

Octopus AIM VCTs Prospectus

Offers for Subscription by Octopus AIM VCT plc
and Octopus AIM VCT 2 plc for the tax years
2019/2020 and 2020/2021 to raise up to £20
million by way of an issue of New Shares.

29 November 2019



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

This document, which comprises a prospectus relating to Octopus AIM VCT plc (“Octopus AIM”) and Octopus AIM VCT 2 plc (“Octopus AIM 2”) (Octopus AIM and Octopus AIM 2 together the “Companies”) dated 29 November 2019, has been prepared in accordance with the Prospectus Regulations Rules Instrument 2019 made under Part VI of FSMA, and has been approved for publication by the Financial Conduct Authority as a prospectus under article 20 of the Prospectus Regulation.

The contents of this document and the information incorporated herein by reference should not be construed as legal, business or tax advice. Neither the Companies nor any of the Directors or representatives are making any representation to any offeree or purchaser or acquirer of the New Shares regarding the legality of an investment in the New Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

Your attention is drawn to the risk factors set out on pages 12 and 13 of this document. Prospective investors should read the whole text of this document and should be aware that an investment in the Companies involves a high degree of risk and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. All statements regarding the Companies' business, financial position and prospects should be viewed in light of such risk factors.

The Companies and the Directors, whose names appear on pages 21 to 22 of this document, accept responsibility for the information contained herein. To the best of the knowledge of the Companies and the Directors, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Companies are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Subject to FSMA, the Prospectus Regulation Rules and applicable laws, the delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Companies since the date of this document or that the information in this document is correct as at any time after this date.

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

Octopus AIM VCT plc
(registered number 3477519)

Octopus AIM VCT 2 plc
(registered number 5528235)

Prospectus relating to:

offers for subscription by Octopus AIM VCT plc and Octopus AIM VCT 2 plc of New Shares to raise up to a maximum of £20 million, payable in full in cash on application*

Sponsor
Howard Kennedy Corporate Services LLP

The ordinary shares of the Companies in issue at the date of this document are listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities. Application has been made to

the FCA 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 with the existing Shares.

This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any New Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The Offers are not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or in any other jurisdiction where to do so would be unlawful.

*If the Offer is oversubscribed it may be increased by a further £10 million at the discretion of the Boards.

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Summary

Introduction and Warnings

Name and ISIN of Securities	Ordinary Shares of 1p pence each in the capital of Octopus AIM VCT plc (ISIN: GB0034202076) and ordinary shares of 0.01p pence each in the capital of Octopus AIM VCT 2 plc (ISIN: GB00B0JQZZ80).
Identity and Contact Details of Issuer	Octopus AIM VCT plc ("Octopus AIM") was incorporated and registered in England and Wales on 8 December 1997 as a public company limited by shares under the Companies Act 1985 with registered number 03477519 (LEI: 213800C5JHJUQLAFP619). Octopus AIM VCT 2 plc ("Octopus AIM 2") was incorporated and registered in England and Wales on 4 August 2005 as a public company limited by shares under the Companies Act 1985 with registered number 05528235 (LEI: 213800BW27BKJCI35L17) ("Octopus AIM" and "Octopus AIM 2 together the "Companies"). The registered office of the Companies is at 33 Holborn, London EC1N 2HT and they can be contacted at www.octopusinvestments.com or by telephone on 0800 316 2295.
Competent Authority approving the Prospectus	The Financial Conduct Authority, 12 Endeavour Square, London EC20 1JN, telephone 020 7066 1000.
Date of Approval of the Prospectus	29 November 2019.
Warnings	<p>(a) This summary should be read as an introduction to the Prospectus.</p> <p>(b) Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the Investor.</p> <p>(c) An Investor could lose all or part of their invested capital.</p> <p>(d) Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>(e) Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the New Shares.</p>

Key Information on the Issuer

Who is the Issuer of the Securities?	
Domicile and legal form	<p>Octopus AIM is domiciled in England and was incorporated and registered in England and Wales on 8 December 1997 as a public company limited by shares under the Companies Act 1985 with registered number 03477519 (LEI: 213800C5JHJUQLAFP619).</p> <p>Octopus AIM 2 is domiciled in England and was incorporated and registered in England and Wales on 4 August 2005 as a public company limited by shares under the Companies Act 1985 with registered number 05528235 (LEI: 213800BW27BKJCI35L17).</p> <p>The principal legislation under which the Companies operate is the Companies Act 2006 and the regulations made thereunder.</p>
Principal Activities	The Companies invest in a broad range of AIM or NEX Exchange traded companies across a range of sectors which have the potential to grow and enhance their value.
Major Shareholders	The Companies are not aware of any person or persons who have, or who following the Offers will, or could have, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Companies or who can, or could following the Offers, directly or indirectly exercise control over the Companies. There are no different voting rights for any of the Companies' shareholders.

Directors	<p>The Directors of Octopus AIM (all of whom are non-executive) are:</p> <p>Roger Smith (Chairman) Stephen Hazell-Smith Joanne Parfrey Neal Ransome</p> <p>The Directors of Octopus AIM 2 (all of whom are non-executive) are:</p> <p>Keith Mullins (Chairman) Elizabeth Kennedy Andrew Raynor Alastair Ritchie</p>																																								
Statutory Auditors	The statutory auditor of the Companies is BDO LLP, 55 Baker Street, London W1U 7EU.																																								
What is the key financial information regarding the issuer?	<p>Octopus AIM</p> <table border="1" data-bbox="288 790 1350 1615"> <thead> <tr> <th></th> <th>Audited Financial Results for the Year Ended 28 February 2019</th> <th>Unaudited Financial Results for the 6 months ended 31 August 2018</th> <th>Unaudited Financial Results for the 6 months ended 31 August 2019</th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td>122,504</td> <td>134,748</td> <td>118,961</td> </tr> <tr> <td>Net asset value per Share (p)</td> <td>101.0</td> <td>123.9</td> <td>98.9</td> </tr> <tr> <td>Revenue return after expenses and taxation (£'000)</td> <td>(325)</td> <td>(103)</td> <td>(181)</td> </tr> <tr> <td>Dividend per Share (p)</td> <td>5.5</td> <td>3</td> <td>3</td> </tr> <tr> <td>Expenses (£'000)</td> <td>2,754</td> <td>1,297</td> <td>1,270</td> </tr> <tr> <td>As a percentage of average Shareholders' funds</td> <td>2.2%</td> <td>1.0%</td> <td>1.0%</td> </tr> <tr> <td>Net asset value return/ (loss) (p)</td> <td>(11.5)</td> <td>13.3</td> <td>0.9</td> </tr> </tbody> </table> <p>Octopus AIM 2</p> <table border="1" data-bbox="288 1704 1350 2011"> <thead> <tr> <th></th> <th>Audited Financial Results for the Year Ended 30 November 2018</th> <th>Unaudited Financial Results for the 6 months ended 31 May 2018</th> <th>Unaudited Financial Results for the 6 months ended 31 May 2019</th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td>90,630</td> <td>90,480</td> <td>86,841</td> </tr> </tbody> </table>		Audited Financial Results for the Year Ended 28 February 2019	Unaudited Financial Results for the 6 months ended 31 August 2018	Unaudited Financial Results for the 6 months ended 31 August 2019	Net assets (£'000)	122,504	134,748	118,961	Net asset value per Share (p)	101.0	123.9	98.9	Revenue return after expenses and taxation (£'000)	(325)	(103)	(181)	Dividend per Share (p)	5.5	3	3	Expenses (£'000)	2,754	1,297	1,270	As a percentage of average Shareholders' funds	2.2%	1.0%	1.0%	Net asset value return/ (loss) (p)	(11.5)	13.3	0.9		Audited Financial Results for the Year Ended 30 November 2018	Unaudited Financial Results for the 6 months ended 31 May 2018	Unaudited Financial Results for the 6 months ended 31 May 2019	Net assets (£'000)	90,630	90,480	86,841
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Net asset value per Share (p)	80.8	91.0	78.6
Revenue return after expenses and taxation (£'000)	(312)	(155)	(222)
Dividend per Share (p)	4.2	2.1	2.1
Expenses (£'000)	1,915	925	952
As a percentage of average shareholders' funds	2.2%	1.0%	1.1%
Net asset value return/ (loss) (p)	(3.2)	6.0	(0.2)

<p>What are the key risks that are specific to the issuer?</p>	<p>Set out below is a summary of the most material risk factors specific to the Companies</p> <ul style="list-style-type: none"> The Companies' investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Companies. These factors may affect the performance of the Companies. Investment in AIM-traded, NEX Exchange traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. Whilst it is the Companies' intention that they will continue to be managed so as to qualify as VCTs, there can be no guarantee that such status will be maintained. If the Companies cease to qualify as venture capital trusts, venture capital trust tax benefits will not be available to Shareholders. If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. Tax relief on subscriptions for Shares is also restricted if, within 6 months of subscription, whether before or after the subscription, the investor also disposes of Shares in the same Company. The Companies will only pay dividends on their Shares to the extent that they have distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the Companies' investments may adversely affect the dividends payable to Shareholders. The Finance Act 2014 amended the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from capital within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Companies to fund dividends and share buybacks. The VCT rules include a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for knowledge intensive companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for Knowledge Intensive Companies). Companies receiving VCT funds are not permitted to use those funds to acquire shares, businesses or certain intangible assets. The Finance Act 2018 introduced
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	<p>a new "risk-to-capital" condition for Qualifying Investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk. The Companies may not make any prohibited non-qualifying investments, including those which breach the "risk-to-capital" condition, and the potential penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors. These changes may mean that there are fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. Violation of any of these conditions could result in the loss of VCT status by the Companies.</p>
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Key Information on the Securities

What are the main features of the securities?	
Type, class and ISIN of securities	Octopus AIM will issue new ordinary shares of 1 pence each under the Offers (ISIN: GB00B28V9347) and Octopus AIM 2 will issue new ordinary shares of 0.01 pence each under the Offers (ISIN: GB00B0JQZZ80) ("Shares").
Currency, par value and number to be issued	The currency of the Shares is Sterling. The Shares to be issued by Octopus AIM are ordinary shares of 1 pence each and the Shares to be issued by Octopus AIM 2 are ordinary shares of 0.01 pence each. The Companies will issue up to £20 million of Shares with an over-allotment facility for up to a further £10 million of Shares.
Rights attaching to the securities	<p>As Regards Income: The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p>As Regards Capital: On a return of capital on a winding up or on a return of capital (other than on a purchase by the Companies of their own shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p>As Regards Voting and General Meetings: Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p> <p>As Regards Redemption: The Shares are not redeemable.</p>
Seniority of securities	The Shares that are the subject of the Offers shall rank equally with the existing Shares in the event of an insolvency of the Companies.
Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares.
Dividend policy	<p>Generally, a VCT must distribute by way of dividends, such amount as to ensure that it retains not more than 15% of its income from shares and securities.</p> <p>Octopus AIM intends to pay dividends to Shareholders and currently has a policy of paying a minimum dividend of 5p per year or a 5% yield based on share price, whichever is greater at the time.</p> <p>Octopus AIM 2 intends to pay dividends to Shareholders and currently has a policy of paying a minimum dividend of 3.6p per year or a 5% yield based on share price, whichever is greater at the time.</p> <p>The payment of dividends will result in a reduction in the net asset values of the Companies.</p>
Where will the securities be	Applications have been made to the FCA for the Shares issued pursuant to the Offers to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the Shares issued pursuant to the Offers to be

traded?	admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that each such admission will become effective, and that dealings in those Shares will commence, within ten business days of their allotment.
What are the key risks that are specific to the securities?	<p>Set out below is a summary of the most material risk factors specific to the Shares</p> <ul style="list-style-type: none"> • The value of Shares can fluctuate and investors may not get back the amount they invested. Shareholders could lose part or all of their investment. • There is no certainty that the market price of Shares will fully reflect their underlying net asset value ("NAV") or that any dividends will be paid, nor should Shareholders rely upon any share buyback policy to offer any certainty of selling their Shares at prices that reflect their underlying NAV. • Although the existing Shares have been (and it is anticipated that the Shares to be issued under the Offers 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.

Key Information on the Offer of Securities to the Public and/or Admission to Trading on a Regulated Market

Under which conditions and timetable can I invest in this security?	<p>Details of the Offer and Admission to Trading</p> <p>Up to £20 million of Shares are being made available under the Offers, with an over-allotment facility for up to a further £10 million of Shares. The Shares are payable by an applicant in full upon application. The Offers will close on 28 November 2020 or earlier if fully subscribed. The directors of the Companies reserve the right to close the Offers earlier and to accept applications and issue Shares at any time following the receipt of valid applications. Applications have been made to the FCA for the Shares issued pursuant to the Offers to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the Shares issued pursuant to the Offers to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the Shares within 10 business days of their allotment.</p> <p>Pricing of the Offers</p> <p>The price per Share under the Offers ("Offer Price") will be determined by the following formula:</p> <ul style="list-style-type: none"> • the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945 <p>The Companies announce their NAV on a weekly basis. Where the share prices for the Companies have been declared ex-dividend on the London Stock Exchange, the NAV used for determining the Offer Price will be ex-dividend. In respect of the Offers, the NAV per Share will be rounded up to one decimal place and the number of Shares to be issued will be rounded down to the nearest whole number (fractions of Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants without interest, except where the amount is less than the Offer Price of one Share, in which case it will be donated to a charity approved by the Boards</p> <p>The Offers for each Company are conditional upon the passing of Resolutions 1 and 3 at that Company's General Meeting.</p> <p>Costs of the Offers</p> <p>The initial costs of the Offers (including intermediary commission) are capped at 5.5% of gross proceeds of the Offers.</p> <p>Expenses Charged to Investors</p> <p>In consideration for promoting the Offers, the Companies will pay an initial charge of 3% of the gross sum invested in the Offers to Octopus Investment Limited, the Companies' investment manager ("Octopus"). This is payable in the same way on all subscriptions to the Offers. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offers. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:</p> <p>1) A direct investment</p> <p>Investors who have not invested their money through a financial intermediary/adviser and have invested directly into the Companies.</p> <p>In consideration for promoting the Offers, if an application is made directly (not through an intermediary/adviser) then the</p>
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Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to that investor for up to nine years, provided the investor continues to hold the Shares. The cost of this ongoing charge will not result in a higher fee to investors since Octopus will reduce its annual management fee accordingly.

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

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

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

The Companies can also facilitate payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to that investor for up to nine years, provided that the investor continues to be the beneficial owner of the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional Shares for the investor, at the then most recently announced NAV per Share rounded down to the nearest whole share. Any residual amount less than the cost of a Share will be donated to a charity approved by the relevant Board. The cost of ongoing adviser charges will not result in a higher fee to investors since Octopus will reduce its annual management fee accordingly.

If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Companies will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.

3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge

Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice with no ongoing adviser charge, including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, the Companies can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Companies will not facilitate ongoing annual payments. To ensure that the Companies are not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to that investor will be deemed to have been paid by the Companies for a period of nine years. Octopus will subsequently reduce its annual management charge by the amount of this notional ongoing adviser charge to ensure that the Companies are not financially disadvantaged.

In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.

4) A non-advised investment using an intermediary

Investors who have invested their money through a financial intermediary and have not received advice.

An initial charge of 2.5% of the investment will be paid by the Companies to such an intermediary. An ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to that investor will be paid by Octopus to the intermediary for up to nine years provided that the investor continues to be the beneficial owner of the Shares (and in the case of an intermediary the intermediary continues to act for the investor). Since Octopus pays the cost of this ongoing charge, this will not result in a higher fee to investors.

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

The reinvestment arrangements relating to ongoing adviser charges which are described in section 2 above will only operate for as long as an investor remains the holder of the Shares. Any subsequent 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 nor will Octopus facilitate any adviser charges. This, therefore, means that any subsequent purchaser of Shares will not benefit from

	<p>the issue or allotment of any additional Shares under the arrangements set out above.</p> <p>Any additional Shares which are issued under the arrangements described above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Companies do not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Companies is simply to facilitate such payments to the extent permitted by applicable rules and regulations.</p> <p>Loyalty Discount</p> <p>Investors who are existing, or who were previously, shareholders of any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus, will benefit from the costs of the Offers being reduced by 1.0%. Applicants will receive these reductions in the form of additional Shares, which will be paid for by Octopus and issued at the most recently announced NAV per Share, divided by 0.945 as described above.</p> <p>Dilution</p> <p>The existing issued Octopus AIM Shares will represent 87.6% of the enlarged ordinary share capital of Octopus AIM immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM of 106.3p, and on that basis Octopus AIM shareholders who do not subscribe under the Offers will, therefore, be diluted by 12.4%.</p> <p>The existing issued Octopus AIM 2 Shares will represent 87.5% of the enlarged ordinary share capital of Octopus AIM 2 immediately following the Offers, assuming the Offers are fully subscribed in both Companies, including the over-allotment facility, with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM 2 of 75.7p, and on that basis Octopus AIM 2 shareholders who do not subscribe under the Offers will, therefore, be diluted by 12.5%.</p>
<p>Why is this prospectus being produced?</p>	<p>The raising of further funds by way of the Offers is intended to:</p> <ul style="list-style-type: none"> • provide existing and new investors with the opportunity to invest into smaller companies in a tax efficient manner, through an experienced investment management team; • provide existing investments with additional capital in pursuit of their growth objectives; • provide additional funds for new investments into qualifying companies so that the portfolios can potentially be diversified; and • provide the Companies with additional funds for their working capital purposes, not least in support of their buyback policies, which sustain the secondary market in the shares, and to provide a larger capital base over which to spread the fixed costs of the Companies. <p>The net proceeds of the Offers, assuming a £30 million subscription (with the over-allotment facility fully utilised) and the maximum initial charge, will be £28.35 million.</p> <p>The Offers are not subject to an underwriting agreement.</p> <p>No conflict of interest is material to the Offers.</p>

RISK FACTORS

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

Risk factors relating to the Companies

The past performance of the Companies and/or Octopus and/or any other Octopus managed funds is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and the interest income and dividends they generate, may fall and there is no certainty as to any level of returns which may be received by Shareholders.

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

The value of a venture capital trust depends on the performance of the underlying assets. 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. Venture capital trusts invest in companies which may not produce the expected returns and investors could get back less than they invested. The value of the investment can rise and fall.

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

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

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

The tax rules, or their interpretation, in relation to an investment in the Companies and/or the rates of tax may change during the life of the Companies and may apply retrospectively, which may adversely affect the performance of the Companies. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Shareholders.

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

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

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

amount of distributable reserves available to the Company to fund dividends and share buybacks.

The VCT rules include a maximum age limit for investments (generally 7 years from first commercial sale, or 10 years for Knowledge Intensive Companies), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for Knowledge Intensive Companies). Companies receiving VCT funds are not permitted to use those funds to acquire shares, businesses or certain intangible assets. The Finance Act 2018 introduced a new "risk-to-capital" condition for Qualifying Investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk. The Companies may not make any prohibited non-qualifying investments, including those which breach the "risk-to-capital" condition, and the potential penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors. These changes may mean that there are fewer opportunities for investment and that the Companies may not be able to provide further investment funds for companies already in their portfolios. HMRC have stated that VCT status will not be withdrawn where an investment is ultimately found to be non-qualifying if the breach was outside the control of the VCT and if reasonable steps have been taken to ensure an investment is qualifying. However, HMRC may require rectification of the breach, which may mean the VCT is forced to dispose of the investment at a loss.

On 29 March 2017, the UK gave notice to the EU under Article 50(2) of the Treaty on European Union of its intention to withdraw from the European Union, commonly referred to as "Brexit". The British government is now negotiating the terms of the UK's future relationship with the European Union. Although it is unknown what terms will emerge from the same or whether there will be increased regulatory control between the UK and EU countries, the emerging terms may adversely affect the Company's business model, business operations, or financial results or have an impact on sales demand, material and labour costs and availability and cost of finance for an underlying investee company.

The Offers for each Company are conditional on the approval by Shareholders of Resolutions 1 and 3 to be proposed at that Company's General Meeting. If these Resolutions are not approved, the Offers will be withdrawn and the expected benefits of the Offers will not be realised and the Companies will be responsible for the costs of the Offers.

Risk factors relating to the Shares

The value of Shares can go down as well as up. Shareholders' capital is at risk and they may not get back the full amount invested. The value of the Shares could decline due to any of the risk factors described above and Shareholders could lose part or all of their investment.

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

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

Tax relief on subscriptions for shares in a VCT is restricted where an investor has disposed of shares in that VCT (or in a VCT which at any time merges with that VCT) within six months (before or after) that subscription and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription and sale that the VCTs were intending to merge. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offers at risk.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS RELATING TO THE OFFERS

Expected Timetable

Launch date of the Offers	29 November 2019
First allotment under the Offers	On or before 5 April 2020
Deadline for receipt of applications for final allotment in 2019/20 tax year	12.00pm on 4 April 2020
Subsequent allotments under the Offers	At regular intervals thereafter
Deadline for receipt of applications for final allotment in 2020/21 tax year	12.00pm on 28 November 2020
Closing date of Offers	28 November 2020

- The Boards reserve the right to close the Offers and to accept Applications and issue New Shares at any time prior to 28 November 2020. The Offers will close earlier if fully subscribed.
- The results of the Offers will be announced to the London Stock Exchange through a Regulatory Information Service.
- Dealing is expected to commence in New Shares within ten business days of allotments and share and tax certificates are expected to be dispatched within fourteen business days of allotments.

Statistics

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

* The costs of the Offers (including intermediary commission) are capped at 5.5% of gross proceeds. Octopus has agreed to indemnify the Companies against the costs of the Offers in excess of this amount. The costs of the Offers are subject to adjustment in relation to applications from investors who are existing, or who were previously, shareholders in any Octopus VCT, as referred to on page 11.

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

*** To be paid or met by Octopus through a reduction in its annual management fee.

LETTER FROM THE CHAIRMEN OF THE COMPANIES

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

29 November 2019

Dear investor,

Since Octopus AIM and Octopus AIM 2 launched in 1997 and 2005 respectively, they have grown to net assets of £117 million and £75 million as at 31 October 2019. Combined, they represent one of the largest VCT offerings in the market. The Companies are currently supporting 79 companies on AIM, which in turn are helping to foster growth across the UK and increase the number of jobs.

We would like to thank Shareholders for their continued support and welcome new Shareholders who helped us raise around £30 million across the two Companies during last year's combined fundraising, which reached capacity in 8 weeks from launch.

The Offers

The Companies are seeking to raise £20 million under the combined Offers, with an over-allotment facility of a further £10 million, subject to demand and at the Boards' discretion. The Offers are intended for investors looking to benefit from the growth potential of AIM companies, with the potential to generate tax-free capital growth and dividends from a mature portfolio of around 79 companies. Investors should remember that the value of investments, and any income from them, can fall as well as rise.

The Offers for each Company are conditional upon the passing by the Shareholders of Resolutions 1 and 3 to be proposed at that Company's General Meeting. For further details please refer to the Circular.

Background to the Companies

Octopus AIM and Octopus AIM 2 were set up in December 1997 and August 2005 respectively. They invest predominantly in AIM companies in order to provide growth capital for small UK companies and income and long-term capital growth on a tax-free basis for investors. The Companies have retained their separate identities and have both been managed by the Octopus Smaller Companies Team since 1 August 2008. New Qualifying Investments are usually made by the Companies in proportion to the relative sizes of the two Companies, depending on the availability of funding and the application of VCT rules and other relevant considerations. This has been the case since 2010 and, as a result, the two portfolios have become increasingly similar over time. Shareholders in both Companies have been able to benefit from the maturity of the portfolios, and as at 31 October 2019 over 75% of the portfolios was invested in profitable companies, with 52% invested in companies paying dividends to the Companies.

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

Portfolio activity

We have continued to see strong growth in the underlying portfolio companies, with profits being taken from several holdings over the course of the last year from both Qualifying Investments and non-Qualifying Investments. As at 31 October 2019 Octopus AIM and Octopus AIM 2 currently have only 2.8% and 3.3% respectively of their net assets (excluding current assets held for liquidity) invested in companies which are not on a public market. We elected to pay out a proportion of the proceeds in dividends and were delighted to offer Shareholders the first special dividend since 2015 of 3.5p (6p including the regular dividend of 2.5p) and 3.9p (6p including the regular dividend of 2.1p) for Octopus

AIM and Octopus AIM 2 respectively, payable to the Octopus AIM Shareholders on 17 January 2020 and which was paid to the Octopus AIM 2 Shareholders on 7 November 2019.

In the twelve months to 31 October 2019 the Companies have completed 10 investments totalling £13.9 million of investments into Qualifying Companies. These span from Sosandar (niche online British fashion brand, offering affordable styles) and Cloudcall (Cloud-based telephony analytics), to Trackwise (specialist products using printed circuit technology) and Ixico (helping biopharma clients with data analytics). The Manager believes that Brexit has meant that the number of new companies coming to AIM has been subdued versus previous years and that that this contributed to companies delaying their plans until there is more certainty. While this is the case, the Manager continues to see opportunities within the market including some at attractive valuations given the current market backdrop and macroeconomic trends.

The investment case for AIM

AIM is one of the world's most successful markets for fast growing, innovative and ambitious companies that require capital to reach their full potential. When the London Stock Exchange launched AIM in 1995, it contained just 10 companies with a combined market value of £82.2 million¹. Over 870 companies are now listed on AIM with a combined market value exceeding £96 billion and its companies trade in more than 80 countries and operate across 40 different sectors¹. Companies on AIM now collectively employ almost 390,000 people, an increase of 76% over the last five years².

As well as being a good place for smaller companies to gain access to funding to help them grow, AIM remains one of the best places for growing businesses to become listed public companies. It's also worth noting that over the years, AIM companies have made a significant contribution to the UK economy in terms of job creation, tax revenue and gross domestic product growth. What is often overlooked within AIM is the diversity of companies and sectors that exist on the market, particularly its exposure to software, technology and healthcare. Research has shown that, over time, smaller companies can significantly outperform larger companies in terms of shareholder returns³. It is however worth noting that investments in smaller companies can fall or rise in value more sharply than shares in larger, more established companies, something that has been apparent in the more volatile market conditions that we have seen in the past year.

Accessing AIM through a VCT

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

Both Companies have a proven longer term track record as investment vehicles in the AIM VCT sector. The portfolios are established and already meet VCT qualifying requirements. Each currently has a spread of around 79 holdings, ranging from established investments in profitable and dividend-paying companies, many of which have matured during the period of each Company's investment, to more recent, earlier stage investments, which are expected by Octopus to start to contribute to performance in the future. But most importantly, we continue to hold these companies for as long as we believe they have the potential to continue growing.

As at 30 October 2019 each Company had approximately 45% of its assets invested in its top 20 equity holdings, all but one of which are expected, by Octopus, to make a profit in their current financial year.

Tax benefits

VCTs are Government approved investment vehicles designed to encourage investors to support smaller, higher-risk companies. Qualifying investors are entitled to claim a number of tax incentives on investments up to £200,000 each year. These include income tax relief on the cost of the investment as well as tax-free dividends and capital gains. See Part Two of the Prospectus for more details.

The Octopus Quoted Smaller Companies Team

The Companies are managed by the Octopus Quoted Smaller Companies Team, which includes some of the most experienced AIM-focused fund managers in the market. Every year, the team conducts more than 650 face-to-face meetings with AIM companies and collectively the team has over 100 years' worth of investment experience.

They look to support management teams with the potential to build a bigger business. As well as analysing company financial reports, the team uses market forecasts to assess the growth potential of companies and their competitors. When making investments the team maintains a proven, disciplined investment approach, looking for companies that exhibit the following traits:

- Strong management team
- Healthy balance sheet (to prove they can execute their growth plans)
- Niche product or market with growth potential
- Clear potential for profitability

Why Invest now?

The Manager believes that over the long-term smaller companies tend to outperform their larger counterparts and can grow their earnings quicker by taking market share, innovating and growing their customer base. This is reflected in a significant outperformance of active small cap managers over active large cap managers over the last 20 years. However, the past eighteen months has been a period when this has not held true and larger companies have performed better in a climate of international trade worries, political uncertainty and Brexit. This has led to volatile share prices across the stock market with smaller companies particularly affected because of their lower liquidity. As a consequence smaller companies currently trade at lower valuations than larger companies in a reversal of the longer term trend.

In 2019 the number of new issues on AIM is down, affected by the current market backdrop. However, companies are still coming to capital markets looking for the funds to scale their business to the next level. Having raised over £3 billion in the year to 31 October 2019, AIM remains open to supporting companies with further capital for growth and development. The Manager believes that the area is relatively under-researched and inefficient, making it possible for active managers, less concerned about the short-term swings in sentiment, to discover good value for the benefit of longer-term investors. Against this background the Manager expects to be able to make new investments at favourable valuations.

We look forward to welcoming new Shareholders through this Offer, and we would like to thank all our existing Shareholders for their continuing support of the UK's small businesses. As a benefit existing Shareholders (and shareholders of any Octopus VCT) will benefit from the costs of the Offers being reduced by 1.0% as a loyalty discount throughout the fundraise.

Yours sincerely

Roger Smith
Chairman
Octopus AIM VCT plc

Keith Mullins
Chairman
Octopus AIM VCT 2 plc

¹*London Stock Exchange, AIM Statistics, October 2019*

²*<https://www.bdo.co.uk/en-gb/news/2019/aiming-high-as-jobs-jump-76-over-five-years>*

³*Lipper, Octopus Investments Limited*

PART ONE: KEY FEATURES

Introduction to the Offers

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Introduction to the Offers

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £731 million was invested in VCTs in the 2018/2019 tax year, the second highest amount since VCTs' inception.

An investment under the Offers will provide individuals with exposure to a diversified portfolio of AIM-listed smaller companies with the aim of generating returns over the medium to long-term. Each of the Companies will invest in accordance with its investment policy, as set out below. The Companies are seeking to raise, in aggregate, up to £20 million under the Offers with an over-allotment facility of up to a further £10 million, in aggregate. New investors have the option of buying Shares in one or both of the Companies and can split their investment 60%/40% between Octopus AIM and Octopus AIM 2, or place 100% of their investment into either Company.

As the Companies pay dividends at different times of the year, investing in both Companies offers the potential for investors to receive four dividend payments per year. The minimum investment is £5,000. There is no maximum investment but potential investors should be aware that VCT tax relief is only available on a maximum investment of £200,000 in each tax year. Multiple Applications are permitted.

The Offers for each Company are conditional upon Resolutions 1 and 3 being passed at that Company's General Meeting. The Offers will remain open until 12 noon on 28 November 2020, unless fully subscribed at an earlier date or closed earlier at the discretion of the Boards.

Terms of the Offers

The full terms and conditions applicable to the Offers are set out on pages 69 to 74.

Use of funds

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

Intermediary Charges

Details are set out in the Terms and Conditions of the Offers on pages 69 to 74.

Investment Policy

The investment policy of Octopus AIM is as follows:

The Company's investment policy has been designed and updated to ensure continued compliance with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 85% in a portfolio of qualifying AIM, NEX Exchange traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 15% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. In order to qualify as an investment in a qualifying VCT holding, the Company's holdings in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

However, Shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result, it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's Articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account. However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on borrowings.

The investment policy of Octopus AIM 2 is as follows:

The Company's investment policy has been designed and updated to ensure continuing compliance with the VCT qualifying conditions. The Board intends that the long term disposition of the Company's assets will be not less than 85% in a portfolio of qualifying AIM, NEX Exchange traded or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium-term objective. The non-qualifying balance (approximately 15% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. In order to qualify as an investment in a qualifying VCT holding, the Company's holding in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, Shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result, it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long term borrowings.

The Company's Articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.

No material changes may be made to the Companies' investment policies described above without the prior approval of Shareholders by the passing of an ordinary resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

Conflicts of Interest

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

Octopus aims to make sure that the interests of its customers are always looked after. Conflicts of interest are sometimes unavoidable. In the first instance, Octopus looks to prevent them, but if it can't, it will take action to manage, or mitigate, any effects. Further information on some of the main conflicts is set out below.

Investing alongside other Octopus funds

The Octopus Smaller Companies team will often invest funds from the Companies along with funds from other Octopus-managed products and sometimes even Octopus itself. In addition, funds from Octopus AIM and Octopus AIM 2 may be invested in other Octopus products.

When could conflicts of interest be harmful to investors?

Sometimes the Companies have what they believe to be a good investment opportunity, but are unable to invest as much money as they would like due to restraints such as the size of a company or the number of shares available. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully. Similarly, when investments held by a number of different investors come to be sold, the interests of all parties may not be fully aligned. Octopus has agreed policies and processes to make sure that conflicts of interests between different investor groups are managed fairly.

Managing conflicts

The goal of Octopus is to make sure the interests of its customers are always looked after. So they have a number of controls in place to manage conflicts of interest. These include:

- Octopus' investment committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed.
- In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by the Octopus' conflicts committee, responsible for ensuring conflicts are handled appropriately.
- As the Companies are publicly listed companies, they both have their own Board of Directors, who are required to act independently and represent shareholders' best interests at all times, and who are ultimately responsible for ensuring the investment objectives and policies of the Companies are carried out.

Performance History

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

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

12-month performance over 5 years

Year to 31 October	2015	2016	2017	2018	2019
Octopus AIM VCT NAV Total Return ¹	8.9%	3.7%	18.4%	-2.3%	-8.4%
Octopus AIM VCT 2 NAV Total Return ¹	8.5%	5.8%	17.4%	-1.9%	-7.4%
FTSE AIM All-Share Total Return ²	3.9%	13.1%	28.1%	-4.9%	-7.5%
FTSE All-Share Total Return ²	3.0%	12.2%	13.4%	-1.5%	6.8%
Octopus AIM VCT Dividend Yield ³	9.1% ⁴	4.9%	5.3%	4.8%	5.1%
Octopus AIM VCT 2 Dividend Yield ³	7.9% ⁴	5.4%	5.4%	4.9%	10.1% ⁴

The value of Shares can fall as well as rise. Past performance is not a reliable indicator of future results and may not be repeated. Please note, the NAV per Share may be higher than the Share price, which is the price you may get for Shares in the secondary market.

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

¹ **NAV total return:** This shows the 12-month performance, including the dividends paid out, for the last five years to 31 October 2019. This is calculated from the movement in the NAV over the period to 31 October with any dividends paid over that period added back. The revised figure is divided by the NAV at the start of that period to get the annual total return. Performance shown is net of all ongoing fees and costs.

² **FTSE AIM and All Share Total Return:** Performance is shown alongside the total returns of the FTSE AIM and FTSE All Share indices, which are indicators of activity in the broader UK equity market (source: Lipper). Note that none of these indices are used as benchmarks for the Companies.

³ **Annual dividend yield** is calculated by dividing all the dividends for the 12 months to 31 October by the share price on 31 October of the prior year. For this calculation we use the record date for each dividend, which is the cut-off date by which shareholders must be on the shareholder register to receive the dividend. Note that for Octopus AIM, in some years one of the record dates has fallen in June and in others it has fallen in July. Because the annual dividend yield is

calculated with a year-end of 31 October, some annual dividend calculations include three regular dividends for the year and others include only one.

⁴ Includes special dividends paid in the year. These figures exclude a special dividend announced by Octopus AIM VCT to be paid in January 2020.

Dividend Policy and Dividend Reinvestment Schemes

Octopus AIM intends to pay a minimum annual dividend of 5p per share or a 5% yield based on Octopus AIM's share price at the previous financial year end, whichever is greater at the time. Dividends will be paid semi-annually. It remains the intention of the Directors of Octopus AIM to continue this policy, subject to available cash and distributable reserves.

Octopus AIM 2 intends to pay a minimum annual dividend of 3.6p per share or a 5% yield based on Octopus AIM 2's share price at the previous financial year end, whichever is greater at the time. Dividends will be paid semi-annually. It remains the intention of the Directors of Octopus AIM 2 to continue this policy, subject to available cash and distributable reserves.

The Companies have each adopted a dividend reinvestment scheme (the "Dividend Reinvestment Schemes") under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares. Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Schemes should obtain the usual VCT tax advantages as set out above.

Investors under the Offer may elect to participate in the Dividend Reinvestment Schemes by completing the dividend reinvestment section of the Application Form, and should be aware that it will apply to their entire holding of New Shares and any existing Shares. Participation in the Dividend Reinvestment Schemes by a Shareholder can be cancelled at any time with written authority from the Shareholder or by calling Octopus on **0800 316 2295**.

Buyback Policy

The Boards intend to buy back Shares at up to a 5% discount to the prevailing NAV. The Boards believe this makes an investment in the Companies attractive to both current and future Shareholders. All buybacks are subject to the Companies having sufficient funds available and are at the discretion of the Boards. The discount to NAV is also inclusive of the broker fee charged by Panmure Gordon (the Companies' corporate broker) for facilitating the sale.

The Boards

Each of the Boards comprises four Directors all of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Companies. The Boards have wide experience of investment in both smaller growing companies and larger quoted companies.

OCTOPUS AIM BOARD

Roger Smith (Stanford Sloan Fellow) (Chairman)

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol plc and chairman of European Motor Holdings PLC from 1992 to 2007. He was previously the chairman of the Central Finance Board of the Methodist Church. Roger became a director of Octopus AIM in 1998 and later became Chairman in 2016.

Stephen Hazell-Smith

Stephen Hazell-Smith was the Managing Director of Close Investment Limited until September 2001, having previously founded Rutherford Asset Management in 1993. Prior to this he gained experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK equity fund. He also worked at Mercury Asset Management from 1989 to 1992 and was the chairman of PLUS Markets Group PLC from 2005 to 2010. He is a director of PfP Capital plc and Puma VCT 13 plc and chairman of Business Agent Limited. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen became a director of Octopus AIM in 1998.

Joanne Parfrey

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

Neal Ransome

Neal Ransome is a chartered accountant and was a partner at PwC from 1996 to 2013. He was Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal was formerly a director of Quercus (General Partner) Limited, a unit trust invested in healthcare properties, and Parity Group Plc, an AIM listed professional services company. He is currently non-executive Chairman of Proven VCT Plc, which invests in unquoted companies, and a non-executive director of Polar Capital Global Healthcare Trust Plc. Neal became a director of Octopus AIM in 2016 and is Chairman of the Audit Committee.

OCTOPUS AIM 2 BOARD**Keith Mullins (Chairman)**

Keith Mullins joined SG Warburg's investment management division in 1978. The division later developed into Mercury Asset Management and subsequently became Merrill Lynch Investment Managers upon its acquisition by Merrill Lynch in 1998. He therefore has many years' experience as a specialist UK equity fund manager. During this time he was responsible for establishing and managing the team specialising in small and medium-sized pension fund portfolios, and from 2000 he was head of pension fund asset allocation. He left as a managing director of Merrill Lynch Investment Managers in 2001. Keith became a Director of Octopus AIM 2 in 2005.

Elizabeth Kennedy LLB (Hons) FCIS FCSI

Elizabeth Kennedy worked for 30 years in corporate finance, principally with Brewin Dolphin Limited, specialising in IPO, secondary issue, takeover code, FCA sponsor and AIM nominated adviser work. She has been a member of the London Stock Exchange's AIM Advisory Group since 1995. She is currently a Non-Executive director of BMO Private Equity Trust plc, Sofant Technologies Limited and a consultant with Davidson Chalmers Stewart LLP, Solicitors. Elizabeth became a director of Octopus AIM 2 in 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

Andrew Raynor FCA

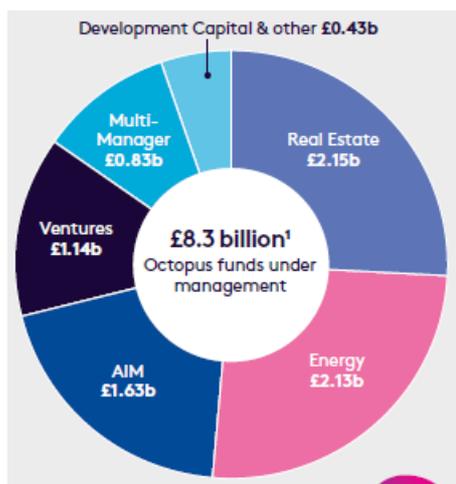
Andy retired from the position of chief executive of Shakespeare Martineau LLP in January 2019, an expanding Midlands and London law firm that he led from 2015 through a period of significant growth in turnover and profits. He currently has a portfolio of senior advisory roles and has recently been appointed a director of Zed Capital Limited, an investor dedicated to remodelling the financial structures of profitable growth companies. Previously, he has held a number of non-executive positions, predominantly in the professional services sector. He joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Following the acquisition of this business by RSM Tenon, he became finance director and, in a subsequent board reorganisation, chief executive in 2003, leading the company to win National Firm of the Year 2011 in the British Accountancy Awards. Andy resigned in January 2012. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he established the corporate finance department and held overall responsibility for business development, before becoming managing partner. Andy became a director of the Company on 14 September 2005. Further details relating to Andy's directorship of RSM Tenon are set out on page 54.

Alastair Ritchie BA

Alastair Ritchie has considerable experience in smaller businesses, both private and public, and has served as chairman of several companies, quoted on the London Stock Exchange's main market and AIM. Alastair became a director of Octopus AIM 2 in 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

The Manager

Octopus Investments Limited was launched in 2000 by three founders who wanted to create an investment company that put its customers first. Today, it has more than 750 employees and over £8.3 billion in assets under management (Source: Octopus Investments Limited, September 2019). Octopus has tens of thousands of clients and has built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. Octopus sees a strong business case for each of these sectors, whether that's investing in dynamic, entrepreneurial companies that have a positive effect on the economy and the people around them, or the long-term trend towards renewable energy as a viable alternative to fossil fuels, or providing for an ageing population in need of lifelong care.



¹ includes funds under management as well as advisory arrangement

(Source: Octopus Investments Limited, September 2019)

Octopus launched its first VCT in 2002 and is now the UK's largest VCT provider, managing over £1 billion of VCT money on behalf of over 30,000 investors (Source: Octopus Investments Limited, September 2019).

The Octopus Smaller Companies Team

The Octopus Smaller Companies team includes some of the most experienced AIM-focused fund managers in the market, totalling over 100 years of investment experience. Together, they look after more than £1.6 billion. (Source: Octopus Investments Limited, September 2019). The team makes investment decisions based on their considerable knowledge of the market and analysis of the companies themselves, including the company management track record, financial position, growth potential and long-term prospects.

Maintaining a portfolio of companies operating in diverse industries is fundamental to the team's approach to managing risk. They work extensively on AIM investments and have a strong track record of uncovering value in smaller companies. Every year, the team conducts on average over 650 face-to-face meetings with AIM companies to help identify the best investment opportunities.

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

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

Eligibility - When selecting potential portfolio companies to back the team must consider which companies will be VCT qualifying. There is an extensive range of criteria to bear in mind which HMRC regularly reviews to ensure that funds are being directed into the right kind of companies.

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

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

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

The Smaller Companies investment team at Octopus comprises:

Kate Tidbury

Kate started her City career in 1986 as an investment analyst with Sheppards and Chase and then Panmure Gordon. From 1993 she was an Investment Manager responsible for managing ethical and smaller companies funds with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000, since when she

has been involved in the management of the Companies as well as other AIM portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

Richard started his career at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments Limited to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the FP Octopus UK MicroCap Growth Fund.

Edward Griffiths

Edward is an experienced portfolio manager at Octopus Investments, involved primarily in the management of the AIM Inheritance Tax Service portfolios for private individuals. He joined Octopus in 2004 to help launch the AIM Inheritance Tax Service, having previously worked at Schroder's and State Street.

Chris McVey

Chris joined the team in December 2016. He has been a specialist within the quoted UK Smaller Company market for over 17 years. He joined Octopus from Citigroup where he was most recently a UK Small and Mid-Cap Equity research analyst focussing across a variety of sectors. Prior to this he spent almost seven years on the Smaller Companies team at Gartmore as an investment manager and analyst. Chris is a fund manager on the team, working across all the Quoted Smaller Company portfolios.

Stephen Henderson

Stephen joined Octopus in 2008. He has particular responsibility for portfolio management across the Octopus AIM Inheritance Tax Service portfolios and Octopus AIM Inheritance Tax ISA portfolios. Stephen conducts analysis across AIM and has dealing responsibilities.

Mark Symington

Mark graduated from the University of Cape Town in 2010 with a Bcom in Economics and Finance. He joined Octopus in 2012 after two years at Warwick Wealth in Cape Town, South Africa. Mark is a portfolio manager focussing predominantly on the Octopus AIM VCTs and the Eureka EIS portfolio service, and provides analytical support to the team.

Dominic Weller

Having joined Octopus Investments in 2015, Dominic is a co-manager Octopus AIM VCT plc, Octopus AIM VCT 2 plc and of the FP Octopus UK Micro Cap Growth Fund. He is responsible for qualitative and quantitative analysis. His professional background is in strategy consulting with Roland Berger and Clevis Research. Furthermore, he worked for Rocket Internet in international venture development. He holds a degree in International Management and is a Chartered Financial Analyst (CFA).

Charles Lucas

Charles joined Octopus in 2011 from LV= Asset Management, having previously worked in the Personal Pensions and SIPP space for GE Life & LV=. Charles initially joined Octopus as a member of the operations team, later working as a Project Manager for MiFID II. He has joined the Smaller Companies team as a Product Development Analyst to enhance trading capabilities & performance analytics.

Jessica Sweeney

Jessica graduated from the University of Liverpool in 2014, where she studied International Business. Starting her career at Octopus shortly after, she has worked in multiple operations functions before moving to the AIM team to assist with the management of AIM portfolios.

Management Remuneration

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

Example Investments - Embracing growth in emerging UK companies

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

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

Listed below are the ten largest investments of Octopus AIM VCT as at 31 October 2019.

Octopus AIM VCT

	Percentage of net assets ¹	Date of first investment ¹	Market cap (£m) ²	Forecast annual revenue (£m) ²	Forecast annual profit before tax (£m) ²
GB Group plc	5.57%	03/11/2011	£1,171.87	£195.44	£41.01
Learning Technologies Group plc	4.48%	13/06/2011	£713.60	£129.56	£37.47
Breedon Group plc	4.02%	26/08/2010	£1,119.11	£946.49	£99.64
Craneware plc	2.76%	11/09/2007	£634.10	£60.95	£16.74
Brooks Macdonald Group plc	2.52%	03/03/2005	£268.76	£112.52	£23.70
Ixico plc	2.43%	25/05/2018	£34.00	£7.60	£0.05
Mattioli Woods plc	2.43%	15/11/2005	£194.66	£63.83	£13.72
Ergomed plc	2.40%	09/07/2014	£152.11	£67.81	£6.93
Quixant plc	2.02%	15/05/2013	£127.18	£74.40	£9.27
Judges Scientific plc	1.88%	10/05/2012	£273.16	£81.39	£16.48

¹ Source: Octopus Investments Limited, 31 October 2019

² Source: Factset, 31 October 2019

Listed below are the ten largest investments of Octopus AIM 2 as at 31 October 2019.

Octopus AIM VCT 2

	Percentage of net assets ¹	Date of first investment ¹	Market cap (£m) ²	Forecast annual revenue (£m) ²	Forecast annual profit before tax (£m) ²
GB Group plc	5.73%	03/11/2011	£1,171.9	£195.44	£41.01
Craneware plc	4.83%	11/09/2007	£634.1	£60.95	£16.74
Learning Technologies Group plc	4.62%	13/06/2011	£713.6	£129.56	£37.47
Breedon Group plc	4.15%	26/08/2010	£1,119.1	£946.49	£99.64
Ixico plc	2.51%	25/05/2018	£34.0	£7.60	£0.05
Ergomed plc	2.47%	09/07/2014	£152.1	£67.81	£6.93
Quixant plc	2.08%	15/05/2013	£127.2	£74.40	£9.27
Judges Scientific plc	1.94%	10/05/2012	£273.2	£81.39	£16.48
Creo Medical Group plc	1.90%	30/07/2018	£226.1	£0.30	-£17.09
Animalcare Group plc	1.88%	18/12/2007	£100.9	£73.01	£9.01

¹ Source: Octopus Investments Limited, 31 October 2019

² Source: Factset, 31 October 2019

The Companies have invested in a diverse range of sectors, from building materials and pharmaceuticals to software.

Example companies

Breedon Group

Supplying a wide range of materials to the construction industry, Breedon is the UK's largest independent construction materials group, operating around 80 quarries, 40 asphalt plants and 170 ready-mix concrete and mortar plants. The company benefited from a series of material acquisitions and now employs 2,900 people in UK and Ireland. Breedon's strategy is to continue growing through consolidation of the UK's building materials sector.

Craneware

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

Learning Technologies Group (LTG)

LTG's businesses are at the forefront of innovation and best-practice in the learning technology sector, and have received numerous awards for their exceptional performance. Through its portfolio of brands LTG offers workplace digital learning and talent management to large organisations. The company benefited from a series of material acquisitions and now employs over 700 people in 17 locations across the UK, Europe, the United States, Asia-Pacific and South America.

Creo Medical

Cutting-edge tech redefining the limits of minimally invasive surgery. Creo Medical have made it possible to perform precise surgery with an endoscope. The company's technology harnesses radiofrequency energy and microwave power, meaning its miniature endoscopic instruments can cut, coagulate and ablate soft tissue. These instruments can reduce recovery times and the risk of complications compared to open surgery. In some cases, it's even possible to diagnose and treat a patient in a single procedure.

GB Group

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

Ergomed

Helping to develop treatments for some of the world's rarest diseases. Ergomed provide highly specialised services to the pharmaceutical industry, operating in over 65 countries. Its co-development arm involves partnering with companies in exchange for a return on future drug sales. The company focuses particularly on orphan drug trials, which are those intended to treat rare diseases and which qualify for government assistance.

LoopUp

Fast-growing software provider for conference calls and online meetings. LoopUp's software aims to make the conference call experience smooth and pain-free. Users can view presentations simultaneously, see who else is on the call and who is speaking in 'real time'. The company counts more than 2,000 businesses among its customers. Having listed on AIM in August 2016, the business has grown organically and concluded the material acquisition of MeetingZone.

Sosandar

Online retailer shaking up the market for women's clothes. Sosandar proudly calls itself the fashion retailer created 'by women, for women'. Set up by two former journalists with over 20 years in fashion, Sosandar has found a gap in the women's clothing market. Its in-house design studio and limited runs leave customers feeling both on-trend and unique. It creates affordable, fashion-forward designs that stand out from price-led competitors.

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

Octopus AIM VCTs in numbers

£381m

The average weighted market value of companies in the Octopus AIM VCTs

75%+

The proportion of the portfolios by value invested in profitable companies

£193m

Combined funds under management of Octopus AIM VCT and Octopus AIM VCT2

100+

Combined years of investment experience within our Quoted Smaller Companies team

650+

Average number of meetings with company management every year

50%+

The proportion of the portfolios by value invested in companies paying dividends to the VCT

PART TWO: TAX BENEFITS AND CONSIDERATIONS FOR INVESTORS

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

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

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

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

The Boards consider that the Companies have conducted their affairs and will continue to do so to enable them to qualify as VCTs.

Tax Position of Investors under the Offer

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

Tax Benefits for VCT investors

1. Income Tax

1.1 Initial Income Tax relief

An investor can acquire New Shares of up to a maximum of £200,000 under the Offers in each of the 2019/20 and 2020/21 tax years. Each application creates an entitlement to income tax relief of 30% of the amount invested. The relief is subject to an amount which reduces the investor's income tax liability for the tax year to nil. To retain that relief the New Shares would have to be held for 5 years. Tax relief on subscriptions for shares in a VCT is restricted where an investor has disposed of shares in that VCT (or in a VCT which at any time of subscription is intending to merge with the VCT) within 6 months (before or after) that subscription. Existing Shareholders should be aware that the sale of existing Shares within these periods could, therefore, put their income tax relief relating to the Offer at risk.

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

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

1.2 Dividend relief

Dividends paid by a VCT on its ordinary shares are free of income tax where investors acquired their shares within the annual £200,000 limit. VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. Dividends paid from realised profits may be made without loss of VCT status.

1.3 Withdrawal of relief

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

2. Capital Gains Tax

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

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

3. Withdrawal of Approval

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

In addition, relief ceases to be available on any dividend paid in an accounting period 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. It is important to note that there may be a cost to replace tax and share certificates.

4.2 Shareholders not resident in the UK

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

5 Other Tax Position of VCTs

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

5.1. Qualification as a VCT

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

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a venture capital trust) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;
- (iv) the VCT must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 70%, by value, of the VCT's investments must be represented by shares or securities comprising Qualifying Investments. From 1 March 2020 for Octopus AIM and from 1 December 2019 for Octopus AIM 2, this requirement will increase to 80%;
- (vi) for funds raised after 28 February 2019 for Octopus AIM and for funds raised after 30 November 2018 for Octopus AIM 2, at least 30% of those funds must be invested in Qualifying Investments by the anniversary of the accounting period in which those funds were raised.
- (vii) for funds included in the requirement at (v) above, have at least 70%, by value, of the VCT's Qualifying Investments in "eligible shares", that is 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 (investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement);
- (viii) the VCT must not make an investment in a company which causes that company to receive more than £5 million of Risk Finance State Aid investment in the 12 months ended on the date of the investment (£10 million for a Knowledge Intensive Company);
- (ix) the VCT must not return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for those shares occurs;

- (x) no investment can be made by the VCT into a company which causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded;
- (xi) no investment can be made by the VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid investment was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where a turnover test is satisfied and the company is using the funds to enter a new product market or new geographic market;
- (xii) no funds received from an investment into a company can be used to acquire another existing business or trade; and
- (xiii) the VCT must not make a non-Qualifying Investment other than those specified in section 274 ITA 2007.

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

A qualifying investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades. Investee companies must have a permanent establishment in the UK. The investee company cannot receive more than £5 million (£10 million for a Knowledge Intensive Company) from VCTs or other Risk Finance State Aid investment sources during the 12 month period which ends on the date of the VCT's investment. The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The investee company must have fewer than 250 employees or 500 employees in the case of a Knowledge Intensive Company. Neither the VCT nor any other company may control the investee company. At least 10% of the VCT's total investment in the investee company must be in eligible shares, as described at 5.1.1(vii) above. The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid investment (including from VCTs) over the company's lifetime. The company's first commercial sale must be no more than 7 years before the VCT's investment (10 years for a Knowledge Intensive Company) prior to the date of investment, except where previous Risk Finance State Aid was received by the company within the initial 7 or 10 years or where a turnover test is satisfied and the Company is using the funds to enter a new product market or a new geographic market. Funds received from an investment by a VCT cannot be used to acquire another existing business or trade.

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

- 5.1.2 The risk-to-capital condition introduced in Finance Act 2018 requires that the Qualifying Company has long term growth plans and that the investment made by the VCT is sufficiently at risk.

5.2 Taxation of a VCT

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

PART THREE: FINANCIAL INFORMATION ON THE COMPANIES

Audited financial information on Octopus AIM is published in the annual report for the year ended 28 February 2019 and unaudited financial information in the interim report for the six month period ended 31 August 2019. Audited financial information on Octopus AIM 2 is published in the annual report for the year ended 30 November 2018 and unaudited financial information in the interim report for the six month period ended 31 May 2019.

The annual reports referred to above were audited by BDO LLP of 55 Baker Street, London W1U 7EU and were without qualification and contained no statements under section 498(2) or (3) of the CA 2006.

The annual reports and interim reports referred to above were prepared in accordance with Financial Reporting Standard 102. The annual reports contain a description of the Companies' financial condition, changes in financial condition and results of operation for each relevant financial year and the pages of the annual reports and interim reports referred to below are being incorporated by reference and can be accessed at the following website: www.octopusinvestments.com.

Where only certain parts of a document are incorporated by reference, the non-incorporated parts are either not relevant for an investor or covered elsewhere in the Prospectus.

The Companies and the Directors confirm that the Companies' annual financial statements referred to above have been presented and prepared in a form which is consistent with that which will be adopted in the Companies' next published annual financial statements having regard to accounting standards, policies and legislation applicable to such annual financial statements.

Such information includes the following:

OCTOPUS AIM

Description	28 February 2019 Annual Report	31 August 2019 Half Year Report
Balance Sheet	Page 42	Page 14
Income Statement (or equivalent)	Page 41	Page 13
Statement showing all changes in equity (or equivalent note)	Page 43	Page 15
Cash Flow Statement	Page 44	Page 18
Accounting Policies and Notes	Page 45	Page 19
Auditor's Report	Page 37	n/a

OCTOPUS AIM 2

Description	30 November 2018 Annual Report	31 May 2019 Half Year Report
Balance Sheet	Page 42	Page 15

Income Statement (or equivalent)	Page 41	Page 14
Statement showing all changes in equity (or equivalent note)	Page 43	Page 16
Cash Flow Statement	Page 44	Page 19
Accounting Policies and Notes	Page 45	Page 20
Auditor's Report	Page 37	n/a

Such information also includes operating/financial reviews as follows:

OCTOPUS AIM

	28 February 2019 Annual Report	31 August 2019 Half Year Report
Description		
Performance Summary	Page 1	Page 1
Results and Dividends	Page 18	Page 2
Investment Policy	Page 2	n/a
Outlook	Page 4	Page 6
Manager's Review	Page 5	Page 3
Portfolio Summary	Page 9	Page 7
Business Review	Page 17	n/a
Valuation Policy	Page 47	n/a

OCTOPUS AIM 2

	30 November 2018 Annual Report	31 May 2019 Half Year Report
Description		
Performance Summary	Page 1	Page 1
Results and Dividends	Page 18	Page 2
Investment Policy	Page 2	Page 1
Outlook	Page 4	Page 7
Manager's Review	Page 5	Page n/a
Portfolio Summary	Page 9	Page 8
Business Review	Page 18	Page n/a

The unaudited NAV per Share as at 25 November 2019 was 100.4p and 71.5p for Octopus AIM and Octopus AIM 2 respectively.

PART FOUR: INVESTMENT PORTFOLIO OF THE COMPANIES

The investment portfolio of Octopus AIM as at the date of this document is as follows (the valuations being the unaudited valuations, at bid price, as at 31 October 2019 and representing more than 70.1% of the NAV of Octopus AIM). Revenue and Pre Tax Profit figures are consensus forecast annual figures as published by Factset.

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
GB Group plc	Software and Computer Services	663	5,871	6,534	5.6%	886%	1,172	195.4	41.0
Learning Technologies Group plc	Software and Computer Services	1,118	4,145	5,263	4.5%	371%	714	129.6	37.5
Breedon Group plc	Construction and Materials	859	3,863	4,722	4.0%	450%	1,119	946.5	99.6
Craneware plc	Finance and Credit Services	183	3,060	3,243	2.8%	1672%	634	61.0	16.7
Brooks Macdonald Group plc	Investment Banking and Brokerage Services	746	2,209	2,955	2.5%	296%	269	112.5	23.7
Ixico plc	Pharmaceuticals, Biotechnology	1,127	1,731	2,858	2.4%	154%	34	7.6	0.1
Mattioli Woods plc	Investment Banking and Brokerage Services	529	2,322	2,851	2.4%	439%	195	63.8	13.7
Ergomed plc	Pharmaceuticals, Biotechnology	1,440	1,376	2,816	2.4%	96%	152	67.8	6.9
Quixant plc	Technology Hardware and Equipment	587	1,782	2,369	2.0%	304%	127	74.4	9.3
Judges Scientific plc	Electronic and Electrical Equipment	314	1,894	2,208	1.9%	603%	273	81.4	16.5
Creo Medical Group plc	Medical Equipment and Services	1,471	694	2,165	1.8%	47%	226	0.3	(17.1)
Sosandar plc	Retailers	1,498	449	1,947	1.7%	30%	33	9.5	(3.8)
EKF Diagnostics Holdings plc	Medical Equipment and Services	931	841	1,772	1.5%	90%	150	45.6	9.1
Popsa Holdings Ltd*	Software and Computer Services	960	796	1,756	1.5%	83%	25	2.2	(1.0)
IDOX plc	Software and Computer Services	353	1,251	1,604	1.4%	354%	152	67.7	7.7
Cello Group plc	Health Care Providers	895	618	1,513	1.3%	69%	134	169.8	13.2
Adept Telecom plc	Telecommunications Service Providers	601	874	1,475	1.3%	145%	83	61.0	8.4
RWS Holdings plc	Industrial Support Services	143	1,317	1,460	1.2%	921%	1,648	355.0	73.1
Equals Group plc	Industrial Support Services	948	490	1,438	1.2%	52%	159	33.1	9.9
Scientific Digital Imaging plc	Medical Equipment and Services	179	1,129	1,308	1.1%	631%	58	23.2	4.2
Next Fifteen Communications Group plc	Media	515	710	1,225	1.0%	138%	431	250.5	43.3

Diaceutics plc	Health Care Providers	930	232	1,162	1.0%	25%	68	12.6	(0.6)
Advanced Medical Solutions Group plc	Medical Equipment and Services	743	369	1,112	0.9%	50%	522	106.1	27.7
Gamma Communications plc	Telecommunications Service Providers	366	738	1,104	0.9%	202%	1,123	326.9	45.7
Gooch & Housego plc	Technology Hardware and Equipment	422	681	1,103	0.9%	161%	272	129.6	15.0
Intelligent Ultrasound Group plc	Medical Equipment and Services	1,199	(120)	1,079	0.9%	-10%	21	6.5	(4.3)
Vertu Motors plc	Retailers	1,265	(188)	1,077	0.9%	-15%	151	3,115.3	23.3
Nasstar plc	Software and Computer Services	481	586	1,067	0.9%	122%	65	27.0	3.6
The Panoply Holdings plc	Software and Computer Services	979	79	1,058	0.9%	8%	42	29.9	2.4
Hasgrove plc*	Media	88	899	987	0.8%	1022%	133	12.5	2.2
Access Intelligence plc	Software and Computer Services	806	178	984	0.8%	22%	41	14.3	0.1
Clinigen Group plc	Pharmaceuticals, Biotechnology	701	265	966	0.8%	38%	1,105	537.9	121.1
Osirium Technologies plc	Software and Computer Services	1,950	(1,025)	925	0.8%	-53%	7	1.0	(2.7)
C4X Discovery plc	Pharmaceuticals, Biotechnology	900	0	900	0.8%	0%	9	0.0	(13.7)
Animalcare Group plc	Pharmaceuticals, Biotechnology	306	591	897	0.8%	193%	101	73.0	9.0
Gear4music Holdings plc	Leisure Goods	557	285	842	0.7%	51%	45	137.5	0.9
Restore plc	Industrial Support Services	256	549	805	0.7%	214%	520	212.8	42.6
Beeks Financial Cloud Group plc	Software and Computer Services	450	297	747	0.6%	66%	43	10.7	2.3
Netcall plc	Software and Computer Services	308	432	740	0.6%	140%	37	25.5	1.5
VR Education Holdings plc	Software and Computer Services	1,033	(362)	671	0.6%	-35%	14	1.6	(2.3)
Renalytix plc	Medical Equipment and Services	307	327	634	0.5%	107%	152	3.5	(7.8)
Trackwise Designs plc	Technology Hardware and Equipment	1,050	(450)	600	0.5%	-43%	9	3.5	0.3
Cloudcall Group plc	Software and Computer Services	570	11	581	0.5%	2%	40	11.7	(3.1)
Maxcyte Inc	Pharmaceuticals, Biotechnology	1,035	(485)	550	0.5%	-47%	58	\$20.4	\$(13.6)
MyCelx Technologies Corporation	Gas, Water and Multi-utilities	1,470	(933)	537	0.5%	-63%	13	\$26.852	\$4.27
Nektan Limited	Travel and Leisure	1,345	(813)	532	0.5%	-60%	6	20.1	(7.2)

Vectura Group plc	Pharmaceuticals, Biotechnology	498	(16)	482	0.4%	-3%	542	166.9	(25.8)
Falanx Group Limited	Industrial Support Services	900	(420)	480	0.4%	-47%	7	5.2	(1.9)
Fusion Antibodies plc	Health Care Providers	577	(99)	478	0.4%	-17%	16	3.1	(0.9)
PCI-Pal plc	Industrial Support Services	720	(304)	416	0.4%	-42%	11	4.8	(3.9)
Omega Diagnostics Group plc	Medical Equipment and Services	465	(82)	383	0.3%	-18%	15	10.1	(0.5)
Staffline Recruitment Group plc	Industrial Support Services	334	24	358	0.3%	7%	67	1,307.6	13.6
KRM22 plc	Closed End Investments	681	(327)	354	0.3%	-48%	7	4.3	(3.9)
WANdisco plc	Software and Computer Services	145	197	342	0.3%	136%	191	18.6	(8.1)
TP Group plc	Aerospace and Defense	648	(313)	335	0.3%	-48%	50	55.1	4.7
appScatter Group plc*	Software	1,257	(924)	333	0.3%	-74%	17	1.0	(11.0)
Mears Group plc	Support Services	139	166	305	0.3%	119%	280	1,001.6	40.5
Enteq Upstream plc	Oil, Gas and Coal	1,032	(743)	289	0.2%	-72%	19	8.9	0.1
LoopUp Group plc	Software and Computer Services	460	(175)	285	0.2%	-38%	36	43.0	1.3
Microsaic Systems plc	Electronic and Electrical Equipment	1,384	(1,126)	258	0.2%	-81%	5	0.6	(3.0)
Velocity Composites plc	Aerospace and Defense	799	(545)	254	0.2%	-68%	10	24.5	(1.2)
Cambridge Cognition Holdings plc	Health Care Providers	601	(386)	215	0.2%	-64%	7	5.5	(2.6)
DP Poland plc	Travel and Leisure	1,016	(803)	213	0.2%	-79%	12	12.7	(3.2)
Escape Hunt plc	Travel and Leisure	988	(827)	161	0.1%	-84%	7	6.1	(3.1)
Rated People Ltd*	Software	354	(222)	132	0.1%	-63%	26	13.6	(4.7)
Brady plc	Software and Computer Services	613	(483)	130	0.1%	-79%	12	19.0	(5.2)
Fusionex International plc*	Software	282	(164)	118	0.1%	-58%	35	171.8	38.4
ReNeuron Group plc	Pharmaceuticals, Biotechnology	324	(246)	78	0.1%	-76%	39	5.0	(18.7)
Maestrano Group plc	Software and Computer Services	636	(585)	51	0.0%	-92%	2	1.0	(1.9)
Dods Group plc	Media	203	(152)	51	0.0%	-75%	35	21.3	(5.7)
Tasty plc	Travel and Leisure	622	(577)	45	0.0%	-93%	4	45.8	(1.3)
Genedrive Plc	Pharmaceuticals, Biotechnology	210	(168)	42	0.0%	-80%	6	2.9	(4.9)
1Spatial plc	Software and Computer Services	300	(270)	30	0.0%	-90%	36	23.7	0.8

Diurnal Group plc	Pharmaceuticals, Biotechnology	132	(111)	21	0.0%	-84%	27	2.6	(14.5)
Midatech Pharma plc	Pharmaceuticals, Biotechnology	600	(591)	9	0.0%	-99%	19	1.9	(12.4)
Location Sciences Group plc	Software and Computer Services	763	(756)	7	0.0%	-99%	8	1.3	(2.5)
Haydale Graphene Industries plc	Industrial Materials	598	(593)	5	0.0%	-99%	5	5.5	(2.8)
Bond International Software plc*	Software	2	0	2	0.0%	0%	N/a	N/a	N/a

Since 31 October 2019 there have been no new investments

Since 31 October 2019 there have been 3 disposals with a value of £629,339

Unless otherwise stated, all the investments set out above:

- are quoted on AIM or on the London Stock Exchange Full List
- represent equity investments except in the case of Nektan and Osirium which include investment via loan stock: and
- are in portfolio companies incorporated in the UK with the exception of:

Nektan – Gibraltar
Mycelx – USA
VR Education Holdings plc – Ireland
Maxcyte Inc – USA
BReedon Group – Jersey
Fusionex International – Jersey
Falanx Group Limited – Birtish Virgin Islands

*Denotes unlisted company

Current Asset Investments

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Octopus Portfolio Manager - Conservative Capital Growth	n/a	11,950	1,055	13,005	11.1%	9%	n/a	n/a	n/a
Octopus Portfolio Manager - Defensive Capital Growth	n/a	11,950	808	12,758	10.9%	7%	n/a	n/a	n/a
Money Market Funds	n/a	1,321	0	1,321	1.1%	0%	n/a	n/a	n/a
Octopus UK Micro Cap Growth Fund	n/a	3,300	891	4,191	3.6%	27%	n/a	n/a	n/a
Octopus UK Multi Cap Income Fund	n/a	828	124	952	0.8%	15%	n/a	n/a	n/a

Since 31 October 2019 there has been 1 further investment into Octopus UK Multi Cap Income Fund of £99,000

The investment portfolio of Octopus AIM 2 as at the date of this document is as follows (the valuations being the unaudited valuations, at bid price, as at 31 October 2019 and representing more than 73.7% of the NAV of Octopus AIM 2). Revenue and Pre Tax Profit figures are consensus forecast annual figures as published by Factset.

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
GB Group plc	Software and Computer Services	442	3,914	4,356	5.7%	886%	1,172	195.4	41.0
Craneware plc	Finance and Credit Services	479	3,193	3,672	4.8%	667%	634	61.0	16.7
Learning Technologies Group plc	Software and Computer Services	746	2,764	3,510	4.6%	371%	714	129.6	37.5
Breedon Group plc	Construction and Materials	573	2,577	3,150	4.1%	450%	1,119	946.5	99.6
Ixico plc	Pharmaceuticals, Biotechnology	751	1,154	1,905	2.5%	154%	34	7.6	0.1
Ergomed plc	Pharmaceuticals, Biotechnology	960	917	1,877	2.5%	96%	152	67.8	6.9
Quixant plc	Technology Hardware and Equipment	391	1,188	1,579	2.1%	304%	127	74.4	9.3
Judges Scientific plc	Electronic and Electrical Equipment	209	1,263	1,472	1.9%	604%	273	81.4	16.5
Creo Medical Group plc	Medical Equipment and Services	981	463	1,444	1.9%	47%	226	0.3	(17.1)
Animalcare Group plc	Pharmaceuticals, Biotechnology	824	602	1,426	1.9%	73%	101	73.0	9.0
EKF Diagnostics Holdings plc	Medical Equipment and Services	864	553	1,417	1.9%	64%	150	45.6	9.1
Brooks Macdonald Group plc	Investment Banking and Brokerage Services	610	787	1,397	1.8%	129%	269	112.5	23.7
Sosander plc	Retailers	998	299	1,297	1.7%	30%	33	9.5	(3.8)
IDOX plc	Software and Computer Services	356	925	1,281	1.7%	260%	152	67.7	7.7
Adept Telecom plc	Telecommunications Service	502	730	1,232	1.6%	145%	83	61.0	8.4

Providers									
Popsa Holdings Ltd*	Software and Computer Services	640	531	1,171	1.5%	83%	25	2.2	(1.0)
RWS Holdings plc	Industrial Support Services	99	912	1,011	1.3%	921%	1,648	355.0	73.1
Equals Group plc (previously Fairfax)	Industrial Support Services	632	327	959	1.3%	52%	159	33.1	9.9
Hasgrove plc*	Gas, Water and Multi-utilities	153	800	953	1.3%	523%	133	12.5	2.2
Scientific Digital Imaging plc	Medical Equipment and Services	119	753	872	1.1%	633%	58	23.2	4.2
Next Fifteen Communications Group plc	Media	344	473	817	1.1%	138%	431	250.5	43.3
Diaceutics plc	Health Care Providers	620	155	775	1.0%	25%	68	12.6	(0.6)
Vertu Motors plc	Retailers	777	(20)	757	1.0%	-3%	151	3,115.3	23.3
Advanced Medical Solutions Group plc	Medical Equipment and Services	495	246	741	1.0%	50%	522	106.1	27.7
Gamma Communications plc	Telecommunications Service Providers	244	492	736	1.0%	202%	1,123	326.9	45.7
Gooch & Housego plc	Technology Hardware and Equipment	281	454	735	1.0%	162%	272	129.6	15.0
Intelligent Ultrasound plc	Medical Equipment and Services	799	(80)	719	0.9%	-10%	21	6.5	(4.3)
Nasstar plc	Software and Computer Services	320	391	711	0.9%	122%	65	27.0	3.6
The Panoply Holdings plc	Software and Computer Services	653	53	706	0.9%	8%	42	29.9	2.4
Access Intelligence plc	Software and Computer Services	589	103	692	0.9%	17%	41	14.3	0.1
Clinigen Group plc	Pharmaceuticals, Biotechnology	469	177	646	0.9%	38%	1,105	537.9	121.1

Osirium Technologies plc	Software and Computer Services	1,300	(683)	617	0.8%	-53%	7	1.0	(2.7)
C4X Discovery plc	Pharmaceuticals, Biotechnology	600	0	600	0.8%	0%	9	0.0	(13.7)
Gear4music Holdings plc	Leisure Goods	372	190	562	0.7%	51%	45	137.5	0.9
Cello Group plc	Health Care Providers	205	351	556	0.7%	171%	134	169.8	13.2
Netcall plc	Software and Computer Services	356	184	540	0.7%	52%	37	25.5	1.5
Restore plc	Industrial Support Services	171	366	537	0.7%	214%	520	212.8	42.6
Renalytix plc	Medical Equipment and Services	246	262	508	0.7%	107%	152	3.5	(7.8)
Beeks Financial Cloud Group plc	Software and Computer Services	302	199	501	0.7%	66%	43	10.7	2.3
VR Education Holdings plc	Software and Computer Services	689	(241)	448	0.6%	-35%	14	1.6	(2.3)
Trackwise Designs plc	Technology Hardware and Equipment	700	(300)	400	0.5%	-43%	9	3.5	0.3
Cloudcall	Software and Computer Services	380	8	388	0.5%	2%	40	11.7	(3.1)
Maxcyte Inc	Pharmaceuticals, Biotechnology	690	(323)	367	0.5%	-47%	58	\$20.4	\$-13.6
MyCelx Technologies Corporation	Gas, Water and Multi-utilities	980	(622)	358	0.5%	-63%	13	\$26.852	\$4.27
Nektan Limited	Travel and Leisure	893	(542)	351	0.5%	-61%	6	20.1	(7.2)
Mattioli Woods plc	Investment Banking and Brokerage Services	101	244	345	0.5%	242%	195	63.8	13.7
Vectura Group plc	Pharmaceuticals, Biotechnology	332	(11)	321	0.4%	-3%	542	166.9	(25.8)
Falanx Group Limited	Industrial Support Services	600	(280)	320	0.4%	-47%	7	5.2	(1.9)

Fusion Antibodies plc	Health Care Providers	385	(66)	319	0.4%	-17%	16	3.1	(0.9)
Omega Diagnostics Group plc	Medical Equipment and Services	318	(32)	286	0.4%	-10%	15	10.1	(0.5)
PCI-Pal plc	Industrial Support Services	480	(204)	276	0.4%	-43%	11	4.8	(3.9)
KRM22 plc	Closed End Investments	454	(218)	236	0.3%	-48%	7	4.3	(3.9)
TP Group plc	Aerospace and Defense	452	(220)	232	0.3%	-49%	50	55.1	4.7
WANdisco plc	Software and Computer Services	96	131	227	0.3%	136%	191	18.6	(8.1)
appScatter Group plc*	Software	838	(616)	222	0.3%	-74%	17	1.0	(11.0)
Enteq Upstream plc	Oil, Gas and Coal	687	(495)	192	0.3%	-72%	19	8.9	0.1
LoopUp Group plc	Software and Computer Services	307	(117)	190	0.3%	-38%	36	43.0	1.3
Microsaic Systems plc	Electronic and Electrical Equipment	922	(750)	172	0.2%	-81%	5	0.6	(3.0)
Velocity Composites plc	Aerospace and Defense	533	(364)	169	0.2%	-68%	10	24.5	(1.2)
Cambridge Cognition Holdings plc	Health Care Providers	400	(257)	143	0.2%	-64%	7	5.5	(2.6)
DP Poland plc	Travel and Leisure	678	(536)	142	0.2%	-79%	12	12.7	(3.2)
Staffline Recruitment Group plc	Industrial Support Services	225	(104)	121	0.2%	-46%	67	1,307.6	13.6
Escape Hunt plc	Travel and Leisure	659	(551)	108	0.1%	-84%	7	6.1	(3.1)
Brady plc	Software and Computer Services	424	(334)	90	0.1%	-79%	12	19.0	(5.2)
Rated People Ltd*	Software	236	(148)	88	0.1%	-63%	26	13.6	(4.7)
Fusionex International plc*	Software	188	(109)	79	0.1%	-58%	35	171.8	38.4

ReNeuron Group plc	Pharmaceuticals, Biotechnology	216	(165)	51	0.1%	-76%	39	5.0	(18.7)
Mears Group plc	Support Services	51	(5)	46	0.1%	-10%	280	1,001.6	40.5
Maestrano Group plc	Software and Computer Services	424	(390)	34	0.0%	-92%	2	1.0	(1.9)
Tasty plc	Travel and Leisure	336	(303)	33	0.0%	-90%	4	45.8	(1.3)
Genedrive Plc	Pharmaceuticals, Biotechnology	140	(112)	28	0.0%	-80%	6	2.9	(4.9)
1Spatial plc	Software and Computer Services	200	(180)	20	0.0%	-90%	36	23.7	0.8
Diurnal Group plc	Pharmaceuticals, Biotechnology	88	(74)	14	0.0%	-84%	27	2.6	(14.5)
Midatech Pharma plc	Pharmaceuticals, Biotechnology	400	(394)	6	0.0%	-99%	19	1.9	(12.4)
Location Sciences Group plc	Software and Computer Services	509	(504)	5	0.0%	-99%	8	1.3	(2.5)
Haydale Graphene Industries plc	Industrial Materials	399	(395)	4	0.0%	-99%	5	5.5	(2.8)
Bond International Software plc*	Software	1	0	1	0.0%	0%	N/a	N/a	N/a

Since 31 October 2019 there have been no new investments

Since 31 October 2019 there have been 3 disposals with a value of £990,166

Unless otherwise stated, all the investments set out above:

- are quoted on AIM or on the London Stock Exchange Full List
- represent equity investments except in the case of Nektan and Osirium which include investment via loan stock: and
- are in portfolio companies incorporated in the UK with the exception of:

Nektan – Gibraltar
Mycelx – USA
VR Education Holdings plc – Ireland
Maxcyte Inc – USA
BReedon Group – Jersey
Fusionex International – Jersey
Falanx Group Limited – Birtish Virgin Islands

*Denotes unlisted company

Current Asset Investments

Investee Company	Sector	Book cost (£000)	Movement in valuation (£000)	Fair Value (£000)	% of net assets	Unrealised Return over book cost %	Market cap (£m)	Revenue (£m)	Pre Tax Profit (£m)
Octopus Portfolio Manager - Conservative Capital Growth	n/a	6,162	312	6,474	8.5%	5%	n/a	n/a	n/a
Octopus Portfolio Manager - Defensive Capital Growth	n/a	6,077	233	6,310	8.3%	4%	n/a	n/a	n/a
Money Market Funds	n/a	3,472	0	3,472	4.6%	0%	n/a	n/a	n/a
Octopus UK Micro Cap Growth Fund	n/a	2,200	594	2,794	3.7%	27%	n/a	n/a	n/a
Octopus UK Multi Cap Income Fund	n/a	552	83	635	0.8%	15%	n/a	n/a	n/a

Since 31 October 2019 there has been 1 further investment into Octopus UK Multi Cap Income Fund of £66,000

PART FIVE: ADDITIONAL INFORMATION ON THE COMPANIES

SECTION A: OCTOPUS AIM

1. INCORPORATION

- 1.1 Octopus AIM was incorporated and registered in England and Wales on 8 December 1997 under the CA 1985 with registered number 3477519 as a public company limited by shares (LEI: 213800C5JHJUQLAFP619).
- 1.2 On 26 January 1998, the Registrar of Companies issued Octopus AIM with a certificate under Section 117 of the CA 1985 entitling it to commence business.

2. REGISTERED OFFICE AND PRINCIPAL LEGISLATION

- 2.1 The registered office of Octopus AIM is at 33 Holborn, London EC1N 2HT, its telephone number is 0800 316 2295 and its website address is: www.octopusinvestments.com. The information on the website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.
- 2.2 The principal legislation under which Octopus AIM operates and which governs its shares is the CA 2006.

3. SHARE AND LOAN CAPITAL

- 3.1 On the incorporation of Octopus AIM, two ordinary shares were issued nil paid to the subscribers to the memorandum of Octopus AIM.
- 3.2 The following ordinary and special resolutions are to be proposed at the Octopus AIM GM and the issue and allotment by Octopus AIM of New Shares under the Offers is conditional upon the passing of resolutions 1 and 3 at the Octopus AIM GM:

Ordinary Resolutions

1. That, in addition to existing authorities the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £200,000, representing approximately 16.7% of the share capital in issue as at 28 November 2019, provided that the authority conferred by this Resolution 1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.
2. That, in addition to existing authorities the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot and issue shares in the capital of the Company in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £24,000, representing approximately 2.0% of the share capital in issue as at 28 November 2019, provided that the authority conferred by this Resolution 2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

Special Resolutions

3. That, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 1 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 3 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares of up to an aggregate nominal value of £200,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately

16.7% of the share capital in issue as at 28 November 2019.

4. That, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 2 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 4 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £24,000, representing approximately 2.0% of the share capital in issue as at 28 November 2019.
5. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the share premium account of the Company as at the date an order is made confirming such cancellation by the Court, be cancelled.
6. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the capital redemption reserve of the Company as at the date an order is made confirming such cancellation by the Court, be cancelled.

3.3 At the date of this document the issued fully paid share capital of Octopus AIM is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	1,195,198	119,519,841

3.4 The issued fully paid share capital of Octopus AIM immediately after the Offers have closed (assuming (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively and (ii) that the Offer Price is either 106.3p or 85.1p per Octopus AIM New Share) will be as follows:

Offer Price
106.3p

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	1,364,530	136,453,048

Offer Price
85.1p

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	1p	1,406,714	140,671,427

- 3.5 Other than the issue of New Shares under the Offers and Shares under its dividend reinvestment scheme, Octopus AIM has no present intention to issue any Shares.
- 3.6 Octopus AIM does not have in issue any securities not representing share capital.
- 3.7 The provisions of Section 561(1) of the CA 2006 (to the extent not disapplied pursuant to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Octopus AIM, except to the extent disapplied by Octopus AIM in general meeting. Subject to certain limited

exceptions, unless the approval of Shareholders in a general meeting is obtained, Octopus AIM must normally offer shares to be issued for cash to holders on a pro rata basis.

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

3.9 The ISIN and SEDOL codes of the Octopus AIM New Shares are GB0034202076 and 3420207 respectively.

4. Directors' interests

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

Director	No. of Shares	% of Issued Share Capital
Roger Smith	20,000	Less than 0.1
Stephen Hazell-Smith	139,003	Less than 0.2
Joanne Parfrey	18,754	Less than 0.1
Neal Ransome	17,423	Less than 0.1

4.2 Assuming that (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies and (ii) an Offer Price of 106.3p per Octopus AIM New Share, the interests of the Directors of Octopus AIM and their immediate families in the issued share capital of Octopus AIM immediately following the Offers will be:

Director	No. of Shares	% of Issued Share Capital
Roger Smith	20,000	Less than 0.1
Stephen Hazell-Smith	139,003	Less than 0.2
Joanne Parfrey	18,754	Less than 0.1
Neal Ransome	26,830	Less than 0.1

4.3 At the date of this document and after the Offers have closed, Octopus AIM is not aware of any person who has or will hold (for the purposes of rule 5 of the Disclosure Guidance and Transparency Rules ("DTR 5")), directly or indirectly, voting rights representing 3% or more of the issued share capital of Octopus AIM to which voting rights are attached or who does or could, directly or indirectly, jointly or severally, exercise control over Octopus AIM.

4.4 The persons, including the Directors of Octopus AIM, referred to in paragraph 4.1 above, do not have voting rights in respect of the share capital of Octopus AIM (issued or to be issued) which differ from any other Shareholder of Octopus AIM.

4.5 Octopus AIM and the Directors of Octopus AIM are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Octopus AIM.

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

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

Name	Position	Name of company/partnership	Position still held (Y/N)
Roger Smith	Director	Epworth Investment Management Limited	N

	Director	Cotton Spring Farm Limited	Y
	Director	Herts County Showground Limited	N
	Director	The Hertfordshire Agricultural Society	N
	Director	The Lord's Taverners Limited	N
Stephen Hazell-Smith	Director	Puma VCT 10 PLC	N
	Director	Peterhouse Capital Asset Management Limited	N
	Director	MFAUK Ltd	N
	Director	Business Agent Limited	Y
	Director	PFP Capital Limited	Y
	Director	Puma VCT 13 PLC	Y
	Director	Puma VCT V PLC (dissolved)*	N
	Director	Babraham Bioscience Technologies Limited	Y
Joanne Parfrey	Director	Guy's and St Thomas' Enterprises Limited	Y
	Director	Essentia Trading Limited	Y
	Director	Start Codon Ltd	Y
	Director	Birchwood Pharma Ltd	N
	Director	Quercus (General Partner) Limited (dissolved)*	N
Neal Ransome	Director	Parity Group PLC	N
	Director	ProVen VCT plc	Y
	Director	Polar Capital Global Healthcare Trust plc	Y
	Director	PCGH ZDP plc	Y

* in voluntary liquidation prior to being dissolved

The business address of all the Directors is 33 Holborn, London EC1N 2HT.

4.8 None of the Directors of Octopus AIM has at any time within the last five years:

- 4.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- 4.8.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of

any company;

- 4.8.3 save as set out in paragraph 4.7 above, been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
- 4.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 4.9 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director of Octopus AIM was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 4.10 There are no outstanding loans or guarantees provided by Octopus AIM for the benefit of any of its Directors nor are there any loans or any guarantees provided by any of the Directors of Octopus AIM to Octopus AIM.
- 4.11 The Directors of Octopus AIM, the Manager and the directors of the Manager do not have (i) any potential conflicts between any duties carried out on behalf of Octopus AIM and their private interests or other duties and (ii) any material potential conflicts of interest as between their duty to Octopus AIM and duties owed by them to third parties and their other interests.

5. DIRECTORS' LETTERS OF APPOINTMENT

Roger Smith and Stephen Hazell-Smith were appointed as Directors of Octopus AIM on 2 February 1998 pursuant to appointment letters of the same date. Joanne Parfrey and Neal Ransome were appointed as Directors of Octopus AIM on 6 October 2016 pursuant to appointment letters of the same date. These Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Octopus AIM entitling the Directors of Octopus AIM to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Roger Smith, as Chairman of Octopus AIM, is entitled to annual remuneration of £25,000, Neal Ransome, as Audit Committee Chairman, is entitled to annual remuneration of £22,500, while the annual remuneration receivable by Stephen Hazell-Smith and Joanne Parfrey is £20,000. None of the Directors of Octopus AIM has a service contract with Octopus AIM and no such contract is proposed. In respect of the year ended 28 February 2019, Roger Smith received £25,000, Stephen Hazell-Smith received £20,000, Joanne Parfrey received £20,000 and Neal Ransome received £22,500.

6. OCTOPUS AIM AND ITS SUBSIDIARIES

Octopus AIM does not have any subsidiaries.

7. OFFER AGREEMENT

An agreement dated 29 November 2019 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the Offers and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under the Offers. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to investors who have invested directly into Octopus AIM and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager has agreed to discharge all the external costs of advice and its own costs in respect of the Offers. Under this agreement certain warranties have been given by Octopus AIM, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any material statement in the prospectus relating to the Offers is untrue, any material omission from the Prospectus arises or any material breach of warranty occurs.

8. MATERIAL CONTRACTS

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

any obligation or entitlement which is, or may be, material to Octopus AIM as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An agreement dated 3 August 2018 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the 2018 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2018 Offers. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the 2018 Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to investors under the 2018 Offers who invested directly into Octopus AIM and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager agreed to discharge all the external costs of advice and its own costs in respect of the 2018 Offers. Under this agreement certain warranties were given by Octopus AIM, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity were in usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2018 Offers was untrue, any material omission from that prospectus arose or if any material breach of warranty occurred.
- 8.3 An agreement dated 16 June 2017 between Octopus AIM (1), the Directors of Octopus AIM (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM in respect of the 2017 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2017 Offers. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM under the 2017 Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to investors under the 2017 Offers who invested directly into Octopus AIM and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager agreed to discharge all the external costs of advice and their own costs in respect of the 2017 Offers. Under this agreement certain warranties were given by Octopus AIM, the Directors of Octopus AIM and the Manager to Howard Kennedy. Octopus AIM also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity were in a usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2017 Offers was untrue, any material omission from that prospectus arose or any material breach of warranty occurred.
- 8.4 The Directors' letters of appointment, details of which are set out in paragraph 5 above.
- 8.5 An investment management agreement dated 6 October 2005 between Octopus AIM (1) and Close Investment Limited (2), which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010, 1 February 2013, 29 August 2014, 21 December 2015, 16 June 2017, 3 August 2018 and 29 November 2019, pursuant to which the Manager provides certain investment management services and administration and secretarial services to Octopus AIM for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM (the "Fee") calculated in accordance with Octopus AIM's normal accounting policies. The Fee shall be reduced by such amount so that the sum of the Fee, the ongoing financial intermediary charges and the notional ongoing financial intermediary charges payable to Octopus by Octopus AIM under the offer for subscription of Octopus AIM that was launched in February 2013, the 2014 Offers, the 2015 Offers, the 2017 Top Up Offers, the 2017 Offers, the 2018 Offers and under the Offers will not exceed 2% of the NAV of Octopus AIM per annum. The agreement is terminable on 12 months' notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.

9. RELATED PARTY TRANSACTIONS

Save for the offer agreement detailed at paragraph 7 above, the fees paid to the Directors as detailed in paragraph 5 above and the fees paid under the management and administration agreements detailed in paragraph 8.5 above, there were no other related party transactions or fees paid by Octopus AIM to a related party during the period from 31 August 2019, the date of its last published unaudited financial information, to the date of this document.

10. WORKING CAPITAL

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

11. CAPITALISATION AND INDEBTEDNESS

11.1 The capitalisation of Octopus AIM as at 31 October 2019 was as follows:

<u>Shareholders' Equity</u>	<u>£000's</u>
Called up Equity Share Capital	1,199
Legal reserves	60,455
Other reserves	55,717
Total	117,371

11.2 Since inception, Octopus AIM has incurred no indebtedness. Octopus AIM has power to borrow under its Articles, details of which are set out in the paragraph entitled "Borrowing Powers" on page 60.

12. LITIGATION

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

SECTION B: OCTOPUS AIM 2

1. INCORPORATION

1.1 Octopus AIM 2 was incorporated and registered in England and Wales on 4 August 2005 under the CA 1985 with registered number 5528235 as a public company limited by shares (LEI: 213800BW27BKJCI35L17).

1.2 On 23 September 2005, the Registrar of Companies issued Octopus AIM 2 with a certificate under Section 117 of the CA 1985 entitling it to commence business.

2. REGISTERED OFFICE AND PRINCIPAL LEGISLATION

2.1 The registered office of Octopus AIM 2 is at 33 Holborn, London EC1N 2HT, its telephone number is 0800 316 2295 and its website address is: www.octopusinvestments.com. The information on the website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

2.2 The principal legislation under which Octopus AIM 2 operates and which governs its shares is the CA 2006.

3. SHARE AND LOAN CAPITAL

3.1 On the incorporation of Octopus AIM 2, two ordinary shares were issued nil paid to the subscribers to the memorandum of Octopus AIM 2.

3.2 The following ordinary and special resolutions are to be proposed at the Octopus AIM 2 GM and the issue and allotment by Octopus AIM 2 of New Shares under the Offers is conditional upon the passing of resolutions 1 and 3 at the Octopus AIM 2 GM:

Ordinary Resolutions

1. That, in addition to existing authorities the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,000, representing approximately 18.1% of the share capital in issue as at 28 November 2019, provided that the authority conferred by this Resolution 1 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in a general

meeting) but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

2. That, in addition to existing authorities the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot and issue shares in the capital of the Company in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £330, representing approximately 3.0% of the share capital in issue as at 28 November 2019, provided that the authority conferred by this Resolution 2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make, before the expiry, of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

Special Resolutions

3. That, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 1 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 3 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares of up to an aggregate nominal value of £2,000 pursuant to offer(s) for subscription (where the proceeds may in whole or part be used to purchase shares) representing approximately 18.1% of the share capital in issue as at 28 November 2019.
 4. That, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority given pursuant to Resolution 2 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this Resolution 4 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares in connection with the Company's dividend reinvestment scheme up to an aggregate nominal amount of £330, representing approximately 3.0% of the share capital in issue as at 28 November 2019.
 5. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the share premium account of the Company as at the date an order is made confirming such cancellation by the Court, be cancelled.
 6. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the capital redemption reserve of the Company as at the date an order is made confirming such cancellation by the Court, be cancelled.
- 3.3 At the date of this document the issued fully paid share capital of Octopus AIM 2 is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No. of Shares</i>
Ordinary Shares	0.01p	11,049	110,492,852

- 3.4 The issued fully paid share capital of Octopus AIM 2 immediately after the Offers have closed (assuming (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively and (ii) that the Offer Price is either 75.7p or 60.6p per Octopus AIM 2 New Share) will be as follows:

Offer Price
75.7p

Class of shares	Nominal value	Issued (fully paid)	
		£	No. of Shares
Ordinary Shares	0.01p	12,634	126,344,899

Offer Price
60.6p

Class of shares	Nominal value	Issued (fully paid)	
		£	No. of Shares
Ordinary Shares	0.01p	13,029	130,294,832

- 3.5 Other than the issue of New Shares under the Offers and Shares under its dividend reinvestment scheme, Octopus AIM 2 has no present intention to issue any Shares.
- 3.6 Octopus AIM 2 does not have in issue any securities not representing share capital.
- 3.7 The provisions of Section 561(1) of the CA 2006 (to the extent not disapplied pursuant to Sections 570 or 571 of the CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in Section 560(1) of the CA 2006) which are, or are to be, paid up in cash and will apply to Octopus AIM 2, except to the extent disapplied by Octopus AIM 2 in general meeting. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, Octopus AIM 2 must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.8 The New Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the New Shares not to be held through CREST will be posted to allottees as soon as practicable following allotment of the relevant Shares. New Shares to be held through CREST will be credited to CREST accounts on their admission to trading. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. Octopus AIM 2's Articles permit the holding of shares in CREST.
- 3.9 The ISIN and SEDOL codes of the Octopus AIM 2 New Shares are GB00B0JQZZ80 and B0JQZZ8 respectively.

4. Directors' interests

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

Director	No. of Shares	% of Issued Share Capital
Keith Mullins	204,195	Less than 0.2
Andrew Raynor	21,080	Less than 0.1
Elizabeth Kennedy	37,380	Less than 0.1
Alastair Ritchie	31,809	Less than 0.1

- 4.2 Assuming that (i) the Offers are fully subscribed, including the over-allotment facility, in both Companies and (ii) an Offer Price of 75.7p per Octopus AIM 2 New Share, the interests of the Directors of Octopus AIM 2 and their immediate families in the issued share capital of Octopus AIM 2 immediately following the Offers will be:

Director	No. of Shares	% of Issued Share Capital
Keith Mullins	204,195	Less than 0.2
Andrew Raynor	21,080	Less than 0.1
Elizabeth Kennedy	37,380	Less than 0.1
Alastair Ritchie	31,809	Less than 0.1

- 4.3 At the date of this document and after the Offers have closed, Octopus AIM 2 is not aware of any person who has or will hold (for the purposes of DTR5), directly or indirectly, voting rights representing 3% or more of the issued share capital of Octopus AIM 2 to which voting rights are attached or who does or could, directly or indirectly, jointly or severally, exercise control over Octopus AIM 2.
- 4.4 The persons, including the Directors of Octopus AIM 2 referred to in paragraphs 4.1 above, do not have voting rights in respect of the share capital of Octopus AIM 2 (issued or to be issued) which differ from any other Shareholder of Octopus AIM 2.
- 4.5 Octopus AIM 2 and the Directors of Octopus AIM 2 are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Octopus AIM 2.
- 4.6 No Director of Octopus AIM 2 has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of Octopus AIM 2 and which were effected by Octopus AIM 2 in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 4.7 In addition to their directorships of Octopus AIM 2, the Directors of Octopus AIM 2 currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Position	Name of company/partnership	Position still held (Y/N)
Keith Mullins	-	-	-
Andrew Raynor	Director	Miller's Court Tenants Limited	N
	Director	ZED Capital Limited	Y
	Director	21 st Century Law Limited	Y
	Director	Bande A Part Limited	Y
	Director	Star Trust (East Midlands) Limited	N
Elizabeth Kennedy	Director	BMO Private Equity Trust PLC	Y
	Director	Friends of the Beatson	Y
	Director	F & C Private Equity Zeros PLC (dissolved)*	N
	Director	Sofant Technologies Ltd	Y

	Director	Taragenyx Limited (dissolved)*	N
	Director	Beatson Cancer Charity	Y
	Director	Sunergos Innovations Limited (dissolved)	N
	Director	The Merchants House of Glasgow	Y
	Partner	Davidson Chalmers Stewart LLP	N
Alastair Ritchie	Director	John Swan & Sons Plc	N
	Director	John Swan Trustee Limited	N
	Director	Beauford PLC (dissolved)*	N

* in voluntary liquidation prior to being dissolved

The business address of all the Directors of Octopus AIM 2 is 33 Holborn, London EC1N 2HT.

4.8 None of the Directors of Octopus AIM 2 has at any time within the last five years:

4.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

4.8.2 save as set out in paragraph 4.9 below, been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

4.8.3 save as set out in paragraph 4.7 above, been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or

4.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

4.9 Andrew Raynor was chief executive officer of RSM Tenon Group plc between 2003 and January 2012. On 13 August 2012 the Accounting and Actuarial Disciplinary Board (AADB) part of the Financial Reporting Council (FRC) announced an investigation into the conduct of certain members of the Institute of Chartered Accountants in England and Wales (ICAEW) and of PricewaterhouseCoopers LLP as auditors of RSM Tenon Group plc in respect of the preparation, approval and audit of certain published financial information relating to RSM Tenon Group PLC in respect of the period to 30 June 2011. The FRC investigation resulted in Mr Raynor receiving a fine and reprimand, and being required to contribute to the FRC's costs. It was noted that the conduct in question was not dishonest, deliberate, lacking in integrity or reckless.

4.10 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director of Octopus AIM 2 was selected as a member of the administrative, management or supervisory bodies or member of senior management.

4.11 There are no outstanding loans or guarantees provided by Octopus AIM 2 for the benefit of any of the Directors of Octopus AIM 2 nor are there any loans or any guarantees provided by any of the Directors of Octopus AIM 2 to Octopus AIM 2.

4.12 The Directors of Octopus AIM 2, the Manager and the directors of the Manager do not have (i) any potential conflicts between any duties carried out on behalf of Octopus AIM 2 and their private interests or other duties and (ii) any material potential conflicts of interest as between their duty to Octopus AIM 2 and duties owed by them to third parties and their other interests.

5. DIRECTORS' LETTERS OF APPOINTMENT

Keith Mullins and Andrew Raynor were appointed as Directors of Octopus AIM 2 on 14 September 2005 pursuant to appointment letters dated 7 September 2010. Elizabeth Kennedy and Alastair Ritchie were appointed as Directors of Octopus AIM 2 on 12 August 2010 pursuant to appointment letters of the same date. These Directors' appointments are terminable on three months' notice and no arrangements have been entered into by Octopus AIM 2 entitling the Directors of Octopus AIM 2 to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. Keith Mullins, as Chairman of Octopus AIM 2, is entitled to annual remuneration of £25,000, Andrew Raynor, as Audit Committee Chairman, is entitled to annual remuneration of £22,500, while the annual remuneration receivable by Elizabeth Kennedy and Alastair Ritchie is £20,000. None of the Directors of Octopus AIM 2 has a service contract with Octopus AIM 2 and no such contract is proposed. In respect of the year ended 30 November 2018, Keith Mullins received £25,000, Andrew Raynor received £22,500, Elizabeth Kennedy received £20,000 and Alastair Ritchie received £20,000.

6. OCTOPUS AIM 2 AND ITS SUBSIDIARIES

Octopus AIM 2 does not have any subsidiaries.

7. OFFER AGREEMENT

An agreement dated 29 November 2019 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the Offers and the Manager agreed to use reasonable endeavours to procure subscribers for New Shares under the Offers. Under the agreement the Manager is paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to investors who have invested directly into Octopus AIM 2 and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager has agreed to discharge all the external costs of advice and its own costs in respect of the Offers. Under this agreement certain warranties have been given by Octopus AIM 2, the Directors of Octopus AIM 2 and the Manager to Howard Kennedy. Octopus AIM 2 has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement can be terminated if any material statement in the prospectus relating to the Offers is untrue, any material omission from the Prospectus arises or any material breach of warranty occurs.

8. MATERIAL CONTRACTS

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

8.1 The Offer Agreement, details of which are set out in paragraph 7 above.

8.2 An agreement dated 3 August 2018 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the 2018 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2018 Offers. Under the agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the 2018 Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to investors under the 2018 Offers who invested directly into Octopus AIM 2 and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager agreed to discharge all the external costs of advice and its own costs in respect of the 2018 Offers. Under this agreement certain warranties were given by Octopus AIM 2, the Directors of Octopus AIM 2 and the Manager to Howard Kennedy. Octopus AIM 2 also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity were in usual form for a contract of this type. The agreement could be terminated if any material statement in the prospectus relating to the 2018 Offers was untrue, any material omission from that prospectus arose or if any material breach of

warranty occurred.

- 8.3 An agreement dated 16 June 2017 between Octopus AIM 2 (1), the Directors of Octopus AIM 2 (2), the Manager (3) and Howard Kennedy (4) (the "2017 Offer Agreement") pursuant to which Howard Kennedy agreed to act as sponsor to Octopus AIM 2 in respect of the 2017 Offers and the Manager agreed to use reasonable endeavours to procure subscribers for Shares under the 2017 Offers. Under the 2017 Offer Agreement the Manager was paid an initial fee of up to 5.5% of the funds received by Octopus AIM 2 under the 2017 Offers (such a fee to be reduced in relation to applications from investors who are existing, or who were previously, shareholders of any Octopus VCT) and an ongoing fee of 0.5% per annum of the most recently announced NAV multiplied by the number of Shares allotted to investors under the 2017 Offers who have invested directly into Octopus AIM 2 and not through a financial intermediary, the cost of this ongoing charge being met through a reduction in the annual management fee of Octopus, and the Manager agreed to discharge all the external costs of advice and its own costs in respect of the 2017 Offers. Under the 2017 Offer Agreement certain warranties were given by Octopus AIM 2, the Directors of Octopus AIM 2 and the Manager to Howard Kennedy. Octopus AIM 2 agreed to indemnify Howard Kennedy in respect of its role as sponsor to the 2017 Offers. The warranties and indemnity are in usual form for a contract of this type. The 2017 Offer Agreement can be terminated if any material statement in the prospectus relating to the 2017 Offers is untrue, any material omission from that prospectus arises or any material breach of warranty occurs.
- 8.4 The Directors' letters of appointment, details of which are set out in paragraph 5 above.
- 8.5 An investment management agreement dated 6 October 2005 between Octopus AIM 2 (1) and Close Investment Limited (2), which was novated to the Manager pursuant to a novation agreement dated 29 July 2008 and varied by deeds of variation dated 8 July 2010, 1 February 2013, 29 August 2014, 21 December 2015, 16 June 2017, 3 August 2018 and 29 November 2019, pursuant to which the Manager provides certain investment management services and administration and secretarial services to Octopus AIM 2 for a fee payable quarterly in arrears of an amount equivalent to 2% per annum (exclusive of VAT, if any) of the NAV of Octopus AIM 2 (the "Octopus AIM 2 Fee") calculated in accordance with Octopus AIM 2's normal accounting policies. The Octopus AIM 2 Fee shall be reduced by such amount so that the sum of the Octopus AIM 2 Fee, the ongoing financial intermediary charges payable and the additional ongoing charges payable to Octopus by Octopus AIM 2 under the offer for subscription of Octopus AIM 2 that was launched in February 2013, the 2014 Offers, the 2015 Offers, the 2017 Top Up Offers, the 2017 Offers, the 2018 Offers and under the Offers will not exceed 2% of the NAV of Octopus AIM 2 per annum. The agreement is terminable on 12 months notice by either party subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by Octopus AIM 2 if it fails to become, or ceases to be, a VCT for tax purposes or where the Manager ceases to be authorised by the FCA. The agreement contains provisions indemnifying the Manager against any liability not due to its default, gross negligence, fraud or breach of FSMA.

9. RELATED PARTY TRANSACTIONS

Save for the offer agreement detailed at paragraph 7 above, the fees paid to the Directors as detailed in paragraph 5 above and the fees paid under the management and administration agreements detailed in paragraph 8.5 above, there were no other related party transactions or fees paid by Octopus AIM 2 to a related party during the period from 31 May 2019, the date of its last published unaudited financial information, to the date of this document.

10. WORKING CAPITAL

Octopus AIM 2 is of the opinion that the working capital of Octopus AIM 2 is sufficient for its present requirements, that is, for at least the period of twelve months from the date of this document.

11. CAPITALISATION AND INDEBTEDNESS

- 11.1 The capitalisation of Octopus AIM 2 as at 31 October 2019 was as follows:

<u>Shareholders' Equity</u>	£000's
Called up Equity Share Capital	11
Legal Reserves	45,945
Other reserves	30,014

Total 75,970

- 11.2 Since inception, Octopus AIM 2 has incurred no indebtedness. Octopus AIM 2 has power to borrow under its Articles, details of which are set out in the paragraph entitled “Borrowing Powers” on page 60.

12. LITIGATION

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

SECTION C

THE COMPANIES

1. ARTICLES OF ASSOCIATION

The Articles of each of the Companies contain, inter alia, the following provisions.

1.1. Voting Rights

Subject to any disenfranchisement as provided in paragraph 1.4 below the Shares shall carry the right to receive notice of or to attend or vote at any general meeting of the Company and on a show of hands every holder of Shares present in person (or being a corporation, present by authorised representative) shall have one vote and, on a poll, every holder of ordinary shares who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

1.2 Transfer of Shares

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

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

1.3 Dividends

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

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

The Directors may, with the prior sanction of an ordinary resolution of the Company, offer Shareholders the right to elect to receive in respect of all or part of their holding of Shares, additional Shares credited as fully

paid instead of cash in respect of all or part of such dividend or dividends and (subject as hereinafter provided) upon such terms and conditions and in such manner as may be specified in such ordinary resolution. The ordinary resolution shall confer the said power on the Directors in respect of all or part of a particular dividend or in respect of all or any dividends (or any part of such dividends) declared or paid within a specified period but such period may not end later than the date of the annual general meeting next following the date of the general meeting at which such ordinary resolution is passed.

1.4 Disclosure of Interest in Shares

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

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

1.5 Distribution of Assets on Liquidation

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

The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

1.6 Changes in Share Capital

(i) Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares, which are, or at the option of the Company or the holder are, liable to be redeemed.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amounts, or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.

(iii) Subject to the CA 2006, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

(iv) The Company may by ordinary resolution convert any fully paid up shares into stock of the same class as the shares which shall be so converted, and reconvert such stock into fully paid up shares of the same class and of any denomination.

1.7 Variation of Rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the nominal amount of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of such holders.

1.8 Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be fewer than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be fewer than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment.

Any Director may in writing under his hand appoint (a) any other Director, or (b) any other person who is approved by the Board as hereinafter provided, to be his alternate. A Director may at any time revoke the appointment of an alternate appointed by him. Every person acting as an alternate Director of the Company shall be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him.

Subject to the provisions of the Statutes (as defined in the Company's articles of association), the Directors may from time to time appoint one or more of their body to be managing director or joint managing directors of the Company or to hold such other executive office in relation to the management of the business of the Company as they may decide.

A Director may continue or become a Director or other officer, servant or member of any company promoted by the Company or in which they may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any remuneration or other benefits derived as Director or other officer, servant or member of such company.

The Directors may from time to time appoint a chairman of the Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office.

The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality, whether at home or abroad, in such manner as they think fit.

1.9 Directors' Interests

1.9.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.

1.9.2. Provided that he has declared his interest in accordance with paragraph 1.9.1, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.

1.9.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through the Company, unless his interest arises only because the case falls within one or more of the following paragraphs:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
- (f) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a Director, officer or auditor.

1.9.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

1.10 Remuneration of Directors

1.10.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £125,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors may also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

1.10.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.

1.10.3 The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

1.11 Retirement of Directors

At the annual general meeting of the Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed despite having attained any particular age and shall not be required to retire by reason of his having attained any particular age, subject to the provisions of the Act.

1.12 Borrowing Powers

Subject as provided below, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Company's articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting there from any balance to the credit or debit of the profit and loss account.

1.13 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company.

1.14 Duration of the Company

At the annual general meeting of the Company in 2020 in the case of Octopus AIM and 2021 in the case of Octopus AIM 2 and, if the Company has not then been wound up, at each fifth annual general meeting thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue as a venture capital trust. If the resolution is not passed, the Board shall within 4 months of such meeting convene a general meeting of the Company at which a special resolution for the re-organisation or reconstruction of the Company and/or a special resolution requiring the Company to be wound up voluntarily shall be proposed. If neither of the resolutions is passed, the Company shall continue as a venture capital trust.

1.15 General Meetings

The Directors may, whenever they think fit, convene a general meeting of the Company. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved and, in any other case, shall stand adjourned to such day (being not less than ten clear days) and at such time and place as the Board may determine. If at any such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting, a member present in person or by proxy and entitled to vote shall be a quorum.

The chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

2. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Companies' Articles of Association are consistent with CREST membership and allow for the holding and transfer of shares in uncertificated form pursuant to the Uncertificated Securities Regulations 2001. The New Shares have been made eligible for settlement in CREST.

3. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

3.1 The Manager intends to use the proceeds of the Offers in accordance with the Companies' objectives of

spreading investment risk and in accordance with each Company's investment policy. This investment policy is in line with the VCT rules and each Company will not deviate from it. Further, in accordance with the VCT rules, the Companies will invest in ordinary shares, in some cases a small number of preference shares where applicable, and always in accordance with such rules.

- 3.2 The Companies are authorised and regulated by the FCA as small registered UK alternative investment fund managers and also need, as VCTs, to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply and comply with the rules and regulations of the FCA. The Companies have delegated their portfolio management to the Manager, which carries out the portfolio management within the remit of its MiFID permissions.
- 3.3 The Companies are governed by the VCT rules in respect of the investments they make as described in Part Two of this document. The Companies have appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as their VCT status monitor. PwC will report to the Companies as a part of their annual reporting obligations. In respect of any breach of the VCT rules, the Companies, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Companies' Shareholders through a Regulatory Information Service. Tax legislation of an investor's member state may have an impact on the income received from the New Shares.
- 3.4 The Companies will not invest more than 15% of their gross assets in any single company, in accordance with the VCT legislation, nor will the Companies control the companies in which they invest in such a way as to render them subsidiary undertakings.
- 3.5 The Companies will not conduct any trading activity which is significant in the context of their group (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Companies at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds.
- 3.6 The Boards must be able to demonstrate that they will act independently of the Manager. A majority of each of the Boards (including the Chairmen) must not be directors, employees, partners, officers or professional advisers of, or to, the Manager or any company in the Manager's group or any other investment entity which they manage.
- 3.7 The Companies will not invest directly in physical commodities.
- 3.8 The Companies will not invest in any property collective investment undertaking.
- 3.9 Other than as provided for under their investment policies, the Companies will not invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).
- 3.10 The Manager is responsible for the determination and calculation of the NAV of the Companies on a weekly basis, which will be communicated to Shareholders through a Regulatory Information Service.
- 3.11 The NAV of the Companies' investments will be determined by the Manager in accordance with the British Venture Capital Association's ("BVCA") recommendations as set out in the BVCA notes of guidance. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on convention of the exchange on which the investment is traded. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.
- 3.12 The calculation of the Net Asset Value per Share would only be suspended in circumstances where the underlying data necessary to value the investments of either Company could not readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

4. CORPORATE GOVERNANCE

- 4.1 The UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in June 2016 (the

"2016 Code") applies to Octopus AIM 2. The UK Corporate Governance Code published by the FRC in July 2018 (the "2018 Code") applies to Octopus AIM and will, from 1 December 2019, apply to Octopus AIM 2. The Boards have considered the principles and recommendations of the Association of Investment Companies ("AIC") code of corporate governance, which addresses all the principles of the Codes, by reference to the AIC's corporate governance guide for investment companies. The Directors note that the 2016 Code and the 2018 Code acknowledge that they do not set out a rigid set of rules and that some provisions may have less relevance for investment companies and, in particular, consider some areas inappropriate due to the size and nature of the business of the Companies. Accordingly, the provisions of the Code are complied with save that (i) the Companies do not have a chief executive officer or a senior independent director (the Boards do not consider this necessary due to the nature of the Companies), (ii) new directors do not receive a full, formal and tailored induction on joining, such matters being addressed on an individual basis as they arise (iii) the Companies do not have a nomination committee due to the relatively small size and structure of the Companies, appointments being dealt with as they arise (iv) the Companies do not have a remuneration committee given the size of the Companies and as they do not have any executive officers and as such the Board as a whole deals with any matters of this nature and (v) as the Companies have no major shareholders, the Shareholders are not given the opportunity to meet or engage with any non-executive Directors at a specific meeting other than the annual general meeting.

4.2 Audit Committee

The Audit Committees of the Companies comprises the Boards, chaired, in the case of Octopus AIM, by Neal Ransome and, in the case of Octopus AIM 2, by Andrew Raynor, and meet twice a year. The committees have direct access to BDO LLP, the Companies' external auditor. The duties of the Audit Committees are, inter alia:

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

4.3 Nomination and Remuneration Committee

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

5. TAKEOVERS AND MERGERS

5.1 Mandatory takeover bids

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

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

shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50% of the voting rights.

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

5.2 Squeeze out

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

5.3 Sell out

Section 983 of the CA 2006 permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in a company which amount to not less than 90% in value of all the voting shares in the company and carry not less than 90% of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. NOTIFICATIONS OF SHAREHOLDINGS

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

7. GENERAL

- 7.1 The estimated costs and expenses relating to the Offers, assuming full subscription and including the over-allotment facility, all investors being Advised Investors and all choosing to pay their advisers a 2.5% upfront fee, payable by the Company will be £1.65 million in aggregate (excluding VAT, if any). Assuming full subscription and costs and expenses equal to 5.5% of the gross proceeds of the Offers (disregarding any discounts for applications from investors who are existing, or who were previously, shareholders of any Octopus VCT), the total net proceeds of the Offers, after all fees, will be £28.35 million.
- 7.2 BDO LLP of 55 Baker Street, London W1U 7EU, the auditors of the Companies, have given unqualified audit reports on the statutory accounts of the Companies for the financial years referred to in Part Three 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 and have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006. These statutory accounts have been prepared in accordance with Financial Reporting Standard 102.
- 7.3 Each of the Companies shall take all reasonable steps to ensure that its auditors are independent of it and will obtain written confirmation from its auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.
- 7.4 Howard Kennedy's office address is at No. 1 London Bridge, London SE1 9BG. Howard Kennedy is regulated by the Financial Conduct Authority and is acting in the capacity as Sponsor to the Companies.
- 7.5 Octopus was incorporated and registered in England and Wales on 8 March 2000 under the CA 1985 with registered number 3942880 as a private company limited by shares. The address of Octopus' registered office is at 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus operates is the Acts and regulations made thereunder.

- 7.6 Howard Kennedy has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 7.7 The statements attributed to the Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Manager. The Manager accepts responsibility for those statements, and to the best of the knowledge and belief of the Manager (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of such information.
- 7.8 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to either Company's business or profitability.
- 7.9 The Companies do not assume responsibility for the withholding of tax at source.
- 7.10 There has been no significant change in the financial position of Octopus AIM since 31 August 2019, the date to which the latest unaudited financial information has been published, to the date of this document.
- There has been no significant change in the financial position of Octopus AIM 2 since 31 May 2019, the date to which the latest unaudited financial information has been published, to the date of this document.
- 7.11 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Companies' prospects or which have materially affected the Companies' income from operations so far as the Manager and the Directors are aware.
- 7.12 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service if the investment restrictions which apply to the Companies as VCTs, as detailed in this document, are breached.
- 7.13 The Companies' capital resources are restricted insofar as they may be used only in putting into effect their respective investment policy as set out in this document. There are no firm commitments in respect of the Companies' principal future investments. As at 31 October 2019, Octopus AIM had £36.3 million of uninvested cash and as at 31 October 2019, Octopus AIM 2 had £22.3 million of uninvested cash, which in the case of both Companies has been retained for working capital and follow-on or new investments.
- 7.14 All Shareholders have the same voting rights in respect of the share capital of the Companies. The Companies are not aware of any person who, directly or indirectly, exercises or could exercise control over the Companies, nor of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Companies.
- 7.15 The Companies have no employees or subsidiaries.
- 7.16 The typical investor for whom investment in the Companies is designed is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 who, having regard to the risk factors set out on pages 12 to 13, considers the investment policy of each of the Companies to be attractive. This may include retail and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-venture capital trust investments.
- 7.17 The Companies do not have any material Shareholders with different voting rights.
- 7.18 Application has been made for the admission of the New Shares to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The New Shares will be in registered form. If, following issue, recipients of New Shares should wish to hold their New Shares in uncertificated form they should contact the Companies' registrar.
- 7.19 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Companies are aware and are able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 7.20 The Manager will provide safe custody to the Companies in respect of the un-invested cash, general investment and dealing services on a discretionary basis and other related facilities which may include the following

investments: shares in investee companies, debenture stock, loan stock, bonds, units, notes, certificates of deposit, commercial paper or other debt instruments, municipal and corporate issues, depository receipts, cash term deposits, money market securities, unit trusts, mutual funds, OEICs, investment funds and similar funds and schemes in the United Kingdom or elsewhere. These services exclude any transaction in relation to futures and options or other derivative type instruments or commodity (or derivative thereof) by the Manager.

- 7.21 The existing issued Shares in Octopus AIM will represent 87.6% of the enlarged ordinary share capital of Octopus AIM immediately following the Offers, assuming the Offers are fully subscribed, including the over-allotment facility, in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM of 106.3p, and on that basis Octopus AIM Shareholders who do not participate in the Offers will, therefore, be diluted by 12.4%.

The existing issued Shares in Octopus AIM 2 will represent 87.5% of the enlarged ordinary share capital of Octopus AIM 2 immediately following the Offers, assuming the Offers are fully subscribed, including the over-allotment facility, in both Companies with subscriptions split as to 60%/40% as between Octopus AIM and Octopus AIM 2 respectively at an Offer Price for Octopus AIM 2 of 75.7p, and on that basis Octopus AIM 2 Shareholders who do not participate in the Offers will, therefore, be diluted by 12.5%.

- 7.22 The Companies and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offers. The Offers will close on or before 28 November 2020. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

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

- 7.24 The Prospectus has been approved by the Financial Conduct Authority, as competent authority under Regulation (EU) 2017/1129. The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the Companies or the quality of the New Shares that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the New Shares. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The Companies' memorandum and Articles and the Prospectus are available for inspection at the registered office of the Companies at 33 Holborn, London EC1N 2HT and at the offices of Howard Kennedy, No.1 London Bridge, London SE1 9BG, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until closing of the Offers and may also be inspected at the Companies' website address at www.octopusinvestments.com.

29 November 2019

DEFINITIONS

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

"2014 Offers"	the offer for subscription by the Companies for Shares in respect of the tax years 2014/15 and 2015/16 that was launched on 29 August 2014
"2015 Offers"	the offer for subscription by the Companies for Shares in respect of the tax years 2015/16 and 2016/17 that was launched on 21 December 2015
"2017 Top Up Offers"	the offer for subscription by the Companies for Shares as set out in a top up offer document dated 6 February 2017
"2017 Offers"	the offer for subscription by the Companies for Shares in respect of the tax years 2017/18 and 2018/19 that was launched on 16 June 2017
"2018 Offers"	the offer for subscription by the Companies for Shares in respect of the tax years 2018/19 and 2019/20 that was launched on 3 August 2018
"AIM"	AIM, the market of that name operated by the London Stock Exchange
"Advised Investors"	investors under the Offers who receive advice from their financial intermediaries
"Applicant"	the person applying for New Shares using the Application Form
"Application"	an application for New Shares in either or both Companies under the Offers
"Application Form"	the application form relating to the Offers which can be found on the Companies' website
"Articles"	the articles of association of the Companies
"Boards"	the boards of Directors of the Companies (and each a "Board")
"CA 1985"	Companies Act 1985
"CA 2006"	Companies Act 2006
"Circular"	the circular issued by the Companies to Shareholders dated 29 November 2019
"Companies"	Octopus AIM and Octopus AIM 2 (and each a "Company")
"Directors"	the directors of the Companies (and each a "Director")
"FCA"	the Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"General Meetings"	the Octopus AIM GM and the Octopus AIM 2 GM
"HMRC"	HM Revenue and Customs
"Howard Kennedy"	Howard Kennedy Corporate Services LLP
"ITA 2007"	Income Tax Act 2007 (as amended)
"Knowledge Intensive Company"	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007
"London Stock Exchange"	London Stock Exchange plc
"MiFID"	The Markets in Financial Instruments Directive 2004/39/EC
"Money Laundering Regulations"	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
"NAV"	net asset value
"NEX Exchange"	Nex Exchange Limited, registered in England and Wales with company number 04309969 whose registered office is at 2 Broadgate, London EC2M 7UR
"New Shares"	Shares being offered by the Companies pursuant to the Offers (and each a "New Share")

“Octopus”, the “Manager” or the “Receiving Agent”	Octopus Investments Limited
“Octopus AIM”	Octopus AIM VCT plc
“Octopus AIM GM”	the general meeting of Octopus AIM to be held on 7 January 2020 (or any adjournment thereof)
“Octopus AIM 2”	Octopus AIM VCT 2 plc
“Octopus AIM 2 GM”	the general meeting of Octopus AIM 2 to be held on 7 January 2020 (or any adjournment thereof)
“Octopus VCT”	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
“Offer Price”	the price per New Share as set out on page 72
“Offers”	the offer for subscription by the Companies for New Shares in respect of the tax years 2019/20 and 2020/21 contained in this document
“Official List”	the official list maintained by the FCA
“Prospectus”	this document
“Prospectus Regulation”	Regulation (EU) 2017/1129
“Prospectus Regulation Rules”	the Prospectus Regulation rules of the FCA
“Qualifying Company”	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
“Qualifying Investments”	shares in, or securities of, a Qualifying Company held by the Companies which meet the requirements described in chapter 4 of Part 6 ITA 2007
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Risk Finance State Aid”	State aid received by a company as defined in Section 280B (4) of ITA 2007
“Shares”	ordinary shares of 1p each in the capital of Octopus AIM and ordinary shares of 0.01p each in the capital of Octopus AIM 2 (and each a “Share”)
“Shareholders”	a holder of Shares (and each a “Shareholder”)
“Terms and Conditions”	the terms and conditions of Application, contained in this document on pages 69 to 74
“The Risk Finance Guidelines”	guidelines on State aid to promote risk finance investments 2014/C 19/04
“Total Return”	the sum of (i) the NAV per Share and (ii) all distributions per Share paid since the first admission of the Shares to the Official List
“venture capital trust” or “VCT”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the ITA 2007
“VCT rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning venture capital trusts

TERMS AND CONDITIONS

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

1. The maximum amount to be raised by the Companies is £20 million, in aggregate, with an over-allotment facility of a further £10 million, in aggregate. Subject to the Offers becoming unconditional and remaining open for both Companies, Applicants may elect that their Applications are allocated 100% to either Company or split 60% to Octopus AIM and 40% to Octopus AIM 2 and in default of any election subscription monies will be split 60% to Octopus AIM and the remaining 40% to Octopus AIM 2. The maximum that may be raised by Octopus AIM is £18 million. The maximum that may be raised by Octopus AIM 2 is £12 million. As the Companies near capacity one may be fully subscribed earlier than the other. In the event of an Applicant's preferred allocation, or the default allocation, not being possible, that part of an Applicant's subscription that cannot be allocated to either Company will, unless an Applicant directs otherwise, be allocated to the other Company. If the Offers do not become unconditional for one Company, an Applicant's subscription will, unless an Applicant directs otherwise, be allocated to the other Company. The Offers will close on full subscription or earlier, at the discretion of the Boards.
2. The minimum investment is £5,000. There is no maximum investment.
3. The contract created with the Companies by the acceptance of an Application (or any proportion of it) under the Offers will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Companies pursuant to the Offers to the Official List (save as otherwise resolved by the Board).
4. The right is reserved by the Companies to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. Multiple applications are permitted. The Companies may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept an Application in respect of which payment is not received by the Companies. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than the Offer Price of one New Share) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
5. By completing and delivering an Application Form, you:
 - I. irrevocably offer to subscribe the monetary amount for New Shares in the Companies under the Offers in the amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the New Shares at the Offer Price determined by dividing the most recently announced NAV per Share of the Companies by 0.945 to allow for issue costs, on the terms of and subject to this document and subject to the memorandum and articles of association of the Companies. Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offers being reduced by 1.0%. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus and issued at the most recently announced NAV per Share, divided by 0.945 as described at paragraph 10 below. Where the Share price for the Companies has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offers will be ex-dividend. In respect of the Offers, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted).
 - II. agree that your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
 - III. agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive certificates in respect of the New Shares allotted to you until you make payment in cleared funds for such New Shares and such payment is accepted by the Companies in their absolute discretion (which acceptance shall be on the basis that you indemnify it and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Companies of such late payment, the Companies may (without prejudice to their other rights) rescind the agreement to subscribe

such New Shares and may issue such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;

- IV. agree that if, following the issue of all or any New Shares applied for pursuant to the Offers, your remittance is not honoured on first presentation, those New Shares may, forthwith upon payment by Octopus of the Offer Price of those New Shares to the Companies, be transferred to Octopus or such other person as Octopus may direct at the relevant Offer Price per New Share and any director of the relevant Companies is hereby irrevocably appointed and instructed to complete and execute all or any form(s) of transfer and/or any other documents in relation to the transfer of those New Shares to Octopus or such other person as Octopus may direct and to do all such other acts and things as may be necessary or expedient, for the purpose of or in connection with, transferring title to those New Shares to Octopus, or such other person, in which case you will not be entitled to those New Shares or any payment in respect of such New Shares;
- V. agree that, in respect of those New Shares for which your Application is received and is not rejected, your Application may be accepted at the election of the Companies either by notification to the London Stock Exchange of the basis of allocation and allotment, or by notification of acceptance thereof to the Receiving Agents;
- VI. 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 and that such monies will not bear interest;
- VII. authorise the Receiving Agents to send share certificates in respect of the number of New Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Companies in respect of such New Shares;
- VIII. 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;
- IX. 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);
- X. irrevocably authorise the Receiving Agents to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents to execute any document required therefore;
- XI. agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning the Companies and the Offers contained therein;
- XII. 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;
- XIII. declare that you are an individual aged 18 or over;
- XIV. 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;
- XV. 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;

- XVI. agree that Octopus will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Shares pursuant to the Offers or the suitability for you of an investment in New Shares pursuant to the Offers or be responsible to you for providing the protections afforded to its customers;
- XVII. 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;
- XVIII. declare that the Application Form has been completed to the best of your knowledge;
- XIX. undertake that you will notify the Companies if you are not or cease to be either a venture capital trust qualifying subscriber or beneficially entitled to the New Shares;
- XX. declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares under the Offers and that such New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax; and
- XXI. agree that information provided on the Application Form may be provided to the registrars and Receiving Agents to process shareholdings details and send notifications to you.

6. No person receiving a copy of this document, covering correspondence or an Application Form in any territory other than the UK, may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.

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

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

9. Money Laundering Regulations

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

Under the Money Laundering Regulations, Octopus is required to check the identity of clients who invest over the sterling equivalent of €15,000 (approximately £12,850) or who invest using third party cheques. Octopus may therefore undertake an electronic search for the purposes of verifying your identity. To do so Octopus may check the details you supply against your particulars on any database (public or other) to which Octopus has access. Octopus may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If Octopus cannot verify your identity it may ask for a recent, original utility bill and an original HMRC Tax Notification or a copy of your passport certified by a bank, solicitor or accountant from you or a Client Verification Certificate from your IFA.

If within a reasonable period of time following a request for verification of identity, and in any case by no later than 3.00 pm. on the relevant date of allotment, Octopus has not received evidence satisfactory to it as aforesaid, Octopus, at its absolute discretion, may reject any such Application in which event the remittance submitted in respect of that Application will be returned to the Applicant (without prejudice to the rights of the

Companies to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for by members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation.

10. Costs of the Offers

For all investors, the Offer Price will be determined by the formula reflecting the net asset value per Share ("NAV") at the time of allotment adjusted for an allowance for the majority of the costs of the Offers, such costs constituting the expenses charged to investors under the Offers. The formula is:

- **the most recently announced NAV per Share of each Company at the time of allotment, divided by 0.945.**

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offers being reduced by 1.0%. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus and issued at the most recently announced NAV per Share, divided by 0.945.

In consideration for promoting the Offers, the Companies will pay an initial charge of 3% of the gross sum invested in the Offers to Octopus. This is payable in the same way on all subscriptions to the Offers. From this sum Octopus will discharge all external costs of advice and their own costs in respect of the Offers. In addition, there are then four categories of options, which are determined by the circumstances of each investor and their explicit instructions, in respect of which payments can be made to advisers and other intermediaries. These are as follows:

1) A direct investment

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

In consideration for promoting the Offers, if an application is made directly (not through an intermediary/adviser) then the Companies will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided the investor continues to hold the New Shares. The cost of this ongoing charge will not result in a higher fee to investors since Octopus will reduce its annual management fee accordingly.

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

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

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

The Companies can also facilitate payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the recently announced NAV multiplied by the number of New Shares allotted to that investor for up to nine years, provided that the investor continues to be the beneficial owner of the New Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share rounded down to the nearest whole share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the relevant Board. The cost of ongoing adviser charges will not result in a higher fee to investors since Octopus will reduce its annual management fee accordingly.

If the investor terminates their relationship with the intermediary/adviser then the Companies will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Companies will facilitate ongoing adviser charges if an investor changes their adviser and consents to the ongoing adviser charge.

3) An advised investment where advice is received for an upfront fee with no ongoing adviser charge

Investors who have invested in the Offers through a financial intermediary/adviser and have received upfront advice with no ongoing adviser charge, including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, the Companies can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945. In these circumstances the Companies will not facilitate ongoing annual payments. To ensure that the Companies are not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be deemed to have been paid by the Companies for a period of nine years. Octopus will subsequently reduce its annual management charge by the amount of this notional ongoing adviser charge to ensure that the Companies are not financially disadvantaged.

In both cases (2) or (3), should the investor choose to pay the adviser more than 2.5% or 4.5% respectively, the excess amount will have to be settled by the investor directly with the adviser.

4) A non-advised investment using an intermediary

Investors who have invested their money through a financial intermediary and have not received advice.

An initial charge of 2.5% of the investment will be paid by the Companies to such an intermediary. An ongoing charge of 0.5% per annum of the most recently announced NAV multiplied by the number of New Shares allotted to that investor will be paid by Octopus to the intermediary for up to nine years provided that the investor continues to be the beneficial owner of the New Shares (and in the case of an intermediary the intermediary continues to act for the investor). Since Octopus pay the cost of this ongoing charge, this will not result in a higher fee to investors.

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

The re-investment arrangements relating to ongoing adviser charges which are described above will only operate for so long as an investor remains the holder of the New Shares. Any subsequent purchaser of those New Shares will not benefit from the re-investment arrangements set out above irrespective of the adviser charges which they have agreed with their adviser nor will Octopus facilitate any adviser charges. This, therefore, means that any purchaser of New Shares will not benefit from the issue or allotment of any additional New Shares under the arrangements set out above.

Any additional New Shares which are issued under the arrangements which are described above will be issued in full and final satisfaction of any cash sums which would otherwise be due to the investor. The Companies do not hereby accept or assume or undertake any liability or obligation of any nature whatsoever to any adviser as regards the payment of any adviser charges (whether such charges are initial adviser charges or ongoing adviser charges). The role of the Companies is simply to facilitate such payments to the extent permitted by applicable rules and regulations.

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

Examples

On the assumption 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 Offers (using the most recently published unaudited NAV of the Companies as at the date of this document) is set out below:

Octopus AIM

Latest published unaudited NAV as at the date of the Prospectus (p)	Offer Price (p)	Application (£)	Number of New Shares to be allotted
100.4	106.3	£10,000	9,407

Octopus AIM 2

Latest published unaudited NAV as at the date of the Prospectus (p)	Offer Price (p)	Application (£)	Number of New Shares to be allotted
71.5	75.7	£10,000	13,210

The Offer Price may vary between allotments based on the movement in the published NAV of the Shares. The cost of the Offer is capped at 5.5%. Octopus has agreed to indemnify the Companies against the costs of the Offer in excess of this amount.

ANNEX I

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

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

with condition 3 procure (i) that the Participants are entered onto the Share Register of the Company as the registered holders of those Ordinary Shares (ii) that share certificates (unless such Ordinary Shares are to be uncertified) and, where applicable, income tax vouchers ("Tax Vouchers") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:

- (a) the total number of Ordinary Shares held at the record date for which a valid election was made;
 - (b) the number of Ordinary Shares allotted;
 - (c) the price per Ordinary Share allotted;
 - (d) the cash equivalent of the Ordinary Shares allotted; and
 - (e) the date of allotment of the Ordinary Shares;
5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
6. Each Participant warrants to the Scheme Administrator that all information set out in the application form (including any electronic election) on which the election to participate in the Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator and that during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the Scheme will not be available to any person who is a citizen, resident or national of, or who has a registered address in, any jurisdiction outside the UK unless such right could properly be made available to such person. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
9. Participants may:
- (a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme and withdraw any funds held by the Company on their behalf; and
 - (b) in respect of Ordinary Shares they hold as nominee and subject to condition 2(e), give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive Ordinary Shares is only to apply to a specified amount due to the Participant as set out in such notice.
- Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the Scheme Administrator at least 15 days prior to such Payment Date. In respect of notices under (a) above, such notice will be deemed to have been served where (i) the Participant ceases to hold any Ordinary Shares or (ii) the Participant applies for further Ordinary Shares under a prospectus or top-up offer document issued by the Company, and indicates on the relevant application form applying that they do not want the shares to be issued to them to be subject to the Scheme (upon which their existing participation in the Scheme in relation to all their Ordinary Shares shall be deemed to terminate in accordance with (a) above). Upon receipt of notice of termination, all funds held by the Company on the Participant's behalf shall be returned to the Participant as soon as reasonably practical at the address set out in register of members, subject to any deductions which the Company may be entitled or bound to make hereunder.
10. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
- (a) suspend the operation of the Scheme;
 - (b) terminate the Scheme without notice to the Participants; and/or

- (c) resolve to pay dividends to Participants partly by way of cash and partly by way of new Ordinary Shares pursuant to the Scheme.

11. Participants who wish to participate in the Scheme in respect of new Ordinary Shares to be issued pursuant to a prospectus or top-up offer document may tick the relevant box on the applicable application form.

Participants who wish to participate in the Scheme and who already have Ordinary Shares issued to them held in certificated form, i.e. not in CREST, should complete and sign a Mandate Form and return it no later than 15 days prior to the dividend payment date to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Personalised Mandate Forms can be obtained from Computershare Investor Services plc at the address above or by telephoning +44 (0) 370 703 6325 in respect of Octopus AIM and +44 (0) 370 703 6326 in respect of Octopus AIM 2. Calls to these numbers cost the same as a normal local or national landline call and may be included in your service providers tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services PLC cannot provide any financial, legal or tax advice and calls may be monitored for security and training purposes.

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

12. A written mandate form will remain valid for all dividends paid to the Participant by the Company until such time as the Participant gives notice in writing to the Scheme Administrator that he no longer wishes to participate in the Scheme.

13. The Company shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless in the Company's opinion the change materially affects the interests of the Participants. Amendments to the Scheme Terms and conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.

14. By ticking the relevant election box and completing and delivering the application form the Participant:

- (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
- (b) declares that a loan has not been made to the Participant on whose behalf the Ordinary Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive new Ordinary Shares and that the Ordinary Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purposes of which is the avoidance of tax.

15. Elections by individuals for Ordinary Shares should attract applicable VCT tax reliefs (depending on the particular circumstances of an individual) for the tax year in which the Ordinary Shares are allotted provided that the issue of Ordinary shares under the Scheme is within the investor's annual £200,000 limit. Participants and beneficial owners are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. The Tax Voucher can be used to claim any relevant income tax relief either by obtaining from the HM Revenue & Customs an adjustment to the Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self Assessment Tax Return.
16. The Company will, subject to conditions 9, 10 and 19, issue Ordinary Shares in respect of the whole of any dividend payable (for the avoidance of doubt, irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the Scheme Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.
17. Shareholders electing to receive Ordinary Shares rather than a cash dividend will be treated as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on shares allotted in respect of dividends from qualifying VCT shares.
18. For capital gains tax purposes, Shareholders who elect to receive Ordinary Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Ordinary Shares. The new Ordinary Shares will be treated as a separate asset for capital gains purposes.
19. The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the Scheme Administrator.
20. The amount of any claim or claims a Participant has against the Company or the Scheme Administrator shall not exceed the value of such Participant's Ordinary Shares in the Scheme. Nothing in these Scheme Terms and Conditions shall exclude the Company or the Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the Scheme Administrator will be responsible for:
 - (a) acting or failing to act in accordance with a court order of which the Scheme Administrator has not been notified (whatever jurisdiction may govern the court order); or
 - (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from a Shareholder (or, where relevant, a nominee) are genuine; or
 - (c) losses, costs, damages or expenses sustained or incurred by a Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
 - (d) any indirect or consequential loss.
21. These Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
22. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.
23. These Scheme Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

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

LIST OF ADVISERS TO THE COMPANIES

Investment Manager, Administrator and Receiving Agent	Octopus Investments Limited 33 Holborn London EC1N 2HT
Company Secretary	Octopus Company Secretarial Services Limited
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Solicitor	Howard Kennedy LLP No. 1 London Bridge London SE1 9BG
Sponsor	Howard Kennedy Corporate Services LLP No. 1 London Bridge London SE1 9BG
Tax adviser to the Offers	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue London EC4Y 0HA
VCT Tax status adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ



0800 316 2295
investorsupport@octopusinvestments.com
octopusinvestments.com



Octopus Investments
33 Holborn
London EC1N 2HT