respect of the Offer and the Scheme and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus is paid, subject to the passing of Resolution 7 at the Titan 2 General Meeting, an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the Offer who have invested directly into Titan 2 and not through a financial intermediary for up to nine years and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by Titan 2, the Titan 2 Directors and Octopus to Howard Kennedy. Titan 2 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **8 MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Titan 2 in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by Titan 2 and which contain any provision under which Titan 2 has any obligation or entitlement which is, or may be, material to Titan 2 as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 3 September 2013 between Titan 2 (1), the Titan 2 Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to Titan 2 in respect of the 2013/14 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for new Shares under the 2013/14 Offer. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the 2013/14 Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the 2013/14 Offer who have invested directly into Titan 2 and not through a financial intermediary and has agreed to discharge all external costs of advice and their own costs in respect of the 2013/14 Offer. Under this agreement certain warranties have been given by Titan 2, the Titan 2 Directors and Octopus to Howard Kennedy. Titan 2 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2013/14 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.3 An offer agreement dated 7 February 2013 between Titan 2 (1), the Titan 2 Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy act as sponsor to Titan 2 in respect of the 2012/13 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2012/13 Offer. Under the agreement Octopus was paid a fee of up to 5.5% and agreed to discharge all the costs of the 2012/13 Offer. Under this agreement certain warranties have been given by Titan 2, the Titan 2 Directors and the Manager to Howard Kennedy. Titan 2 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2012/13 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.4 The letters of appointment of the Titan 2 Directors, details of which are set out in paragraph 5 above.
- 8.5 A management agreement dated 2 November 2007 between Titan 2, Titan 1 and Octopus Ventures Limited as novated to Octopus by a deed of novation dated 19 October 2009 and an administration agreement entered into on 2 November 2007 between Titan 2, Titan 1 and Octopus, both as varied by a deed of variation dated 7 February 2013 (together the "Management and Administration Agreements"). The management agreement provides that Octopus will provide investment management services to Titan 2 in respect of its portfolio of qualifying investments for an initial period of 5 years for a fee of 2% of the NAV on an annual basis. Pursuant to the Management and Administration Agreements, Octopus is entitled to a performance fee in respect of Titan 2, which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid. In respect of Titan 2, the above hurdles have been met. The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

The administration agreement provides that Octopus will provide administration services to Titan 2 for a fee of 0.3% of the NAV on an annual basis. The administration agreement is terminable by either party in the event, inter alia, of a breach and certain other matters.

The IMA Deed of Variation, proposes to vary, in the event of the Merger taking place and subject to the approval of the Titan 2 Shareholders, the performance incentive arrangements so that they are just and fair to both the Shareholders and the Manager insofar as the hurdles have been met in the case of Titan 1, Titan 2 and Titan 3 and are still to be met in the case of Titan 4 and Titan 5. A performance incentive fee will be paid on the basis of the payments that would have been made by the Titan VCTs to Octopus prior to the Merger, with Octopus being paid a fee, in the event of an increase in the Enlarged Company's NAV, in respect of that part of the Enlarged Company's fund where the hurdles have been reached, with

no fee being payable in respect of that part of the Enlarged Company's fund where the hurdles have not been met.

Under the IMAAs Octopus is paid an investment management fee of an amount equal to 2% of the net assets of Titan 2 at the end of the preceding accounting period and an administration fee of an amount equal to 0.3% of the net assets of Titan 2 at the end of the preceding accounting period. The IMA Deed of Variation varies, subject to the approval of the Titan 2 Shareholders, the calculation of these fees so that they are calculated on a daily basis using the NAV per Share as at the previous quarter end, multiplied by the number of shares in issue at the close of each business day, which the Titan 2 Board and Octopus believe is a more appropriate way of calculating the fees.

In view of the requirement for Titan 2 Shareholders to hold the Offer Shares for five years in order to retain the VCT income tax reliefs, the IMA Deed of Variation extends, subject to there being an Admission by Titan 2 under the Offer and the Merger proceeding and subject to the approval of the Titan 2 Shareholders, the term of the IMAAs for a further 5 years, subject to earlier termination in the event of the underperformance of the Manager, the departure of certain members of the Manager or as agreed by Titan 2 Shareholders and the Manager and, thereafter, the IMAAs will be terminable by either Titan 2 or the Manager on 12 months' written notice.

The following contracts will be entered into subject, inter alia, to the approval by Titan 2 Shareholders of Resolution 1 to be proposed at the Titan 2 General Meeting:

#### 8.6 Transfer Agreements

Transfer agreements between Titan 2 and each of Titan 1, 3, 4 and 5 (acting through the Liquidators) pursuant to which all of the assets and liabilities of Titan 1, 3, 4 and 5 will be transferred to Titan 2 (subject only to the consent required to transfer such assets and liabilities) in consideration for Scheme Shares, as described in Part One of this document. The Liquidators will agree under these agreements that all sale proceeds and/or dividends received in respect of the underlying assets of Titan 1, 3, 4 and 5 will be transferred on receipt to Titan 2 as part of the Scheme.

#### 8.7 Deed of Indemnity

An indemnity from Titan 2 to the Liquidators pursuant to which Titan 2 will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme.

### 9 RELATED PARTY TRANSACTIONS

Save for the fees paid to the Titan 2 Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.5 above and the fees paid to Octopus of £447,000 in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.1 to 8.3 above, there were no other related party transactions or fees paid by the Company during the years ended 31 October 2011, 31 October 2012 and 31 October 2013 or for the period from 31 October 2013 to the date of this document.

### 10 WORKING CAPITAL

Titan 2 is of the opinion that the working capital of the Group is sufficient for the Group's present requirements, that is, for at least the period of twelve months from the date of this document.

### 11 CAPITALISATION AND INDEBTEDNESS

11.1 The capitalisation and indebtedness of Titan 2 as at 31 July 2014 was as follows:

#### Capital and reserves

Called up Equity Share Capital	3,274,137
Share Premium	9,278,884

Special Distributable Reserve	17,327,890
Capital Redemption Reserve	150,867
Capital Reserve Realised	(1,376,974)
Capital Reserve Unrealised:	2,404,336
Revenue Reserve:	(1,084,860)
	<hr/>
Total Equity Shareholders' Funds	<u>29,974,279</u>

- 11.2 Since incorporation, Titan 2 has incurred no indebtedness. Titan 2 has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 1.1.13 of Section F of Part Seven.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

- 12.1 The audit committee of Titan 2 comprises the Titan 2 Board (with the exception of Matt Cooper), is chaired by Mark Faulkner and meets twice a year. The committee has direct access to James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP, Titan 2's external auditor. The duties of the audit committee are, inter alia:

- 12.1.1 to review and approve the half yearly and annual results of Titan 2 and the statutory accounts before submission to the Board;
- 12.1.2 to review and approving the external auditor's terms of engagement and remuneration; and
- 12.1.3 to review the appropriateness of Titan 2's accounting policies to consider matters of corporate governance as may generally be applicable to Titan 2 and make recommendations to the Titan 2 Board in connection therewith as appropriate.

### *Nomination and Remuneration Committees*

- 12.1.4 A nomination committee consisting of John Hustler and Mark Faulkner has been established to consider recommendations for the re-election of Titan 2 Directors. To date no remuneration committee has been established and matters relating to remuneration of the Titan 2 Directors are considered by the Titan 2 Board and any Titan 2 Director is excluded from meetings the purpose of which is the setting of his own remuneration.

## 13. LITIGATION

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Titan 2 is aware) since Titan 2's incorporation which may have, or have had in the recent past, a significant effect on Titan 2's financial position or profitability.

## **SECTION B: ADDITIONAL INFORMATION ON TITAN 1**

### **1. INCORPORATION**

- 1.1 Titan 1 was incorporated and registered in England and Wales on 12 October 2007 under the CA 1985 with registered number 6397764 as a public company limited by shares.
- 1.2 On 22 October 2007, the Registrar of Companies issued Titan 1 with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority

### **2. REGISTERED OFFICES AND PRINCIPAL LEGISLATION**

- 2.1 The registered office of Titan 1 is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**.
- 2.2 The principal legislation under which Titan 1 operates and which governs its shares is the Acts and regulations made thereunder.

### **3. SHARE AND LOAN CAPITAL**

- 3.1 On the incorporation of Titan 1, two ordinary shares were issued nil paid to the subscribers to the memorandum of Titan 1, Octopus Investments Nominees Limited and OCS Services Limited.
- 3.2 The following ordinary and special resolutions will be proposed at the Titan 1 Second General Meeting:

1. That:

- (i) subject to the conditions (other than the passing of this resolution) set out in the section headed "Conditions of the Scheme" in Part III of the circular to the shareholders of the Company dated 16 September 2014 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
  - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Adrian Allen of Baker Tilly Restructuring and Recovery LLP ('the Liquidators') be and they hereby are appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
  - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List of the UK Listing Authority following the implementation of the Scheme (as defined in the Circular) be and hereby is approved

2. That,

- (i) the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the

Company to allot Shares in the Company and to grant rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £3 million (representing 91.6% of the issued share capital of the Company as at 15 September 2014, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2(i) shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;

(ii) the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2(i) of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 2(ii) shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:

- (a) the allotment and issue of Shares up to an aggregate nominal value of £3 million pursuant to offer(s) for subscription; and
- (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,

where the proceeds may in whole or part be used to purchase Shares in the Company; and

(iii) the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (a) the aggregate number of Shares which may be purchased shall not exceed 3.5 million Shares;
- (b) the minimum price which may be paid per Share is the nominal value thereof;
- (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
- (d) the authority conferred by this resolution shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting); and
- (e) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;

3. That, subject to the sanction of the High Court the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled;

4. THAT, Article 164.1 of Titan 1's Articles be amended to delete the words "10th Annual General Meeting of the Company in 2020" in line 1 and substitute "later of (i) the 10th Annual General Meeting of the Company in 2020 and (ii) the Annual General Meeting of the Company held after the fifth anniversary of the last allotment of shares (from time to time) in the Company" therefor;

For the purposes of these resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

3.3 At the date of this document the issued fully paid share capital of Titan 1 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	3,275,098	32,750,980

- 3.4 The issued fully paid share capital of Titan 1 immediately after the Offer has closed (assuming (i) the Offer is fully subscribed in all the Titan VCTs and (ii) that the Offer Price for Titan 1 is 97.0p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	4,718,397	47,183,970

- 3.5 The following allotments and repurchases of Titan 1 Shares have taken place since 1 November 2010:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
5 April 2012	1,249,588	97.8
5 April 2012	90,489	97.8
30 April 2012	38,897	97.8
30 April 2012	49,621	97.8
28 March 2013	2,788,640	93.9
4 April 2013	1,017,190	93.9
5 April 2013	910,778	93.9
8 April 2013	363,863	93.9
15 April 2013	104,316	93.9
12 December 2013	3,193,090	100.8
14 February 2014	1,102,637	99.1
28 March 2014	3,120,572	97.0
4 April 2014	2,686,161	97.0
4 April 2014	64,043	93.6
5 April 2014	151,706	97.0
17 June 2014	775,365	97.6
17 June 2014	6,536	93.6
24 July 2014	180,403	92.2
27 August 2014	2,946	92.2

<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
22 February 2011	113,004	86.2
21 June 2012	15,758	83.0
2 March 2012	49,908	82.0
13 March 2012	13,000	82.0
1 May 2012	10,175	83.2
6 July 2012	42,926	82.2
17 April 2013	345,509	84.25
30 April 2013	62,053	84.25
21 June 2013	82,500	84.25
27 June 2013	138,774	81.75
4 September 2013	155,020	82.0
25 October 2013	26,670	82.0
10 February 2014	66,930	90.25
8 April 2014	295,976	87.0
30 April 2014	82,160	87.0

- 3.6 Other than the issue of Offer Shares under the Offer and Shares under its Dividend Reinvestment Scheme, Titan 1 has no present intention to issue any Shares.
- 3.7 Titan 1 does not have in issue any securities not representing share capital.
- 3.8 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Titan 1, except to the extent disapplied by Titan 1 in general meeting. Subject to certain limited exceptions, unless the approval of Titan 1's Shareholders in a general meeting is obtained, Titan 1 must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.9 No shares of Titan 1 are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.10 No share or loan capital of Titan 1 is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.11 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by Titan 1 in connection with the issue or sale of any share or loan capital of Titan 1 since 1 November 2009.
- 3.12 Other than pursuant to the Offer, none of the Offer Shares has been sold or is available in whole or in part to the public in conjunction with the application for the Offer Shares to be admitted to the Official List.
- 3.13 The Offer Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Offer Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. Offer Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of Titan 1 permit the holding of shares in CREST.



3.14 The ISIN and SEDOL Codes of the Titan 1 Offer Shares are GB00B28V8Y81 and B28V8Y8 respectively.

#### 4. DIRECTORS' INTERESTS

4.1 As at the date of this document the Titan 1 Directors and their immediate families have the following interests in the issued share capital of Titan 1:

Director	No. of Shares	% of Issued Share Capital
Lewis Jarrett	5,225	0.02%
Andrew Boyle	0	0%
Matt Cooper	57,888	0.18%

4.2 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 1 of 97.0p, the interests of the Titan 1 Directors and their immediate families in the issued share capital of Titan 1 immediately following the Offer will be:

4.3

Director	No. of Shares	% of Issued Share Capital
Lewis Jarrett	5,225	0.01%
Andrew Boyle	0	0%
Matt Cooper	57,888	0.12%

4.4 At the date of this document and after the Offer has closed, Titan 1 is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 1 to which voting rights are attached (assuming that (i) the Offer is fully subscribed in all the Titan VCTs and (ii) an Offer Price for Titan 1 of 97.0p).

4.5 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 1 of 97.0p, Titan 1 is not aware of any person who will, immediately following Admission of the Offer Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of Titan 1 to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over Titan 1.

4.6 The persons, including the Titan 1 Directors, referred to in paragraphs 4.1 to 4.2 above, do not have voting rights in respect of the share capital of Titan 1 (issued or to be issued) which differ from any other shareholder of Titan 1.

4.7 Titan 1 and the Titan 1 Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Titan 1.

4.8 No Titan 1 Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Titan 1 and which were effected by Titan 1 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

4.9 In addition to their directorships of Titan 1, the Titan 1 Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<b>Name</b>	<b>Position</b>	<b>Name of company/partnership</b>	<b>Position still held (Y/N)</b>
Lewis Jarrett	Director	Lewis Jarrett & Co Limited	Y
	Director	ITsquad Limited	N
	Director	Elite Investment Managers Ltd (dissolved)	N
Andrew Boyle	Director	Hudson Place Management Limited	Y
	Director	The London Capital Co. Limited	Y
	Director	Lesmoir-Gordon, Boyle & Co Limited	Y
	Director	London Capital Investment Services Limited	Y
	Director	LCF Research Limited	Y
	Director	Hamblenden Ventures Limited (Dissolved)	N
	Director	Octopus Apollo VCT 1 plc (Dissolved)	N
	Director	Octopus Apollo VCT 2 plc (Dissolved)	N
	Director	Linex Systems Ltd	N
	Member	Inventive Capital Advisors LLP (dissolved)	N
	Member	LGB Gainborough LP	Y
	Member	LCIP Trafalgar LP	Y
Matt Cooper	Director	Octopus Investments Limited	Y
	Director	Octopus Capital Limited	Y
	Director	Octopus Eclipse VCT plc	Y
	Director	Octopus Eclipse VCT 2 plc (Dissolved)	N
	Director	Octopus Eclipse VCT 3 plc (Dissolved)	N
	Director	Octopus Eclipse VCT 4 plc (Dissolved)	N
	Director	Octopus Apollo VCT plc	Y
	Director	Octopus Apollo VCT 1 plc (Dissolved)	N
Director	Octopus Apollo VCT 2 plc (Dissolved)	N	

Director	10Duke Software Ltd	Y
Director	The Mental Health Foundation	Y
Director	My Dish Limited	Y
Director	Imaginatik plc	Y
Director	Knowledge & Merchandising Inc. Limited	Y
Director	Ultimate Finance Group plc	Y
Director	Which? Financial Services Limited	Y
Director	Accesso Technology Group Plc (formerly LO-Q PLC)	Y
Director	Clearly So Limited	Y
Member	Carbon Leadership LLP	Y
Limited Partner	Octopus Zenith Founder Partner LP	Y
Director	Carbon Search Limited	N
Director	Sadler's Wells Limited	N
Director	Sadler's Wells Development Trust	N
Director	TDX Group Limited	N
Director	Tern plc (formerly Silvermere Energy Plc)	N
Director	Activ8 Intelligence Limited	N
Director	Octopus Phoenix VCT plc (dissolved)	N
Director	New Sadler's Wells Limited (dissolved)	N
Director	Online All-Stars Limited (dissolved)	N
Director	PPL Realisations 2011 Limited (in liquidation)	N
Director	Badenock and Clark Limited	N
Director	Global Collect	N
Director	Axiant (USA)	N

The business address of all the Titan 1 Directors is 20 Old Bailey, London EC4M 7AN.

4.10 Save as set out below, none of the Titan 1 Directors has at any time within the last five years:

- 4.10.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- 4.10.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- 4.10.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.8 above; or
- 4.10.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Tern plc (formerly Silvermere Energy Plc) has been in a company voluntary arrangement and prior to being dissolved, Inventive Capital Advisors LLP, and Octopus Phoenix VCT plc were in liquidation. Octopus Eclipse VCT 2 plc, Octopus Eclipse VCT 3 plc, Octopus Eclipse VCT 4 plc, Octopus Apollo VCT 1 plc, Octopus Apollo VCT 2 plc and Octopus Apollo VCT 4 plc, were all in voluntary liquidation prior to being dissolved.

- 4.11 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Titan 1 Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.12 There are no outstanding loans or guarantees provided by Titan 1 for the benefit of any of the Titan 1 Directors nor are there any loans or any guarantees provided by any of the Titan 1 Directors for Titan 1.
- 4.13 The Titan 1 Directors and directors of Octopus do not have any conflicts of interest between their duties to Titan 1 and their private interests or other duties except for Matt Cooper who is the chairman of Octopus which is a party to the agreements referred to in 7 and 8 below.

## **5. DIRECTORS' LETTERS OF APPOINTMENT**

Lewis Jarrett and Matt Cooper were appointed as Titan 1 Directors on 2 November 2007 subject to appointment letters of the same date. Andrew Boyle was appointed as a Titan 1 Director on 11 January 2013, with an appointment letter of the same date. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Titan 1, entitling the Titan 1 Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Lewis Jarrett as chairman of Titan 1, is entitled to annual remuneration of £20,000, while the annual remuneration receivable by Andrew Boyle is £15,000 and Matt Cooper is £7,500. None of the Titan 1 Directors has a service contract with Titan 1 and no such contract is proposed. In respect of the year ended 31 October 2013, Lewis Jarrett received £20,000, Andrew Boyle received £13,000 and Matt Cooper received £7,500.

## **6. TITAN 1 AND ITS SUBSIDIARIES**

Titan 1 does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 16 September 2014 between Titan 1 (1), the Titan 1 Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to Titan 1 in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into Titan 1 and not through a financial intermediary for up to nine years and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by Titan 1, the Titan 1 Directors and Octopus to Howard Kennedy. Titan 1 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **8. MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Titan 1 in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by Titan 1 and which contain any provision under which Titan 1 has any obligation or entitlement which is, or may be, material to Titan 1 as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 7 February 2013 between Titan 1, the Titan 1 Directors and Howard Kennedy pursuant to which Howard Kennedy act as sponsor to Titan 1 in respect of the 2012/13 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2012/13 Offer. Under the agreement Octopus was paid a fee of up to 5.5% and agreed to discharge all the costs of the 2012/13 Offer. Under this agreement certain warranties have been given by Titan 1, the Titan 1 Directors and the Manager to Howard Kennedy. Titan 1 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2012/13 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.3 An offer agreement dated 3 September 2013 between Titan 1, the Titan 1 Directors and Howard Kennedy pursuant to which Howard Kennedy agreed to act as sponsor to Titan 1 in respect of the 2013/14 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2013/14 Offer. Under the agreement Octopus is paid a fee of up to 5.5% and agreed to discharge all the costs of the 2013/14 Offer. Under this agreement certain warranties have been given by Titan 1, the Titan 1 Directors and the Manager to Howard Kennedy. Titan 1 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2013/14 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.

- 8.4 The letters of appointment of the Titan 1 Directors, details of which are set out in paragraph 5 above.
- 8.5 A management agreement dated 2 November 2007 between Titan 1, Titan 2 and Octopus Ventures Limited as novated to Octopus by a deed of novation dated 19 October 2009 and an administration agreement entered into on 2 November 2007 between Titan 1, Titan 2 and Octopus, both as varied by a deed of variation dated 7 February 2013 (together the “Management and Administration Agreements”). The management agreement provides that Octopus will provide investment management services to Titan 1 in respect of its portfolio of qualifying investments for an initial period of 5 years for a fee of 2% of the NAV on an annual basis. Pursuant to the Management and Administration Agreements, Octopus is entitled to a performance fee in respect of Titan 1, which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid. In respect of Titan 1, the above hurdles have been met. The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

The administration agreement provides that Octopus will provide administration services to Titan 1 for a fee of 0.3% of the NAV on an annual basis. The administration agreement is terminable by either party in the event, inter alia, of a breach and certain other matters.

## 9 RELATED PARTY TRANSACTIONS

Save for the fees paid to the Titan 1 Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.5 above and the fees paid to Octopus of £446,000 in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.1 to 8.3 above, there were no other related party transactions or fees paid by Titan 1 during the years ended 31 October 2011, 31 October 2012 and 31 October 2013 or for the period from 31 October 2013 to the date of this document.

## 10 WORKING CAPITAL

Titan 1 is of the opinion that the working capital of Titan 1 is sufficient for its present requirements, that is, for at least the period of twelve months from the date of this document.

## 11 CAPITALISATION AND INDEBTEDNESS

- 11.1 The capitalisation and indebtedness of Titan 1 as at 31 July 2014 was as follows:

### Capital and reserves

Called up Equity Share Capital	3,274,803
Share Premium	9,278,378
Special Distributable Reserve	16,915,811
Capital Redemption Reserve	150,036
Capital Reserve Realised	(960,315)
Capital Reserve Unrealised:	2,404,335
Revenue Reserve:	(1,081,203)
	<hr/>
Total Equity Shareholders' Funds	<u>29,981,847</u>

- 11.2 Since incorporation, Titan 1 has incurred no indebtedness. Titan 1 has power to borrow under the Articles, details of which are set out in the paragraph entitled “Borrowing powers” in paragraph 1.1.13 in Section F of Part Seven.

## **12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES**

### *Audit Committee*

- 12.1 The audit committee of Titan 1 comprises the Titan 1 Board (with the exception of Matt Cooper), is chaired by Andrew Boyle and meets twice a year. The committee has direct access to James Cowper LLP, 3 Wesley Gate, Queen’s Road, Reading, Berkshire RG1 4AP, Titan 1’s external auditor. The duties of the audit committee are, inter alia:

- 12.1.1 to review and approve the half yearly and annual results of Titan 1 and the statutory accounts before submission to the Titan 1 Board;
- 12.1.2 reviewing and approving the external auditor’s terms of engagement and remuneration; and
- 12.1.3 reviewing the appropriateness of Titan 1’s accounting policies to consider matters of corporate governance as may generally be applicable to Titan 1 and make recommendations to the Titan 1 Board in connection therewith as appropriate.

### *Nomination and Remuneration Committees*

- 12.1.4 A nomination committee consisting of Lewis Jarrett and Andrew Boyle has been established to consider recommendations for the re-election of Titan 1 Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors of Titan 1 are considered by the Titan 1 Board and any Titan 1 Director is excluded from meetings whose purpose is the setting of his own remuneration.

## **13. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Titan 1 is aware) since Titan 1’s incorporation which may have, or have had in the recent past, a significant effect on Titan 1’s financial position or profitability.

## SECTION C: ADDITIONAL INFORMATION ON TITAN 3

### 1. INCORPORATION

- 1.1 Titan 3 was incorporated and registered in England and Wales on 4 March 2008 under the CA 1985 with registered number 6523078 as a public company limited by shares.
- 1.2 On 5 March 2008, the Registrar of Companies issued Titan 3 with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

### 2. REGISTERED OFFICES AND PRINCIPAL LEGISLATION

- 2.1 The registered office of Titan 3 is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**.
- 2.2 The principal legislation under which Titan 3 operates and which governs its shares is the Acts and regulations made thereunder.

### 3. SHARE AND LOAN CAPITAL

- 3.1 On the incorporation of Titan 3, two ordinary shares were issued nil paid to the subscribers to the memorandum of Titan 3, Octopus Nominees Limited and OCS Services Limited.
- 3.2 The following ordinary and special resolutions will be proposed at the Titan 3 Second General Meeting:

#### 1. That:

- (i) subject to the conditions (other than the passing of this resolution) set out in the section headed "Conditions of the Scheme" in Part III of the circular to the shareholders of the Company dated 16 September 2014 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
  - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Adrian Allen of Baker Tilly Restructuring and Recovery LLP ('the Liquidators') be and they hereby are appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
  - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List of the UK Listing Authority following the implementation of the Scheme (as defined in the Circular) be and hereby is approved



2. That,
- (i) the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot Shares in the Company and to grant rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £3 million (representing 82.7% of the issued share capital of the Company as at 15 September 2014, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2.1 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;
  - (ii) the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2.1 of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 2.2 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
    - (a) the allotment and issue of Shares up to an aggregate nominal value of £3 million pursuant to offer(s) for subscription; and
    - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,where the proceeds may in whole or part be used to purchase Shares in the Company; and
  - (iii) the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
    - (a) the aggregate number of Shares which may be purchased shall not exceed 3.5 million Shares;
    - (b) the minimum price which may be paid per Share is the nominal value thereof;
    - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
    - (d) the authority conferred by this resolution shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting); and
    - (e) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;
3. That, subject to the sanction of the High Court the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled;
4. THAT, Article 164.1 of Titan 3’s Articles be amended to delete “10th Annual General Meeting of the Company” in line 1 and substitute “later of (i) the 10th Annual General Meeting of the Company in 2020 and (ii) the Annual General Meeting of the Company held after the fifth anniversary of the last allotment of shares (from time to time) in the Company” therefor;

For the purposes of these resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise

3.3 At the date of this document the issued fully paid share capital of Titan 3 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	3,628,100	36,281,003

3.4 The issued fully paid share capital of Titan 3 immediately after the Offer has closed (assuming (i) the Offer is fully subscribed in all the Titan VCTs and (ii) that the Offer Price for Octopus Titan 3 is 96.8p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	5,074,381	50,743,818

3.5 The following allotments and repurchases of Titan 3 Shares have taken place since 1 November 2010:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
5 April 2012	1,233,321	99.1
5 April 2012	24,699	99.1
30 April 2012	38,394	99.1
28 March 2013	2,564,826	86.1
4 April 2013	935,575	102.1
5 April 2013	837,712	102.1
8 April 2013	334,664	102.1
15 April 2013	95,943	102.1
12 December 2013	3,321,172	96.9
14 February 2014	1,149,025	95.1
28 March 2014	3,133,553	96.6
4 April 2014	2,697,384	96.6
4 April 2014	67,318	89.8
15 April 2014	152,350	96.6
17 June 2014	769,278	98.3
17 June 2014	6,524	89.8
24 July 2014	197,739	92.8
27 August 2014	2,832	92.8

<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
18 February 2011	17,595	88.5
2 March 2012	33,500	83.5
30 April 2012	15,475	84.2
4 September 2013	599,236	82.25
25 October 2013	380,000	82.25
13 February 2014	95,663	86.75
8 April 2014	186,455	86.5
30 April 2014	221,531	86.5

- 3.6 Other than the issue of Offer Shares under the Offer and Shares under its Dividend Reinvestment Scheme, Titan 3 has no present intention to issue any Shares.
- 3.7 Titan 3 does not have in issue any securities not representing share capital.
- 3.8 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Titan 3, except to the extent disapplied by Titan 3 in general meeting. Subject to certain limited exceptions, unless the approval of Titan 3's Shareholders in a general meeting is obtained, Titan 3 must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.9 No shares of Titan 3 are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.10 No share or loan capital of Titan 3 is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.11 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by Titan 3 in connection with the issue or sale of any share or loan capital of Titan 3 since 1 November 2009.
- 3.12 Other than pursuant to the Offer, none of the Offer Shares has been sold or is available in whole or in part to the public in conjunction with the application for the Offer Shares to be admitted to the Official List.
- 3.13 The Offer Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Offer Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. Offer Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of Titan 3 permit the holding of shares in CREST.
- 3.14 The ISIN and SEDOL Codes of the Titan 3 Offer Shares are GB00B2Q5VD26 and B2Q5VD2 respectively.

#### 4. DIRECTORS' INTERESTS

4.1 As at the date of this document the Titan 3 Directors and their immediate families have the following interests in the issued share capital of Titan 3:

Director	No. of Shares	% of Issued Share Capital
Mark Hawkesworth	16,922	0.05%
David Bundred	5,583	0.02%
Tim Lebus	17,909	0.05%

4.2 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 3 of 96.8p, the interests of the Titan 3 Directors and their immediate families in the issued share capital of Titan 3 immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
Mark Hawkesworth	16,922	0.03%
David Bundred	5,583	0.01%
Tim Lebus	17,909	0.04%

4.3 At the date of this document and after the Offer has closed, Titan 3 is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 3 to which voting rights are attached (assuming that (i) the Offer is fully subscribed in all the Titan VCTs and (ii) an Offer Price for Titan 3 of 96.8p).

4.4 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 3 of 96.8p, Titan 3 is not aware of any person who will, immediately following Admission of the Offer Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of Titan 3 to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over Titan 3.

4.5 The persons, including the Titan 3 Directors, referred to in paragraphs 4.1 to 4.2 above, do not have voting rights in respect of the share capital of Titan 3 (issued or to be issued) which differ from any other shareholder of Titan 3.

4.6 Titan 3 and the Titan 3 Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Titan 3.

4.7 No Titan 3 Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Titan 3 and which were effected by Titan 3 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

4.8 In addition to their directorships of Titan 3, the Titan 3 Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Position	Name of company/partnership	Position still held (Y/N)
Mark Hawkesworth	Director	The Gordon Foundation	Y

	Director	Procuritas Investment Manager II Limited	N
	Director	Procuritas Investment Manager Limited (in liquidation)	N
	Director	NCM Management (UK) Limited	N
	Director	NCM GP (Midlands) Limited	N
	Director	NCM GP (North) Limited	N
	Director	NCM GP (South) Limited	N
	Director	Nova Capital Management Limited	N
	Director	Glendale Grounds Management Limited	N
	Director	Glendale Managed Services Limited	N
	Director	The Casella Group Limited (dissolved)	N
	Director	Baring Private Equity Partners Limited (dissolved)	N
	Director	BPEP Investments Limited (dissolved)	N
	Director	BPEP Holdings Limited	N
	Director	ESD Managers Limited	N
	Director	Euralcom Group BV (in liquidation)	N
David Bundred	Director	Surface Transforms plc	Y
	Director	Ensco 764 Limited	Y
	Director	Metrasens Limited	Y
	Director	Terraseed Limited	Y
	Director	Econotherm (UK) Limited	Y
	Director	Liverpool Vision Limited	N
	Director	Fuel Active Limited	N
	Director	Aerogistics Group Limited	N

		(in liquidation)	
	Director	Terraseed (U.S.) Limited (dissolved)	N
Tim Lebus	Director	Bibby Line Group Limited	Y
	Director	Advanced Oncotherapy plc	Y
	Director	Duke Street General Partner Limited	N
	Director	Duke Street III Limited	N
	Director	Duke Street V Limited	N
	Director	OFS (DS) Holdings Limited	N
	Director	Biwater Holdings Limited	N
	Director	Focus DIY Group Limited (dissolved)	N
	Member	Duke Street Capital VI Funds Investment Limited Partnership	Y
	Member	Duke Street Capital Parallel Fund Investment LP	Y
	Member	Whale Limited Partnership Inc	Y

The business address of all the Titan 3 Directors is 20 Old Bailey, London EC4M 7AN.

- 4.10 Save as set out below, none of the Titan 3 Directors has at any time within the last five years:
- 4.10.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
  - 4.10.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - 4.10.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.8 above; or
  - 4.10.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Prior to being dissolved, The Casella Group Limited, BPEP Investments Limited and Focus DIY Group Limited were in liquidation.

Mark Hawkesworth was on the supervisory board of Euralcom Group BV which filed for insolvency in December 2007. Unsecured creditors amounted to approximately 40 million euros.

- 4.11 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Titan 3 Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.12 There are no outstanding loans or guarantees provided by Titan 3 for the benefit of any of the Titan 3 Directors nor are there any loans or any guarantees provided by any of the Titan 3 Directors for Titan 3.
- 4.13 The Titan 3 Directors and directors of Octopus do not have any conflicts of interest between their duties to Titan 3 and their private interests or other duties except Tim Lebus who acts as a consultant for Octopus which is a party to the agreements referred to in 7 and 8 below.

## **5. DIRECTORS' LETTERS OF APPOINTMENT**

Mark Hawkesworth and Tim Lebus were appointed as Titan 3 Directors on 21 May 2008 subject to appointment letters of the same date. David Bundred was appointed as a Titan 3 Director on 8 December 2011 with an appointment letter of the same date. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Titan 3, entitling the Titan 3 Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Mark Hawkesworth, as chairman of Titan 3, is entitled to annual remuneration of £20,000, while the annual remuneration receivable by David Bundred and Tim Lebus is £15,000. None of the Titan 3 Directors has a service contract with Titan 3 and no such contract is proposed. In respect of the year ended 31 October 2013, Mark Hawkesworth received £20,000, David Bundred received £15,000 and Tim Lebus received £15,000.

## **6. TITAN 3 AND ITS SUBSIDIARIES**

Titan 3 does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 16 September 2014 between Titan 3 (1), the Titan 3 Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to Titan 3 in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into Titan 3 and not through a financial intermediary for up to nine years and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by Titan 3, the Titan 3 Directors and Octopus to Howard Kennedy. Titan 3 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## 8. MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Titan 3 in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by Titan 3 and which contain any provision under which Titan 3 has any obligation or entitlement which is, or may be, material to Titan 3 as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 7 February 2013 between Titan 3, the Titan 3 Directors and Howard Kennedy pursuant to which Howard Kennedy act as sponsor to Titan 3 in respect of the 2012/13 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2012/13 Offer. Under the agreement Octopus was paid a fee of up to 5.5% and agreed to discharge all the costs of the 2012/13 Offer. Under this agreement certain warranties have been given by Titan 3, the Titan 3 Directors and the Manager to Howard Kennedy. Titan 3 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2012/13 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.3 An offer agreement dated 3 September 2013 between Titan 3, the Titan 3 Directors and Howard Kennedy pursuant to which Howard Kennedy agreed to act as sponsor to Titan 3 in respect of the 2013/14 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2013/14 Offer. Under the agreement Octopus is paid a fee of up to 5.5% and agreed to discharge all the costs of the 2013/14 Offer. Under this agreement certain warranties have been given by Titan 3, the Titan 3 Directors and the Manager to Howard Kennedy. Titan 3 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2013/14 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.4 The letters of appointment of the Titan 3 Directors, details of which are set out in paragraph 5 above.
- 8.5 A management agreement dated 21 May 2008 between Titan 3 and Octopus Ventures Limited as novated to Octopus by a deed of novation dated 19 October 2009 and an administration agreement dated 21 May 2008 between Titan 3 and Octopus Investments Limited, both as varied by a deed of variation dated 7 February 2013 (the "Management and Administration Agreements"). The management agreement provides that Octopus will provide investment management services to Titan 3 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2% of the NAV on an annual basis. Pursuant to the Management and Administration Agreements, Octopus has a performance fee in respect of Titan 3 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 3 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 3 were adjusted in light of the 2012/13 Offer to a total return hurdle of £1.24 and a dividend hurdle of 32p and have subsequently been met. The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.



Pursuant to the administration agreement, Octopus provides administration and accounting to Titan 3 for a fee of 0.3% of the NAV on an annual basis. The management agreement may also be terminated in circumstances of breach and certain other matters.

## 9. RELATED PARTY TRANSACTIONS

Save for the fees paid to the Titan 3 Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.5 above and the fees paid to Octopus of £447,000 in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.1 to 8.3 above, there were no other related party transactions or fees paid by Titan 3 during the years ended 31 October 2011, 31 October 2012 and 31 October 2013 or for the period from 31 October 2013 to the date of this document.

## 10. WORKING CAPITAL

Titan 3 is of the opinion that the working capital of Titan 3 is sufficient for its present requirements, that is, for at least the period of twelve months from the date of this document.

## 11. CAPITALISATION AND INDEBTEDNESS

11.1 The capitalisation and indebtedness of Titan 3 as at 31 July 2014 was as follows:

<b><u>Capital and reserves</u></b>	
Called up Equity Share Capital	3,627,817
Share Premium	9,273,525
Special Distributable Reserve	21,045,134
Capital Redemption Reserve	154,946
Capital Reserve Realised	(2,139,017)
Capital Reserve Unrealised:	3,022,715
Revenue Reserve:	(1,817,396)
Total Equity Shareholders' Funds	<u><u>33,167,724</u></u>

11.2 Since incorporation, Titan 3 has incurred no indebtedness. Titan 3 has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 1.1.13 in Section F of Part Seven.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

12.1 The audit committee of Titan 3 comprises the Titan 3 Board (with the exception of Tim Lebus), is chaired by David Bundred and meets twice a year. The committee has direct access to James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP, Titan 3's external auditor. The duties of the audit committee are, inter alia:

- 12.1.1 to review and approve the half yearly and annual results of Titan 3 and the statutory accounts before submission to the Titan 3 Board;
- 12.1.2 reviewing and approving the external auditor's terms of engagement and remuneration; and

- 12.1.3 reviewing the appropriateness of Titan 3's accounting policies to consider matters of corporate governance as may generally be applicable to Titan 3 and make recommendations to the Titan 3 Board in connection therewith as appropriate.

*Nomination and Remuneration Committees*

- 12.1.4 A nomination committee consisting of Mark Hawkesworth and David Bundred has been established to consider recommendations for the re-election of Titan 3 Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors of Titan 3 are considered by the Titan 3 Board and any Titan 3 Director is excluded from meetings whose purpose is the setting of his own remuneration.

**13. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Titan 3 is aware) since Titan 3's incorporation which may have, or have had in the recent past, a significant effect on Titan 1's financial position or profitability.

## SECTION D: ADDITIONAL INFORMATION ON TITAN 4

### 1. INCORPORATION

- 1.1 Titan 4 was incorporated and registered in England and Wales on 30 September 2009 under the CA 1985 with registered number 7035434 as a public company limited by shares.
- 1.2 On 5 November 2009, the Registrar of Companies issued Titan 4 with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

### 2. REGISTERED OFFICES AND PRINCIPAL LEGISLATION

- 2.1 The registered office of Titan 4 is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**.
- 2.2 The principal legislation under which Titan 4 operates and which governs its shares is the Acts and regulations made thereunder.

### 3. SHARE AND LOAN CAPITAL

- 3.1 On the incorporation of Titan 4, two ordinary shares were issued nil paid to the subscribers to the memorandum of Titan 4, HK Nominees Limited and HK Registrars Limited.
- 3.2 The following ordinary and special resolutions will be proposed at the Titan 4 Second General Meeting:

1. That:

- (i) subject to the conditions (other than the passing of this resolution) set out in the section headed "Conditions of the Scheme" in Part III of the circular to the shareholders of the Company dated 16 September 2014 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
  - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Adrian Allen of Baker Tilly Restructuring and Recovery LLP ('the Liquidators') be and they hereby are appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
  - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List of the UK Listing Authority following the implementation of the Scheme (as defined in the Circular) be and hereby is approved

2. That,
- (i) the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot Shares in the Company and to grant rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £3 million (representing 76.6% of the issued share capital of the Company as at 15 September 2014, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2.1 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;
  - (ii) the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2.1 of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 2.2 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
    - (a) the allotment and issue of Shares up to an aggregate nominal value of £3 million pursuant to offer(s) for subscription; and
    - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,where the proceeds may in whole or part be used to purchase Shares in the Company; and
  - (iii) the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
    - (a) the aggregate number of Shares which may be purchased shall not exceed 3.5 million Shares;
    - (b) the minimum price which may be paid per Share is the nominal value thereof;
    - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
    - (d) the authority conferred by this resolution shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting); and
    - (e) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;
3. That, subject to the sanction of the High Court the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled;
4. THAT, Article 164.1 of the Company’s Articles be amended to delete “a general meeting in 2020” in line 1 and substitute “the later of (i) the Annual General Meeting in 2020 and (ii) the Annual General Meeting of the Company held after the fifth anniversary of the last allotment of shares (from time to time) in the Company” therefor;

For the purposes of these resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

3.3 At the date of this document the issued fully paid share capital of Titan 4 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	3,915,571	39,155,706

3.4 The issued fully paid share capital of Titan 4 immediately after the Offer has closed (assuming (i) the Offer is fully subscribed in all the Titan VCTs and (ii) that the Offer Price for Octopus Titan 4 is 108.8p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	5,202,335	52,023,353

3.5 The following allotments and repurchases of Titan 4 Shares have taken place since 1 November 2010:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
5 April 2012	1,319,740	92.6
5 April 2012	37,716	92.6
30 April 2012	41,080	92.6
30 April 2012	16,199	92.6
28 March 2013	2,730,669	95.9
4 April 2013	996,083	95.9
5 April 2013	891,886	95.9
8 April 2013	356,302	95.9
15 April 2013	102,151	95.9
12 December 2013	3,019,393	106.6
14 February 2014	1,026,897	106.4
28 March 2014	2,724,727	111.1
4 April 2014	2,343,630	111.1
4 April 2014	60,011	100.5
5 April 2014	132,425	111.1
17 June 2014	669,150	113.0
17 June 2014	4,337	100.5
24 July 2014	133,368	106.7

27 August 2014	2,814	107.0
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<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
2 March 2012	11,125	79.5
29 April 2012	60,000	95.0
5 April 2013	20,453	86.0

3.6 Other than the issue of Offer Shares under the Offer and Shares under its Dividend Reinvestment Scheme, Titan 4 has no present intention to issue any Shares.

3.7 Titan 4 does not have in issue any securities not representing share capital.

3.8 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Titan 4, except to the extent disapplied by Titan 4 in general meeting. Subject to certain limited exceptions, unless the approval of Titan 4's Shareholders in a general meeting is obtained, Titan 4 must normally offer shares to be issued for cash to holders on a pro rata basis.

3.9 No shares of Titan 4 are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.10 No share or loan capital of Titan 4 is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.11 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by Titan 4 in connection with the issue or sale of any share or loan capital of Titan 4 since 1 November 2009.

3.12 Other than pursuant to the Offer, none of the Offer Shares has been sold or is available in whole or in part to the public in conjunction with the application for the Offer Shares to be admitted to the Official List.

3.13 The Offer Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Offer Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. Offer Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of Titan 4 permit the holding of shares in CREST.

3.14 The ISIN and SEDOL Codes of the Titan 4 Offer Shares are GB00B5467F20 and B5467F2 respectively.

#### **4. DIRECTORS' INTERESTS**

4.1 As at the date of this document the Titan 4 Directors and their immediate families have the following interests in the issued share capital of Titan 4:

Director	No. of Shares	% of Issued Share Capital
Gregor Michie	15,188	0.04%
Alex Macpherson	43,694	0.11%-
Lars McBride	72,692	0.19%

- 4.2 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 4 of 108.8p, the interests of the Titan 4 Directors and their immediate families in the issued share capital of Titan 4 immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
Gregor Michie	15,188	0.03%
Alex Macpherson	43,694	0.08%
Lars McBride	72,692	0.14%

- 4.3 At the date of this document and after the Offer has closed, Titan 4 is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 4 to which voting rights are attached (assuming that (i) the Offer is fully subscribed in all the Titan VCTs and (ii) an Offer Price for Titan 4 of 108.8p).
- 4.4 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 4 of 108.8p, Titan 4 is not aware of any person who will, immediately following Admission of the Offer Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules (“DTR 5”)) directly or indirectly voting rights representing 3% or more of the issued share capital of Titan 4 to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over Titan 4.
- 4.5 The persons, including the Titan 4 Directors, referred to in paragraphs 4.1 to 4.2 above, do not have voting rights in respect of the share capital of Titan 4 (issued or to be issued) which differ from any other shareholder of Titan 4.
- 4.6 Titan 4 and the Titan 4 Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Titan 4.
- 4.7 No Titan 4 Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Titan 4 and which were effected by Titan 4 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 4.8 In addition to their directorships of Titan 4, the Titan 4 Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<b>Name</b>	<b>Position</b>	<b>Name of company/partnership</b>	<b>Position still held (Y/N)</b>
Gregor Michie	Director	Maven Income and Growth VCT 3 Plc	Y
	Director	Snow-Camp	Y
	Director	Coram Life Education	N
	Director	Coram Trading Limited	N
	Director	The Foundling Museum	N
	Director	Envirovest Holdings Limited	N
	Director	Consumer Finance Rating Company Ltd	N

Alexander Macpherson	Director	Calastone Limited	Y
	Director	Octopus Founder Partner Limited	Y
	Director	Octopus GP Limited	Y
	Member	Octopus Zenith Founder Partner LP	Y
	Director	Octopus Ventures Limited	N
	Director	Octopus Ventures Nominees Limited	N
	Director	Future Route Limited	N
	Trustee	Bright Ideas Trust	N
Lars McBride	Director	Cyclops UK Limited	Y
	Director	Columbia Staver Limited	Y
	Director	Stamptree Limited	Y
	Director	Calder Group (Trustees) Limited	Y
	Director	Calder Group Limited	Y
	Director	Calder Holdings Limited	Y
	Director	Calder International Holdings Limited	Y
	Director	Symetrica Limited	Y
	Director	MESL Holdings Limited	Y
	Director	MESL Microwave Limited	Y
	Director	Bowman Power Group Limited	Y
	Director	Surrey Nanosystems Limited	Y
	Director	Pyros Environmental Limited	N
	Director	Pyros Environmental Holdings Limited	N
	Director	Minorplanet Systems Plc	N
	Director	Edge Foundation	N



The business address of all the Titan 4 Directors is 20 Old Bailey, London EC4M 7AN.

- 4.9 Save as set out below, none of the Titan 4 Directors has at any time within the last five years:
- 4.9.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
  - 4.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - 4.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.8 above; or
  - 4.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 4.10 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Titan 4 Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.11 There are no outstanding loans or guarantees provided by Titan 4 for the benefit of any of the Titan 4 Directors nor are there any loans or any guarantees provided by any of the Titan 4 Directors for Titan 4.
- 4.12 The Titan 4 Directors and directors of Octopus do not have any conflicts of interest between their duties to Titan 4 and their private interests or other duties except for Alex MacPherson who is an employee of Octopus which is a party to the agreements referred to in 7 and 8 below.

## **5. DIRECTORS' LETTERS OF APPOINTMENT**

Gregor Michie and Lars McBride were appointed as Directors of Titan 4 on 11 November 2009 subject to appointment letters of the same date. Alex Macpherson was appointed as a Titan 4 Director on 12 December 2011 with an appointment letter of the same date. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Titan 4, entitling the Titan 4 Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Gregor Michie, as chairman of Titan 4, is entitled to annual remuneration of £20,000 while the annual remuneration receivable by Lars McBride is £15,000. An annual fee of £15,000 relating to Alex Macpherson's appointment is payable to Octopus. None of the Titan 4 Directors has a service contract with Titan 4 and no such contract is proposed. In respect of the year ended 31 October 2013, Gregor Michie received £20,000, Octopus received £15,000 in respect of Alex Macpherson and Lars McBride received £15,000.

## **6. TITAN 4 AND ITS SUBSIDIARIES**

Titan 4 does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 16 September 2014 between Titan 4 (1), the Titan 4 Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to Titan 4 in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into Titan 4 and not through a financial intermediary for up to nine years and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by Titan 4, the Titan 4 Directors and Octopus to Howard Kennedy. Titan 4 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **8. MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Titan 4 in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by Titan 4 and which contain any provision under which Titan 4 has any obligation or entitlement which is, or may be, material to Titan 4 as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 7 February 2013 between Titan 4, the Titan 4 Directors and Howard Kennedy pursuant to which Howard Kennedy act as sponsor to Titan 4 in respect of the 2012/13 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2012/13 Offer. Under the agreement Octopus was paid a fee of up to 5.5% and agreed to discharge all the costs of the 2012/13 Offer. Under this agreement certain warranties have been given by Titan 4, the Titan 4 Directors and the Manager to Howard Kennedy. Titan 4 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2012/13 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.3 An offer agreement dated 3 September 2013 between Titan 4, the Titan 4 Directors and Howard Kennedy pursuant to which Howard Kennedy agreed to act as sponsor to Titan 4 in respect of the 2013/14 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2013/14 Offer. Under the agreement Octopus is paid a fee of up to 5.5% and agreed to discharge all the costs of the 2013/14 Offer. Under this agreement certain warranties have been given by Titan 4, the Titan 4 Directors and the Manager to Howard Kennedy. Titan 4 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2013/14 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.4 The letters of appointment of the Titan 4 Directors, details of which are set out in paragraph 5 above.
- 8.5 A management agreement dated 11 November 2009 between Titan 4 and Octopus. The management agreement provides that Octopus will provide investment management services to Titan 4 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2% of the NAV on an annual basis. Pursuant to the management agreement, Octopus has a performance fee in respect of Titan 4 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p

of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 4 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 4 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.26 and a dividend hurdle of 32p and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.22 and a dividend hurdle of 22p, with the Titan 4 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.18. The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

- 8.6 An administration agreement entered into on 11 November 2009 subject to which Octopus provides administration to Titan 4 for a fee of 0.3% of the NAV on an annual basis. The management agreement may also be terminated in circumstances of breach and certain other matters.

## 9. RELATED PARTY TRANSACTIONS

Save for the fees paid to the Titan 4 Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.5 above and the fees paid to Octopus of £448,000 in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.1 to 8.3 above, there were no other related party transactions or fees paid by Titan 4 during the years ended 31 October 2011, 31 October 2012 and 31 October 2013 or for the period from 31 October 2013 to the date of this document.

## 10. WORKING CAPITAL

Titan 4 is of the opinion that the working capital of Titan 4 is sufficient for its present requirements, that is, for at least the period of twelve months from the date of this document.

## 11. CAPITALISATION AND INDEBTEDNESS

- 11.1 The capitalisation and indebtedness of Titan 4 as at 31 July 2014 was as follows:

### Capital and reserves

Called up Equity Share Capital	3,915,289
Share Premium	9,369,408
Special Distributable Reserve	24,238,079
Capital Redemption Reserve	11,658
Capital Reserve Realised	(3,430,027)
Capital Reserve Unrealised:	8,049,109
Revenue Reserve:	(1,894,567)
	<hr/>
Total Equity Shareholders' Funds	<u>40,258,949</u>

- 11.2 Since incorporation, Titan 4 has incurred no indebtedness. Titan 4 has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 1.1.13 in Section F of Part Seven.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

- 12.1 The audit committee of Titan 4 comprises the Titan 4 Board (with the exception of Alex Macpherson), is chaired by Lars McBride and meets twice a year. The committee has direct access to James Cowper LLP,

3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP, Titan 4's external auditor. The duties of the audit committee are, inter alia:

- 12.1.1 to review and approve the half yearly and annual results of Titan 4 and the statutory accounts before submission to the Titan 4 Board;
- 12.1.2 reviewing and approving the external auditor's terms of engagement and remuneration; and
- 12.1.3 reviewing the appropriateness of Titan 4's accounting policies to consider matters of corporate governance as may generally be applicable to Titan 4 and make recommendations to the Titan 4 Board in connection therewith as appropriate.

*Nomination and Remuneration Committees*

- 12.1.4 A nomination committee consisting of Gregor Michie and Lars McBride has been established to consider recommendations for the re-election of Titan 4 Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors of Titan 4 are considered by the Titan 4 Board and any Titan 4 Director is excluded from meetings whose purpose is the setting of his own remuneration.

**13. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Titan 4 is aware) since Titan 4's incorporation which may have, or have had in the recent past, a significant effect on Titan 4's financial position or profitability.

## SECTION E: ADDITIONAL INFORMATION ON TITAN 5

### 1. INCORPORATION

- 1.1 Titan 5 was incorporated and registered in England and Wales on 13 October 2010 under the CA 2006 with registered number 7406399 as a public company limited by shares.
- 1.2 On 5 November 2010, the Registrar of Companies issued Titan 5 with a certificate under Section 761 of the CA 2006 entitling it to commence business.
- 1.3 Octopus was incorporated and registered in England and Wales 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address and telephone number of Octopus' registered office is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**. The principal legislation under which Octopus operates is the Acts and regulations made thereunder. Octopus is authorised and regulated by the Financial Conduct Authority.

### 2. REGISTERED OFFICES AND PRINCIPAL LEGISLATION

- 2.1 The registered office of Titan 5 is at 20 Old Bailey, London EC4M 7AN and its telephone number is **0800 316 2295**.
- 2.2 The principal legislation under which Titan 5 operates and which governs its shares is the Acts and regulations made thereunder.

### 3. SHARE AND LOAN CAPITAL

- 3.1 On the incorporation of Titan 5, two ordinary shares were issued nil paid to the subscribers to the memorandum of Titan 5, Octopus Investments Nominees Limited and OCS Services Limited.
- 3.2 The following ordinary and special resolutions will be proposed at the Titan 5 Second General Meeting:

1. That:

- (i) subject to the conditions (other than the passing of this resolution) set out in the section headed "Conditions of the Scheme" in Part III of the circular to the shareholders of the Company dated 16 September 2014 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
  - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Adrian Allen of Baker Tilly Restructuring and Recovery LLP ("the Liquidators") be and they hereby are appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
  - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List of the UK Listing Authority following the implementation of the Scheme (as defined in the Circular) be and hereby is approved.

2. That,

- (i) the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Shares in the Company and to grant rights to subscribe for or to convert any

security into Shares in the Company up to an aggregate nominal amount of £3 million (representing 96.0% of the issued share capital of the Company as at 15 September 2014, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2.1 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;

- (ii) the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 2.1 of this resolution or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 2.2 shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
- (a) the allotment and issue of Shares up to an aggregate nominal value of £3 million pursuant to offer(s) for subscription; and
  - (b) the allotment and issue of Shares up to an aggregate nominal value representing 10% of the issued Share capital, from time to time,
- where the proceeds may in whole or part be used to purchase Shares in the Company; and

- (iii) the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
- (a) the aggregate number of Shares which may be purchased shall not exceed 3.5 million Shares;
  - (b) the minimum price which may be paid per Share is the nominal value thereof;
  - (c) the maximum price which may be paid per Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share of the relevant class taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
  - (d) the authority conferred by this resolution shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting); and
  - (e) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares;

3. That, subject to the sanction of the High Court the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled;

4. THAT, Article 165.1 of the Company's Articles be amended to delete "tenth annual general meeting of the Company" in line 1 and substitute "later of (i) the tenth annual general meeting of the Company and (ii) the annual general meeting of the Company held after the fifth anniversary of the last allotment of shares (from time to time) in the Company" therefor;

For the purposes of these resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

3.3 At the date of this document the issued fully paid share capital of Titan 5 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	3,124,894	31,248,939

- 3.4 The issued fully paid share capital of Titan 5 immediately after the Offer has closed (assuming (i) the Offer is fully subscribed in all the Titan VCTs and (ii) that the Offer Price for Octopus Titan 5 is 97.2p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>
Ordinary Shares	£0.10	4,565,223	45,652,231

- 3.5 The following allotments and repurchases of Titan 5 Shares have taken place since 1 November 2010:

<b>Allotment date</b>	<b>Shares issued</b>	<b>Issue price (p)</b>
5 April 2012	1,252,212	97.6
30 April 2012	38,981	97.6
28 March 2013	2,750,741	95.9
4 April 2013	1,005,612	95.2
5 April 2013	898,441	95.2
8 April 2013	358,923	95.2
15 April 2013	102,898	95.2
12 December 2013	3,435,123	93.7
14 February 2014	1,164,924	93.8
28 March 2014	3,079,455	98.3
4 April 2014	2,648,642	98.3
5 April 2014	149,475	98.3
17 June 2014	764,443	99.0
27 August 2014	2,956	93.5
<b>Buyback date</b>	<b>Shares bought</b>	<b>Price (p)</b>
2 March 2012	70,330	92.5
25 October 2013	11,943	89.3

- 3.6 Other than the issue of Offer Shares under the Offer and Shares under its Dividend Reinvestment Scheme, Titan 5 has no present intention to issue any Shares.
- 3.7 Titan 5 does not have in issue any securities not representing share capital.

- 3.8 The provisions of Section 561(1) of the 2006 Act (to the extent not disapplied subject to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Titan 5, except to the extent disapplied by Titan 5 in general meeting. Subject to certain limited exceptions, unless the approval of Titan 5's Shareholders in a general meeting is obtained, Titan 5 must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.9 No shares of Titan 5 are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.10 No share or loan capital of Titan 5 is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.11 Except for commissions paid to authorised introducers in respect of previous offers for subscription of Shares, no commissions, discounts, brokerages or other special terms have been granted by Titan 5 in connection with the issue or sale of any share or loan capital of Titan 5 since 1 November 2009.
- 3.12 Other than pursuant to the Offer, none of the Offer Shares has been sold or is available in whole or in part to the public in conjunction with the application for the Offer Shares to be admitted to the Official List.
- 3.13 The Offer Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Offer Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant shares. Offer Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of Titan 5 permit the holding of shares in CREST.
- 3.14 The ISIN and SEDOL Codes of the Titan 5 Offer Shares are GB00B67CCM69 and B67CCM6 respectively.

#### 4. DIRECTORS' INTERESTS

- 4.1 As at the date of this document the Titan 5 Directors and their immediate families have the following interests in the issued share capital of Titan 5:

Director	No. of Shares	% of Issued Share Capital
Jane O'Riordan	11,108	0.04%
Stefan Cassar	54,433	0.17%
Jo Oliver	4,503	0.01%

- 4.2 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 5 of 97.2p, the interests of the Titan 5 Directors and their immediate families in the issued share capital of Titan 5 immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
Jane O'Riordan	11,108	0.02%
Stefan Cassar	54,433	0.12%
Jo Oliver	4,503	0.01%

- 4.3 At the date of this document and after the Offer has closed, Titan 5 is not aware of any person who has or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of Titan 5 to which voting rights are attached (assuming that (i) the Offer is fully subscribed in all the Titan VCTs and (ii) an Offer Price for Titan 5 of 97.2p).



- 4.4 Assuming that (i) the Offer is fully subscribed in all of the Titan VCTs and (ii) an Offer Price for Titan 5 of 97.2p, Titan 5 is not aware of any person who will, immediately following Admission of the Offer Shares, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules (“DTR 5”)) directly or indirectly voting rights representing 3% or more of the issued share capital of Titan 5 to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over Titan 5.
- 4.5 The persons, including the Titan 5 Directors, referred to in paragraphs 4.1 to 4.2 above, do not have voting rights in respect of the share capital of Titan 5 (issued or to be issued) which differ from any other shareholder of Titan 5.
- 4.6 Titan 5 and the Titan 5 Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Titan 5.
- 4.7 No Titan 5 Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Titan 5 and which were effected by Titan 5 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 4.8 In addition to their directorships of Titan 5, the Titan 5 Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<b>Name</b>	<b>Position</b>	<b>Name of Company/ Partnership</b>	<b>Position still held (Y/N)</b>
Jane O’Riordan	Director	Nando’s Limited	Y
	Director	Pilotspice Limited	Y
	Director	The Honor Chapman Foundation (formerly The Ducky Foundation)	Y
	Director	The London Larder Company Limited	Y
	Director	Yellowwoods Associates UK Limited	Y
	Member	Capricorn Advisors LLP	Y
	Director	Baker & Spice Limited (dissolved)	N
Stefan Cassar	Director	Ampliance Ltd	Y
	Director	Lakesview Factoring Limited	Y
	Director	Loch Lomond Golf Club Limited	Y
	Director	Cable & Co (UK) Limited	Y

Director	Highland Acquisitions Limited	N
Director	Highland Group Holdings Limited	N
Director	House of Fraser (Investments) Limited	N
Director	House of Fraser Limited	N
Director	Pacific Shelf 2 LLP (dissolved)	N
Director	Grassington Limited (dissolved)	N
Director	Hazelwell Limited (dissolved)	N
Director	Monck Limited (dissolved)	N
Director	Eagle Buyer Limited (dissolved)	N
Director	Destination Skin Limited	N
Director	Beatties Limited	N
Director	BL Fraser Limited	N
Director	BLF (Camberley) 1 Limited	N
Director	BLF (Grimsby) 8 Limited	N
Director	BLF (Hull) 9 Limited	N
Director	Urwi Dev Co Borrower Limited	N
Director	Urwi Developments (Orange) Limited	N
Director	Urwi Properties (Cheltenham) Limited	N
Director	Urwi Properties (Darlington) Limited	N
Director	House of Fraser (Stores) Limited	N
Member	Pacific Shelf 2 LLP (dissolved)	N
Director	1 Howick Place (UK) Limited	N

		(dissolved)	
	Director	BLF (Bristol) 16 Limited (dissolved)	N
	Director	BLF (Cardiff) 3 Limited (dissolved)	N
	Director	BLF (Carlisle) 4 Limited (dissolved)	N
	Director	BLF (Chichester) 5 Limited (dissolved)	N
	Director	BLF (Darlington) 6 Limited (dissolved)	N
	Director	BLF (Doncaster) 7 Limited (dissolved)	N
	Director	BLF (Guildford) 2 Limited (dissolved)	N
	Director	BLF (Leamington Spa) 10 Limited (dissolved)	N
	Director	BLF (Leeds) 11 Limited (dissolved)	N
	Director	BLF (Lincoln) 12 Limited (dissolved)	N
	Director	BLF (Middlesbrough) 13 Limited (dissolved)	N
	Director	BLF (Perth) 15 Limited (dissolved)	N
	Director	BLF (Plymouth) 14 Limited (dissolved)	N
Jo Oliver	Director	Iovox Limited	Y
	Director	Ampliance Limited	Y
	Director	COG Developments Limited	Y
	Director	Gresham House (Eastbourne) Limited	Y
	Director	Vega-Chi Limited	N
	Director	Touchtype Limited	Y

Director	Octopus Founder Partner Limited	Y
Director	Octopus GP Limited	Y
Director	Octopus Titan VCT 4 plc	Y
Member	Octopus Zenith Founder Partner LP	Y
Member	Trieste Film Partnership LP	Y
Member	Carlyle Realty Partners IV LP	Y
Member	Eclipse Film Partners No. 5 LLP	Y
Director	Wavefinder UK Limited	N
Director	Wavefinder Limited	N
Director	Loch Lomond Golf Club Limited	N
Member	Cog Homes LLP (dissolved)	N
Director	Oliver Woodworth Limited (dissolved)	N
Director	Skillsmarket Limited (dissolved)	N

The business address of all the Titan 5 Directors is 20 Old Bailey, London EC4M 7AN.

- 4.9 Save as set out below, none of the Titan 5 Directors has at any time within the last five years:
- 4.9.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
  - 4.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - 4.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.8 above; or
  - 4.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Prior to being dissolved, Eagle Buyer Limited was in a members voluntary liquidation.

- 4.10 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Titan 5 Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.11 There are no outstanding loans or guarantees provided by Titan 5 for the benefit of any of the Titan 5 Directors nor are there any loans or any guarantees provided by any of the Titan 5 Directors for Titan 5.
- 4.12 The Titan 5 Directors and directors of Octopus do not have any conflicts of interest between their duties to Titan 5 and their private interests or other duties except for Jo Oliver who is an employee of Octopus which is a party to the agreements referred to in 7 and 8 below.

## **5. DIRECTORS' LETTERS OF APPOINTMENT**

Jane O'Riordan and Stefan Cassar were appointed as Directors of Titan 5 on 17 November 2010 subject to appointment letters of the same date. Jo Oliver was appointed as a Titan 5 Director on 9 January 2012 with an appointment letter of the same date. The Titan 5 Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Titan 5 entitling the Titan 5 Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Jane O'Riordan, as chairman of Titan 5, is entitled to annual remuneration of £20,000 while the annual remuneration receivable by Stefan Cassar is £15,000. An annual fee of £15,000 relating to Jo Oliver's appointment is payable to Octopus. None of the Titan 5 Directors has a service contract with Titan 5 and no such contract is proposed. In respect of the year ended 31 October 2013, Jane O'Riordan received £20,000, Stefan Cassar received £15,000 and Octopus received £15,000 in respect of Jo Oliver.

## **6. TITAN 5 AND ITS SUBSIDIARIES**

Titan 5 does not have any subsidiaries.

## **7. OFFER AGREEMENT**

An agreement dated 16 September 2014 between Titan 5 (1), the Titan 5 Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to Titan 5 in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the Offer who have invested directly into Titan 5 and not through a financial intermediary for up to nine years and has agreed to discharge all external costs of advice and their own costs in respect of the Offer. Under this agreement certain warranties have been given by Titan 5, the Titan 5 Directors and Octopus to Howard Kennedy. Titan 5 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

## **8. MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Titan 5 in the two years immediately preceding the date of this

document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by Titan 5 and which contain any provision under which Titan 5 has any obligation or entitlement which is, or may be, material to Titan 5 as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 7 February 2013 between Titan 5, the Titan 5 Directors and Howard Kennedy pursuant to which Howard Kennedy act as sponsor to Titan 5 in respect of the 2012/13 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2012/13 Offer. Under the agreement Octopus was paid a fee of up to 5.5% and agreed to discharge all the costs of the 2012/13 Offer. Under this agreement certain warranties have been given by Titan 5, the Titan 5 Directors and the Manager to Howard Kennedy. Titan 5 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2012/13 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.3 An offer agreement dated 3 September 2013 between Titan 5, the Titan 5 Directors and Howard Kennedy pursuant to which Howard Kennedy agreed to act as sponsor to Titan 5 in respect of the 2013/14 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Ordinary Shares under the 2013/14 Offer. Under the agreement Octopus is paid a fee of up to 5.5% and agreed to discharge all the costs of the 2013/14 Offer. Under this agreement certain warranties have been given by Titan 5, the Titan 5 Directors and the Manager to Howard Kennedy. Titan 5 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any statement in the prospectus relating to the 2013/14 Offer is untrue, any material omission from that prospectus arises or any breach of warranty occurs.
- 8.4 The letters of appointment of the Titan 5 Directors, details of which are set out in paragraph 5 above.
- 8.5 A management agreement dated 30 November 2010 between Titan 5 and Octopus. The management agreement provides that Octopus will provide investment management services and administration services to Titan 5 in respect of its portfolio of qualifying investments in each case for an initial period of five years for a fee of 2.3% of the NAV on an annual basis. Octopus has a performance fee in respect of Titan 5 which is 20% of the total return above 100p once (i) a total return of £1.30 per Share (NAV plus dividends paid and any previously paid performance incentive fee) has been met and (ii) 40p of dividends per Share have been paid, with these hurdles being reduced by the percentage increase in share capital by reference to any capital raising, rounded up to the nearest 1p, or increased further at the Titan 5 Directors' discretion, subject to a maximum total return hurdle of £1.30 and maximum dividend hurdle of 40p. The hurdles relating to Titan 5 were initially adjusted in light of the 2012/13 Offer to a total return hurdle of £1.28 and a dividend hurdle of 32p and were further adjusted in light of the 2013/14 Offer and the 2014 Offer to a total return hurdle of £1.26 and a dividend hurdle of 22p, with the Titan 5 Directors retaining the authority to further reduce the total return hurdle to a minimum of £1.13 and the dividend hurdle to a minimum of 15p. The management agreement may be terminated by either party giving twelve months prior notice in writing at any time on or after such initial five year period. The management agreement may also be terminated in circumstances of breach and certain other matters.

## **9. RELATED PARTY TRANSACTIONS**

Save for the fees paid to the Titan 5 Directors as detailed in paragraph 5 above, the fees paid under the management and administration agreements detailed in paragraph 8.5 above and the fees paid to Octopus of £452,000 in respect of promotion fees pursuant to the agreements detailed at paragraphs 8.1 to 8.3 above, there were no other related party transactions or fees paid by Titan 5 during the years

ended 31 October 2011, 31 October 2012 and 31 October 2013 or for the period from 31 October 2013 to the date of this document.

## 10. WORKING CAPITAL

Titan 5 is of the opinion that the working capital of Titan 5 is sufficient for its present requirements, that is, for at least the period of twelve months from the date of this document.

## 11. CAPITALISATION AND INDEBTEDNESS

11.1 The capitalisation and indebtedness of Titan 5 as at 31 July 2014 was as follows:

### Capital and reserves

Called up Equity Share Capital	3,124,598
Share Premium	9,050,210
Special Distributable Reserve	16,612,489
Capital Redemption Reserve	8,227
Capital Reserve Realised	(356,710)
Capital Reserve Unrealised:	1,380,488
Revenue Reserve:	(1,149,958)
	<hr/>
Total Equity Shareholders' Funds	<u>28,669,345</u>

11.2 Since incorporation, Titan 5 has incurred no indebtedness. Titan 5 has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 1.1.13 in Section F of Part Seven.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

12.1 The audit committee of Titan 5 comprises the Titan 5 Board (with the exception of Jo Oliver), is chaired by Stefan Cassar and meets twice a year. The committee has direct access to James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP, Titan 5's external auditor. The duties of the audit committee are, inter alia:

12.1.1 to review and approve the half yearly and annual results of Titan 5 and the statutory accounts before submission to the Titan 5 Board;

12.1.2 reviewing and approving the external auditor's terms of engagement and remuneration; and

12.1.3 reviewing the appropriateness of Titan 5's accounting policies to consider matters of corporate governance as may generally be applicable to Titan 5 and make recommendations to the Titan 5 Board in connection therewith as appropriate.

### *Nomination and Remuneration Committees*

12.1.4 A nomination committee consisting of Jane O'Riordan and Stefan Cassar has been established to consider recommendations for the re-election of Titan 5 Directors. To date no remuneration committee has been established and matters relating to remuneration of the Directors of Titan 5 are considered by the Titan 5 Board and any Titan 5 Director is excluded from meetings whose purpose is the setting of his own remuneration.

**13. LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Titan 5 is aware) since Titan 5's incorporation which may have, or have had in the recent past, a significant effect on Titan 5's financial position or profitability.



## SECTION F: GENERAL INFORMATION ON THE TITAN VCTS

### 1. ARTICLES OF THE TITAN VCTS

1.1 The articles of association of each of the Titan VCTS contain, *inter alia*, the following provisions.

#### 1.1.1 Voting Rights

Subject to any disenfranchisement as provided in paragraph 1.1.5 below the Shares shall carry the right to receive notice of or to attend or vote at any general meeting of the Company and on a show of hands every holder of Shares present in person or by proxy (or being a corporation, present by an authorised representative) shall have one vote and, on a poll, every holder of Shares who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

#### 1.1.2 Transfer of Shares

The Shares are in registered form and will be freely transferable free of all liens. All transfers of Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a Share shall be executed by or on behalf of the transferor and, in the case of a partly paid Share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis and may also refuse to register any instrument of transfer unless:

- 1.1.3
- (i) it is duly stamped (if so required), is lodged with the Company's registrar or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
  - (ii) it is in respect of only one class of share; and
  - (iii) the transferees do not exceed four in number.

#### 1.1.4 Dividends

The Company may in general meeting by ordinary resolution declare dividends to be paid to members in accordance with the Articles, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to a dividend arises. All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

The Shares shall entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the Shares and from income received and accrued which is attributable to the Shares.

The Directors may, with the prior sanction of an ordinary resolution of the Company, offer Shareholders the right to elect to receive in respect of all or part of their holding of Shares, additional Shares credited as fully paid instead of cash in respect of all or part of such dividend or dividends and (subject as hereinafter provided) upon such terms and conditions and in such manner as may be specified in such ordinary resolution. The ordinary resolution shall confer the said power on the Directors in respect of all or part of a particular dividend or in respect of all or any dividends (or any part of such dividends) declared or paid within a specified period but such period may not end later than the date of the annual general meeting next following the date of the general meeting at which such ordinary resolution is passed.

#### 1.1.5 Disclosure of Interest in Shares

If any Shareholder or other person appearing to be interested in Shares is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in Section 793 of the CA 2006, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant Shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant Shares and additionally in the case of a Shareholder representing at least 0.25% by nominal value of any class of Shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant Shares.

#### 1.1.6 Distribution of Assets on Liquidation

On a winding-up any surplus assets will be divided amongst the holders of each class of shares in the Company according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges.

The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### 1.1.7 Changes in Share Capital

- (i) Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amounts, or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.
- (iii) Subject to the CA 2006, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and may also, subject to the Act, purchase its own shares.
- (iv) The Company may by ordinary resolution convert any fully paid up shares into stock of the same class as the shares which shall be so converted, and reconvert such stock into fully paid up shares of the same class and of any denomination.

#### 1.1.8 Variation of Rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the nominal amount of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of such holders.

### 1.1.9 Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be fewer than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be fewer than the prescribed minimum, the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment.

Any Director may in writing under his hand appoint (a) any other Director, or (b) any other person who is approved by the Board as hereinafter provided, to be his alternate. A Director may at any time revoke the appointment of an alternate appointed by him. Every person acting as an alternate Director of the Company shall be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him.

Subject to the provisions of the Statutes (as defined in the Company's articles of association), the Directors may from time to time appoint one or more of their body to be managing director or joint managing directors of the Company or to hold such other executive office in relation to the management of the business of the Company as they may decide.

A Director may continue or become a Director or other officer, servant or member of any company promoted by the Company or in which they may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any remuneration or other benefits derived as Director or other officer, servant or member of such company.

The Directors may from time to time appoint a chairman of the Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office.

The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality, whether at home or abroad, in such manner as they think fit.

### 1.1.10 Directors' Interests

1.1.10.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.

1.1.10.2. Provided that he has declared his interest in accordance with paragraph 1.1.10.1, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.

1.1.10.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through the Company, unless his interest arises only because the case falls within one or more of the following paragraphs:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
- (f) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a Director, officer or auditor.

1.1.10.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

#### 1.1.11 Remuneration of Directors

1.1.11.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £75,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

1.1.11.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.

1.1.11.3 The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 1.1.12 Retirement of Directors

At the annual general meeting of the Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed despite having attained any particular age and shall not be required to retire by reason of his having attained any particular age, subject to the provisions of the Act.

#### 1.1.13 Borrowing Powers

Subject as provided below, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Company's articles permit borrowings of amounts up to 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.

#### 1.1.14 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (or provision therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company.

#### 1.1.15 Duration of Company

At the annual general meeting held in 2020 and, if the Company has not then been wound up, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue as a venture capital trust. If the resolution is not passed, the Board shall within 4 months of such meeting convene a general meeting of the Company at which a special resolution for the re-organisation or reconstruction of the Company and/or a special resolution requiring the Company to be wound up voluntarily shall be proposed. If neither of the resolutions is passed, the Company shall continue as a venture capital trust.

At the General Meeting, a resolution will be proposed to extend the date at which the continuation resolution is proposed to the annual general meeting held in 2021.

### 1.1.16 General Meetings

The Directors may, whenever they think fit, convene a general meeting of the Company. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved and, in any other case, shall stand adjourned to such day (being not less than ten clear days) and at such time and place as the Board may determine. If at any such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting, a member present in person or by proxy and entitled to vote shall be a quorum.

The chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

### 1.2 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company's articles of association are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form subject to the Uncertificated Securities Regulations 2001. The New Shares have been made eligible for settlement in CREST.

## 2. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

- 2.1 Octopus intends to use the proceeds of the Offer in accordance with the Companies' object of spreading investment risk and in accordance with the Companies' investment policy. This investment policy is in line with the VCT Rules and the Company will not deviate from them. Further, in accordance with the VCT Rules, the Companies will invest in ordinary shares, in some cases in a small number of preference shares where applicable, and always in accordance with such rules.
- 2.2 The Companies are authorised and regulated by the FCA as self managed alternative investment funds. In addition, VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the rules and regulations of the UK Listing Authority.
- 2.3 The Companies are regulated by the VCT Rules in respect of the investments they make as described in Part Three of this document. The Companies have appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as their VCT status monitor. PwC will report to the Companies as a part of their annual reporting obligations. In respect of any breach of the VCT Rules, the Companies, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Shareholders via a Regulatory Information Service provider.
- 2.4 The Companies will not invest more than 15% of their gross assets in any single company, in accordance with the VCT legislation, nor will the Companies control the companies in which they invest in such a way as to render them subsidiary undertakings until they have obtained approval as a VCT from HMRC.
- 2.5 None of the Companies will conduct any trading activity which is significant in the context of its group (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Companies at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds.
- 2.6 The Boards must be able to demonstrate that they will act independently of Octopus. A majority of the Boards (including the Chairman) must not be directors, employees, partners, officers, or professional advisers of or to, Octopus or any company in Octopus's group or any other investment entity which they manage.

- 2.7 The Companies will not invest directly in physical commodities.
- 2.8 The Companies will not invest in any property collective investment undertaking.
- 2.9 Other than as provided for under its investment policy, none of the Companies will invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).
- 2.10 Octopus is responsible for the determination and calculation of the NAV of the Companies on a quarterly basis.
- 2.11 The NAV of the Companies' investments will be determined by Octopus at least quarterly in accordance with the British Venture Capital Association's recommendations as set out in the BVCA notes of guidance and will be communicated to Shareholders through a Regulatory Information Service. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.
- 2.12 The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of NAV differ from that set out above then this will be communicated to Shareholders through a Regulatory News Service provider.

### **3. CORPORATE GOVERNANCE**

The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "Code") applies to the Companies. The Directors acknowledge the section headed "Comply or Explain" in the preamble to the Code which acknowledges that some provisions may have less relevance for investment companies and, in particular, consider some areas inappropriate to the size and nature of the business of the Companies. Accordingly, the provisions of the Code are complied with save that (i) the Company does not have a chief executive officer or a senior independent director (the Board does not consider this necessary for the size of the Company), (ii) the Companies (with the exception of Titan 1 and Titan 2) do not have a separate nomination committee (appointments are dealt with by the full Boards as and when appropriate) (iii) the Companies conduct a formal review as to whether there is a need for an internal audit function, however the Directors do not consider that an internal audit would be an appropriate control for a VCT (iv) the Companies do not have a remuneration committee given the size of the Companies and as such the Boards as a whole deal with any matters of this nature and (v) as the Companies have no major shareholders, the Shareholders are not given the opportunity to meet any non-executive Directors at a specific meeting other than the annual general meeting.

### **4. TAKEOVERS AND MERGERS**

#### **4.1 Mandatory takeover bids**

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

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

There are not in existence any current mandatory takeover bids in relation to the Companies.

#### 4.2 Squeeze out

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

#### 4.3 Sell out

Section 983 of the CA 2006 permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in a company which amount to not less than 90%, in value of all the voting shares in the company and carry not less than 90%, of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

### 5. NOTIFICATIONS OF SHAREHOLDINGS

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

### 6. GENERAL

- 6.1 The estimated costs and expenses relating to the Offer, assuming full subscription, all investors being Advised Investors, and all choosing to pay their advisors a 2.5% upfront fee, payable by the Companies are estimated to amount to approximately £3,850,000 in aggregate (excluding VAT). On the above assumptions, the aggregate total net proceeds of the Offer, after all fees, is expected to be £66,150,000. The Merger will not result in any proceeds being raised by Titan 2. The aggregate anticipated costs of undertaking the Merger are approximately £1 million .



- 6.2 Grant Thornton UK LLP, chartered accountants of 3140 Rowan Place, John Smith Drive, Oxford Business Park South, Oxford OX4 2WB were the auditor of the Companies since their incorporation until 11 November 2013. James Cowper LLP, 3 Wesley Gate, Queen's Road, Reading, Berkshire RG1 4AP have been the auditor since 14 November 2013. Grant Thornton UK LLP have given unqualified audit reports on the statutory accounts of the Companies for all of the financial years set out in Part Five within the meaning of Section 495 of the CA 2006. None of those reports contained any statements under Section 237(2) or (3) of the CA 2006. The statutory accounts set out in Part Five have been delivered to the Registrar of Companies in England and Wales subject to Section 242 of the CA 2006. The half-yearly financial reports and the statutory accounts of the Companies set out in Part Five have been prepared in accordance with United Kingdom accounting standards (United Kingdom Generally Accepting Accounting Practice), the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.
- 6.3 Each of the Companies shall take all reasonable steps to ensure that its auditors are independent of it and will obtain written confirmation from its auditors that it complies with guidelines on independence issued by its national accountancy and auditing bodies.
- 6.4 Howard Kennedy's office address is at 19 Cavendish Square, London W1A 2AW. Howard Kennedy is regulated by the Financial Conduct Authority and is acting in the capacity as sponsor to the Companies.
- 6.5 Howard Kennedy has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 6.6 The statements attributed to Octopus in this document have been included in the form and context in which they appear with the consent and authorisation of Octopus. Octopus accepts responsibility for those statements, and to the best of the knowledge and belief of Octopus (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of such information.
- 6.7 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Companies' business or profitability.
- 6.8 The Companies do not assume responsibility for the withholding of tax at source.
- 6.9 There has been no significant change in the financial or trading position of the Companies since 30 April 2014, the date to which the latest unaudited interim financial information has been published, to the date of this document.
- 6.10 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Companies' prospects or which have materially affected the Companies' income from operations so far as the Companies and the Directors are aware.
- 6.11 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service announcement, if the investment restrictions which apply to the Companies as a VCT detailed in this document are breached.
- 6.12 The Companies' capital resources are restricted insofar as they may be used only in putting into effect the Companies' investment policy, as set out in this document. There are no firm commitments in respect of any of the Companies' principal future investments. As at 31 July 2014, Titan 1 had £7,897,551 of uninvested cash which has been retained for working capital and follow-on or new investments, Titan 2 had £7,878,732 of uninvested cash which has been retained for working capital and follow-on or new investments, Titan 3 had £6,769,360 of uninvested cash which has been retained for working capital and follow-on or new investments, Titan 4 had £6,147,210 of uninvested cash which has been retained for working capital and follow-on or new investments and Titan 5 had £10,947,123 of uninvested cash which has been retained for working capital and follow-on or new investments.

- 6.13 All Shareholders have the same voting rights in respect of the share capital of each of the Companies. The Companies are not aware of any person who, directly or indirectly, exercises or could exercise control over the Companies, nor of any arrangements, the operation of which may at a subsequent date result in a change of control of the Companies.
- 6.14 The Companies have no employees.
- 6.15 The typical investor for whom investment in the Companies is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out on pages 20 to 21, considers the investment policy of the Companies to be attractive. This may include retail, institutional and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-VCT investments.
- 6.16 The Companies do not have any material shareholders with different voting rights.
- 6.17 Application has been made for the admission of the New Shares to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The New Shares will be in registered form. If, following issue, recipients of New Shares wish to hold their New Shares in uncertificated form, they should contact the relevant Company's registrar.
- 6.18 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Companies are aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 6.19 Octopus will provide safe custody to the Companies in respect of the un-invested cash, general investment and dealing services on a discretionary basis and other related facilities which may include the following investments: shares in investee companies, debenture stock, loan stock, bonds, units, notes, certificates of deposit, commercial paper or other debt instruments, municipal and corporate issues, depository receipts, cash term deposits, money market securities, unit trusts, mutual funds, OEICs, investment funds and similar funds and schemes in the United Kingdom or elsewhere. These services exclude any transaction in relation to futures and options or other derivative type instruments or commodity (or derivative thereof) by Octopus.
- 6.20 The existing issued Shares in Titan 2 will represent 13.4% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme and the Offer, assuming (i) the Offer is fully subscribed in the Company at an Offer Price of 97.0p and (ii) the Merger takes place on the basis of the NAV of the Titan VCTs as at 31 July 2014, and on that basis Titan 2's Shareholders who do not subscribe under the Offer and who do not receive Scheme Shares will, therefore, be diluted by 86.6%.

The existing issued Shares in Titan 2 will represent 69.4% of the enlarged ordinary share capital of Titan 2 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 2 of 97.0p, and on that basis Titan 2 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 30.6%.

The existing issued Shares in Titan 1 will represent 69.4% of the enlarged ordinary share capital of Titan 1 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 1 of 97.0p, and on that basis Titan 1 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 30.6%.

The existing issued Shares in Titan 3 will represent 71.5% of the enlarged ordinary share capital of Titan 3 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 3 of 96.8p, and on that basis Titan 3 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 28.5%.

The existing issued Shares in Titan 4 will represent 75.3% of the enlarged ordinary share capital of Titan 4 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully

subscribed in all the Companies at an Offer Price for Titan 4 of 108.8p, and on that basis Titan 4 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 24.7%.

The existing issued Shares in Titan 5 will represent 68.4% of the enlarged ordinary share capital of Titan 5 immediately following the Offer, assuming that the Scheme does not proceed and that the Offer is fully subscribed in all the Companies at an Offer Price for Titan 5 of 97.2p, and on that basis Titan 5 Shareholders who do not subscribe under the Offer will, therefore, be diluted by 31.6%.

6.21 The Companies and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close on or before 1 September 2015. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

6.22 **Information on the terms and conditions of the Offer will be given to investors by financial intermediaries at the time that the Offer is introduced to investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in paragraph 6.21 above.**

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Companies and Howard Kennedy whilst the Offer remains open:

7.1 the Articles and the New Articles;

7.2 the material contracts referred to in paragraph 8 of Sections A to E of Part Seven above;

7.3 the half year reports of the Companies for the 6 month periods ending 30 April 2013 and 30 April 2014 and the annual accounts for the periods ending 31 October 2011, 31 October 2012 and 31 October 2013;

7.4 the Titan 2 Circular and the Titan 1, 3, 4 and 5 Circular; and

7.5 this document.

16 September 2014

## DEFINITIONS

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

“2012/13 Offer”	the offer for subscription by the Titan VCTs as set out in the prospectus dated 7 February 2013 issued by the Titan VCTs
“2013/14 Offer”	the offers for subscription by the Titan VCTs as set out in the prospectus dated 3 September 2013 issued by the Titan VCTs
“2014 Offer”	the offers for subscription by the Titan VCTs as set out in the offer document dated 4 April 2014 issued by the Titan VCTs
“Acts”	CA 1985 and CA 2006
“Admission”	the admission of New Shares to trading on the London Stock Exchange’s main market for listed securities
“Advised Investors”	investors under the Offer who receive advice from their financial intermediaries
“Applicant”	a person applying for Offer Shares using the Application Form
“Application”	an application for Offer Shares under the Offer
“Application Form”	the application form attached to the end of this document
“Articles”	the articles of association of the Companies
“Boards”	the Titan 1 Board, the Titan 2 Board, the Titan 3 Board, the Titan 4 Board and the Titan 5 Board
“CA 1985”	Companies Act 1985
“CA 2006”	Companies Act 2006
“Capita Asset Services”	a trading division of Capita Registrars Limited
“Companies” or “Titan VCTs” or “Octopus Titan VCTs”	Titan 1, Titan 2, Titan 3, Titan 4 and Titan 5 (and each a “Company”)
“Directors”	the directors of the Companies (and each a “Director”)
“Dividend Reinvestment Schemes” or “DRIS Scheme”	the Companies’ dividend reinvestment schemes, details of which are set in Part Two
“Enlarged Company”	Titan 2 following implementation of the Scheme
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meetings” or “GMs”	the Titan 2 General Meeting and the Titan 1, 3, 4 and 5 Meetings
“Group”	Titan 2 and, on completion of the Scheme, the Enlarged Company
“HMRC”	HM Revenue and Customs

“Howard Kennedy”	Howard Kennedy Corporate Services LLP
“IA 1986”	The Insolvency Act 1986, as amended
“IMAAAs”	the investment management agreement between the Company, Titan 1 and Octopus Ventures Limited dated 2 November 2007 as novated to the Manager by a deed of novation dated 19 October 2009 and an administration agreement dated 2 November 2007 between Titan 2, Titan 1 and Octopus, both as varied by a deed of variation dated 7 February 2013
“IMA Deed of Variation”	the deed of variation to the IMAAs dated 16 September 2014 between Titan 2, Titan 1 and the Manager, details of which are set out in Part Two
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Adrian Allen of Baker Tilly Restructuring and Recovery LLP, being the proposed liquidators for Titan 1, 3, 4 and 5
“London Stock Exchange”	London Stock Exchange plc
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Titan 2 Share calculated in accordance with the formula set out in Part One of this document
“NAV”	net asset value
“New Articles”	the Articles that are proposed to be adopted at the General Meetings
“New Shares”	the Scheme Shares and Offer Shares (and each a “New Share”)
“Octopus”, the “Manager” or the “Receiving Agents”	Octopus Investments Limited
“Octopus VCT”	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
“Offer”	the offer for subscription for Offer Shares in respect of the tax years 2014/15 and 2015/16 contained in this document
“Offer Price”	the price per Offer Share, as set out in Part Two
“Offer Shares”	Shares being offered under the Offer (and each an “Offer Share”)
“Official List”	the official list maintained by the UK Listing Authority
“Proposals”	the proposals to effect the Scheme and the Offer, and to approve the Resolutions
“Proposed Directors”	the Directors following the Merger (and each a “Proposed Director”)
“Prospectus”	this document
“Prospectus Rules”	the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC

“Qualifying Company”	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
“Qualifying Investments”	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in chapter 4 of Part 6 ITA 2007
“Qualifying Subscriber”	an individual who subscribes for New Shares and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Resolutions”	the resolutions to be proposed at the General Meetings (and each a “Resolution”)
“Scheme” or “Merger”	the proposed merger of Titan 2 with Titan 1, 3, 4 and 5 by means of placing Titan 1, 3, 4 and 5 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by Titan 2 of all of the assets and liabilities of Titan 1, 3, 4 and 5 in consideration for Scheme Shares, further details of which are set out in Part One of this document
“Scheme Calculation Date”	the date on which the Titan 1, 3, 4 and 5 Roll-Over Values and the Merger Value will be calculated, anticipated as being after the close of business on 27 October 2014
“Scheme Effective Date”	the date on which the Scheme will be completed, anticipated as being 28 October 2014
“Scheme Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme, anticipated as being 27 October 2014
“Scheme Shares”	the Shares being issued subject to the Scheme (and each a “Scheme Share”)
“Shareholders”	holders of Shares, as the context permits (and each a “Shareholder”)
“Shares”	ordinary shares of 10p each in the capital of the Companies (and each a “Share”)
“Taxes Act”	The Income Tax Act 2007, as amended
“TCGA 1992”	Taxation of Chargeable Gains Act 1992
“Terms and Conditions”	the terms and conditions of Application, contained in this document on pages 153 to 158
“Titan 1”	Octopus Titan VCT 1 plc
“Titan 2”	Octopus Titan VCT 2 plc
“Titan 3”	Octopus Titan VCT 3 plc
“Titan 4”	Octopus Titan VCT 4 plc
“Titan 5”	Octopus Titan VCT 5 plc
Titan 1 Board	the board of Directors of Titan 1

Titan 2 Board	the board of Directors of Titan 2
Titan 3 Board	the board of Directors of Titan 3
Titan 4 Board	the board of Directors of Titan 3
Titan 5 Board	the board of Directors of Titan 5
Titan 1 Directors	the directors of Titan 1
Titan 2 Directors	the directors of Titan 2
Titan 3 Directors	the directors of Titan 3
Titan 4 Directors	the directors of Titan 4
Titan 5 Directors	the directors of Titan 5
"Titan 1 Shares"	ordinary shares of 10p each in the capital of the Titan 1 (and each a "Titan 1 Share")
"Titan 2 Shares"	ordinary shares of 10p each in the capital of the Titan 2 (and each a "Titan 2 Share")
"Titan 3 Shares"	ordinary shares of 10p each in the capital of the Titan 3 (and each a "Titan 3 Share")
"Titan 4 Shares"	ordinary shares of 10p each in the capital of the Titan 4 (and each a "Titan 4 Share")
"Titan 5 Shares"	ordinary shares of 10p each in the capital of the Titan 5 (and each a "Titan 5 Share")
"Titan 2 Shareholders"	the holders of Titan 2 Shares (and each a "Titan 2 Shareholder")
"Titan 1 Roll-Over Value"	the value of a Titan 1 Share as calculated in accordance with the formula set out in Part One of this document
"Titan 3 Roll-Over Value"	the value of a Titan 3 Share as calculated in accordance with the formula set out in Part One of this document
"Titan 4 Roll-Over Value"	the value of a Titan 4 Share as calculated in accordance with the formula set out in Part One of this document
"Titan 5 Roll-Over Value"	the value of a Titan 5 Share as calculated in accordance with the formula set out in Part One of this document
"Titan 1, 3, 4 and 5"	Titan 1 and/or Titan 3 and/or Titan 4 and/or Titan 5, as the context permits
"Titan 1, 3, 4 and 5 Boards"	the board of directors of Titan 1, 3, 4 and 5
"Titan 2 Circular"	the circular to Titan 2 Shareholders dated 16 September 2014
"Titan 1, 3, 4 and 5 Circular"	the circular to Titan 1, 3, 4 and 5 Shareholders dated 16 September 2014
Titan 2 General Meeting	the general meeting of Titan 2 to be held on 16 October 2014 (or any adjournment thereof)

“Titan 1, 3, 4 and 5 First General Meetings”	the general meetings of Titan 1, 3, 4 and 5 to be held on 16 October 2014 (or any adjournment thereof)
“Titan 1, 3, 4 and 5 Meetings”	The Titan 1, 3, 4 and 5 First General Meetings and the Titan 1, 3, 4 and 5 Second General Meetings
“Titan 1, 3, 4 and 5 Roll-Over Values”	the Titan 1 Roll-Over Value, Titan 3 Roll-Over Value, Titan 4 Roll-Over Value and the Titan 5 Roll-Over Value
“Titan 1, 3, 4 and 5 Second General Meetings”	the general meetings of Titan 1, 3, 4 and 5 to be held on 28 October 2014 (or any adjournment thereof)
“Titan 1 Second General Meeting”	the general meetings of Titan 1 to be held on 28 October 2014 (or any adjournment thereof)
“Titan 3 Second General Meeting”	the general meetings of Titan 3 to be held on 28 October 2014 (or any adjournment thereof)
“Titan 4 Second General Meeting”	the general meetings of Titan 4 to be held on 28 October 2014 (or any adjournment thereof)
“Titan 5 Second General Meeting”	the general meetings of Titan 5 to be held on 28 October 2014 (or any adjournment thereof)
“Titan 1, 3, 4 and 5 Shareholders”	the holders of Titan 1 Shares and/or Titan 3 Shares and/or Titan 4 Shares and/or Titan 5 Shares, as the context permits (and each a “Titan 1, 3, 4 and 5 Shareholder”)
“Titan 1, 3, 4 and 5 Shares”	Titan 1 Shares and/or Titan 3 Shares and/or Titan 4 Shares and/or Titan 5 Shares, as the context permits (and each an ‘Titan 1, 3, 4 and 5 Share’)
“Transfer Agreement”	the agreement between Titan 1, 3, 4 and 5 (acting through the Liquidators) and Titan 2 for the transfer of all of the assets and liabilities of Titan 1, 3, 4 and 5 by the Liquidators to Titan 2 pursuant to the Scheme
“VCT Value”	the value of an investment calculated in accordance with Section 278 of the Taxes Act
“venture capital trust” or “VCTs”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the Taxes Act
“VCT Rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs



## TERMS AND CONDITIONS

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

1. The maximum amount to be raised by the Companies is £50 million in aggregate with an over allotment facility of a further £20 million in aggregate, split equally in respect of each allotment between those Companies participating in the Offer at the time of that allotment. Participation by Titan 1, 3, 4 and 5 in any allotment under the Offer is conditional upon (i) the Scheme not having taken place prior to the time of that allotment and (ii) the passing by the Titan 1, 3, 4 and 5 Shareholders of Resolutions 2 and 4 at the Titan 1, 3, 4 and 5 Second General Meetings. Participation by Titan 2 in the Offer is conditional upon the passing by the Titan 2 Shareholders of Resolutions 2, 4 and 7 at the Titan 2 General Meeting. The Offer will close once the Companies have reached the aggregate maximum number of Offer Shares which may be issued.
2. The contract created with the Companies by the acceptance of an Application (or any proportion of it) under the Offer will be conditional on acceptance being given by the Receiving Agents and admission of the Offer Shares allotted in the Companies subject to the Offer to the Official List (save as otherwise resolved by the Boards).
3. The right is reserved by the Companies to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. The Companies may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept an Application in respect of which payment is not received by the Companies. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than the Offer Price of one Share) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
4. By completing and delivering an Application Form, you:
  - I. irrevocably offer to subscribe for Offer Shares in the Companies under the Offer in the monetary amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the Offer Shares at the Offer Price, determined by dividing the most recently announced NAV per Share of the Companies by 0.945 to allow for issue costs, on the terms of and subject to this document and subject to the memorandum and articles of association of the Companies. Where the Share price for the Companies has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offer will be ex-dividend. In respect of the Offer, the NAV per Share will be rounded up to one decimal place and the number of Offer Shares to be issued will be rounded down to the nearest whole number (fractional of Offer Shares will not be allotted);
  - II. agree that your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
  - III. agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive certificates in respect of the Offer Shares allotted to you until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Companies in their absolute discretion (which acceptance shall be on the basis that you indemnify it and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Companies of such late payment, the Companies may (without prejudice to their other rights) rescind the agreement to subscribe such Offer Shares and may issue such Offer Shares to some other person, in which case you will not be entitled to any payment in

respect of such Offer Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;

- IV. agree that, in respect of those Offer Shares for which your Application is received and is not rejected, your Application may be accepted at the election of the Companies either by notification to the London Stock Exchange of the basis of allocation and allotment, or by notification of acceptance thereof to the Receiving Agents;
- V. agree that any monies refundable to you by the Companies may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Companies or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will not bear interest;
- VI. authorise the Receiving Agents to send share certificates in respect of the number of Offer Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Companies in respect of such New Shares;
- VII. agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Companies or Octopus to bring any action, suit or proceeding arising out of, or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
- VIII. confirm that, in making such Application, you are not relying on any information or representation in relation to the Companies other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document, the cover correspondence or any part thereof or involved in the preparation thereof shall have any liability for such information or representation (save for fraudulent misrepresentation or wilful deceit);
- IX. irrevocably authorise the Receiving Agents to do all things necessary to effect registration of any Offer Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents to execute any document required therefore;
- X. agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning the Companies and the Offer contained therein;
- XI. confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
- XII. declare that you are an individual aged 18 or over;
- XIII. agree that all documents and cheques sent by post to, by or on behalf of either the Companies or the Receiving Agents, will be sent at the risk of the person entitled thereto;
- XIV. agree, on request by the Companies or Octopus, to disclose promptly in writing to Octopus, any information which Octopus may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Companies or Octopus to disclose any information relating to your Application as the Companies or Octopus consider appropriate;
- XV. agree that Octopus will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the Offer Shares subject to the Offer or the suitability for you of an investment in Offer Shares subject to the Offer or be responsible to you for providing the protections afforded to its customers;

- XVI. where applicable, authorise the Companies to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Companies;
- XVII. declare that the Application Form has been completed to the best of your knowledge;
- XVIII. undertake that you will notify the Companies if you are not or cease to be either a VCT qualifying subscriber or beneficially entitled to the Offer Shares;
- XIX. declare that a loan has not been made to you or any associate, which would not have been made or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, Offer Shares under the Offer and that such Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax; and
- XX. agree that information provided on the Application Form may be provided to the registrars and Receiving Agents to process shareholdings details and send notifications to you.

5. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.

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

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

#### 8. Money Laundering Regulations

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

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over £10,000 or who invest using third party cheques. Octopus may therefore undertake an electronic search for the purposes of verifying your identity. To do so Octopus may check the details you supply against your particulars on any database (public or other) to which Octopus has access. Octopus may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If Octopus cannot verify your identity it may ask for a recent, original utility bill and an original HMRC Tax Notification or a copy of your passport certified by a bank, solicitor or accountant from you or a Client Verification Certificate from your IFA.

If within a reasonable period of time following a request for verification of identity, and in any case by no later than 3.00 pm on the relevant date of allotment, Octopus has not received evidence satisfactory to it as aforesaid, Octopus, at its absolute discretion, may reject any such Application in which event the

remittance submitted in respect of that Application will be returned to the Applicant (without prejudice to the rights of the Companies to undertake proceedings to recover any loss suffered by them as a result of the failure to produce satisfactory evidence of identity).

Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for by members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation.

## **9. Costs of the Offer**

For all investors, the Offer Price per Share will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer. The formula is: the most recently announced NAV per Share, divided by 0.945. Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 0.5%.

In consideration for the promotion and investment management services that Octopus provides to the Companies, the Companies will pay an initial charge of 3% of the gross sums invested in the Offer to Octopus. This is payable in the same way on all subscriptions to the Offer. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offer. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:

### **1) A direct investment**

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

In consideration for the promotion, investment management and secretarial services that Octopus provides to the Companies, if an application is made directly (not through an intermediary) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to nine years, provided the investor continues to hold the Shares.

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

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

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

The Companies can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to nine years whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional Offer Shares for the investor, at the then most recently announced NAV per Share. Any residual amount less than the cost of an Offer Share will be donated to a charity approved by the Boards.

If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser.

**3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge**

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, the Companies can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional Offer Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Companies will not facilitate ongoing annual payments.

In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.

**4) A non-advised investment using an intermediary**

Investors who have invested their money through a financial intermediary and have not received advice.

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

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

The reinvestment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the Offer Shares. Any purchaser of those shares will not benefit from the reinvestment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser. This therefore means that any purchaser of Shares

will not benefit from the issue or allotment of any additional Offer Shares under the arrangements set out above.

Any additional New Shares which are issued under the arrangements which are described above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Companies do not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Companies is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

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

## ANNEX I

### TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEME (THE “DRIS SCHEME”) OF OCTOPUS TITAN VCT PLC

1. Elections to participate in the DRIS Scheme should be addressed to the DRIS Scheme Administrator, Capita Asset Services (“DRIS Scheme Administrator”) in accordance with condition 12 and will only be effective for dividends to be paid 15 days following receipt of the election by the DRIS Scheme Administrator.
2.
  - (a) The Company, acting through the DRIS Scheme Administrator, shall have absolute discretion to accept or reject elections. An applicant shall become a member of the DRIS Scheme upon acceptance of his or her election by the DRIS Scheme Administrator on the Company’s behalf (“Participants”). The DRIS Scheme Administrator will provide written notification if an election is rejected. Only registered shareholders of the Company (“Shareholders”) may join the DRIS Scheme.
  - (b) The Company shall apply dividends to be paid to Participants on ordinary shares of 10p each (“Shares”) in the Company in respect of which an election has been made in the allotment of further Shares. The DRIS Scheme Administrator shall not have the discretion, and Participants may not instruct the DRIS Scheme Administrator, to apply those dividends (“funds”) towards any investments other than investment in Shares as set out in this condition 2(b).
  - (c) Participants who are Shareholders may only participate in the DRIS Scheme if all Shares registered in their name are mandated to the DRIS Scheme.
  - (d) By joining the DRIS Scheme, Participants instruct the DRIS Scheme Administrator that the mandate will apply to the full number of Shares held by them in respect of which the election is made, as entered onto the share register of the Company from time to time.
  - (e) In relation to new Shares to be allotted in relation to a dividend such Shares will only be allotted to the registered shareholder and not any beneficial holder. Nominee Participants shall not be entitled to instruct the DRIS Scheme Administrator to allot Shares to a beneficial holder (and Participants are advised to read condition 15 in respect of the consequences for VCT Tax reliefs).
3.
  - (a) On or as soon as practicable after a day on which a dividend on the Shares is due to be paid to a Participant or, if such day is not a dealing day on the London Stock Exchange, the dealing day thereafter (“Payment Date”), the Participant’s funds held by the Company shall, subject to conditions 9, 10 and 19 overleaf and the Company having the requisite shareholder authorities to allot Shares, be applied on behalf of that Participant to subscribe for the maximum number of whole new Shares which can be allotted with the funds.
  - (b) The number of Shares to be allotted to a Participant pursuant to condition 3(a) above shall be calculated by dividing the Participant’s funds by the greater of (i) the last published net asset value per existing Ordinary Share, (ii) the mid market price per Ordinary Share as quoted on the London Stock Exchange at the close of business on the 10<sup>th</sup> business day preceding the date of issue of such Shares and (iii). Shares will not be allotted at less than their nominal value.
  - (c) Fractional entitlements will not be allotted and any residual cash balance of less than the amount required to subscribe for a further new Ordinary Share, as set out in 3(b) above, will be donated to a registered charity at the discretion of the Company.
  - (d) The Company shall not be obliged to allot Ordinary Share under the DRIS Scheme to the extent that the total number of Shares allotted by the Company pursuant to the DRIS Scheme in any financial year would exceed 10% of the aggregate number of Shares on the first day of such financial year.

- (e) The Company shall immediately after the subscription of Shares in accordance with the condition at 3(a) above take all necessary steps to ensure that those Shares shall be admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange, provided that at the time of such subscription the existing Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.
4. The DRIS Scheme Administrator shall as soon as practicable after the allotment of Shares in accordance with condition 3 procure (i) that the Participants are entered onto the Share Register of the Company as the registered holders of those Shares (ii) that share certificates (unless such Shares are to be uncertified) and, where applicable, income tax vouchers ("Tax Vouchers") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:
- (a) the total number of Shares held at the record date for which a valid election was made;
  - (b) the number of Shares allotted;
  - (c) the price per Ordinary Share allotted;
  - (d) the cash equivalent of the Shares allotted;
  - (e) the date of allotment of the Shares; and
  - (f) any funds to be carried forward for investment on the next Payment Date.
5. All costs and expenses incurred by the DRIS Scheme Administrator in administering the DRIS Scheme will be borne by the Company.
6. Each Participant warrants to the DRIS Scheme Administrator that all information set out in the application form (including any electronic election) on which the election to participate in the DRIS Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the DRIS Scheme Administrator and that during the continuance of his or her participation in the DRIS Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the DRIS Scheme will not be available to any person who is a citizen, resident or national of, or who has a registered address in, any jurisdiction outside the UK unless such right could properly be made available to such person. No such person receiving a copy of the DRIS Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the DRI Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. Participants acknowledge that the DRIS Scheme Administrator is not providing a discretionary management service. Neither the DRIS Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the DRIS Scheme unless due to the negligence or wilful default of the DRIS Scheme Administrator or the Company or their respective employees and agents.
9. Participants may:
- (a) at any time by notice to the DRIS Scheme Administrator terminate their participation in the DRIS Scheme and withdraw any funds held by the Company on their behalf; and
  - (b) in respect of Shares they hold as nominee and subject to condition 2(f), give notice to the DRIS Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive Shares is only to apply to a specified amount due to the Participant as set out in such notice.



Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the DRIS Scheme Administrator at least 15 days prior to such Payment Date. In respect of notices under (a) above, such notice will be deemed to have been served where the Participant ceases to hold any Shares. Upon receipt of notice of termination, all funds held by the Company on the Participant's behalf shall be returned to the Participant as soon as reasonably practical at the address set out in register of members, subject to any deductions which the Company may be entitled or bound to make hereunder.

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

Participants who wish to participate in the DRIS Scheme and who already have Shares issued to them held in certificated form, i.e. not in CREST, should complete and sign a Mandate Form and return it no later than 15 days prior to the dividend payment date to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Personalised Mandate Forms can be obtained from Capita Asset Services at the address above or by telephoning 0871 664 0300 (Calls cost 10p per minute plus network extras. Lines are open 09:00am – 5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 2157).

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

12. A written mandate form will remain valid for all dividends paid to the Participant by the Company until such time as the Participant gives notice in writing to Capita Asset Services that he no longer wishes to participate in the DRIS Scheme.
13. The Company shall be entitled to amend the DRIS Scheme Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to

Participants unless in the Company's opinion the change materially affects the interests of the Participants. Amendments to the DRIS Scheme Terms and conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.

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

- (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from an Shareholder (or, where relevant, a nominee) are genuine; or
  - (c) losses, costs, damages or expenses sustained or incurred by an Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the DRIS Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these DRIS Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
  - (d) any indirect or consequential loss.
21. These DRIS Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
22. All notices and instructions to be given to the DRIS Scheme Administrator shall be in writing and delivered or posted to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
23. These DRIS Scheme Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the DRIS Scheme in any other manner permitted by law or in any court of competent jurisdiction.

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

ANNEX II

OCTOPUS TITAN VCT PLC

**DIVIDEND REINVESTMENT SCHEME MANDATE FORM**

If you wish to participate in the dividend reinvestment scheme (the “Scheme”) in respect of your holding of Ordinary Shares in Octopus Titan VCT plc, please sign and return this form to, Capita Asset Services (“Capita” or “the Scheme Administrator”), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 15 Business Days before the payment of a dividend by the Company. All enquiries concerning this form should be made to Capita Asset Services, New Issues, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephoning 0871 664 0324 (Calls cost 10p per minute plus network extras. Lines are open 08:30am – 5.30pm Mon-Fri. If calling from overseas please ring +44 20 3170 0187).

If your Ordinary Shares are held in more than one account you must complete a separate form for each account. You may obtain further copies of this form from the Scheme Administrator.

**If you decide to participate in the Scheme you will be deemed to have agreed that any mandate which you have given for the payment of cash dividends directly to your Bank or Building Society account shall be suspended for so long as you remain a participant in the Scheme.**

**Shareholders in any doubt about the tax position should consult their independent professional adviser.**

In the case of joint holders all holders must sign. In the case of a corporation/nominee company this form must be executed under its common seal or be signed by a duly authorised official, whose capacity should be stated in accordance with Section 44 of the Companies Act 2006.

If this form is not completed to the satisfaction of the Scheme Administrator it will not be processed and will be returned to you for completion.

You can also register to reinvest dividends in Octopus Titan VCT plc electronically by visiting the Capita website at: [www.capitashareportal.com](http://www.capitashareportal.com). Alternatively you can call Octopus on 0800 316 2295 who will be happy to send you an Application Form, write to request a copy from Octopus Investments Limited, 20 Old Bailey, London, EC4M 7AN or visit the Investor/Document Library section of the Octopus website at: [www.octopusinvestments.com](http://www.octopusinvestments.com)

You will need to send your dividend reinvestment instructions to Capita at least 15 days prior to the dividend payment date to be able to participate and reinvest your dividend on the dividend payment date.

You can revoke a dividend reinvestment election in Octopus Titan VCT plc by contacting the Scheme Administrator.

**To: the Scheme Administrator and the Company**

I/We, the undersigned, confirm that I/we have read and understood the terms and conditions of the Scheme and that I/we wish to participate in that Scheme for each future dividend paid on the Ordinary Shares of Octopus Titan VCT plc indicated below and to which the scheme is applied. I/We agree that future dividends paid on Ordinary Shares will be reinvested in Ordinary Shares.

Tick Here to reinvest

Octopus Titan VCT plc	
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Shareholder Name (1)	Shareholder Name (2)	Shareholder Name (3)	Shareholder Name (4)
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Address:
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**All shareholders named above must sign here.**

Signature (1)	Date
---------------	------

Signature (2)	Date
---------------	------

Signature (3)	Date
---------------	------

Signature (4)	Date
---------------	------

Daytime telephone number	
National Insurance number or Investor Code number (which can be found on your share certificate)	
Email address	

## List of Advisers to the Companies

<b>Investment Manager and Administrator and Receiving Agents</b>	Octopus Investments Limited 20 Old Bailey London EC4M 7AN
<b>Company Secretary</b>	Patricia Standaloft ACIS
<b>Auditor</b>	James Cowper LLP 3 Wesley Gate Queen's Road Reading Berkshire RG1 4AP
<b>Solicitor</b>	HowardKennedyFsi LLP 19 Cavendish Square London W1A 2AW
<b>Sponsor</b>	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW
<b>Tax adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Reporting Accountant</b>	BDO LLP 55 Baker Street London W1U 7EU

### The form has 6 sections:

1. Your details
2. Subscription details
3. Dividend reinvestment or payment
4. Adviser/intermediary payment
5. Adviser/intermediary details (to be completed by your adviser/intermediary)
6. Declaration

### How to complete the form

- Any decision to invest should be made on the basis of the information contained in the prospectus, which can be found at [octopusinvestments.com/titan](http://octopusinvestments.com/titan). You can also request a copy by calling **0800 316 2295** or emailing us at [info@octopusinvestments.com](mailto:info@octopusinvestments.com).
- Please make sure you answer all the questions marked with an '\*'.
- Tick the boxes that apply, like this:
- Leave boxes blank where they don't apply to you.

### What happens next?

- We will send you an acknowledgement that we have received your application, and your funds will be invested as quickly as possible.
- Once your funds have been invested we will send regular performance updates, to you or your elected nominee if you invested through one.

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

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

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

You have enclosed the necessary verification of identity documentation which must be certified by a regulated individual (eg financial adviser, solicitor or accountant):

- an Identity Verification Certificate **or** one each of the following;
- a certified copy of identification (your passport or driving licence) **plus**;
- a certified copy of proof of address (driving licence, bank statement or recent utility bill (not mobile phone))

The original signature should be on each page of the document (not a photocopy).

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

Or, if you are paying via CHAPS/BACS, please send us your completed application form before transferring your investment to the following account making sure that you **reference the payment with your name**:

Account name:	Octopus Titan VCT – Applications	Bank:	HSBC
Sort code:	40-03-28	Branch:	Holborn
Account number:	82603330		

**Payments need to come from your personal account (we do not accept payments from business accounts).**

You've signed and dated where indicated in Section 6.

### **Return your completed form and documents to:**

Octopus Investments Limited  
PO Box 10847  
Chelmsford  
CM99 2BU

### **Got a question?**



Please speak to your adviser or call the Octopus team on **0800 316 2295**



Email: [info@octopusinvestments.com](mailto:info@octopusinvestments.com)

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

Before completing this Offer Application Form you should read the prospectus dated 16 September 2014 which includes the Terms and Conditions of the Offer. The Offer will close at 12 noon on 1 September 2015 unless it is fully subscribed prior to that date or closed earlier.

CAM01057-01-VCT0914

## Section 1 – Your details

* Title (Mr/Mrs/Miss/Ms/Other)		
* First name(s)		
* Last name		
* Are you an existing investor in any of the Octopus VCTs?	Yes	No
* Date of birth (dd/mm/yyyy)		
* National Insurance number		
* Telephone numbers		
* Address		
	Postcode	<input type="text"/>
* Email		
* Do you want to receive paper or electronic investment reports?	Paper	Email
* Would you like to be updated on future investment opportunities? (Tick one box only)	Yes	No

## Section 2 – Subscription details

* How much are you investing?	The minimum investment per applicant is £5,000. There is no maximum investment, however tax relief is only available on a maximum £200,000 in each tax year.	
	2014/15	2015/16
* Cheque/banker's draft, or bank transfer? (Tick one box only)	<p>Cheque/banker's draft</p> <p>Please enclose a cheque from your personal account, made payable to 'Octopus Titan VCT – Applications'. We do not accept cheques from business accounts or third parties (including your spouse). Banker's drafts and building society cheques must specifically mention the investor's name.</p>	<p>Bank transfer</p> <p>Please transfer your funds to the following account after first sending in your completed application form, making sure that you <b>reference the payment with your surname and initials:</b></p> <p>Account name: <u>Octopus Titan VCT – Applications</u></p> <p>Sort code: <u>40-03-28</u> Bank: <u>HSBC</u></p> <p>Account number: <u>82603330</u> Branch: <u>Holborn</u></p> <p>Payments need to come from your personal account. We do not accept payments from business accounts.</p>



### Section 3 – Dividend reinvestment or payment

**\* Dividend reinvestment or payment?**

(You must select one of the two options)

Any dividends paid by the VCT can be reinvested in additional VCT shares, or received as cash payments into your bank account or by cheque. Please select your preferred option. If you select the dividend payment option please complete the bank details section as well.

Reinvest dividends

Pay out dividends

By completing this section you confirm that you've read and understood the terms and conditions of the Dividend Reinvestment Scheme as set out in Annex I of the prospectus or in the circular.

Please give us details of the bank account you would like future dividends to be paid into (bank account must be in your name)

Account Holder Name

Account number

Sort code

Please note that this instruction overrides any previous dividend instructions you have given.

### Section 4 – Adviser/intermediary payment

**\* What type of investment is this?**

(Complete one section only)

The Octopus initial charges are outlined on pages 18 and 19 and the Octopus yearly management fee on page 12 of the prospectus. The VCT can also facilitate payments to your financial adviser/intermediary. Please read the following text and then complete either 4.1 or 4.2 or 4.3 or 4.4. Failure to complete this section correctly could result in delays to your investment. If you have any questions please call us on 0800 316 2295.

- If you are submitting this application yourself with no adviser or intermediary, please complete **section 4.1**.
- If you have received financial advice for this investment and have agreed with your adviser to pay ongoing charges, please complete **section 4.2**.
- If you have received financial advice for this investment and have agreed with your adviser to pay no ongoing charges, please complete **section 4.3**.
- If you have used an intermediary but you have not received financial advice, please complete **section 4.4**. Any commission due will be paid by Octopus.

4.1

**This is a direct investment**

If an application is made directly then the total initial fee paid to Octopus is 5.5% with a total annual fee of 2.5%. If you have any questions on this, please call us on 0800 316 2295.

4.2

**This is an advised investment with an initial adviser charge and an ongoing adviser charge**

Please indicate the level of initial adviser charge and/or ongoing charges you have agreed with your adviser. If you have agreed that Octopus will facilitate no charges to your adviser then please insert 'nil' in the 'To my adviser' box and insert the full remaining amount in the box titled 'To me as additional shares'.

To my adviser

To me as additional shares

Initial: + = 2.5%

Ongoing: + = 0.5%

4.3

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

Please indicate the level of initial adviser charge you have agreed with your adviser. If you have agreed that Octopus will facilitate no charge to your adviser then please insert 'nil' in the 'To my adviser' box and insert the full remaining amount in the box titled 'To me as additional shares'.

To my adviser

To me as additional shares

Initial: + = 4.5%

4.4

**This is a non-advised investment through an intermediary**

Initial Commission

Ongoing Commission

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

## Section 5 – Adviser/intermediary details (to be completed by your adviser/intermediary)

Company	
Title (Mr/Mrs/Miss/Ms/Other)	
First name(s)	
Last name	
Telephone	
Address	
	Postcode
Email	
FCA number	
Are you part of a network/service provider?	No Yes – please give us the network/service provider name
Special instructions	

## Section 6 – Declaration

* Investor declaration	<b>By Signing this form I HEREBY DECLARE THAT:</b> 1. My decision to invest has been made on the basis of the information contained in the prospectus. 2. I have provided accurate information, to the best of my knowledge. 3. I consent to Octopus facilitating my adviser's fees and charges as set out in Section 4.
* Investor name	
* Investor signature	
* Date signed (dd/mm/yyyy)	