

# Octopus Titan VCT Prospectus

**Offer for subscription by Octopus Titan VCT plc for the tax years 2020/2021 and 2021/2022 to raise up to £80 million by way of an issue of New Shares.**

21 October 2020



**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 a person authorised under Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities.**

This document, which comprises a prospectus relating to Octopus Titan VCT plc (the "Company") dated 21 October 2020, has been prepared in accordance with the Prospectus Regulation 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 Company and the Directors, whose names appear on pages 23 and 24 of this document, accept responsibility for the information contained herein. To the best of the knowledge of the Company 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 that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would 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 Company since the date of this document or that the information in this document is correct as at any time after this date.

The Prospectus has been approved by the Financial Conduct Authority, as the 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 issuer that is the subject of this Prospectus or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

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

**Octopus Titan VCT plc**

*(registered number 06397765)*

**Prospectus relating to:**

**offer for subscription by Octopus Titan VCT plc of New Shares to raise up to a maximum of £80 million, payable in full in cash on application\***

**Sponsor**

**Howard Kennedy Corporate Services LLP**

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The ordinary shares of the Company in issue at the date of this document are listed on the premium segment of the Official List of the Financial Conduct Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the Financial Conduct Authority for all of the New Shares to be listed on the premium segment of the Official List and application will be made to the London Stock Exchange for the New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading will commence in respect of the New Shares within 10 business days of their allotment. The New Shares will be issued in registered form and will be freely transferable in both certificated and uncertificated form and will rank pari passu in all respects 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 Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, New Zealand, Japan or the Republic of South Africa or their respective territories or possessions, or in any other jurisdiction where to do so would be unlawful,

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 £40 million at the discretion of the Board.

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 Company 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 Company's business, financial position and prospects should be viewed in light of such risk factors.

The contents of this document and the information incorporated herein by reference should not be construed as legal, business or tax advice. Neither the Company nor any of the Directors, representatives or advisers 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, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

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## Summary

### Introduction and Warnings

Name and ISIN of Securities	Ordinary Shares of 10 pence each (ISIN: GB00B28V9347) ("Shares").
Identity and Contact Details of Issuer	Octopus Titan VCT plc (the "Company") was incorporated and registered in England and Wales on 12 October 2007 with registered number 06397765 and its registered address is 6 <sup>th</sup> Floor, 33 Holborn, London EC1N 2HT (LEI: 213800A671KGG6PVYW75). The Company can be contacted at <a href="http://www.octopusinvestments.com">www.octopusinvestments.com</a> 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	21 October 2020.
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	The Company is domiciled in England and was incorporated and registered in England and Wales on 12 October 2007 as a public company limited by shares under the Companies Act 2006 ("CA 2006") with registered number 06397765 (LEI: 213800A671KGG6PVYW75). The principal legislation under which the Company operates is the CA 2006 and the regulations made thereunder.
Principal Activities	The Company's focus is on providing early stage, development and expansion funding to high growth tech-enabled unquoted companies. The Company typically makes an initial investment of £0.1 million to £5 million and will make further follow on investments into existing portfolio companies. The intention is to hold a portfolio of largely early stage, high growth unquoted tech-enabled companies.
Major Shareholders	The Company is not aware of any person or persons who have, or who following the Offer will or could have, directly or indirectly voting rights representing 3% or more of the issued share capital of the Company or who can, or could following the Offer, directly or indirectly exercise control over the Company. There are no different voting rights for any Shareholder.

	Directors	<p>The Directors of the Company (all of whom are non-executive) are:</p> <p>John Hustler</p> <p>Matthew Cooper</p> <p>Mark Hawkesworth</p> <p>Jane O'Riordan</p> <p>Tom Leader</p>																																																																							
	Statutory Auditors	<p>The statutory auditor of the Company is BDO LLP, 150 Aldersgate Street, London EC1A 4AB .</p>																																																																							
<p>What is the key financial information regarding the issuer?</p>		<table border="1"> <thead> <tr> <th data-bbox="593 674 836 797"></th> <th data-bbox="836 674 1027 797">Fourteen months ended 31 December 2019 (audited)*</th> <th data-bbox="1027 674 1219 797">Six months ended 30 April 2019 (unaudited)</th> <th data-bbox="1219 674 1386 797">Six months ended 30 June 2020 (unaudited)*</th> </tr> </thead> <tbody> <tr> <td data-bbox="593 797 836 857">Net assets (£'000)</td> <td data-bbox="836 797 1027 857">905,840</td> <td data-bbox="1027 797 1219 857">828,061</td> <td data-bbox="1219 797 1386 857">906,218</td> </tr> <tr> <td data-bbox="593 857 836 918">Issued Shares</td> <td data-bbox="836 857 1027 918">951,607,197</td> <td data-bbox="1027 857 1219 918">896,180,357</td> <td data-bbox="1219 857 1386 918">1,012,719,355</td> </tr> <tr> <td data-bbox="593 918 836 1001">Net asset value per Share</td> <td data-bbox="836 918 1027 1001">95.2p</td> <td data-bbox="1027 918 1219 1001">92.4p</td> <td 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<p>What are the key risks that are specific to the issuer?</p>	<p><b>Set out below is a summary of the most material risk factors specific to the issuer</b></p> <ul style="list-style-type: none"> <li>• Shareholders may be adversely affected by the performance of the investments, which may restrict the ability of the Company to distribute any capital gains and revenue received on the investments.</li> <li>• The Company's investments may be difficult, and take time, to realise, which may affect the returns to investors.</li> <li>• The spread of coronavirus (Covid-19) was declared a global pandemic by the World Health Organisation on 11 March 2020 and is likely to have a significant impact on the UK and global economy, affecting workers and businesses of all sizes. Despite the UK Government's fiscal measures and additional tax and other benefits to support small businesses, the Company's portfolio businesses may be adversely impacted by the pandemic, as too the returns for investors.</li> <li>• 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 Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods. This may adversely affect the performance of the Company.</li> <li>• Investment in unquoted companies, which comprises most of the Company's portfolio, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.</li> <li>• 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 Company to fund dividends and share buybacks.</li> </ul>

**Key Information on the Securities**

<p>What are the main features of the securities?</p>		
	<p>Type, class and ISIN of securities</p>	<p>The Company will issue new ordinary shares of 10 pence each ("New Shares") under the Offer. The ISIN of the New Shares is GB00B28V9347.</p>
	<p>Currency, par value and number to be issued</p>	<p>The currency of the New Shares is Sterling. The New Shares are ordinary shares of 10 pence each and pursuant to the Offer, the Company will issue up to £80 million of New Shares with an over-allotment facility for up to a further £40 million of Shares.</p>
	<p>Rights attaching to the securities</p>	<p><u>As Regards Income:</u> The holders of the Shares as a class shall be entitled to receive such dividends as the Directors resolve to pay.</p> <p><u>As Regards Capital:</u> On a return of capital on a winding up or any other return of capital (other than on a purchase by the Company of its shares) the surplus capital and assets shall be divided amongst the holders of Shares pro rata according to the nominal capital paid up on their respective holdings of Shares.</p> <p><u>As Regards Voting and General Meetings:</u> Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, each holder of Shares present in person or by proxy shall on a poll have one vote for each Share of which he is the holder.</p>

		<u>As Regards Redemption:</u> The Shares are not redeemable.
	Seniority of securities	The New Shares that are the subject of the Offer will rank equally with the existing Shares in the event of an insolvency of the issuer.
	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the New Shares.
	Dividend policy	Generally, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Company is targeting a regular annual dividend of 5p with the potential to pay special dividends when there are significant gains from the sale of portfolio holdings.
Where will the securities be traded?		An application has been made to the FCA for the New Shares issued pursuant to the Offer to be admitted to the premium segment of the Official List and will be made to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that each such admission will become effective, and that dealings in those New Shares will commence, within 10 business days of their allotment.
What are the key risks that are specific to the securities?		<p><b>Set out below is a summary of the most material risk factors specific to the securities</b></p> <ul style="list-style-type: none"> <li>• There is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any share buyback policy to offer any certainty of selling their Shares at prices that reflect their underlying NAV.</li> <li>• Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment.</li> <li>• Income tax relief on subscription for shares in a VCT after 5 April 2014 is restricted where, within 6 months, whether before or after the subscription, the investor had disposed of shares in that VCT or a VCT which at any time merges with that VCT and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription that the VCTs were intending to merge.</li> </ul>

**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><b>Details of the Offer and Admission to Trading</b></p> <p>Up to £80 million of New Shares are being made available at the Offer Price under the Offer, with an over-allotment facility for up to a further £40 million of New Shares. The New Shares are payable by an Applicant in full upon application. The Offer will close on 20 October 2021 or earlier if fully subscribed before then. The Board reserves the right to close the Offer earlier and to accept Applications and issue New Shares at any time following the receipt of valid applications. An 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.</p>
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### **Pricing of the Offer**

The Offer Price will be determined by the following formula:

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

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1% if valid applications are received prior to 15 December 2020. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines.

The Company announces its NAV at least every six months. Where the share price for the Company has 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 Offer, the NAV per Share will be rounded up to one decimal place and the number of New Shares to be issued will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). Where there is a surplus of application funds, these will be returned to applicants (except where the amount is less than the Offer Price of one New Share in which case it will be donated to charity), without interest.

The Offer will be closed on full subscription, i.e. once the full £80 million plus the over-allotment facility of £40 million have been raised. The Board reserves the right to close the Offer earlier and to accept applications and issue New Shares at any time prior to the close of the Offer. New Shares issued under the Offer will rank pari passu with the existing Shares from the date of issue.

### **Costs of the Offer**

The initial costs of the Offer are capped at 7.5% of gross proceeds of the Offer.

### **Expenses Charged to Investors**

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

#### **1) A direct investment**

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

In consideration for promoting the Offer, if an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to seven years, provided the investor continues to hold the Shares.

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

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

The Company can facilitate a payment on behalf of an investor to an

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

The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to seven years, whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the most recently announced NAV per Share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the Board.

If the investor terminates their relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Company will facilitate ongoing adviser charges to a new adviser if an investor changes their adviser and requests the ongoing adviser charge to be paid to their new adviser.

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

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice, including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments.

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

**4) A non-advised investment using an intermediary**

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

An initial commission of up to 2.5% of the investment will be paid by the Company to the intermediary. An annual ongoing adviser charge of 0.5% of the investment amount's latest NAV will be paid by the Company to the intermediary. Such commission will be available for up to seven years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

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

	<p>investments.</p> <p><b>Dilution</b></p> <p>The existing issued Shares in the Company will represent 89.1% of the enlarged ordinary share capital of the Company immediately following the Offer, assuming that the Offer is fully subscribed, including the over allotment facility, at an Offer Price of 96.5p, and on that basis Shareholders who do not subscribe under the Offer will, therefore, be diluted by 10.9%.</p>
<p>Why is this prospectus being produced?</p>	<p>The reason for the Offer is to enable the Company to raise funds and then use a minimum of 80% of the proceeds of the Offer to acquire over a period not exceeding three years (and subsequently maintain) a portfolio of Qualifying Investments in accordance with its published investment policy.</p> <p>The net proceeds of the Offer, assuming a £120 million subscription (with the over-allotment facility fully utilised) and the maximum initial charge, will be £111 million.</p> <p>The Offer is not subject to an underwriting agreement.</p> <p>No conflict of interest is material to the Offer.</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 the Company's business, financial condition or results of operations. The risks and uncertainties described below are the only known material risks the Company or its Shareholders will face. Any decision to invest under the Offer should be based on consideration of this document as a whole.

### Risk factors relating to the Company

The return received by Shareholders will be dependent on the performance of the underlying investments of the Company. The companies in which the Company invests may not produce the expected returns and the value of such investments, and the interest income and dividends they generate, may fall and adversely affect the performance of the Company and the returns to investors.

The Company's 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 Company. Both of these may adversely affect the performance of the Company and the returns to investors.

The spread of coronavirus (Covid-19) was declared a global pandemic by the World Health Organisation on 11 March 2020. Businesses currently have to operate with severe restrictions on their activities resulting from the UK Government's on-going measures to contain the spread of the virus and to minimise the likelihood of a resurgence in infection rates. The FTSE 100 and other share indices across Europe and the US have declined in response to the spread of the virus and the restrictions imposed by governments to contain it. The Company's investee companies may be adversely impacted by the pandemic, the UK Government's restrictions and the resulting disruption caused to consumer demand. Whilst the UK Government has provided financial support and implemented fiscal and other measures to support small businesses, the UK Government may vary significantly the restrictions it has imposed on business activities, the financial support it is currently providing to businesses and the other fiscal measures it has taken. The exact effect of these on the Company's investee companies is, therefore, difficult to predict. In addition, the general disruption caused by the virus may make it more difficult to value the Company's investments in investee companies on an on-going basis. All of these factors may adversely affect investor returns.

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 Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods. This may adversely affect the performance of the Company.

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

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

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, 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 Company lose its VCT status, dividends and gains arising on the disposal of shares in the Company would become subject to tax and the Company would also lose its exemption from corporation tax on capital gains.

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

The Company will only pay dividends on Shares to the extent that it has distributable reserves and cash available for that purpose. A reduction in income from the Company's investments may adversely affect the dividends payable to

Shareholders. Such a reduction could arise, for example, from lower dividends or lower rates of interest paid on the Company's investments, or lower bank interest rates than are currently available.

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 Company 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 Company may not be able to provide further investment funds for companies already in their portfolios. Whilst HMRC have stated that VCT status will not be withdrawn where an investment is ultimately found to be non-qualifying if, after taking reasonable steps including seeking advice, a VCT considers that an investment is qualifying, a breach of any of these conditions could result in the loss of VCT status by the Company or HMRC requiring rectification of the breach, which may mean the VCT is forced to dispose of the investment at a loss and this could adversely affect investor returns.

The Company's ability to successfully implement its investment policy is dependent on the efforts, abilities and services of Octopus Ventures. The departure of a number of members of the Octopus Ventures team could adversely affect the Company's ability to implement its investment policy, and, therefore, the performance of the Company.

#### Risk factors relating to the Shares

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 their underlying NAV and there may be periods during a year where the Company will be prohibited from buying back Shares.

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

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT, and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription 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 Offer at risk.

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

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

## EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS

Launch date of the Offer	21 October 2020
First allotment under the Offer	On or before 5 April 2021
Deadline for receipt of applications for final allotment in 2020/21 tax year	12.00 noon on 5 April 2021
Deadline for receipt of applications for final allotment in 2021/22 tax year	12.00 noon on 20 October 2021
Closing date of the Offer	20 October 2021

- The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier and to accept Applications and issue New Shares at any time following the receipt of valid applications.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority.
- Dealing is expected to commence in New Shares within 10 business days of allotments and share and tax certificates are expected to be dispatched within 14 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified through a Regulatory Information Service.

### Offer Statistics

Costs of Offer	Up to 7.5% of gross proceeds of Offer
Initial adviser charge or intermediary commission	Up to 4.5% of gross proceeds of Offer
Ongoing adviser charge or annual ongoing charge	Up to 0.5% per annum of the latest NAV of gross sums invested in the Offer for up to 7 years

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

## Letter from the Chairman of Octopus Titan VCT plc

Octopus Titan VCT plc  
6<sup>th</sup> Floor  
33 Holborn  
London  
EC1N 2HT

21 October 2020

Dear Shareholder,

Since Titan was launched in October 2007, Titan has raised over £1 billion of funds from approximately 20,700 Shareholders and has invested in more than 120 companies. Shareholders who invested at the launch of the Company would have received tax-free dividends of 79.0p, and still retain Shares valued at 91.1p each as at 20 October 2020, for every 100p which they originally subscribed.

I would like to thank Shareholders for their support and welcome new Shareholders who helped us to raise over £120 million in last tax year's fundraising, particularly given the economic uncertainty relating to the Coronavirus pandemic towards the end of the fundraising process. In the six-month period to 30 June 2020, we utilised a total of £121 million of cash, comprising £53 million in new and follow-on investments, £30 million in dividends, £7 million in Share buybacks and £31 million in running costs (of which £18 million was the 2019 performance incentive fee). Based on this run rate, we expect to again achieve our objective of deploying funds within 12-18 months of the tax year-end in which the funds were raised.

The portfolio is focused on seeking and supporting high growth businesses which can change the world we live in. In the 12 months to December 2019, the investee companies in Titan's portfolio grew their revenues by 43%, generating more than £180 million of additional revenue and creating over 1,300 new jobs. With many of the portfolio companies embracing the opportunities presented in the current macroeconomic climate, and a number of pioneering entrepreneurs seeking new investment from Octopus Ventures, we remain positive about the future prospects for Titan. I am, therefore, delighted to once again offer you an opportunity to acquire New Shares in the Company.

### The Offer

Titan is seeking to raise £80 million under the Offer, with an over-allotment facility of a further £40 million, subject to demand and deployment opportunities. The Offer is intended for investors looking for the potential to generate a tax-free return from a portfolio of early-stage UK companies. Investors will benefit from immediate exposure to an existing portfolio of more than 80 early stage companies operating in many different technology-enabled sectors, which we believe offers an excellent opportunity to gain broad exposure to one of the fastest growing parts of the UK economy. Investors should remember that the value of an investment, and any income from it, can fall as well as rise.

### Company Performance

Following strong fund performance in Titan's period to 31 December 2019 (total return of +7.6%), we reduced the NAV per Share from 95.2p to 91p in April 2020, to reflect some of the known risks and broader uncertainty of the effects of Coronavirus on the portfolio. We have since undertaken further valuation reviews, initially for the interims to 30 June, for which we announced a NAV per Share of 89.5p (which compares to the previous NAV per Share of 88p post the payment of the 3p per Share year end dividend) and most recently to 20 October 2020, when we announced a NAV per Share of 91.1p. For the 30 June NAV, in addition to the detailed portfolio analysis, Octopus and the Board engaged our auditors, BDO LLP, to undertake a review of the valuations of the largest 25 holdings by value, similar to the review process conducted across the portfolio at the previous year end, and we considered their comments in determining that NAV. We are pleased that the total return has been +3.5% since April 2020 and -1.1% since December 2019, reflecting the overall resilience of the portfolio, with many companies performing very strongly despite Coronavirus.

Titan paid its first dividend in April 2009 and has maintained a strong track record of dividend payments ever since, having paid 79.0p in total, with a further 2.0p dividend per Share announced as at the date of this document, which will be payable on 11 December 2020. The Company is targeting the payment of regular annual dividends of 5p per Share subject to Board approval and in the absence of unforeseen circumstances, with the potential to pay special dividends as investments are realised at a significant profit. The Company has adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares, further details of which are set out in Part One.

The Company has a good track record, generating a total return of 21.3% over the last five years to 30 June 2020. This includes the impact of all fees and charges but does not include the 30% upfront income tax relief available on newly issued VCT shares.

### **VCT tax benefits**

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

### **Investment Process**

Titan's investment strategy aims to back the next generation of pioneering entrepreneurs leading technology and tech-enabled businesses in a few dedicated areas. To reach these pioneers and serve them properly the Octopus Ventures investment team is organised into pods: The Future of Health, The Future of Money and Deep Tech. Each pod nurtures the depth of knowledge and connections necessary to help the teams we back create world-changing companies in these areas. This has helped make Octopus Ventures the investor of choice for entrepreneurs, who are increasingly looking to partner with specialist investors. This is evidenced by some of the new investments completed: in December 2019, the Deep Tech pod led the funding round into AudioTelligence, the company dedicated to making speech clear and intelligible: in June 2020, the Future of Money pod invested in Vitesse which is re-imagining the world of cross-border payments: and finally, the Future of Health pod invested in Ori Biotech, a London-based developer of cell and gene therapy manufacturing, in August 2020. Octopus Ventures is building on the recent success of the Future of Health, Future of Money and Deep Tech by expanding into two additional areas of expertise – Consumer and Growth.

Titan typically makes initial investments of between £100,000 and £5 million with a view to achieving returns of ten times the original value of the initial investment. Titan targets a 20% stake in a new company investment, and usually seeks to maintain this stake (or even increase it) as the company grows. This will often mean providing follow-on investment where portfolio companies are successfully reaching their agreed milestones. This approach helps to reduce the impact of potential failures by focusing on repeat investments into the potential winners and aiming to only increase Titan's exposure to the best performing companies.

Octopus continues to source and invest into at least 10-15 new companies each year on our behalf and typically holds them for five-ten years. This means that Shareholders get exposure to a diverse portfolio of companies at various stages of their growth journey, from the recently acquired start-ups to more mature companies that are reaching their global growth ambitions. With increased resource and sector focus, Titan anticipates at least continuing this investment deployment rate over the coming year and beyond.

In order to give the portfolio companies in which it invests every chance of success, Octopus Ventures does not just passively invest in a company, but actively participates in the development and growth of the business. A member of Octopus Ventures typically sits on the board of the companies into which Titan invests. This arrangement, in conjunction with its portfolio talent team's active involvement, allows them to play a prominent role in an investee company's ongoing development and strategy.

Titan has established itself as an important investor in the next generation of companies that will have an impact on the world. We believe it is for this reason that some of the world's highest profile and most innovative technology companies, like Google, Microsoft and Amazon, have all acquired businesses that Titan has funded, and a number have been realised at valuation multiples in excess of our target of ten times our initial investment.

Reviewing the last three years alone, Titan has benefitted from successful exits from Tails.com (acquired by Nestlé Purina), and a partial realisation of Secret Escapes in 2018 (the latter at a price around 80 times that of the initial price at which Titan purchased shares); Graze.com (acquired by Unilever) and Zynstra (the company being valued at £100m upon exit) in 2019; and We Got Pop (acquired by Entertainment Partners) and UltraSoc Technologies (acquired by Siemens) in 2020 to date. Collectively, these realisations returned over £80m to Titan, including deferred proceeds and retention amounts.

As you would expect, investing in early stage companies is not without its risks. A VCT is considered a high-risk investment, and a portfolio of VCT-qualifying companies is expected to have a proportion of failures. The typical industry failure rate for early-stage companies is around 55%<sup>1</sup>. Since Titan's inception, just 21% of investee companies have been exited at a whole or partial loss. This equates to less than 13% of total capital invested, reduced from 15.5% in 2019. These losses are fully incorporated into the Company's overall performance history and demonstrates the resilience of the investment strategy.



## **Coronavirus**

While coronavirus has provided a challenging environment for some companies, we believe that change can also create opportunities from which enterprising management teams can reap rewards.

We are delighted to see that a number of the companies Titan has invested in are thriving. For example: with people spending more time at home, Patch saw demand for its plants increase by 500%; as physical stores were forced to close, Trouva's platform proved to be a lifeline for many independent boutiques, enabling 75% of them to continue trading online; Depop, the online fashion marketplace, also benefited from 40% of its community spending more time online and has experienced all-time high revenues as a result; and Cazoo, founded by Alex Chesterman (also the Founder of Zoopla, a previous Titan investment), has grown revenues to in excess of £100m on an annualised basis, less than a year since the digital second hand car service was launched and which recently raised £240m at a valuation of over £2bn.

As is to be expected, some companies in our portfolio are more exposed to the difficult trading environment, particularly those operating within the travel and leisure sectors. Swift and considered actions from the management teams have allowed these companies to weather a prolonged period of disruption. Measures to extend their cash runways, combined with additional funding where appropriate, have meant that we are now in a position where our portfolio is arguably as well capitalised as it has ever been. Our portfolio has collectively limited the proportion of employee redundancies to less than 3% of their total workforce, thus continuing to grow their overall employee numbers during this period<sup>2</sup>. While it will take time to fully understand the long-term impact of Coronavirus on such businesses, many are already showing signs of recovery.

## **New investment opportunities**

The UK is the most active technology market in Europe. Back in 2010, there were only two European technology companies, founded after 2000, valued at \$1 billion or more. In 2020, there are 112 with over a billion-dollar valuation, and 30 of these are UK-based.

Despite the political uncertainty surrounding Brexit and the macroeconomic challenges presented by the Coronavirus pandemic, the UK continues to foster entrepreneurial talent and there is no shortage of quality companies looking for capital.

The Board believes the Company needs three essential ingredients to be successful. The first is deal flow. Octopus Ventures engages with thousands of potential investment opportunities each year, and reviews more than 1,800 in detail and goes on to invest in about 1% of these. This means they can be highly selective and pick those they believe offer the best potential for investment and growth.

The second key ingredient is resource. It is vital to have the right resources in place to support the businesses that Titan invests in. Over time, Octopus Ventures will selectively add new investments and exit existing companies, but the primary focus will continue to be on developing the existing portfolio to help them realise their global ambitions. The team has many years of experience supporting early stage companies and helping them grow. This includes helping portfolio companies to build and nurture the high-performance management teams to achieve their ambitious growth, and Octopus Ventures has invested further in resource to help them do this. Octopus Ventures has a dedicated portfolio talent team in place to help establish the skills and processes that will scale a business we're backing – at speed if necessary. They also help businesses prepare to succeed in new international markets. In fact, 63% of portfolio companies generate revenues outside Europe, and 58% have international offices. That is why the team has invested in an office in New York and a network that reaches from China to Silicon Valley.

The third ingredient for success is the ability to invest in small businesses throughout their growth journey. It is important to have enough cash on hand to make the most of the opportunities we invest into, this includes making follow-on investments into our existing portfolio as well as adding selected new companies to the portfolio. It is thanks to our Shareholders and their continuing support that Titan has been able to excel in this area.

Octopus has recently launched a new service to be managed by Octopus Ventures, with investors in this new service able to benefit from Enterprise Investment Scheme tax incentives. The service will, broadly, invest in parallel with Titan in new investment opportunities. Your Board believes that by launching this service Octopus Ventures will be able to increase the resources it devotes to identifying and analysing new investment opportunities as well as deepening and broadening the pod structures. We believe this will have a beneficial effect on the Titan portfolio in the future.

## **Conclusion**

The Board is pleased with the progress of the Titan portfolio over the last year, in spite of the Coronavirus pandemic, and is confident that the Company can continue to deliver good investment performance to Shareholders. Octopus Ventures has

proven its ability to source outstanding entrepreneurs, to back the most successful of these companies both financially and non-financially, and to help negotiate with some of the world's leading technology companies to secure exits at very profitable valuations on behalf of our Shareholders.

I look forward to welcoming new Shareholders through this Offer.

Yours sincerely

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

<sup>1</sup> Office for National Statistics survivals and growth by size, June 2020

<sup>2</sup> Octopus Ventures, as at 30 September 2020

## **PART ONE: THE OFFER**

**Introduction to the Offer**

**Terms of the Offer**

**Use of funds**

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**Dividend policy and Dividend Reinvestment Scheme**

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### **Introduction to the Offer**

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. According to the Association of Investment Companies (AIC), almost £620 million was invested in VCTs in the 2019/2020 tax year, the fourth highest amount since VCTs' inception.

An investment under the Offer will provide individuals with exposure to a diversified portfolio of early stage, high growth unquoted tech-enabled companies with the aim of generating returns over the medium to long term. The net proceeds of the Offer will be invested in accordance with the Company's investment policy, as set out below.

The Company is seeking to raise £80 million under the Offer, with an over-allotment facility of a further £40 million. The minimum investment is £3,000. There is no maximum investment. Multiple Applications are permitted.

The Offer will remain open until 20 October 2021 unless fully subscribed at an earlier date and the Board reserves the right to close the Offer earlier and to accept applications and issue New Shares at any time following the receipt of valid applications. New Shares issued will rank pari passu with the existing Shares from their date of issue.

### **Terms of the Offer**

The full terms and conditions applicable to the Offer are set out on pages 63 to 67.

### **Use of funds**

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

### **Intermediary charges**

Details are set out in the Terms and Conditions of the Offer on pages 63 to 67.

### **Investment policy**

The investment policy of the Company is as follows:

The Company's focus is on providing early stage, development and expansion funding to unquoted companies. The Company typically makes an initial investment of £0.1 million to £5 million and will make further follow on investments into existing portfolio companies. The intention is to hold a portfolio of largely unquoted technology companies.

Although the Directors are unsure of the overall impact of the Coronavirus pandemic on the valuation of the investment portfolio and the fund's performance, the Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of investee companies from a number of different technology sectors. Concentration risk is mitigated by ensuring that at the point of investment no more than 15% of the Company by value will be in any one investment. Any borrowing by the Company for the purposes of making investments will be in accordance with the Company's articles of association.

The investment profile is expected to be:

- 80-90% in VCT qualifying investments, primarily in unquoted companies
- 10-20% in non-VCT qualifying investments or cash.

#### Non-VCT Qualifying Investments

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

#### VCT Qualifying Investments

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

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

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

#### Conflicts of interest

The Company has built strong relationships with many of the companies in which it invests, and sometimes this can present "conflicts of interest" as explained below.

With these relationships, there is a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group or with the interests of Octopus. The Company and Octopus aim to make sure that the interests of the Shareholders are always looked after. Conflicts of interest are sometimes unavoidable. In the first instance, the Company and Octopus look to prevent them but if they cannot they will take action to manage or mitigate any effect. For more information on some of the main conflicts see below, and refer to the Octopus conflicts of interest policy, which is available from [octopusinvestments.com](http://octopusinvestments.com).

#### Investing alongside other Octopus funds

The Octopus Ventures team have previously invested funds from the Company alongside and into other Octopus-managed products or services and sometimes alongside Octopus itself. Going forward, when investing into new companies and some of those already in the portfolio, it is expected that Titan will invest along with funds from Octopus' new Enterprise Investment Scheme (EIS) service launched in Autumn 2020, Octopus Venture EIS and potentially other Octopus managed funds. This means an investee company can benefit from more diverse sources of funding while still partnering with Octopus, which in turn could make Octopus a more attractive investor for pioneering entrepreneurs.

Titan will retain pre-emption rights, including right of first refusal, on all existing holdings. Investments into new businesses made by Octopus Ventures will be allocated between Titan and any co-investing Octopus-managed funds and services in

accordance with an allocation policy (the "Allocation Policy") that has been agreed by the Board. Any changes to this policy which may impact Titan will require Board approval.

#### The role of Octopus employees

The Company often places an Octopus employee on the board of the companies it invests in, either as an observer or a director. This means the Company is able to closely monitor the investment it has made on behalf of the Company's investors. However, this also means that, as company directors, those employees have obligations to all shareholders of the company, and not just the Company's investors.

#### When could conflicts of interest be harmful to investors?

Some investments held by the Company could have investors across more than one Octopus fund and as a result the interests of all parties may not be fully aligned. Octopus has agreed policies and processes which are in place to make sure that any transactions that affect more than one group of investors are managed fairly, but sometimes, investors may still be restricted in the timing of an exit.

#### Fees from portfolio companies

Octopus in the past may have received fees from the companies that the Company invests in (for example, when making or selling our investment in a company, as well as for appointing a representative to the board of directors). Since 31 October 2018, Octopus no longer receive such fees in respect of new investments or any such new fees in respect of further investments into portfolio companies in which the Company invested on or before 31 October 2018, with any such fees received after that time being passed to the Company. The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus, not by the Company. Please see page 48 for more information.

#### Managing conflicts

The Company and Octopus have a number of controls in place to manage any conflicts of interest where they cannot prevent them. These include:

- Octopus Ventures' investment committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed when they cannot be avoided as well as being responsible for the Allocation Policy. The Allocation Policy sets out how the amount invested from each fund into each opportunity is decided.
- In cases where there are a large number of conflicts of interest or they are particularly significant as identified by the investment committee, proposals are subsequently reviewed by a conflicts committee, which is responsible for ensuring conflicts are handled appropriately, and which is independent of Octopus Ventures and the Company.
- The Company has recently obtained professional advice on the conflict management process from an independent advisory firm, in order to ensure that the conflict management process is equivalent to industry best practice.
- As the Company is a publicly listed company, it has its own Board of Directors, which is required to act independently and represent Shareholders' best interests at all times, and who are ultimately responsible for ensuring the investment objectives and policy of the Company are carried out. The Board also approves the Allocation Policy used by Octopus Ventures' investment committee.

#### **Performance history**

The Company targets high levels of capital growth from its portfolio of early-stage tech-enabled UK companies. However, like most VCTs, rather than increasing the value of its shares, it aims to return this investment performance back to Shareholders in the form of tax-free dividends. The potential for paying tax-free dividends to investors is one of the main benefits of VCTs, although they are not guaranteed.

£5,000 invested in the Company five years ago would, over the period from 30 June 2015 to 30 June 2020, have given a total return of £6,064: a 21% gain. This illustration assumes upfront fees have already been taken from the value of the initial investment and that the investment on 30 June 2015 was held until 30 June 2020 – the date of the Company's latest interim accounting period. The cumulative total return shown above takes into account all ongoing fees and costs relating to the Company and is inclusive of any dividends paid. It does not include any upfront income tax relief claimed by the investor.

## Five year performance

Launched over a decade ago, the Company now features a number of established companies, such as Amplience, Secret Escapes, and Trouva, along with more recent investments into early stage businesses.

Year to 30 June	2016	2017	2018	2019	2020
Total Return <sup>1</sup>	7.2%	4.7%	4.3%	3.3%	2.3%
Dividend Yield <sup>2</sup>	9.2%	5.2%	5.3%	5.3%	5.4%
Total Value <sup>3</sup>	154.7p	159.2p	163.3p	166.4p	168.5p

The performance information above shows the total return of the Company in discrete 12 month periods to 30 June from 2015 to 2020. The NAV used to calculate these returns for the years prior to 2020 is the most recently announced unaudited NAV prior to 30 June of those years.

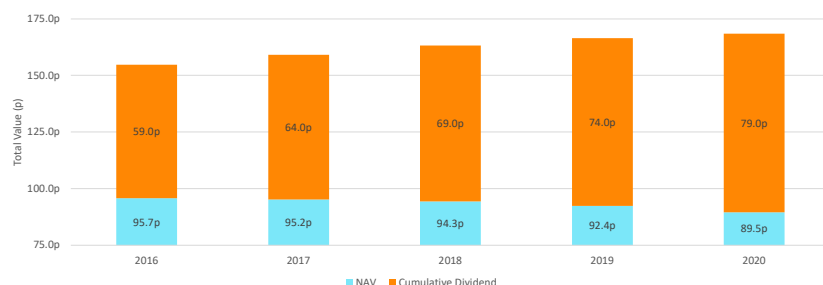
<sup>1</sup> The annual total return for the Company is calculated from the movement in net asset value (NAV) over each period, with any dividends paid over that period then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return.

<sup>2</sup> The dividend yield is calculated by dividing the dividends paid in each of the above periods by the NAV at the start of each of these periods.

<sup>3</sup> Total value is calculated as the sum of the NAV per share in pence and cumulative dividends per share in pence for each of the above periods. The NAV is the combined value of the assets owned by the Company after deducting the value of its liabilities (such as debts and financial obligations). The performance shown is net of all ongoing fees and costs.

When considering the 13 profitable realisations as at July 2020, and not including those investee companies that have been exited at a whole or partial loss, the Company has realised its investments at an average of 14.4 times the initial price of its first investment into those companies, well in excess of the Company's target of investing into businesses with the potential to return ten times our initial investment.

## Total value growth



## Octopus Titan VCT in numbers

### Octopus Titan VCT in numbers

**£906m<sup>1</sup>**  
funds under  
management

**80+<sup>1</sup>**  
portfolio  
companies

**43%<sup>2</sup>**  
annual revenue  
growth of the  
portfolio companies

**42%<sup>2</sup>**  
revenue growth  
of the top  
ten holdings

**1300+<sup>2</sup>**  
jobs were created  
by portfolio  
companies last year

<sup>1</sup> Octopus Investments, 30 June 2020

<sup>2</sup> Octopus Ventures, comparison of 2019 calendar year vs. 2018

## **Dividend policy and Dividend Reinvestment Scheme**

VCTs are able to make dividend payments from distributable reserves. In order to retain qualification as a VCT, the Company may not retain more than 15% of the income it receives from shares and securities.

The amount of these dividends depends, amongst other things, on the level of income and capital returns generated by the Qualifying Investments, the performance of the non-Qualifying Investments and the amount raised by the Offer. In the medium to long term the size of dividends paid to Shareholders will depend largely on the level of profits realised from the disposal of investments. Dividends will only be paid if the Board believes it is appropriate to do so.

The Company is targeting a regular annual dividend of 5p per annum with the potential to pay special dividends as investments are realised at a significant profit. As at the date of this document the Company has paid total dividends of 79.0p per Share to investors. However, this is not a guarantee, and no projection or forecast is expressed or implied.

The Company has adopted a Dividend Reinvestment Scheme under which Shareholders are given the opportunity to reinvest future dividend payments by way of subscription for new Shares. Subject to a Shareholder's personal circumstances, Shares subscribed for under the Dividend Reinvestment Scheme should obtain the usual VCT tax advantages as set out above.

Investors under the Offer may elect to participate in the Dividend Reinvestment Scheme 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 held. Participation in the Dividend Reinvestment Scheme 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 Board intends to buy back Shares at up to a 5% discount to the prevailing net asset value. The Board believes this makes an investment in the Company attractive to both current and future Shareholders. All buybacks are subject to the Company having sufficient funds available and are at the discretion of the Board. There may be periods during a year where the Company will be prohibited from buying back Shares which may include the periods of up to four months after its financial year end and up to three months after its half year end. The discount to NAV is also inclusive of the broker fee charged by Panmure Gordon (the Company's corporate broker) for facilitating the sale.

## **The Board**

The Board comprises five directors, four 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 Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies.

### **John Hustler (Chairman)**

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

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

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

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

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

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

Jane is currently executive chair of Turtle Bay restaurants and chairman of Caravan Restaurants and Flight Club Darts. Jane was previously a Director of Yellowwoods Associates UK Limited, where she was involved in the strategic development of companies such as Nando’s, Gourmet Burger Kitchen, Pizza Express/Gondola and others. Before Yellowwoods, Jane was a director with Braxton Associates, the then strategic consulting division of Deloitte & Touche. In addition to over 25 years of private equity, venture capital and management consulting experience, Jane worked for three years with British Aerospace as a spacecraft systems engineer. Jane has a BSc in mechanical engineering and an MBA from Harvard Business School. Jane was director and Chairman of Octopus Titan VCT 5 plc from 17 November 2010 to 27 November 2014.

### **Tom Leader (Non-Executive Director)**

Tom has over 27 years’ private equity experience. He is currently Head of Portfolio at Caledonia Private Capital (part of Caledonia Investments plc). Before Caledonia, Tom worked at Nova Capital Management, Baring Private Equity Partners and Morgan Grenfell Private Equity. Tom started his career in the management consultancy practice of Coopers & Lybrand. Tom is Non-Executive Director of The Liberation Group, Bloom Engineering, Seven Investment Management and Cooke Optics. Separately, he is Non-Executive Chairman of Penox Group GmbH.

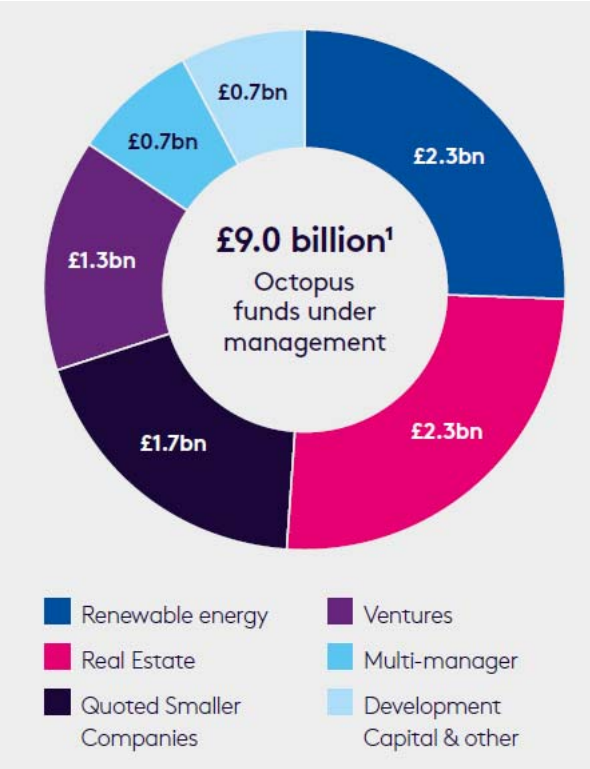
### **The Investment Team**

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 approximately £9.0 billion in assets under management and manages more than £1.0 billion of VCT money on behalf of over 30,000 investors (Source: Octopus investments Limited, 30 June 2020). 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 providing for an ageing population in need of lifelong care, or the long-term trend towards renewable energy as a viable alternative to fossil fuels, or investing in dynamic, entrepreneurial companies that have a positive effect on the economy and the people around them.

Octopus has helped several large start-ups grow to become household names, including Zoopla Property Group, graze.com and Secret Escapes.



**Octopus Funds under Management**



<sup>1</sup>Octopus, 30 June 2020. Funds under management data includes funds under advisory mandates, funds monitored and the Octopus Cash service.

Octopus Ventures, which manages the Company's investments, invests mainly into early stage high growth tech-enabled companies with global ambitions and the potential to grow quickly. The team are one of the largest in Europe, and have offices in London and New York, as well as operating partners ("Operating Partners") across the world, including San Francisco, Singapore and Shanghai, a select group of entrepreneurs and business experts who offer best-in-class expertise in areas such as CEO leadership, sales and international expansion that makes a significant difference to companies (previously known as Venture Partners).

Octopus Ventures looks to back pioneering entrepreneurs who are changing the world, and is redefining its approach to focus predominantly on three key areas, the Future of Health, the Future of Money and Deep Tech.

Future of health looks to work with pioneers who are improving lives through digital health, tackling taboo health issues and creating software that helps existing health systems achieve better outcomes.

Future of money explores novel consumer-centric finance and insurance products and aims to find entrepreneurs who want to change the face of money globally.

Deep Tech focuses on tools and innovations that will power the next industrial revolution, including human-computer interface, edge and quantum computing, robotics and synthetic biology.

Consumer focuses on backing the innovators transforming the everyday in how we live, work, travel, play, rest and recuperate.

This sharpening of focus helps attract the best entrepreneurs, who tend to have a preference for investors who specialise in their sector. It also allows us to find the best opportunities in each area more efficiently while continuing to build specialist skills and expertise.

The investment team comprises the following members:

#### **Jo Oliver**

Jo became an Octopus Venture Partner in 2005. Having run several businesses of his own, from publishing surf books to property development, and having made numerous angel investments, including many as an Octopus Venture Partner, Jo joined as a director in Octopus Ventures in May 2009. He is involved in the team's investment process and part of the Future of Money investment pod. He is involved with portfolio management and fundraising activity, as well as sitting on a number of the boards of investee companies in the portfolio, including Calastone, Amplience, Currency Fair, Iovox and SwiftKey, which was acquired by Microsoft in 2016. Jo qualified as a chartered accountant in 1995. He spent seven years working as a research analyst at NatWest, Merrill Lynch and Lehman Brothers, where he led a top-rated equity research team specialising in the European mobile telecoms sector including companies such as Vodafone, Orange and O2.

#### **Alliott Cole**

Alliott joined Octopus in 2008 and spent eight years making seed and early-stage investments in London before he moved to New York to set up the Octopus Ventures US practice. He was appointed Chief Executive of Octopus Ventures in September 2017. Before joining Octopus, Alliott spent four years working at international law firm Ashurst LLP, with stints at NM Rothschild and IBM in London. He holds a Masters in Classics from Oxford University and a postgraduate diploma in Law from BPP University, London.

#### **Alan Wallace**

Alan was a founding member of Octopus Ventures, and is now a long-term consultant to the team purely focused on fundraising and mentoring the more junior investment team members. Alan brings over 30 years of experience in marketing, general management and strategic planning to the selection and development of management teams. Prior to founding Katalyst with his colleagues and its subsequent sale to Octopus Investments, he held senior marketing positions in fast moving consumer goods companies: Sara Lee, Rank Hovis McDougall, Cambridge Nutrition and Great Universal Stores. His experience as a general manager includes Managing Director of Cambridge Nutrition, Dairy Crest and Premier Brands. Alan has also been a Non-Executive Director of Lingarden. Alan holds a B.A.(Hons) in Economics (Liverpool University) and a PhD in Business Administration (University of Manchester).

#### **Laura Willming**

Laura joined Octopus in 2019 and heads up the Ventures portfolio team, focusing on supporting the portfolio with all things people and talent. Laura has spent several years working with start-ups in New York City, notably at Harry's where, as the sixteenth employee, she helped challenge the global might of Gillette, building the team to several hundred in the US, London and Germany. Her first visit to Britain was to spend time as an intern with a young company, Brewdog (now a global brand), in the wilds of the Scottish west coast. Before joining Octopus, Laura studied Industrial and Operations Engineering at the University of Michigan, Ann Arbor.

#### **Luke Hakes**

Luke joined Octopus at the beginning of 2009. A former scientist and technology consultant, Luke has a particular interest in healthcare opportunities and is part of the Future of Health investment team, although he has experience of working with a number of early stage businesses across a range of different sectors. Luke has led investments into and served on the boards of a number of investee companies including Evi (acquired by Amazon) and Magic Pony (acquired by Twitter) among others. Luke also heads up the firm's portfolio management strategy. Outside of Octopus, Luke is the Chairman of UMI3, The University of Manchester's Innovation company and also sits on the University's Global Leadership Board. Luke holds a degree in Biochemistry and Biotechnology, a Masters in Computational Biology and a PhD in Computational Genetics.

#### **Marieke Christmann**

Marieke joined Octopus in 2018. She draws on over eight years' experience in investment banking and private equity. Marieke is part of the Octopus Ventures Future of Health pod and sits on a number of investee company boards including Chronext, Conversocial, Glofox and Ometria. Prior to Octopus, Marieke was an investment manager at Zouk Capital, a London based technology investor where she led deal origination in the German speaking market and was involved in numerous investments in the SaaS, payments, cybersecurity and telecom space. Prior to Zouk, Marieke spent three years in Leveraged Finance with Credit Suisse, London, and NIBC, Frankfurt. In her time in investment banking, she executed transactions ranging from €30 million to €3.5 billion in transaction value, working on numerous transactions in the TMT space. Marieke holds a Masters of Finance and Business Administration from Mannheim University.

#### **Malcolm Ferguson**

Malcolm joined Octopus Ventures in 2013 and focuses on investment opportunities within the Future of Money investment pod, primarily within the Fintech and Insurtech sectors and ongoing portfolio management. Prior to joining Octopus, Malcolm spent a number of years in the investment banking industry, firstly within the TMT team of Bank America Merrill Lynch in London and then subsequently at GP Bullhound, a leading boutique investment bank, focussing exclusively on

technology businesses. Malcolm is a Non-Executive Director of various portfolio companies including; Bought By Many, ByMiles, Dead Happy and Vitesse. Malcolm holds a first-class degree in BBA Management from Lancaster University.

#### **Rebecca Hunt**

Rebecca joined Octopus Ventures in 2012, and leads the Consumer investment pod. Rebecca has led investments into and served on the boards of a number of investee companies including AppearHere, Depop, Trouva and Tails.com (sold to Nestle Pet Purina in 2018). Prior to joining Octopus, Rebecca spent five years working in the Corporate Finance department at Deloitte, firstly in the Transaction Services department and later in the Corporate Finance Advisory division, where she was involved in a diverse range of M&A and capital market deals across a range of sectors. Rebecca is a qualified chartered accountant and has a first class honours degree in Accounting and Finance from the University of Southampton.

#### **Samantha Ling**

Samantha joined Octopus Ventures in 2008 while the first Titan VCTs were still being established. Samantha is the Head of Operations within the Ventures' team. Prior to joining Octopus, Samantha spent a number of years supporting and working with international teams and clients in the oil and gas and software industries at PVM Oil and then Det Norske Veritas, implementing and leading international processes and projects, including leading the rollout of a new global CRM system. She also spent time as a project coordinator at the Royal College of Nursing.

#### **Simon King**

Simon joined the team at the beginning of 2012 and manages deal flow origination as a whole, as well as specifically being part of the Deep Tech investment team. He has an active interest in businesses focussing on EdTech, IoT and Machine Learning. Within the Octopus portfolio, Simon works closely with Elvie, Origami Energy, Trafi, Wave Optics and SmartKem. Before joining Octopus, Simon was a research scientist investigating novel materials for photovoltaic applications at Imperial College in London. Simon holds an MA and MSc in Physics and a Ph.D. in Molecular Electronics.

#### **Will Gibbs**

Will joined Octopus Ventures in 2013. He leads the Future of Health investment pod and focuses his time looking for investment opportunities and working with a number of existing investments, including AllPlants, Digital Therapeutics, Ori Biotech and Skin+Me. Prior to joining Octopus, Will set-up and scaled an organic spirits company and a rare breed pig farm, and holds a degree in Ancient History from the University of Oxford.

#### **Zihao Xu**

Zihao joined Octopus Ventures in 2016 and leads the Future of Money investment pod, focussing on opportunities within Fintech, Insurtech and distributed ledger technologies. Zihao has led investments into and served on the boards of a number of investee companies including Mosaic Smart Data, Skew and The Plum Guide. His time is split between deal origination, carrying out due diligence and working with portfolio companies. Prior to joining Octopus, he spent more than 5 years as a strategy consultant with Roland Berger, where he led strategic, operational and transaction advisory projects around the world spanning a wide range of sectors. While at Roland Berger, he also founded Canopy Sunglasses. Zihao holds a degree in Economics and Management from the University of Oxford.

#### **Zoe Chambers**

Zoe joined Octopus Ventures in 2017 and leads the Deep Tech investment pod, focusing on robotics, applied AI and sustainability. She spends her time assessing and executing investment opportunities and assisting portfolio companies. Zoe is a Non-Executive Director of various portfolio companies including AudioTelligence, SlamCore, ThirdEye and vHive. Prior to joining Octopus, she spent more than seven years as a corporate lawyer with the US law firm Jones Day, where she focused on a diverse range of venture capital, mergers and acquisitions and private equity transactions. Within that time, she worked in the firm's Dubai office for six months and for the Special Situations Group at Goldman Sachs for a year. Zoe holds a degree in Law with French Law from University College London.

#### **Nicholas Sando**

Nicholas joined Octopus Ventures in 2018 and, as part of the Future of Money investment pod, focuses on investments in financial services, insurance, blockchain and credit/lending. He has co-founded companies on both sides of the Atlantic. In London, Nick launched Mojo, a SaaS platform for the beauty and wellness industry. Prior to that, Nick started SnagTag, a New York based retail platform which focused on improving the shopper experience through near field communication enabled clothing labels. Nick holds a double major in Finance and Economics from the University of Miami School of Business.

#### **Kamran Adle**

Kamran joined Octopus Ventures in 2018 and focuses on deal sourcing, assessing investment opportunities and transacting on early stage investments focusing on all Future of Health opportunities. Prior to joining the team in 2018, he founded a start-up incubator in Tehran following five years at J.P. Morgan. Kamran holds a degree in Geography from the University of Oxford.

### **Conor Scanlan**

Conor joined Octopus Ventures in 2020 and focuses on assessing investment opportunities and assisting portfolio companies in the Consumer investment pod. Prior to joining Octopus, Conor was a Principal at Frog Capital. He holds a degree in Economics from the University of York.

The Octopus Ventures team is completed by nine associates, two analysts, an operations, finance, marketing and support team of fourteen, a Talent Team of three and complemented by a number of Operating Consultants.

### **Management remuneration**

Full details of the Manager's remuneration are set out at paragraph 8.6 of Part Five.

### **Example investments**



Bought By Many is an award-winning pet insurance provider which builds previously unavailable policies by listening closely to the needs of pet owners. Pet owners can now enjoy life with their pet, knowing they have excellent cover that's always getting better.

Co-founded in 2012 by Steven Mendel (CEO) and Guy Farley (CTO), this unique insurance provider launched its market-leading policies in 2017 and now covers more than 250,000 pets in both the UK and Sweden.

Not only has it been voted the "Most Trusted Pet Insurance Provider" at the 2019 Moneywise Customer Service Awards, but it has also won the Feefo Platinum Service Award (2019). Furthermore, it has been ranked as one of the best pet insurers by Which?; been included in the Sunday Times' "Tech Track 100" three years in a row (2018 – 2020); and has been named by WIRED as one of the "hottest start-ups in Europe".

In May 2020, we invested further in Bought By Many as part of a recent £78 million funding round. This latest capital injection is expected to boost international growth in 2021, (especially after a successful launch in Sweden in 2019), increase its market share in the UK and help develop its product and claims experience.

### **depop**

Depop is the social marketplace where people buy, sell and discover unique fashion. Users can open their own Depop shop and sell items via their phone by taking a photo or video. Think of it as a virtual, people-owned fashion show, where sellers and buyers can trade directly. Since its launch in 2011, 19 million transactions have happened on the platform with a total value of \$570 million.

The company continues to grow quickly, with users expected to increase from five to fifteen million over the next three years – one reason why Octopus invested further as part of the company's \$62 million fundraising in 2019. As well as helping to accelerate its expansion, the funds will be used to grow Depop's London-based engineering and data science teams and invest in new tools and functionality.

"The next generation of young people want an experience the fashion industry is struggling to provide," says Maria Raga, Depop CEO. "We exist to empower the next generation to transform fashion. Social shopping, independent brands and resale are gaining popularity around the world. This latest investment will enable us to scale further and faster, building a platform that helps to find and grow the fashion stars and trends of the future."

### **Quit Genius**

In 2018, US businesses spent \$120 billion on healthcare claims directly related to smoking. Quit Genius pioneers a combination of behavioural therapy treatments with approved medications, to support employers and health plans as they help their members conquer substance addictions.

The program is built on the evidence-based principle of Medication-Assisted Treatment (MAT), and 'Quit Coaches' guide users through the process of overcoming an addiction by providing emotional support, and education. All this is delivered through the Quit Genius mobile app. To-date, Quit Genius has helped 60,000 people beat their nicotine addiction, and the product has demonstrated a 53% quit rate. With an increase in data of Quit Genius' population, the company expects to

significantly improve their current quit rate. In June, it also announced that the platform would be extended to cover alcohol and opioid addictions.

The team behind Quit Genius are of a rare breed – medical doctors from Imperial College London, with a history of entrepreneurship. Co-founders include Yusuf Sherwani (CEO), Maroof Ahmed (COO), and Sarim Siddiqui (CPO), and together their mission is an ambitious one...namely to help 100 million people quit their addictions.



WaveOptics designs and manufactures 'waveguides', the transparent displays in augmented reality (AR) devices which overlay the real world with computergenerated images.

Originally a team of 20 engineers, WaveOptics has grown into a 120-strong global specialist in 'near-eye' displays, with offices in Taiwan, China, and North America. In fact, more than 70% of the R&D team are PhD researchers with expertise in nano-photonics, optical design and the commercial production of head-mounted displays.

The global AR market is expected to be huge, with some (Digi-Capital AR/VR Analytics Platform and Augmented/Virtual Reality Report, May 2019) estimating it at \$75 billion by 2023 (just as every smartphone needs a screen, every wearable AR device will need a waveguide). Likewise, products such as their recently launched Katana waveguide – the lightest and thinnest of its kind – are much easier to manufacture at scale than rival designs: a major factor in our decision to invest.

WaveOptics is the brainchild of co-founders David Grey and Sumanta Talukdar – with David Hayes appointed as CEO in 2017. We think it has quickly established itself as a leading optical technology provider in the emerging AR ecosystem, and is on track for a five times growth in revenue by the end of 2020.

#### **Exit history**

As well as backing the right businesses, it is essential that the Octopus Ventures team are able to sell the stakes they have built when the time comes, so they can realise returns to Shareholders. Here are some examples of successful exits from the Company's portfolio.



This is not an exhaustive history of exits. Investing in small, VCT qualifying companies is high risk and many will go on to fail. Company examples are for illustrative purposes only. They should not be considered as investment recommendations or indicative of future performance.

### Backing Britain's businesses

The Octopus Ventures team look for companies with talented entrepreneurs and management teams, world-changing ideas and enormous market opportunities. They are always looking for businesses which they think have the potential to be worth £1 billion in the future. Here are some examples of businesses that the team think can grow strongly over the coming years:

#### Elvie

Elvie is developing a range of products to improve womens' lives through smarter technology. They start with a real problem faced by women, then solve it through science, design and engineering.

**Bought By Many**

Bought By Many is a free, members-only service that helps users find insurance for the things they care about, from pets or gadgets to travel, health and home insurance. The company was featured in 'The Sunday Times Tech Track 100' (September 2019) ranking Britain's 100 private tech (TMT) companies with the fastest-growing sales over their latest three years, with the company coming in at rank 37.

**Depop**

Depop is the social marketplace where people buy, sell and discover unique fashion. Users can open their own Depop shop and sell items through their phone by taking a photo or video. The company was featured in 'The Sunday Times Tech Track 100' (September 2019) ranking Britain's 100 private tech (TMT) companies with the fastest-growing sales over their latest three years, with the company coming in at rank 46.

**WaveOptics**

WaveOptics designs and manufactures 'waveguides', the see-through displays for augmented devices, which overlay the real world with computer-generated images.

**Cazoo**

Cazoo's aim is to deliver the best selection, value and experience for used car buyers, giving them a no-pressure environment where they can buy and finance a used car entirely online.

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

## **PART TWO: TAX BENEFITS AND CONSIDERATIONS FOR INVESTORS**

### **General**

The following paragraphs apply to the Company 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. Tax legislation in the investor's member state may have an impact on the income received from the New Shares.

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

The tax reliefs set out below are available to individuals aged 18 or over who receive New Shares 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 Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

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

### **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 Offer in each of the 2020/21 and 2021/22 tax years. The relief is subject to an amount which reduces the investor's income tax liability for the tax year to nil. Each application creates an entitlement to income tax relief of 30% of the amount invested. To retain that relief the New Shares have to be held for 5 years.

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

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

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor had disposed of shares in the same VCT or a VCT which at any time merges with that VCT, and where, in the case of a merger taking place after the subscription, it was known at the time of the subscription 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 Offer at risk.

##### ***1.2 Dividend relief***

Dividends paid on ordinary shares in a VCT are free of income tax. VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. Dividends paid from realised profits may be made without loss of VCT status. It is important to note that there may be a cost to re-issue a dividend payment and so it is important for investors to keep their address and bank details up to date.



### **1.3 Withdrawal of relief**

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

## **2. Capital Gains Tax**

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

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

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

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

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

## **4. Other tax considerations**

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

The Company 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 Company, as they may be subject to tax in other jurisdictions as well as in the UK.

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

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

- (i) the VCT's income must have been derived wholly or mainly from shares and securities (in the case of securities issued by a company, meaning loans with a five-year or greater maturity period);
- (ii) no holding in a company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT) by the VCT may represent more than 15%, by value, of the VCT's total investments at the time of investment;
- (iii) the VCT must not have retained more than 15% of the income derived from shares or securities in any accounting period;
- (iv) the VCT must not be a close company. Its ordinary share capital must be listed on a regulated European market by no later than the beginning of the accounting period following that in which the application for approval is made;
- (v) at least 80%, by value, of its investments is represented by shares or securities comprising Qualifying Investments. Funds raised by a further share issue are disregarded in judging whether this condition has been met for accounting periods ending no later than three years after the new issue;
- (vi) for share issues on or after 1 November 2018, at least 30% of the funds from those share issues must be invested in qualifying holdings by the anniversary of the end of the accounting period in which those shares were issued;
- (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 State Aid investment in the 12 months ending 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 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 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 Company in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where the company is entering a new product market or new geographic market and a turnover test is satisfied;
- (xii) no funds received from an investment into a company can be used to acquire shares in another company nor 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, operating or managing hotels or guest houses, generation of electricity, power or heat, production of fuel, nursing and residential care homes. The funds raised by the investment must be used for the purposes of the qualifying trade within certain time limits.

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

Audited financial information on the Company is published in the report for the fourteen month period ended 31 December 2019 and unaudited information in the interim report for the six month period ended 30 June 2020.

The audited report for the fourteen month period ended 31 December 2019 referred to above was audited by BDO LLP, 150 Aldersgate Street, London EC1A 4AB without qualification and contained no statements under section 498(2) or (3) of the CA 2006 and this audited report and the unaudited interim report referred to above were prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 104 Interim Financial Reporting. The audited report for the fourteen month period ended 31 December 2019 contains a description of the Company's financial condition, changes in financial condition and results of operation and the pages of this audited report and the unaudited interim report that are referred to below are being incorporated by reference and can be accessed at the following website:

**octopusinvestments.com**

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

Such information includes the following:

	<b>31 December 2019</b>	<b>30 June 2020</b>
<b>Description</b>	<b><u>Annual Report</u> <u>(audited)</u></b>	<b><u>Half Year Report</u> <u>(unaudited)</u></b>
Balance Sheet	Page 44	Page 14
Income Statement (or equivalent)	Page 43	Page 13
Statement showing all changes in equity (or equivalent note)	Pages 45-46	Pages 15-17
Cash Flow Statement	Page 47	Page 18
Accounting Policies and Notes	Pages 48-63	Pages 19-21
Auditor's Report	Pages 38-42	n/a

Such information also includes operating/financial reviews as follows:

	<b>31 December 2019</b>	<b>30 June 2020</b>
<b>Description</b>	<b><u>Annual Report</u> <u>(audited)</u></b>	<b><u>Half Year Report</u> <u>(unaudited)</u></b>
Performance Summary	Page 1	Page 1

Results and Dividends	Page 8	Page 1
Investment Policy	Page 2	n/a
Outlook	Pages 5-6	Pages 6-7
Manager's Review	Pages 11-23	n/a
Portfolio Summary	Pages 17-19	Pages 8-11
Business Review	Pages 7-10	n/a
Valuation Policy	Page 16	n/a

As at 20 October 2020, the date of the latest unaudited NAV per Share, the unaudited NAV per Share was 91.1p.

#### PART FOUR: INVESTMENT PORTFOLIO AND PRINCIPAL INVESTMENTS OF THE COMPANY

The investment portfolio of the Group as at the date of this document, representing more than 73% of the NAV of the Company, is as follows (the valuations being the unaudited valuations as at 30 June 2020):

##### Investments held by the Company

Investments	Sector	Investment cost at 30 June 2020 <sup>1</sup> £'000	Unrealised profit / (loss) £'000	Valuation at 30 June 2020 £'000	Valuation as % net assets £'000
Amplience Limited	Business Services	13,499	33,929	47,428	5.2%
Zenith Holding Company Limited <sup>2</sup>	Consumer and Social	8,963	27,491	36,454	4.0%
DePop Limited	Consumer and Social	8,766	23,900	32,666	3.6%
Bought By Many Limited	Fintech and Insurance	9,978	21,441	31,419	3.5%
Wave Optics Limited	AI, Robotics & Hardware	13,576	9,502	23,078	2.5%
Chiaro Technology Limited (trading as Elvie)	Life Science, Health & Wellbeing	6,417	15,566	21,983	2.4%
Cazoo Limited	Consumer and Social	5,000	16,250	21,250	2.3%
Permutive Inc.	Business Services	9,839	11,108	20,947	2.3%
Big Health Limited	Life Science, Health & Wellbeing	8,269	5,838	14,107	1.6%
Streethub Limited	Consumer and Social	9,233	4,638	13,871	1.5%
Other <sup>3</sup>	Various	349,849	50,535	400,384	44.2%
<b>Total portfolio investments</b>		<b>443,389</b>	<b>220,198</b>	<b>663,587</b>	
Money market funds <sup>4</sup>				147,114	
<b>Total investments</b>				<b>810,701</b>	
Other net assets				95,517	
<b>Total net assets</b>				<b>906,218</b>	

<sup>1</sup> Investment cost reflects the amount invested into each investee company from the Titan VCTs before the Merger and from the Company after the Merger. This is different to the book cost which includes the holding gains and losses on assets which transferred from Titan 1, Titan 3, Titan 4 and Titan 5 to the Company during the Merger, as the Company purchased these assets at fair value.

<sup>2</sup> Zenith Holding Company holds shares in Calastone and Secret Escapes acquired from Titans 1, 2 and 3.

<sup>3</sup> Other includes: LHE Holdings Limited (trades as PropertyPartner); Katalyst Inc; SofarSounds Limited; Smartken Limited; PLU&M limited; Digital Shadows Ltd; Uniplaces Limited; Ometria Limited; Appear Here Limited; CurrencyFair Limited;

Chronext AG; Antidote Technologies Ltd; Surrey NanoSystems Limited; Stackin Inc; By Miles Limited; Digital Therapeutics; Iovoc Limited; Token.IO Ltd; Context-Based 4Casting (C-B4) Ltd; Conversocial Limited; Phoelex Ltd; Picsoneye Segmentation Innovation Limited (trading as Pixoneye); Origami Energy Limited; Artesian Solutions Limited; Seatfrog UK Holdings Limited; Allplants Limited; System Inc; Elliptic Entreprises Limited; OpenSignal Inc; Michelson Diagnostics Limited; Casual Speakers Limited (trading as Jolt); Impatients N.V. (trading as MyTomorrows); Olio Exchange Limited; The Faction Collective SA (trading as Faction); Memrise Inc; Secret Escapes Limited; Patch Gardens Limited; Even Sleep Plc; HeyGleam; AudioTelligence Limited; Positron Technologies Limited; Glofox; Medisafe Project Limited; Semafone Limited; vHive Tech Ltd; Behaviometrics AB; Dogtooth Technologies Limited; Unmade Ltd; Trafi Limited; Ecrebo Limited; Mosaic Smart Data Limited; Skew; Dead Happy Limited; Metrasens Limited; Vitesse PSP Ltd; Slamcore Limited; Inrupt Inc.; Fluidly Limited; Streetbees.com Limited; CRED Investment Holdings Limited; Thirdeye Labs Limited; Mush Limited; Quantum Motion Technologies Limited; Segura Systems Limited; Aire Labs Limited; Multiply AI Limited; e-Therapeutics plc; M10; Intrepid Owls Limited; Excession Technologies Limited; Phasor Inc; ThoughtRiver Limited, Oribiotech Ltd, Anikin Ltd (trading as Katkin).

Since 30 June 2020 there have been one disposal, the realisation from which totalled £10.9 million, and three acquisitions and four follow-on investments, the investment cost of which totalled £9.0 million and £8.3 million respectively.

<sup>4</sup> Money market funds comprise the Fidelity Institutional Liquidity Fund, BlackRock Institutional Cash Series, Aberdeen Standard Liquidity Fund and Insight GBP Liquidity Fund .

Save in respect of the disposals and acquisitions mentioned above, since 30 June 2020 there has been no significant change in the value of the Company's portfolio.

#### **Investments held by Zenith Holding Company Limited, a wholly owned subsidiary of the Company**

Zenith has a holding in Octopus Zenith LP, an Octopus managed fund, which holds stakes in Secret Escapes and Calastone, which were formerly held by the Company, Titan 1 and Titan 3.

Calastone is the global fund transaction network. More than 1,400 customers in 34 domiciles are processing domestic and cross-border transactions across Calastone's transaction network. Calastone is part of Fintech50 and European Fintech and is one of the UK Government Tech City Future Fifty companies.

Secret Escapes is an on-line travel club where members may purchase luxury holidays at significant discounts. Secret Escapes has offices in London, Sweden, Spain, Poland, Germany, Singapore and the US.

Octopus Zenith LP also previously held stakes in ZPG plc (formerly Zoopla Property Group) and Nature Delivered (Graze). The fund realised these investments in 2017 and 2019 respectively.

## **PART FIVE: ADDITIONAL INFORMATION ON THE COMPANY**

### **1. INCORPORATION**

- 1.1 The Company was incorporated and registered in England and Wales on 12 October 2007 under the CA 1985 with registered number 06397765 as a public company limited by shares and with the name Octopus Titan VCT 2 plc (LEI: 213800A671KGG6PVYW75). On 27 November 2014 the Company changed its name to its present name.
- 1.2 On 22 October 2007, the Registrar of Companies issued the Company with a certificate under Section 117 of the CA 1985 entitling it to commence business.
- 1.3 On 16 October 2007 the Company gave notice pursuant to Section 266(1) of the CA 1985 of its intention to trade as an investment company and on 20 January 2010 it gave notice pursuant to Section 833(4) of the CA 2006 that it no longer wished to be an investment company.
- 1.4 Octopus AIF was incorporated and registered in England and Wales on 4 December 2013 under the CA 2006 with registered number 8802172 as a private company limited by shares. The address of Octopus AIF's registered office is at 6<sup>th</sup> Floor, 33 Holborn, London EC1N 2HT and its telephone number is 0800 316 2295. The principal legislation under which Octopus AIF operates is the Acts and regulations made thereunder. Octopus AIF is authorised and regulated by the Financial Conduct Authority. Octopus AIF is the Company's investment manager.
- 1.5 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 6<sup>th</sup> Floor, 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. Octopus is authorised and regulated by the Financial Conduct Authority. Octopus provides portfolio management services to the Company.

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

- 2.1 The registered office of the Company is at 6<sup>th</sup> Floor, 33 Holborn, London EC1N 2HT, its telephone number is 0800 316 2295 and its website address is: 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 the Company operates and which governs its shares is the Acts and regulations made thereunder.

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

- 3.1 By ordinary and special resolutions passed by the Company on 15 October 2019, the Company authorised the Directors in accordance with Section 551 CA 2006 to allot Shares up to an aggregate nominal amount of £25,000,000 (representing approximately 28% of the Shares in issue as at 15 September 2019) and disapplied the pre-emption provisions of Section 561 of the CA 2006 in respect of any such allotment, in each case for a period expiring 18 months thereafter (unless previously revoked, varied or extended by the Company in general meeting).
- 3.2 By ordinary and special resolutions passed by the Company on 26 May 2020, the Company authorised the Directors in accordance with Section 551 CA 2006 to allot Shares up to an aggregate nominal amount of £20,254,387 (representing approximately 20% of the Shares in issue as at 16 April 2020) and disapplied the pre-emption provisions of Section 561 of the CA 2006 in respect of any such allotment, for a period expiring on the earlier of 15 months thereafter or the Company's next annual general meeting (unless previously revoked, varied or extended by the Company in general meeting).
- 3.3 At the date of this document the issued fully paid share capital of the Company is:



<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	101,271,935	1,012,719,355

- 3.4 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming the Offer is fully subscribed, including the over-allotment facility, with 124,352,331 New Shares being issued at an Offer Price of 96.5p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	113,707,168	1,137,071,686

- 3.5 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming the Offer is fully subscribed, including the over-allotment facility, with 150,000,000 New Shares being issued at an Offer Price of 80.0p) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>Number</i>
Ordinary Shares	£0.10	116,271,935	1,162,719,355

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

- 3.7 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. It is important to note that there may be a cost to replace the share certificate. New Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of the Company permit the holding of shares in CREST.

- 3.8 The ISIN and SEDOL Codes of the Shares are GB00B28V9347 and B28V934 respectively.

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

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

Director	No. of Shares	% of Issued Share Capital
John Hustler	92,695	Less than 0.1%
Matt Cooper	1,661,308	Less than 0.2%
Mark Hawkesworth	96,900	Less than 0.1%
Jane O'Riordan	77,668	Less than 0.1%
Tom Leader	8,291	Less than 0.1%

4.2 Assuming that the Offer is fully subscribed, including the over-allotment facility, with 124,352,331 New Shares being issued at an Offer Price of 96.5p, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer will be:

Director	No. of Shares	% of Issued Share Capital
John Hustler	92,695	Less than 0.1%
Matt Cooper	1,661,308	Less than 0.2%
Mark Hawkesworth	96,900	Less than 0.1%
Jane O’Riordan	88,030	Less than 0.1%
Tom Leader	13,472	Less than 0.1%

4.3 The Company is not aware of any person who holds or who, assuming that the Offer is fully subscribed, including the over-allotment facility, with 124,352,331 New Shares being issued at an Offer Price of 96.5p, will, immediately following Admission of the New Shares, hold (for the purposes of rule 5 of the Disclosure Guidance and Transparency Rules (“DGTR 5”)), directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company to which voting rights are attached or who could, directly or indirectly, jointly or severally, exercise control over the Company.

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

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

4.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by the Company 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, except for Matt Cooper who is a shareholder in, and Chairman of, Octopus Capital Limited, the holding company of Octopus, which is a party to the agreements referred to in paragraphs 8.1 to 8.4, 8.6 and 8.7 below and who is consequently interested in these agreements.

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

Name	Position	Name of company/partnership	Positions Still held
John Hustler	Director	Hustler Venture Partners Limited	Y
	Director	Hygea vct Limited	Y
	Director	Seneca Growth Capital VCT Plc	Y
	Director	RenaissanceRe Syndicate Management Limited	N
Matthew Cooper	Limited Partner	Octopus Zenith Founder Partner LP	Y
	Director	Intrepid Owls Limited	Y
	Director	Hatch Financial Planning Limited	Y
	Director	Tandem Bank Limited	Y
	Director	Quick Move Ltd	Y

	Director	Supply@Me Capital plc	N
	Director	Abal (Goswell) Limited	N
	Director	Accesso Technology Group Plc	N
	Director	ClearlySo Limited	N
	Director	Vouchedfor Ltd	Y
	Director	Circus Space Events Limited	N
	Director	National Centre for Circus Arts	N
	Director	Circus Space Property Company Limited	N
	Director	Tandem Money Limited	Y
	Member	Carbon Leadership LLP	Y
	Director	Octopus Investments Limited	N
	Director	Octopus Capital Limited	Y
	Director	Octopus Eclipse VCT plc (dissolved)	N
	Director	Octopus Apollo VCT plc	N
	Director	Independent Growth Finance Limited	N
	Director	The Conservatoire for Dance and Drama	N
	Director	Rise Capital Limited (dissolved)	N
Mark Hawkesworth	Director	The Gordon Foundation	N
	Director	BPEP Holdings Limited	N
	Member	Baring Private Equity Partners Group LLP (dissolved)	N
Jane O'Riordan	Director	Nando's Limited	N
	Director	Pilotspice Limited (dissolved)	N
	Director	The Honor Chapman Foundation (dissolved)	N
	Director	The London Larder Company Limited	Y
	Director	Yellowwoods Associates UK Ltd	N
	Director	Capricorn Advisors Limited	N
	Director	Klein Moerbe Estate (Pty) Limited	Y
	Director	Dynamo Restaurants Limited	Y

	Limited Partner	Wickstowe Management LLP	N
	Limited Partner	Capricorn Marketing LLP (dissolved)	N
	Director	The Soho Shooting Company Limited	N
	Director	Flight Club Darts Limited	Y
	Director	Turtle Bay Restaurants Limited	Y
	Director	Caravan Coffee Roasters Limited	Y
	Director	Caravan Restaurants Limited	Y
	Director	Navarac Ltd	Y
Tom Leader	Director	Penox Group GmbH	Y
	Director	Caledonia Thames Holdings Limited	Y
	Director	Bloom Engineering Holdings Inc	Y
	Director	7IM Holdings Limited	Y
	Director	Choice Care Group Holdings Limited	N
	Director	Chaplin Topco Limited	Y
	Director	Caledonia Sterling Limited (dissolved)	N
	Director	Brookshire Trading Limited	N
	Director	UK Boxer Midco Limited (dissolved)	N
	Director	Nova Boxer GP One Limited	N
	Director	Nova Boxer GP Two Limited	N
	Director	Nova Capital Group Limited	N
	Director	Nova Capital Management Limited	N
	Director	Chaplin Bidco Limited	N
	Director	Chaplin Midco Limited	N
	Director	UK Boxer Propco Holdco 2 Limited (dissolved)	N
	Director	Techne (Cambridge) Limited (dissolved)	N
	Director	UK Boxer Holdco Limited (dissolved)	N
	Director	UK Boxer Propco Holdco Limited (dissolved)	N
	Director	UK Boxer Propco 2 Limited (dissolved)	N
	Director	UK Boxer Bidco 1 Limited (dissolved)	N

	Director	UK Boxer Propco 1 Limited (dissolved)	N
	Director	UK Boxer Newco Limited (dissolved)	N
	Director	Wescon Controls LLC	N
	Director	Wescon Plastics LLC	N
	Director	MC Electronics LLC	N
	Director	Shell Topco LP	N
	Director	Bloom Engineering Holdings Limited	Y
	Director	Caledonia TLG Limited	Y
	Director	Caledonia Quint Topco Limited	N
	Director	Caledonia Quint Midco Limited	N
	Director	Caledonia Quint Bidco Limited	N

The business address of all the Directors is 6<sup>th</sup> Floor, 33 Holborn, London EC1N 2HT.

4.8 Save as set out below, none of the Directors 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 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save as set out in paragraph 4.7 above; or

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

Octopus Eclipse VCT plc, UK Boxer Propco 1 Limited, UK Boxer Bidco 1 Limited, UK Boxer Propco 2 Limited, US Boxer Midco Limited and Techne (Cambridge) Limited were all placed in voluntary (solvent) liquidation prior to being dissolved.

4.9 There are no arrangements or understandings with major shareholders, customers, suppliers or others, subject to which any Director 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 the Company for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for the Company.

4.11 Matthew Cooper who is a shareholder in, and Chairman of, Octopus Capital Limited, the holding company of Octopus and Octopus AIF, Octopus being a party to the agreements referred to in paragraphs 8.1 to 8.4, 8.6 and 8.7 below and Octopus AIF being a party to the management agreements at paragraph 8.6 below and the agreement at paragraph 8.8 below, is consequently interested in these agreements. Save in respect of the above interest of Matthew Cooper, the Directors, and, save as set out under the heading "Conflicts of Interest" in Part One, Octopus, Octopus AIF and the directors of Octopus and Octopus AIF, do not have (i) any potential conflicts of interest

between any duties carried out on behalf of the Company and their private interests or other duties or (ii) any material potential conflicts of interest as between their duty to the Company and duties owed by them to third parties and their other interests.

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

John Hustler and Matt Cooper were appointed as Directors on 2 November 2007 subject to appointment letters of the same date. Mark Hawkesworth and Jane O'Riordan were appointed as Directors on 27 November 2014 subject to appointment letters of the same date. Tom Leader was appointed as a Director on 8 August 2018 subject to an appointment letter of the same date. The Directors' appointments are terminable on three months' notice and no arrangements have been entered into by the Company entitling the Directors to compensation for loss of office nor have amounts been set aside to provide pension, retirement or similar benefits. John Hustler, as chairman of the Company, is entitled to annual remuneration of £40,000. Mark Hawkesworth, as Audit Committee Chairman is entitled to £35,000, while the annual remuneration receivable by Matt Cooper, Jane O'Riordan and Tom Leader is £32,500 each. With effect from 1 May 2016, the annual remuneration of Matt Cooper has been paid by Octopus. None of the Directors has a service contract with the Company and no such contract is proposed. In respect of the fourteen month period ended 31 December 2019, John Hustler received £47,000, Matt Cooper received £38,000, Mark Hawkesworth received £41,000, Jane O'Riordan received £38,000 and Tom Leader received £38,000.

## **6 THE COMPANY AND ITS SUBSIDIARY**

The Company has one wholly owned subsidiary, Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.

## **7 OFFER AGREEMENT**

An agreement dated 21 October 2020, between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and Octopus agreed to use reasonable endeavours to procure subscribers for New Shares. Under the agreement Octopus is paid an initial fee of up to 5.5% of the funds received under the Offer and an ongoing fee of 0.5% per annum of the latest NAV of the investment amounts received from investors under the Offer who have invested directly into the Company and not through a financial intermediary for up to seven years, and has agreed to discharge all external costs of advice and their own costs and the Company's costs in respect of the Offer. Under this agreement certain warranties have been given by the Company, the Directors and Octopus to Howard Kennedy. The Company 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 is untrue, any material omission from the Prospectus arises or any material breach of warranty occurs. Octopus has agreed to indemnify the Company against the costs of the Offer exceeding 7.5% of the gross proceeds of the Offer.

## **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 the Group 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 the Group and which contain any provision under which the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- 8.1 The Offer Agreement, details of which are set out in paragraph 7 above.
- 8.2 An offer agreement dated 16 September 2019 between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2019 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2019 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2019 Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the 2019 Offer who have invested directly into the Company and not through a financial intermediary for up to

seven years and agreed to discharge all external costs of advice and their own costs and the Company's in respect of the 2019 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company 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 2019 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2019 Offer exceeding 7.5% of the gross proceeds of the 2019 Offer.

- 8.3 An offer agreement dated 13 September 2018 between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) subject to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2018 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2018 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2018 Offer and an ongoing fee of 0.5% per annum of the net asset value of the investment amounts received from investors under the 2018 Offer who have invested directly into the Company and not through a financial intermediary for up to nine years and agreed to discharge all external costs of advice and their own costs and the Company's costs in respect of the 2018 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company 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 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2018 Offer exceeding 7.5% of the gross proceeds of the 2018 Offer.
- 8.4 An agreement dated 5 September 2017 between the Company (1), the Directors (2), Octopus (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the 2017 Offer and Octopus agreed to use reasonable endeavours to procure subscribers for Shares under the 2017 Offer. Under the agreement Octopus was paid an initial fee of up to 5.5% of the funds received under the 2017 Offer and an ongoing fee of 0.5% per annum of the NAV of the investment amounts received from investors under the 2017 Offer who have invested directly into the Company and not through a financial intermediary for up to nine years subject to these fees not exceeding, in aggregate, an amount that is equal to 2.35% of the Company's market capitalisation as at the date of the agreement, and agreed to discharge all external costs of advice and their own costs and the Company's costs in respect of the 2017 Offer. Under this agreement certain warranties were given by the Company, the Directors and Octopus to Howard Kennedy. The Company 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 2017 Offer was untrue, any material omission from that prospectus arose or any material breach of warranty occurred. Octopus agreed to indemnify the Company against the costs of the 2017 Offer exceeding 7.5% of the gross proceeds of the 2017 Offer.
- 8.5 The letters of appointment of the Directors, details of which are set out in paragraph 5 above.
- 8.6 A management agreement (the "Management Agreement") dated 10 December 2018 between the Company, Octopus AIF and Octopus and a sub-management agreement (the "Sub-Management Agreement") dated 10 December 2018 between Octopus AIF and Octopus (the Management Agreement and the Sub-Management Agreement together the "Management Agreements") and an administration agreement dated 10 December 2018 between the Company and Octopus (the "Administration Agreement"). The Management Agreements provide that Octopus will provide investment management services to the Company in respect of its portfolio of qualifying investments for a fee of 2% of the Company's NAV on an annual basis save that the management fee on uninvested cash raised in the 2018 Offer and thereafter is the lower of (i) the returns achieved on that uninvested cash or (ii) 2%. The Manager is also entitled to a performance incentive fee under the Management Agreement of 20% of all future gains above the high-water mark (being the highest NAV plus cumulative dividends paid at a previous audited year-end). The current high-water mark is 171.2p per share which is the total value as at 31 December 2019.

The Company is classified by the FCA as an alternative investment fund (an "AIF"). Under the Alternative Investment Fund Management Directive (the "AIFM Directive"), member states are required to ensure that each AIF managed within the scope of the AIFM Directive has a single alternative investment fund manager (an "AIFM") responsible for

ensuring compliance with the AIFM Directive. An AIFM must provide, at a minimum, portfolio management and risk management services to one or more AIFs as its regular business irrespective of where the AIFs are located or what legal form the AIF takes.

AIFMs that manage AIFs whose assets under management ("AUM") do not meet the size criteria set out in the AIFM Directive ("sub-threshold") will not be subject to the full requirements of the AIFM Directive. An AIFM will be sub-threshold if it manages portfolios of AIFs whose aggregate AUM:

- do not exceed €100 million (including any assets acquired through the use of leverage); or
- do not exceed €500 million where the portfolio of AIFs consist of AIFs that are unleveraged; and
- do not give their investors a right of redemption within five years of initial investment in each AIF.

As the Company is no longer sub-threshold, Octopus AIF, which is a full scope alternative investment fund manager, was appointed as the Company's investment manager and the investment management agreement between the Company and Octopus that was in place at the time of that appointment was assigned by way of the deed of novation from Octopus to Octopus AIF (the "Assignment"), and subsequently amended and restated by way of a deed of variation and restatement in order to reflect Octopus AIF's status as a full scope AIFM. Pursuant to the subsequent Sub-Management Agreement referred to above, Octopus provides portfolio management services to the Company.

As a result of the Assignment and the Sub-Management Agreement, the personnel managing the Company's portfolio and the investment management fee payable by the Company remained unchanged from the time when the Company was sub-threshold and Octopus rather than Octopus AIF was the Company's investment manager.

Pursuant to the Administration Agreement, Octopus provides administration and company secretarial services to the Company for an annual fee equal to the administration and accounting costs of the Company for the year ended 31 October 2018 with inflationary increases.

The Management Agreement and Administration Agreement may be terminated on written notice of not less than three years, so as to expire at the end of that notice period, subject to earlier termination in the event of the underperformance of the Company or the departure of certain members of Octopus.

Octopus also retains the right pursuant to the Management Agreement to charge transaction, directors', monitoring, consultancy, corporate finance, introductory and syndication fees, commissions and refunds of commissions in respect of the management of the Company's investment portfolio. Such fees do not typically exceed 1.5% of the total amount invested by all Octopus managed funds (including the Company) per annum, assuming an investment of £5 million and a holding period of five years. Since 31 October 2018, Octopus no longer receive such fees in respect of new investments, or any such new fees in respect of further investments into portfolio companies in which the Company invested on or before 31 October 2018, with those fees being passed to the Company. The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus.

#### 8.7 Material contracts for Zenith Holding Company Limited

On 3 May 2013 Zenith entered into a partnership agreement ("Partnership Agreement") with Octopus GP Limited ("General Partner"), Octopus Zenith Founder Partner LP, the Portfolio Manager and the limited partners referred to in the Partnership Agreement, relating to Octopus Zenith LP ("Zenith LP"), which had been formed to carry on the business of an investor and to which certain investments had been transferred by the Company, Titan 1 and Titan 3. Pursuant to the Partnership Agreement Zenith LP is managed by the General Partner, which will delegate its responsibilities to the Portfolio Manager. The term of Zenith LP will be five years from the final closing date and the investment period will be two years (or such earlier date when all investments have been made), both of which may be extended by up to two additional one year periods. Zenith LP is also reliant on certain key individuals and the departure of such individuals may lead to a suspension of the operation of the investment period. The General Partner shall also appoint three representatives to act as members of an investor committee (which shall include a representative of the Company) that are to be consulted by the General Partner on general policies and guidelines, prospective investment sectors and conflicts of interest, but shall not make any decisions relating to the making or realisation of investments. The Company may also be presented with the option to co-invest in certain opportunities alongside Zenith LP.



- 8.8 A depositary agreement (the "Depositary Agreement") dated 1 September 2017 between the Company (1), BNP Paribas Securities Services (the "Depositary") (2) and the Manager (3) pursuant to which the Depositary provides cash monitoring, safekeeping of financial instruments and other assets and oversight duties as well as such other services as agreed by the parties to the Depositary Agreement (the "Services").

The Depositary is a wholly-owned subsidiary of BNP Paribas SA. It is incorporated in France as a Société en Commandite par Actions (a partnership limited by shares) and registered at the Companies Register of Paris under No. 552 108 011, with its registered address at 3 Rue d'Antin, 75002 Paris, France, and operates through its London branch at 10 Harewood Avenue, London NW1A 6AA (telephone +44 (0)20 7595 1340).

BNP Paribas Securities Services SCA is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF) and, in respect of its services as depositary in the United Kingdom, is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.

The Depositary is permitted to act as depositary of an alternative investment fund in accordance with FUND 3.11.10.

Under the Depositary Agreement the Company and the Manager have given certain warranties and an indemnity to the Depositary, and the Depositary has given certain warranties to the Company and the Manager, which are in usual form for a contract of this type. The Depositary Agreement can be voluntarily terminated by the parties on six months prior written notice, subject, in the case of a termination by the Depositary, to a new depositary being appointed, or earlier in certain circumstances. The fees payable to the Depositary for the Services will depend on the level of the Services to be provided and are set out in a Schedule to the Depositary Agreement.

- 8.9 An agreement (the "Cash Management Agreement") dated 14 May 2019 between the Company (1) and Credit Suisse (UK) Limited ("Credit Suisse") (2) relating to the Company's cash management, pursuant to which Credit Suisse invests the Company's cash and cash equivalent asset classes prior to the Company deploying such cash and cash equivalents into Qualifying Investments.

Under the Cash Management Agreement the Company and Credit Suisse have given certain warranties to each other, and the Company has given an indemnity to Credit Suisse, which are in usual form for a contract of this type. The Cash Management Agreement may be terminated by either party if required by applicable law, in the event of insolvency, in certain cases of material breach and if a party ceases to have the required regulatory authorisation. Credit Suisse may terminate the Cash Management Agreement on 30 business days notice, or earlier in certain circumstances, and the Company may terminate the Cash Management Agreement on not more than 30 business days notice.

The fees payable to Credit Suisse for its services under the Cash Management Agreement will depend on the amount of cash and cash equivalents that it will be managing and are set out in a schedule to the Cash Management Agreement.

## 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 arrangements detailed in paragraph 8.6, there were no other related party transactions or fees paid by the Group to a related party during the period from 30 June 2020 to the date of this document.

## 10 WORKING CAPITAL

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

## 11 CAPITALISATION AND INDEBTEDNESS

- 11.1 The capitalisation of the Company as at 30 June 2020 was as follows:

<b><u>Capital and reserves</u></b>	(£'000)
Called up Equity Share Capital	101,272

Legal Reserves	616,952
Other Reserves	187,994
<b>Total Equity Shareholders' Funds</b>	<b>906,218</b>

There has been no material change to the capitalisation since 30 June 2020.

11.2 Since incorporation, the Company has incurred no indebtedness. The Company has power to borrow under the Articles, details of which are set out in the paragraph entitled "Borrowing powers" in paragraph 14.1.13 below.

## 12. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

### *Audit Committee*

12.1 The audit committee of the Company comprises the Board (with the exception of Matt Cooper), is chaired by Mark Hawkesworth and meets twice a year. The committee has direct access to BDO LLP, 150 Aldersgate Street, London EC1A 4AB, the Company's external auditor. The duties of the audit committee are, inter alia:

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

### *Nomination and Remuneration Committees*

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

## 13. LITIGATION

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

## 14. ARTICLES OF ASSOCIATION

14.1 The articles of association of the Company contain, *inter alia*, the following provisions.

### 14.1.1 Voting Rights

Subject to any disenfranchisement as provided in paragraph 14.1.5 below the Shares shall carry the right to receive notice of or to attend or vote at any general meeting of the Company and on a show of hands every holder of Shares present in person or by proxy (or being a corporation, present by an authorised representative) shall have one vote and, on a poll, every holder of Shares who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

#### 14.1.2 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:

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

#### 14.1.4 Dividends

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

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

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

#### 14.1.5 Disclosure of Interest in Shares

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

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

#### 14.1.6 Distribution of Assets on Liquidation

On a winding-up any surplus assets will be divided amongst the holders of each class of shares in the Company according to the respective numbers of shares held by them and in accordance with the provisions of the CA 2006, 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 CA 2006, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### 14.1.7 Changes in Share Capital

- (i) Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the CA 2006, 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 CA 2006, 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.

#### 14.1.8 Variation of Rights

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

#### 14.1.9 Directors

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

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

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

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

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

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

#### 14.1.10 Directors' Interests

- 14.1.10.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the CA 2006, the nature of his interest.
- 14.1.10.2. Provided that he has declared his interest in accordance with paragraph 14.1.10.1, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.
- 14.1.10.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through the Company, unless his interest arises only because the case falls within one or more of the following paragraphs:
- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
  - (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
  - (f) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a Director, officer or auditor.
- 14.1.10.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

#### 14.1.11 Remuneration of Directors

- 14.1.11.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £150,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- 14.1.11.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.
- 14.1.11.3 The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 14.1.12 Retirement of Directors

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

#### 14.1.13 Borrowing Powers

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

The Company's articles permit borrowings of amounts up to 50% of the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not distributable, after adding or deducting any balance standing to the credit or debit of the profit and loss account, as adjusted in accordance with the Company's articles of association.

#### 14.1.14 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 2006, 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 CA 2006, any expenses, loss or liability (or provision therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or applied in paying dividends on any shares in the Company.

#### 14.1.15 Duration of Company

At the annual general meeting held after the fifth anniversary of the last allotment of shares (from time to time) 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.

#### 14.1.16 General Meetings

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

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

#### 14.2 CREST

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

### 15. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

- 15.1 Octopus intends to use the proceeds of the Offer in accordance with the Company's object of spreading investment risk and in accordance with the Company's investment policy. This investment policy is in line with the VCT Rules and the Company will not deviate from them. Further, in accordance with the VCT Rules, the Company will invest in ordinary shares, in some cases in a small number of preference shares where applicable, and always in accordance with such rules.
- 15.2 The Company is not a regulated entity. VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the rules and regulations of the Financial Conduct Authority.
- 15.3 The Company is regulated by the VCT Rules in respect of the investments it makes, as described in Part Two of this document. The Company has appointed PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH ("PwC") as its VCT status monitor. PwC will report to the Company as part of its annual reporting obligations. In respect of any breach of the VCT Rules, the Company, together with PwC, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the Shareholders through a Regulatory Information Service provider.
- 15.4 The Company will not invest more than 15% of its gross assets at the point of investment in any single company, in accordance with the VCT legislation, nor will the Company control the companies in which it invests in such a way as to render them subsidiary undertakings until they have obtained approval as a VCT from HMRC.
- 15.5 The Company will not conduct any trading activity which is significant in the context of the Group as a whole. No more than 10%, in aggregate, of the value of the total assets of the Company 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.
- 15.6 The Board must be able to demonstrate that it acts independently of the Manager. A majority of the Board (including the Chairman) 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.

- 15.7 The Company will not invest directly in physical commodities.
- 15.8 The Company will not invest in any property collective investment undertaking.
- 15.9 Other than as provided for under its published investment policy, the Company 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).
- 15.10 Octopus is responsible for the determination and calculation of the NAV of the Company on a six monthly basis.
- 15.11 The NAV of the Company's investments will be determined by Octopus at least every six months and will be communicated to Shareholders through a Regulatory Information Service. The value of investments will be determined on a fair value basis. In the case of quoted securities, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending on convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.
- 15.12 The calculation of the NAV per Share would only be suspended in circumstances where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained. Details of any suspension in making such calculations will be communicated to Shareholders through a Regulatory Information Service.

## **16. CORPORATE GOVERNANCE**

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 applies to the Company (the "Code"). The Board has considered the principles and recommendations of the Association of Investment Companies ("AIC") code of corporate governance, which addresses all the principles of the Code, by reference to the AIC's corporate governance guide for investment companies. The Directors note that the Code acknowledges that it does 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 Company. Accordingly, the provisions of the Code are complied with save that (i) the Company does not have a chief executive officer or a senior independent director (the Board does not consider this necessary for a VCT), (ii) the Company conducts a formal review as to whether there is a need for an internal audit function, however the Directors do not consider that an internal audit would be an appropriate control for a VCT, (iii) the Company does not have a remuneration committee as it does not have any executive officers and as such the Board as a whole deals with any matters of this nature and (iv) as the Company has 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 and (v) in view of their non-executive nature and the requirement under the Articles that all Directors are subject to election by Shareholders at the first annual general meeting after their appointment and that at every annual general meeting a third of those Directors who are subject to retirement by rotation shall retire from office, the Board considers that it is not appropriate for the Directors to be appointed for a fixed term, nor for them to be re-elected annually.

## **17. TAKEOVERS AND MERGERS**

### **17.1 Mandatory takeover bids**

The City Code on Takeovers and Mergers (the "Takeover Code") applies to all takeover and merger transactions in relation to the Company, 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 Takeover 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 Takeover 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 Takeover Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30% or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50% of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

## 17.2 Squeeze out

Section 979 of the CA 2006 provides that if, within certain time limits, an offer is made for the share capital of the 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 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.

## 17.3 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.

## 18. NOTIFICATIONS OF SHAREHOLDINGS

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

## 19. GENERAL

19.1 The estimated costs and expenses relating to the Offer, assuming full subscription, 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 are estimated to amount to approximately £6.6 million in aggregate (excluding VAT). On the above assumptions, the aggregate total net proceeds of the Offer, after all fees, is expected to be £113.4 million.

19.2 BDO LLP of 150 Aldersgate Street, London EC1A 4AB has been the auditor since 20 June 2018 and gave an unqualified audit report on the statutory accounts of the Company for the 14 month period ended 31 December 2019, within the meaning of Section 495 of the CA 2006. This audited financial report did not contain any statements under Section 237(2) or (3) of the CA 2006 and was delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the CA 2006 and together with the unaudited interim report for the 6 month period 30 June 2020, was prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 104 Interim Financial Reporting.

19.3 The Company shall take all reasonable steps to ensure that its auditor is independent of it and will obtain written confirmation from its auditor that it complies with guidelines on independence issued by its national accountancy and auditing bodies.

19.4 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.

- 19.5 The statements attributed to Octopus in this document have been included in the form and context in which they appear with the consent and authorisation of Octopus. In accordance with Prospectus Regulation Rule 5.3.2R(2)(f), Octopus accepts responsibility for those statements and to the best of its knowledge the information contained in those parts of the Prospectus is in accordance with the facts and those parts of the Prospectus make no omission likely to affect their import.
- 19.6 The Company does not assume responsibility for the withholding of tax at source.
- 19.7 There has been no significant change in the financial position of the Group since 30 June 2020, the date to which the Company's latest unaudited interim financial information has been published, to the date of this document.
- 19.8 Save in respect of the Coronavirus and the impact that it may have on the Company's portfolio businesses, 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 Group's prospects or which have materially affected the Group's income from operations so far as the Company and the Directors are aware.
- 19.9 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service announcement, if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.
- 19.10 The Company's capital resources are restricted insofar as they may be used only in putting into effect the Company's investment policy, as set out in this document. There are no firm commitments that are material in respect of any of the Company's principal future investments. As at 30 June 2020, the Company had £237 million of uninvested cash which has been retained for working capital and follow-on or new investments.
- 19.11 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 19.12 The typical investor for whom investment in the Company is designed is a UK income taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out on pages 12 and 13, considers the investment policy of the Company to be attractive. This may include retail, institutional and sophisticated investors, as well as high net worth individuals who already have a portfolio of non-VCT investments.
- 19.13 The Company does not have any material shareholders with different voting rights.
- 19.14 An application has been made for the admission of the New Shares to be listed on the Official List and an application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The New Shares will be in registered form. If, following issue, recipients of New Shares wish to hold their New Shares in uncertificated form, they should contact the Company's registrar.
- 19.15 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 Company is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.16 Pursuant to the investment management agreement, details of which are set out in paragraph 8.6 above, Octopus AIF will procure safe custody to the Company in respect of the un-invested cash, general investment and dealing services on a discretionary basis and other related facilities which may include the following investments: shares in investee companies, debenture stock, loan stock, bonds, units, notes, certificates of deposit, commercial paper or other debt instruments, municipal and corporate issues, depository receipts, cash term deposits, money market securities, unit trusts, mutual funds, OEICs, investment funds and similar funds and schemes in the United Kingdom or elsewhere. These services exclude any transaction in relation to futures and options or other derivative type instruments or commodity (or derivative thereof) by Octopus. Pursuant to the depository agreement, details of which are set out at paragraph 8.8 above, BNP Paribas Securities Services provides cash monitoring, safekeeping of financial instruments and other assets and oversight duties as well as such other services as agreed by the parties to the depository agreement.
- 19.17 The existing issued Shares will represent 89.1% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming the Offer is fully subscribed, including the over-allotment facility, with

124,352,331 New Shares being issued at an Offer Price of 96.5p, and on that basis Shareholders who do not subscribe under the Offer will, therefore, be diluted by 10.9%.

19.18 The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer will close on or before 20 October 2021. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

19.19 **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.**

## **20. DOCUMENTS AVAILABLE FOR INSPECTION**

The Company's memorandum and Articles and the Prospectus are available for inspection at the registered office of the Company at 6<sup>th</sup> Floor, 33 Holborn, London EC1N 2HT during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until closing of the Offer and may also be inspected at the Company's website address at [octopusinvestments.com](http://octopusinvestments.com).

21 October 2020

## DEFINITIONS

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

"2017 Offer"	the offer for subscription by the Company as set out in the prospectus dated 5 September 2017 issued by the Company
"2018 Offer"	the offer for subscription by the Company as set out in the prospectus dated 13 September 2018 issued by the Company
"2019 Offer"	the offer for subscription by the Company as set out in the prospectus dated 16 September 2019 issued by the Company
"Acts"	CA 1985 and CA 2006
"Admission"	the admission of New Shares to trading on the London Stock Exchange's main market for listed securities
"Advised Investors"	investors under the Offer who receive advice from their financial intermediaries
"Applicant"	a person applying for New Shares under the Offer
"Application"	an application for New Shares under the Offer
"Application Form"	the application form relating to the Offer which can be found on the Company's website
"Articles"	the articles of association of the Company
"Board" or "Directors"	the board of directors of the Company
"CA 1985"	Companies Act 1985
"CA 2006"	Companies Act 2006
"Company" or "Titan"	Octopus Titan VCT plc
"Dividend Reinvestment Scheme" or "DRIS"	the Company's dividend reinvestment scheme, the terms and conditions of which are set out in Annex I of this document
"Enterprise Investment Scheme"	Enterprise Investment Scheme, satisfying the requirements of Part 5 of ITA 2007
"FCA"	the Financial Conduct Authority
"FCA Handbook"	the rules of the FCA as set out in the FCA Handbook of Rules and Guidance as published from time to time
"FSMA"	the Financial Services and Markets Act 2000, as amended
"FUND"	the Investment Funds sourcebook which forms part of the FCA Handbook;
"Group"	the Company and its wholly owned subsidiary, Zenith
"HMRC"	HM Revenue and Customs
"Howard Kennedy"	Howard Kennedy Corporate Services LLP
"IA 1986"	The Insolvency Act 1986, as amended from time to time
"ITA 2007"	Income Tax Act 2007, as amended from time to time
"Knowledge Intensive Company"	a company satisfying the conditions in Section 331(A) of Part 6 ITA 2007.

"London Stock Exchange"	London Stock Exchange plc
"Market Abuse Regulation"	Market Abuse Regulation (596/2014/EU)
"Merger"	the merger of the Company with Titan 1, Titan 3, Titan 4 and Titan 5, which completed on 27 November 2014, by means of placing Titan 1, Titan 3, Titan 4 and Titan 5 into members' voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of the assets and liabilities of Titan 1, Titan 3, Titan 4 and Titan 5 in consideration for Shares
"Money Laundering Regulations"	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
"NAV"	net asset value
"New Shares"	the Shares being offered under the Offer (and each a "New Share")
"Octopus AIF" or the "Manager"	Octopus AIF Management Limited
"Octopus", the "Portfolio Manager" or the "Receiving Agent"	Octopus Investments Limited
"Octopus VCT"	any venture capital trust (whether it still exists or not) which is, or was at any time, managed by Octopus
"Octopus Ventures"	those members of Octopus who manage the Company's portfolio, whose details are set out on pages 26 to 28
"Offer"	the offer for subscription for New Shares in respect of the tax years 2020/21 and 2021/22 contained in this document
"Offer Price"	the price per New Share, as set out in Part One of this document
"Official List"	the official list maintained by the Financial Conduct Authority
"Proposals"	the proposals to effect the Offer, and to approve the Resolutions
"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 a VCT which meets the requirements described in chapter 4 of Part 6 ITA 2007
"Qualifying Subscriber"	an individual who subscribes for New Shares and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
"Regulatory Information Service"	a regulatory information service that is on the list of regulatory information services maintained by the FCA
"Risk Finance State Aid"	State aid received by a company as defined in Section 280B (4) of ITA 2007
"Shareholders"	holders of Shares, as the context permits (and each a "Shareholder")
"Shares"	ordinary shares of 10p each in the capital of the Company (and each a "Share")

"Terms and Conditions"	the terms and conditions of Application, contained in this document on pages 63 to 67
"Titan 1"	Octopus Titan VCT 1 plc (dissolved through a members' voluntary liquidation)
"Titan 3"	Octopus Titan VCT 3 plc (dissolved through a members' voluntary liquidation)
"Titan 4"	Octopus Titan VCT 4 plc (dissolved through a members' voluntary liquidation)
"Titan 5"	Octopus Titan VCT 5 plc (dissolved through a members' voluntary liquidation)
"Titan VCTs"	the Company, Titan 1, Titan 3, Titan 4 and Titan 5
"venture capital trust" or "VCTs"	a company which is, for the time being, approved as a venture capital trust as defined by Section 259 of 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 VCTs as amended from time to time
"Zenith"	Zenith Holding Company Limited, a limited company incorporated in the Cayman Islands whose registered office is at c/o Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Cayman Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands

## TERMS AND CONDITIONS

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

1. The maximum amount to be raised by the Company is £80 million with an over-allotment facility of a further £40 million. The Offer will close once the Company has reached the aggregate maximum number of New Shares which may be issued.
2. The minimum investment is £3,000. There is no maximum investment.
3. The contract created with the Company by the acceptance of an Application (or any proportion of it) under the Offer will be conditional on acceptance being given by the Receiving Agents and admission of the New Shares allotted in the Company subject to the Offer to the Official List (save as otherwise resolved by the Board).
4. The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and Application monies pending clearance of successful Applicants' cheques and bankers' drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof (save where the amount is less than the Offer Price of one Share) will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, Application monies will be retained by the Receiving Agents in a separate account.
5. By completing and delivering an Application Form, you:
  - I. irrevocably offer to subscribe for New Shares in the Company under the Offer in the monetary amount specified in your Application Form (or such lesser amount for which your Application is accepted), which shall be used to purchase the New Shares at the Offer Price, determined by dividing the most recently announced NAV per Share of the Company 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 Company. Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1% if valid applications are received prior to 15 December 2020. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines. Where the Share price for the Company has been declared ex-dividend on the London Stock Exchange, the NAV used for pricing under the Offer will be ex-dividend. In respect of the Offer, the NAV per Share will be rounded up to one decimal place and the number of 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 Company 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 Company in its 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 Company of such late payment, the Company may (without prejudice to its other rights) rescind the agreement to subscribe for 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 Offer, your remittance is not honoured on first presentation, those New Shares may, forthwith upon payment by Octopus (or such person as it may nominate) of the Offer Price of those New Shares to the Company, 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 Company 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 Company 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 Company may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company 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 and tax 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 Company in respect of such New Shares. There may be a cost to replace share certificates and tax certificates;
- 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 Company 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 Company 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 Company and the Offer 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 Company or the Receiving Agents, will be sent at the risk of the person entitled thereto;
- XV. agree, on request by the Company 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 Company or Octopus to disclose any information relating to your Application as the Company 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 subject to the Offer or the suitability for you of an investment in New Shares subject to the Offer or be responsible to you for providing the protections afforded to its customers;
- XVII. where applicable, authorise the Company to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
- XVIII. declare that the Application Form has been completed to the best of your knowledge;



- XIX. undertake that you will notify the Company if you are not or cease to be either a 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 would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares under the Offer 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 Company (after consultation with Octopus) in its absolute discretion. The right is reserved by the Board 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 Company or Octopus consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied, and to reduce the minimum investment of £3,000. 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 £13,700) 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 Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

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

**10. Costs of the Offer**

For all investors, the Offer Price will be determined by a formula reflecting the NAV per Share adjusted for an allowance for the majority of the costs of the Offer, such costs constituting the expenses charged to investors under the Offer.

**The formula is: the most recently announced NAV per Share, divided by 0.945.**

Investors who are existing, or who were previously, shareholders of any Octopus VCT will benefit from the costs of the Offer being reduced by 1% if valid applications are received prior to 15 December 2020. Applicants will receive these reductions in the form of additional New Shares, which will be paid for by Octopus. Octopus may at its discretion further reduce the costs of the Offer or extend either of the above deadlines.

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

**1) A direct investment**

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

In consideration for promoting the Offer, if an application is made directly (not through an intermediary) then the Company will pay Octopus an additional initial charge of 2.5% of the investment amount and an additional annual ongoing charge of 0.5% of the investment amount's latest NAV for up to seven years, provided the investor continues to hold the Shares.

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

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

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

The Company can also facilitate annual payments to an intermediary/adviser ('ongoing adviser charges') in respect of ongoing advisory services provided by the intermediary/adviser to the investor of up to 0.5% per annum of the investment amount's latest NAV for up to seven years whilst the investor continues to hold the Shares. If the investor chooses to pay their adviser less than 0.5% annually, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, at the then most recently announced NAV per Share. Any residual amount less than the cost of a New Share will be donated to a charity approved by the Board.

If the investor terminates their relationship with the intermediary/adviser then the Company will not make any further payments of ongoing adviser charges to that intermediary/adviser. The Company will facilitate ongoing adviser charges to a new adviser if an investor changes their adviser and requests the ongoing adviser charge to be paid to their new adviser.

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

Investors who have invested in the Offer through a financial intermediary/adviser and have received upfront advice including investors who are investing through intermediaries/advisers using financial platforms.

Where an investor agreed to an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional New Shares for the investor, issued at the most recently announced NAV per Share, divided by 0.945 as described above. In these circumstances the Company will not facilitate ongoing annual payments.

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

**4) A non-advised investment using an intermediary**

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

An initial commission of up to 2.5% of the investment will be paid by the Company to the intermediary. An annual ongoing charge of 0.5% of the investment amount's latest NAV will be paid by the Company to the intermediary. Such commission will be available for up to seven years provided that the intermediary continues to act for the investor and the investor continues to be the beneficial owner of the Shares.

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

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

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

**Example**

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 Offer (using the most recently published unaudited NAV of the Company as at the date of this document) is set out below:

<b>Latest published unaudited NAV as at the date of the Prospectus</b>	<b>Offer Price</b>	<b>Application</b>	<b>Number of New Shares to be allotted</b>
91.1p	96.5p	£10,000	10,362

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 7.5%. Octopus has agreed to indemnify the Company against the costs of the Offer in excess of this amount.

## ANNEX I

### TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT SCHEME (THE "DRIS") OF THE COMPANY

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 0370 703 6324. Calls to this number cost the same as a normal local or national landline call and may be included in your service providers tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. 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 through 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 through 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 COMPANY**

<b>Investment Manager</b>	Octopus AIF Management Limited 6 <sup>th</sup> Floor 33 Holborn London EC1N 2HT
<b>Portfolio Manager, Administrator and Receiving Agents</b>	Octopus Investments Limited 6 <sup>th</sup> Floor 33 Holborn London EC1N 2HT
<b>Company Secretary</b>	Octopus Company Secretarial Services Limited
<b>Auditor</b>	BDO LLP 150 Aldersgate Street London EC1A 4AB
<b>Sponsor</b>	Howard Kennedy Corporate Services LLP 1 London Bridge London SE1 9BG
<b>Tax Adviser to the Offer</b>	Philip Hare & Associates LLP Hamilton House 1 Temple Avenue London EC4Y 0HA
<b>Solicitor</b>	Howard Kennedy LLP 1 London Bridge London SE1 9BG
<b>Registrars</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ
<b>VCT Tax Adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Depository</b>	BNP Paribas Securities Services 10 Avenue London NW1A 6AA





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